

Report On Audit

**THE CITY OF NEW BRUNSWICK
HOUSING AUTHORITY**

**For the Year Ended
June 30, 2011**

The City of New Brunswick Housing Authority
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
The City of New Brunswick Housing Authority
7 Vandyke Avenue
New Brunswick, New Jersey 08901

We have audited the Statement of Net Assets of the City of New Brunswick Housing Authority, hereafter referred to as the Authority, for the year's ended June 30, 2011 and 2010, and the related statement of revenue, expenses and changes in net assets and cash flows for the year's then ended. These financial statements are the responsibility of the Authority's management. 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. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes the examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the City of New Brunswick Housing Authority, as of June 30, 2011, and 2010 and the changes in financial position and, cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2012, on our consideration of the City of New Brunswick Housing Authority internal control over financial reporting and our test 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 16 and page 55 through 56 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

The accompanying Schedule of Federal Awards is presented for the purpose of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hymanson, Parnes & Giampaolo

Date: February 22, 2012

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

As Management of the City of New Brunswick Housing Authority (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 17 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

Assets of the Authority's enterprise fund were \$12,309,050 greater than the liabilities, an increase in the financial position of \$752,979 or a 7% percent increase.

As noted above, the assets of the Authority exceeded its liabilities by \$12,309,050 as of June 30, 2011. Of this amount, the unrestricted net asset portion is \$695,852 representing a decrease of \$2,139,222 or 75% percent from the previous fiscal year. The investment in fixed assets increased \$1,130,596 or 16% percent for an ending balance of \$8,126,611. The restricted net assets increased \$1,761,605 from the previous fiscal year for an ending balance of \$3,486,587. Additional information on the Authority's restricted and unrestricted net assets can be found in Note 22 and 23 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at June 30, 2011 is \$5,295,229 representing a decrease of \$4,448,705 or a 46% percent from the prior fiscal year. The full detail of this amount can be found in the Statement of Cash Flow on page 19 of this report.

The Authority's total assets are \$54,415,645 of which capital assets net book value is \$10,166,611, other noncurrent assets is \$34,660,392 leaving total current assets at \$9,588,642. Total current assets decreased from the previous fiscal year by \$4,507,374 or 32% percent. Cash and cash equivalents decreased by \$4,448,705, accounts receivables increased by \$122,855, investments decreased by \$198,472, and prepaid expenses increased by \$16,948.

The Authority's total liabilities are reported at \$42,106,595 of which noncurrent liabilities are stated at \$38,088,689. Total liabilities decreased during the fiscal year as compared to the prior fiscal year in the amount of \$6,366,072 or 13% percent.

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current liabilities decreased from the previous fiscal year by \$260,543 or 6% percent. Accounts payables decreased by \$165,065, accrued liabilities decreased by \$755,236, tenant security deposit payable decreased by \$9,585, deferred revenue decreased by \$19,752, the current portion of the Bonds payable increased by \$705,000, and other current liabilities decreased \$15,905.

Total noncurrent liabilities decreased by \$6,105,529 or 14% percent. The decrease was made up of four accounts, long-term capital bonds which decreased by \$5,888,681 for an ending balance of \$37,746,319, accrued compensated absences – long term with no offsetting assets, decreased \$221,344 from the prior fiscal year, other noncurrent liabilities decreased \$26,782, and accrued pension and OPEB liabilities increased \$31,278.

The Authority had total operating revenue of \$15,223,022 as compared to \$14,644,957 from the prior fiscal year for an increase of \$578,065 or 4% percent. Total operating expenses of \$15,371,697 as compared to \$14,769,258 from the previous fiscal year for an increase of \$602,439 or 4% percent, resulting in a loss from operations in the amount of \$148,675 for the current fiscal year as compared to loss from operations of \$124,301 from the previous fiscal year for an increase in expenses over revenue of \$24,374 or 20% percent.

Total capital improvements contributions from HUD were \$761,429 as compared to \$2,217,695 from the previous fiscal year for a decrease of \$1,456,266 or 66% percent.

The Authority's had capital outlays in the amount of \$1,368,599 for the fiscal year. These expenditures were funded by grants received from the U.S. Department of Housing and Urban Development in the amount of \$761,429 and the remainder from the use of operating reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 10 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$11,613,942 for the fiscal year as compared to \$12,883,750 for the previous fiscal year 2010 for a decrease of \$1,269,808 or 10% percent

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Low Rent Public Housing
2. Housing Choice Vouchers
3. Public Housing Capital Fund Program
4. Formula Capital Fund Stimulus Grant

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

There are two major parts to the financial statements:

- 1) Enterprise fund financial statements and
- 2) The notes to the financial statements.

This report also contains other supplementary information in addition to the financial statements. The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types.

The Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets are two financial statements that report information about the Authority and its activities. The Statement of Cash Flow help to demonstrate how the Authority's cash position changed due to the current year's operating activities. Theses 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.

The Statement of Net Assets presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements and are an integral part of the statements. The Notes to Financial Statements can be found in this Report beginning on page 20 through 53.

The Authority 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 17 through 19.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 54 of this report.

The comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program found on page 55 the Section Eight Housing Choice Voucher Program on page 56.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Assets between June 30, 2011 and June 30, 2010.

	Year Ended		Increase (Decrease)
	June-11	June-10	
Cash	\$ 5,295,229	\$ 9,743,934	\$ (4,448,705)
Other Current Assets	4,293,413	4,352,082	(58,669)
Capital Assets - Net	10,166,611	9,136,015	1,030,596
Other Assets	34,660,392	36,796,707	(2,136,315)
Total Assets	54,415,645	60,028,738	(5,613,093)
Less: Current Liabilities	(4,017,906)	(4,278,449)	260,543
Less: Non Current Liabilities	(38,088,689)	(44,194,218)	6,105,529
Net Assets	<u>\$12,309,050</u>	<u>\$11,556,071</u>	<u>\$ 752,979</u>
Invested in Capital Assets	\$ 8,126,611	\$ 6,996,015	\$ 1,130,596
Restricted Net Assets	3,486,587	1,724,982	1,761,605
Unrestricted Net Assets	695,852	2,835,074	(2,139,222)
	<u>\$12,309,050</u>	<u>\$11,556,071</u>	<u>\$ 752,979</u>

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Cash decreased by \$4,448,705 or 46% percent, this was due to the payment of debt in the amount of \$5,183,681. The full detail can be found in the Notes to the Financial Statements Note 20. Net cash used by operating activities was \$1,179,955, net cash used by capital and related financing activities was \$3,474,163, and net cash provided by investing activities was \$205,413. The full detail of these amounts can be found in the Statement of Cash Flow on page 19 of this audit report.

Other current assets decreased \$58,699 or 1% percent. The Authority sold investment in the amount of \$198,472 for a closing balance of \$298,698. Prepaid expenses increased in the amount of \$16,948 or 20% percent which was attributed primarily to an increase in prepaid insurance. Account receivables increased \$122,855 for an ending balance of \$3,895,038. A full detail of accounts receivable can be found in the Notes to the Financial Statements section Note- 7 Accounts Receivable.

Capital assets report an increase in the net book value of the capital assets in the amount of \$1,030,596 or 11% percent. The major factors contributed for the increase was the construction expenditures and additions to fixed assets in the amount of \$1,273,495 offset by the recording of depreciation expense net of adjustments in the amount of \$242,899. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 10 Fixed Assets.

The Authority reported a decrease in other assets in the amount of \$2,136,315. The amount consists of three accounts, notes receivable noncurrent, grants receivable noncurrent, and the amortization of the underwriters cost for the financing of the capital leveraging program. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 11 Notes Receivable, Note - 12 Grants Receivable, and Note – 13 Other Assets.

Total current liabilities decreased from the previous fiscal year by \$260,543 or 6% percent. Accounts payables decreased by \$165,065, accrued liabilities decreased by \$755,236, tenant security deposit payable decreased by \$9,585, deferred revenue decreased by \$19,752, the current portion of the Bonds payable increased by \$705,000, and other current liabilities decreased \$15,905.

Total noncurrent liabilities decreased by \$6,105,529 or 14% percent. The decrease was made up of four accounts, long-term capital bonds which decreased by \$5,888,681 for an ending balance of \$37,746,319, accrued compensated absences – long term with no offsetting assets, decreased \$221,344 from the prior fiscal year, other noncurrent liabilities decreased \$26,782, and accrued pension and OPEB liabilities increased \$31,278.

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

By far the largest portion of the Authority's net assets in the amount of \$8,126,611 or 67% percent reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

The Authority reported restricted net assets of \$3,486,587, an increase of \$1,761,605 or 102% percent. The account balance consists of three accounts. The amount of \$1,347,965 represents the amount of cash that is restricted for the Housing Choice Voucher program. The second amount of \$501 is restricted for the Capital Fund Program. The remaining amount of \$2,138,121 is restricted to the Authority Bond Program. Additional information on these funds can be found in Note 6 Restricted Cash and Note 22 Restricted Net Assets.

The City of New Brunswick Housing Authority operating results for June 30, 2011 reported a decrease in Unrestricted Net Assets of \$2,139,222 or 75% percent for an ending balance of \$695,852. Additional information on the Authority's unrestricted net assets can be found in Note 23 to the financial statements, which is included in this report.

At the end of the current fiscal year, the Authority is able to report positive balances in all three categories of net assets. The same situation held true for the prior year.

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Assets between June 30, 2011 and June 30, 2010.

The City of New Brunswick Housing Authority

Statement of Revenue, Expenses and
Changes in Net Assets

	Year Ended		Increase (Decrease)
	June-11	June-10	
<u>Revenues</u>			
Tenant Revenues	\$ 1,331,706	\$ 1,392,771	\$ (61,065)
HUD Subsidies	10,852,513	10,228,449	624,064
Other Governmental Grants	40,000	-	40,000
Fraud Recovery	25,744	14,260	11,484
Other Revenues	2,973,059	3,009,477	(36,418)
Total Operating Income	<u>15,223,022</u>	<u>14,644,957</u>	578,065
<u>Expenses</u>			
Operating Expenses	15,033,694	14,448,251	585,443
Depreciation Expense	338,003	324,577	13,426
Total Operating Expenses	<u>15,371,697</u>	<u>14,772,828</u>	598,869
Operating Income (Loss) Before Capital Grants	(148,675)	(127,871)	(20,804)
Interest Income	16,526	6,071	10,455
HUD Capital Grants	761,429	2,217,695	(1,456,266)
Increase in Net Assets	<u>629,280</u>	<u>2,095,895</u>	(1,466,615)
Net Assets Prior Year	11,556,071	10,330,248	1,225,823
Prior Period Adjustment	123,699	(870,072)	993,771
Total Net Assets	<u>\$12,309,050</u>	<u>\$11,556,071</u>	\$ 752,979

Approximately 71% percent of the Authority's total revenue was provided by HUD operating subsidy, while 9% percent resulted from tenant revenue. Other revenue, other governmental grants, and fraud income provided 20% percent of the total revenue.

City of New Brunswick Housing Authority received from the capital fund program \$761,429 in grant money, a decrease of 66% percent from the prior fiscal year. The capital expenditures of \$1,273,495 were used primarily for the purchase of administrative vehicles, ranges and refrigerators, apartment repairs and rehab, and entrances to an access road.

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating expenses cover a range of expenses. The largest expense was for housing assistance payments representing 51% percent of total operating expenses. Administrative expenses accounted for 18% percent, tenant services and protective services accounted for less than 1% percent, utilities accounted for 7% percent, maintenance accounted for 5% percent, other operating expenses accounted for 3% percent, interest expense accounted for 13% percent, and depreciation accounted for the remaining 2% percent of the total operating expenses.

The Authority operated at a loss in the amount of \$148,675 as compared to loss of \$124,301 prior fiscal year. The key elements for the increase of \$24,374 are as follows:

- The Authority experienced a decrease in other revenue in the amount of \$36,418 and tenant rental revenue by \$61,065. This was offset by an increase in PHA operating grants \$624,064.
- The Authority experienced an increase in Housing Assistance Payments in the amount of \$731,532.
- The Authority experienced an increase in administrative expenses in the amount of \$182,715. This was offset by decreases in maintenance expense in the amount of \$68,212 and other operating expenses \$136,424.

Total net cash used by operating activities during the year was \$1,179,955 as compared to \$375,760 for the prior fiscal year. Full detail of this amount can be found on the Statement of Cash Flow on page 19 of this report.

Overall the Authority reported a decrease in Unrestricted Net Assets of \$2,139,222 or 75% percent from the previous fiscal year. Additional information on the Authority's unrestricted net assets can be found in Note 23 to the financial statements, which is included in this report.

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following is financial highlights of significant items for a four year period of time ended on June 30, 2011.

	Significant Items			
	June-11	June-10	June-09	June-08
Significant Income				
Total Tenant Revenue	\$ 1,331,706	\$ 1,392,771	\$ 1,353,785	\$ 1,339,762
HUD Operating Grants	10,852,513	10,228,449	9,375,252	9,847,514
HUD Capital Grants	761,429	2,217,695	2,693,278	280,015
Investment Income	16,526	6,071	97,153	420,791
Other Income	2,973,059	3,023,737	3,047,045	3,042,455
Total	\$ 15,935,233	\$ 16,868,723	\$ 16,566,513	\$ 14,930,537
Payroll Expense				
Administrative Salaries	\$ 1,315,753	\$ 1,126,366	\$ 1,202,670	\$ 1,515,360
Tenant Services Salaries	-	-	-	31,166
Maintenance Labor	201,261	214,259	208,329	395,022
Protective Services - Labor	-	-	26,592	195,749
Employee Benefits Expense	782,012	812,884	482,322	718,413
Total Payroll Expense	\$ 2,299,026	\$ 2,153,509	\$ 1,919,913	\$ 2,855,710
Other Significant Expenses				
Other Administrative Expenses	\$ 741,585	\$ 1,207,875	\$ 389,852	\$ 316,688
Utilities Expense	1,040,493	1,052,068	1,171,618	1,274,023
Maintenance Supplies	134,409	186,904	258,080	216,434
Maintenance Contract Cost	382,909	387,512	176,007	287,869
Insurance Premiums	151,110	176,067	223,960	236,323
Bad Debt Expense	80,558	105,287	70,231	138,955
Housing Assistance Payments	7,769,783	7,038,251	6,904,113	6,947,316
Total	\$ 10,300,847	\$ 10,153,964	\$ 9,193,861	\$ 9,417,608
Total Operating Expenses	\$ 15,371,697	\$ 14,772,828	\$ 14,519,787	\$ 15,642,080
Total of Federal Awards	\$ 11,591,251	\$ 12,883,750	\$ 9,700,103	\$ 10,127,529

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2011, individual program or grant budgets were prepared by the Authority and adopted 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.

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 55 of this report.

The budget for the Housing Choice Voucher Program was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs. The full detail can be found in the Budget comparison to actual results for the Housing Choice Voucher Program on page 56 of this report.

THE AUTHORITY AS A WHOLE

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. The Authority's operating revenues were not sufficient to cover all operating expenses.

The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

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

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Public Housing Program:

Under the Public Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) Authority flat rent amount.

Housing Choice Voucher Program:

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also 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 approximately 30% of household income subject to certain restrictions.

HUD Section 8 VASH Program

The HUD-VASH program is a collaboration between the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Veterans Affairs Supported Housing (VASH) program to help homeless veterans and their immediate families find and maintain affordable, safe, and permanent housing in the community.

The primary goal of HUD-VASH is to help veterans and their families successfully move out of homelessness. The program is designed to improve each veteran's health and mental health, and to enhance each veteran's ability to remain stable, housed, and integrated in their local community. This is done using HUD Section 8 "Housing Choice" rental assistance vouchers and VA's intensive case management services.

Capital Fund Program:

The public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments and homes to keep them clean, safe and in good condition.

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY - CONTINUED

Formula Capital Fund Stimulus Grant Program

Formula Capital Fund Stimulus Grant Program to provide funds for the capital and management activities of Public Housing Agencies as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the "Act"), with the exception that funds cannot be used for operations or rental assistance. The funds shall be awarded by competition for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation.

Resident Opportunity and Support Services - ROSS

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency, or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 - Capital Assets

The Authority's investment in capital assets as of June 30, 2011 was \$10,166,611 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total increase in the Authority's investment in capital assets for the current fiscal year was 11% percent. Major capital expenditures of \$1,273,495 were made during the fiscal year.

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

Major capital assets events during the calendar year included the following:

- Purchase of administrative vehicles
- Purchase of ranges and refrigerators
- Apartment repairs and rehab
- Entrances to the access road

	June-11	June-10	Increase (Decrease)
Land and Improvements	\$ 604,468	\$ 604,468	\$ -
Buildings & Improvements	3,032,863	3,035,316	(2,453)
Furniture & Equipment - Dwelling	298,054	274,940	23,114
Furniture & Equipment - Administration	574,945	581,325	(6,380)
Leasehold Improvements	3,158,009	2,931,858	226,151
Construction in Progress	6,633,935	5,600,872	1,033,063
Totals	14,302,274	13,028,779	1,273,495
Accumulated Depreciation	(4,135,663)	(3,892,764)	(242,899)
Net Book Value	<u>\$ 10,166,611</u>	<u>\$ 9,136,015</u>	<u>\$ 1,030,596</u>

Additional information on the Authority's capital assets can be found in Note 10 to the financial statements, which is included in this report.

2 - Long Term Debt

Long Term Debt

The Authority as of June 30, 2011 had \$40,936,319 outstanding in revenue bonds. These bonds were issued for the Easton Avenue development, Golden Triangle development, and debt associated with the leveraging of the Authority's Capital Fund. Additional information on the Authority's long term debt can be found in Note 20 to the financial statements, which is included in this report.

NEW INITIATIVES

The current administration of the Authority is determined to improve the financial results of the Authority's operations. Additionally, it is the Authority's goal to provide better communication with the community, commissioners and tenants. Also, it is important to preserve the Authority assets by enhanced procurement activities and performing major capital projects where needed.

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of New Brunswick Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

The capital budgets for the 2011 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2012.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- HUD's forthcoming project based budgeting, accounting, and reporting requirements.
- Inflationary pressure on utility rates, supplies and other cost.
- The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.
- Stop-Loss requirements for City of New Brunswick Housing Authority.

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 Mr. John A. H. Clarke, Executive Director, City of New Brunswick Housing Authority, 7 Vandyke Avenue, New Brunswick, New Jersey 08901, or call (732) 745-0514.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011 AND 2010

	June 30,	
	2011	2010
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 5,295,229	\$ 9,743,934
Accounts Receivables, Net of Allowances	3,895,038	3,772,183
Investments	298,698	497,170
Prepaid Expenses	99,677	82,729
Total Current Assets	9,588,642	14,096,016
Noncurrent Assets		
Capital Assets		
Land	604,468	604,468
Building	3,032,863	3,035,316
Furniture, Equipment - Dwelling	298,054	274,940
Furniture, Equipment - Administration	574,945	581,325
Leasehold Improvements	3,158,009	2,931,858
Construction in Process	6,633,935	5,600,872
Total Capital Assets	14,302,274	13,028,779
Less: Accumulated Depreciation	(4,135,663)	(3,892,764)
Net Book Value	10,166,611	9,136,015
Other Assets		
Notes Receivable - Non Current	32,456,759	34,776,181
Grants Receivable - Non Current	1,870,000	1,970,000
Other Assets	333,633	50,526
Total Other Assets	34,660,392	36,796,707
Total Noncurrent Assets	44,827,003	45,932,722
Total Assets	\$ 54,415,645	\$ 60,028,738
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 179,405	\$ 344,470
Accrued Liabilities	516,401	1,271,637
Tenant Security Deposit Payable	96,207	105,792
Deferred Revenue	2,434	22,186
Bonds, Notes and Loans Payable - Current Portion	3,190,000	2,485,000
Other Current Liabilities	33,459	49,364
Total Current Liabilities	4,017,906	4,278,449
Noncurrent Liabilities		
Bonds, Notes and Loans Payable	37,746,319	43,635,000
Accrued Compensated Absences - Long-Term	141,263	362,607
Noncurrent - Other Liabilities	37,079	63,861
Accrued Pension and OPEB Liabilities	164,028	132,750
Total Noncurrent Liabilities	38,088,689	44,194,218
Total Liabilities	42,106,595	48,472,667
Net Assets:		
Investment in Capital Assets, Net of Related Debt	8,126,611	6,996,015
Restricted Net Assets	3,486,587	1,724,982
Unrestricted Net Assets	695,852	2,835,074
Total Net Assets	12,309,050	11,556,071
Total of Liabilities and Net Assets	\$ 54,415,645	\$ 60,028,738

See accompanying notes to the financial statements.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011 AND 2010

	<u>June 30,</u>	
	2011	2010
Revenue:		
Tenant Rental Revenue	\$ 1,331,706	\$ 1,392,771
HUD PHA Operating Grants	10,852,513	10,228,449
Other governmental Grants	40,000	-
Fraud Recovery	25,744	14,260
Other Revenue	2,973,059	3,009,477
Total Revenue	15,223,022	14,644,957
Operating Expenses:		
Administrative Expenses	2,731,215	2,548,500
Tenant Services	11,662	3,066
Utilities Expense	1,040,493	1,052,068
Maintenance Expense	826,714	894,926
Protective Services Expenses	7,882	8,387
Other Operating Expenses	547,952	684,376
Interest Expense	2,097,993	2,215,107
Housing Assistance Payments	7,769,783	7,038,251
Depreciation Expense	338,003	324,577
Total Operating Expenses	15,371,697	14,769,258
Excess Expenses Over Revenue From Operations	(148,675)	(124,301)
Nonoperating Revenue (Expenses)		
Investment Income	16,526	6,071
Total Nonoperating Revenue (Expenses)	16,526	6,071
Revenue Before Capital Grant Contributions	(132,149)	(118,230)
Capital Grant Contributions	761,429	2,217,695
Change in Net Assets	629,280	2,099,465
Beginning Net Assets	11,556,071	10,326,678
Prior Period Adjustment	123,699	(870,072)
Beginning Net Assets - Restated	11,679,770	9,456,606
Ending Net Assets	\$ 12,309,050	\$ 11,556,071

See accompanying notes to the financial statements.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011 AND 2010

	June 30,	
	2011	2010
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 1,357,547	\$ 1,378,582
Receipts from Federal Grants	10,737,214	10,326,975
Receipts from Other Government Grants	40,000	-
Receipts from Misc. Sources	2,742,844	3,023,737
Payments to Vendors and Suppliers	(4,948,258)	(4,967,554)
Payments for Housing Assistance Payments	(7,769,783)	(7,038,251)
Payments to Employees	(1,517,014)	(1,440,625)
Payment of Employee Benefits	(782,012)	(753,436)
Payment of Utilities Expenses	(1,040,493)	(905,188)
Net Cash (Used) by Operating Activities	(1,179,955)	(375,760)
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	761,429	2,217,695
Acquisitions and Construction of Capital Assets	(1,273,495)	(2,297,183)
Payment for Retirement of Debt	(5,183,681)	(2,350,000)
Receipts from Mortgage Note Receivables	2,319,422	2,045,813
Receipts of Grants Receivable	100,000	966,031
Payment of Noncurrent Liabilities	(26,782)	(34)
Payment of Accrued Compensated Absences - Noncurrent	(221,344)	(6,184)
Accrued Pension and OPEB Liabilities	31,278	132,750
Prior Period Adjustment - Net Cash	123,699	(870,072)
Disposal of Assets	(104,689)	-
Net Cash (Used) by and Related Financing Activities	(3,474,163)	(161,184)
Cash Flow From Investing Activities		
Interest Income	16,526	6,071
Receipt (Payment) of Tenant Security Deposit	(9,585)	(4,865)
Sale of Investments	198,472	2,100,359
Net Cash Provided by Investing Activities	205,413	2,101,565
Net (Decrease) Increase in Cash and Cash Equivalents	(4,448,705)	1,564,621
Beginning Cash	9,743,934	8,179,313
Ending Cash	\$ 5,295,229	\$ 9,743,934
Provided (Used) by Operating Activities		
Excess of Revenue Over Expenses	\$ (148,675)	\$ (124,301)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	338,003	324,577
(Increase) Decrease in:		
Accounts Receivables	(122,855)	(19,202)
Prepaid Expenses	(16,948)	48,524
Other Assets	(283,107)	3,484
Increase (Decrease) in:		
Accounts Payable	(165,065)	(372)
Accrued Liabilities	(755,236)	(31,358)
Security Deposit Payable	9,585	-
Deferred Revenue	(19,752)	(572,531)
Other Current Liabilities	(15,905)	(4,581)
Net Cash (Used) by Operating Activities	\$ (1,179,955)	\$ (375,760)

See accompanying notes to the financial statements.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a non-profit corporation which was organized under the laws 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 New Brunswick in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development 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.

Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of New Brunswick, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the City of New Brunswick reporting entity.

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The primary government holds the corporate powers of the organization.
- C. The primary government appoints a voting majority of the organization's board.
- D. The primary government is able to impose its will on the organization.
- E. There is fiscal dependency by the organization on the primary government.
- F. The organization has potential to impose a financial benefit or burden on the primary government.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting” addresses the applicability of the various FASB’s, and allows several options in the use of the FASB’s. The Authority has elected to use Alternative 2 of GASB-20 which states that “a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements”. Also, the Authority has elected to not follow FASB-106, FASB-112, and FASB-132, which all deal with pension reporting. Instead, the Authority follows GASB-45-“Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension”.

New Accounting Standards Adopted

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

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

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

A. Basis of Accounting –

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non exchange transactions or ancillary activities. All assets, liabilities, net assets, revenue, and expenses are accounting for through a single enterprise fund for the primary government.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) The City of New Brunswick Housing Authority's flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by June 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program of the Authority is entitled to receive advances as expenditures are incurred.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

2. A – Basis of Accounting - Continued

Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets during the year. Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Other revenue is income composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non exchange transactions or ancillary activities.

B. Report Presentation –

The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" and Statement No.38 "Certain Financial Statement Note Disclosures" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flow.

GASB Statement No. 34 requires the classification of net assets into three components, Investment in Capital Assets, Net of Related Debt Restricted Net Assets, and Unrestricted Net Assets.

Net Assets Invested in Capital Assets Net of Related Debt.

The net assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements June 30, 2011

2. B. Report Presentation - Continued

Restricted Net Assets.

The net assets less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed, or when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

Unrestricted Net Assets.

The net assets consist of net assets that do not meet the definition of Restricted Net Assets or Invested in Capital Assets, Net of Related Debt.

The adoptions of Statement No. 34, Statement No. 37, and Statement No. 38 have no significant effect on the financial statements except, for the classification of net assets in accordance with Statement No. 34.

The Enterprise Fund is used for activities which are financed and operated in a manner similar to a private business enterprise where the intent is that the costs (expenses, including depreciation) of providing goods or services to its clients on a continuing basis be financed or recovered primarily through user charges or operating subsidies.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards, both are which are included as Supplemental information.

Other accounting policies are as follows

1 - Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 - Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 - Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 - Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

Other accounting policies - Continued

5 - Operating subsidies received from HUD are recorded as income when earned.

6 - The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 - Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

9 - The Authority does not have any infrastructure assets for its Enterprise Fund.

10 - Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

11- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

Other accounting policies - Continued

12- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

13- When expenses are incurred where both restricted and unrestricted net assets are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net assets will be used.

C. Budgetary and Policy Control -

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses.

Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 55 the Section Eight Housing Choice Voucher Program on page 56.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

3. Activities - The only programs or activities administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Low Rent Housing	14.850	NJ-22	463
Capital Fund	14.872		
Formula Capital Fund Stimulus	14.885		
Resident Opportunity and Supportive Services	14.870		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-22	810
HUD Veterans Affairs Supportive Housing	14.VSH		

Business Activities – Authority Bond Fund Program

1. Golden Triangle Project
2. Easton Avenue Project

State Program – Carpentry Apprentice Program

4. Taxes - Under federal, state, and local law, the Authority's program are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes.

5. Grants - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

- 6. Board of Commissioners** - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:
1. The ability of the Board to exercise supervision of a component unit's financial independence.
 2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
 3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
 4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
 5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 - ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements June 30, 2011

NOTE 3 - PENSION PLAN

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. It is a cost sharing, multiple-employer defined benefit pension plan. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system. Membership is mandatory for such employees.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2011 and 2010 amounted to \$196,593 and \$177,971.

Post Employment Retirement Benefits

The Authority also provides post employment health care benefits and life insurance to all eligible retirees. Eligibility requires that employees be 55 years or older with at least 25 years of service.

NOTE 4 - CASH, CASH EQUIVALENTS

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements June 30, 2011

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

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/FSLIC 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. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

Collateral for Deposits

The New Jersey Government Code requires New Jersey banks and savings and loan associations to be covered by the Governmental Unit Deposit Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. The market value of the pledged securities must equal at least 110% of the Authority's deposits.

The bank balances at June 30, 2011 and 2010 were \$5,295,229 and investments of \$298,698 totaling \$5,593,927 for 2011 and \$9,743,934 with investments of \$497,170 totaling \$10,241,104 for 2010 which were either insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below:

	Year Ended	
	June-11	June-10
Bank of New York - Bonds Proceeds	\$ 3,132,392	\$ 6,720,368
Bank of America	2,047,373	2,464,243
Bank of New York - Leveraging	501	363,630
Amboy National Bank	98,699	98,451
Wachovia Bank	-	105,950
PNC Bank	314,362	487,862
Petty Cash	600	600
Total	<u>\$ 5,593,927</u>	<u>\$ 10,241,104</u>

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

The Authority's checking accounts are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does have a deposit policy for custodial credit risk. The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>Bank Balances</u>	
	<u>June-11</u>	<u>June-10</u>
Insured	\$ 848,699	\$ 1,205,001
Collateralized held by pledging bank's trust department in the Authority's name	4,745,228	9,036,103
Total	<u>\$ 5,593,927</u>	<u>\$ 10,241,104</u>

NOTE 5 – TENANT SECURITY DEPOSIT

The Authority has restricted cash in the amount of \$96,207 as of June 30, 2011 and \$104,936 as of June 30, 2010 was accounted for in cash and cash equivalents in Note 4. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at Wachovia Bank. Based on custodial credit risk in Note 4, all of the Authority's security deposits located at Wachovia Bank as of June 30, 2011 and 2010 is classified as follows:

<u>Depository Accounts</u>	<u>Bank Balances</u>	
	<u>June-11</u>	<u>June-10</u>
Insured	\$ 96,207	\$ 104,936
Collateralized held by pledging bank's trust department in the Authority's name	-	-
Total	<u>\$ 96,207</u>	<u>\$ 104,936</u>

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

NOTE 6 - RESTRICTED CASH

The Authority reported restricted cash for June 30, 2011 and 2010 on the balance sheet as follows:

	Year Ended	
	June-11	June-10
Bank of New York - Bonds Proceeds	\$ 3,132,392	\$ 6,720,368
Bank of America	1,347,965	1,361,352
Bank of America - FSS Escrow	37,079	63,861
Bank of New York - Leveraging	501	363,197
Total	<u>\$ 4,517,937</u>	<u>\$ 8,508,778</u>

The Authority has restricted cash in the amount of \$501 as of June 30, 2011 and \$363,630 as of June 30, 2010 for capital leveraging program was accounted for in cash and cash equivalents in Note 4. It is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project which the Authority is under taking.

The Authority has additional restricted cash in the amount of \$3,132,392 as of June 30, 2011 and \$7,060,477 as of June 30, 2010 for the Authority Bond program and was accounted for in cash and cash equivalents in Note 4. It is held in trust at the Bank of New York. These funds at Bank of New York are controlled by the City of New Brunswick for the Redevelopment Agency of the Authority for the development project which the Authority is under taking.

The Authority also has restricted cash in the amount of \$1,347,965 as of June 30, 2011 and \$1,361,352 as of June 30, 2010 was accounted for in Note 4 for the Section 8 Housing Choice Voucher Program HAP reserve. The Authority invested these funds in certificate of deposit accounts at Bank of America. In accordance with HUD's PIH Notice 2007-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the reserve fund balance and may only be used to assist additional families up to the number of units under contract.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 7 - ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2011 and 2010 consisted of the following:

	Year Ended	
	June-11	June-10
Tenants Accounts Receivable - Present	\$ 50,584	\$ 42,057
Tenants Accounts Receivable - Fraud Recovery	103,217	105,233
Tenants Accounts Receivable - Vacated	29,227	63,595
Less Allowance for Doubtful Accounts	(82,229)	(58,524)
Net Tenants Accounts Receivable	<u>100,799</u>	<u>152,361</u>
Accounts Receivable - HUD	230,895	115,596
Accrued Interest Income Receivable	456,906	1,039,956
Accounts Receivable - High School Construction	16,438	79,270
Notes Receivable - Current Portion	3,090,000	2,385,000
Less Allowance for Doubtful Accounts	-	-
Accounts Receivable - Other	<u>3,794,239</u>	<u>3,619,822</u>
 Total Accounts Receivable	 <u>\$ 3,895,038</u>	 <u>\$ 3,772,183</u>

City of New Brunswick Housing Authority carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations.

The Authority reported accounts receivable from HUD in the amount of \$230,895 as of June 30, 2011. These funds were received prior to the issuance of the Report.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 8 - PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Prepaid expenses at June 30, 2011 and 2010 consisted of prepaid insurance premiums.

NOTE 9 - INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenue and expenses. Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

NOTE 10 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated at cost as determined by an appraisal.

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized.

Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$1,000 are expensed when incurred.

Property and equipment are stated at cost. Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The carrying value of long-live assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority does not have any impairment at June 30, 2011.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 10 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2011 and 2010:

	Balance June-10	Additions	Deletions	Transfers	Balance June-11
Land and Improvements	\$ 604,468	\$ -	\$ -	\$ -	\$ 604,468
Buildings & Improvements	3,035,316	-	(2,453)	-	3,032,863
Furniture & Equipment - Dwelling	274,940	9,589	2,453	11,072	298,054
Furniture & Equipment - Administration	581,325	88,724	(95,104)	-	574,945
Leasehold Improvements	2,931,858	-	-	226,151	3,158,009
Construction in Progress	5,600,872	1,270,286	-	(237,223)	6,633,935
Totals	13,028,779	1,368,599	(95,104)	-	14,302,274
Accumulated Depreciation	(3,892,764)	(338,003)	95,104	-	(4,135,663)
Net Book Value	\$ 9,136,015	\$ 1,030,596	\$ -	\$ -	\$ 10,166,611

	Balance June-09	Additions	Deletions	Transfers	Balance June-10
Land and Improvements	\$ 604,468	\$ -	\$ -	\$ -	\$ 604,468
Buildings & Improvements	3,032,863	2,453	-	-	3,035,316
Furniture & Equipment - Dwelling	248,376	26,564	-	-	274,940
Furniture & Equipment - Administration	482,257	46,491	-	52,577	581,325
Leasehold Improvements	2,749,337	-	-	182,521	2,931,858
Construction in Progress	3,614,295	2,221,675	-	(235,098)	5,600,872
Totals	10,731,596	2,297,183	-	-	13,028,779
Accumulated Depreciation	(3,568,187)	(324,577)	-	-	(3,892,764)
Net Book Value	\$ 7,163,409	\$ 1,972,606	\$ -	\$ -	\$ 9,136,015

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements June 30, 2011

NOTE 11- NOTES RECEIVABLE – NON CURRENT

City of New Brunswick Housing Authority has four notes receivable -noncurrent as of June 30, 2011 and 2010.

1. Golden Triangle Development
2. Easton Avenue Development
3. New Brunswick Urban Renewal L.P.
4. The Community Builders Inc.

Golden Triangle Project – The Authority issued \$7,675,000 in Public Improvement Bonds-Series 1986-A. The bonds were issued to provide funds to finance the public improvement of the “Golden Triangle” located at the intersection of Albany and George Streets. The proceeds were used to finance:

- The cost of road widening and expenses related thereto, including the cost of land acquisition, demolition and relocation of existing occupants.
- The interest on the Bonds during the period of construction
- The costs and expenses of the Authority in connection with the issuance of the Bonds.
- The proceeds for the payment of the debt will be funded by the City of New Brunswick. The restricted cash accounts where the funds are deposited into are under the control of the City of New Brunswick.

Easton Avenue Project – The Authority issued \$2,000,000.00 in Bond Anticipation Notes to provide temporary financing for the “Easton Avenue Project”. These notes were paid-off with accrued interest when the Authority issued \$55,295,000.00 in Lease Revenue Bonds, Series 1992. The Bonds were issued to provide funds to:

- Finance the costs of the acquisition and construction of a combined-use structure consisting of a student apartment complex, a parking deck, health club and unit retail center and the common space associated therewith.
- Capitalize the interest due on the Bonds through July 1, 1994.
- Fund the Debt Service Reserve Fund in an amount equal to the requirement. The proceeds for the payment of the debt will be funded by the City of New Brunswick. The restricted cash accounts where the funds are deposited into are under the control of the City of New Brunswick.
- Pay the costs and expenses incurred in connection with the issuance and delivery of the Bonds.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 11- NOTES RECEIVABLE - NON CURRENT - CONTINUED

New Brunswick Homes Urban Renewal, LP - The Authority has a note receivable from New Brunswick Homes Urban Renewal, LP in the amount of \$1,778,146 in connection with the Hope VI Program. The note is dated December 31, 2001 and there are no required payments for forty years. The note is to be repaid from the cash flow proceeds of the project.

The Authority at June 30, 2009 determined that it does not appear that the development will be able to generate the cash flow necessary to repay the note. Accordingly, an allowance has been established for the entire amount of the note. For June 30, 2011 the interest rate on the note was \$6.9% and the amount of interest accrued amounted to \$539,860. See the June 30, 2011 schedule of notes receivable below.

The Community Builders Inc. - The Authority has a note receivable from Community Builders Inc. in the amount of \$5,822,188 in connection with the Hope VI Program. The note is dated December 31, 2006 and there are no required payments for forty years. The note is to be repaid from the cash flow proceeds of the project.

The Authority at June 30, 2009 determined that it does not appear that the development will be able to generate the cash flow necessary to repay the note. Accordingly, an allowance has been established for the entire amount of the note. For June 30, 2011 the interest rate on the note was 7% and accrued annually. The Authority did not accrued interest for June 30, 2011 due to the developments financial condition. See the June 30, 2011 schedule of notes receivable below.

Below is a schedule of present value and the net book value of all note receivables as of June 30, 2011.

	Note Balance	Accrued Interest	Present Value	Allowance for Doubtful	Net Book Value
Golden Triangle	\$ 3,296,302	\$ 77,802	\$ 3,374,104	\$ -	\$ 3,374,104
Easton Avenue 1992	1,190,000	34,362	1,224,362	-	1,224,362
Easton Avenue 2011	31,060,457	344,639	31,405,096		31,405,096
New Bruns Urban Renewal L.P.	1,778,146	539,860	2,318,006	(2,318,006)	-
Community Builders Inc.	5,822,188	-	5,822,188	(5,822,188)	-
	<u>\$ 35,546,759</u>	<u>\$ 456,803</u>	<u>36,003,562</u>	<u>\$ (8,140,194)</u>	<u>36,003,562</u>
					Less Current Portion (3,090,000)
					Less Accrued Interest Receivable (456,803)
					<u>Net Book Value \$ 32,456,759</u>

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

NOTE 11- NOTES RECEIVABLE – NON CURRENT - CONTINUED

Below is a schedule of present value and the net book value of all note receivables as of June 30, 2010.

	Note Balance	Accrued Interest	Present Value	Allowance for Doubtful	Net Book Value
Golden Triangle	\$ 3,761,549	\$ 88,458	\$ 3,850,007	\$ -	\$ 3,850,007
Easton Avenue 1992	1,245,000	36,374	1,281,374	-	1,281,374
Easton Avenue 1998	32,154,632	915,124	33,069,756		33,069,756
New Bruns Urban Renewal L.P.	1,778,146	539,860	2,318,006	(2,318,006)	-
Community Builders Inc.	5,822,188	-	5,822,188	(5,822,188)	-
	<u>\$ 37,161,181</u>	<u>\$ 1,039,956</u>	<u>38,201,137</u>	<u>\$ (8,140,194)</u>	<u>38,201,137</u>
					Less Current Portion (2,385,000)
					Less Accrued Interest Receivable (1,039,956)
					<u>Net Book Value \$ 34,776,181</u>

NOTE 12 – GRANTS RECEIVABLE- NON CURRENT

During 2004, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt twenty year Capital Program Revenue Bonds, 2004 Series A. The Authority received a net amount of \$2,570,000. The funds received were deposited with the Bank of New York which is acting as the Trustee. All funds must be expended within a four year period. The Trustee must receive copies of all invoices prior to release of funds. The Trustee may only draw funds from HUD E-LOCCS for repayment of debt and related interest. The amount of HUD future CFP State Leveraging Program funds receivable at June 30, 2011 and 2010 is as follows:

	Year Ended	
	<u>June-11</u>	<u>June-10</u>
HUD CFP Future Principal Payments	\$ 1,970,000	\$ 2,070,000
Less Current Receivable	(100,000)	(100,000)
Total Grants Receivable	<u>\$ 1,870,000</u>	<u>\$ 1,970,000</u>

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 13 - OTHER ASSETS

During 2004, the Authority entered into a Capital Fund leveraging pool and incurred underwriters cost in the amount of \$69,689 at the closing with the Capital Program Revenue Bonds. During 2011 the Easton Avenue bonds was refinanced for a cost in the amount of \$291,449. This amount was added to the original underwriters cost of \$69,689 for a total of \$361,138. The leveraging cost is recorded as other assets and amortized over the life of the bond using the straight line method.

	Year Ended	
	June-11	June-10
Capital Fund Leveraging - Underwriter's Cost	\$ 361,138	\$ 69,689
Less Amortization - Underwriter's Cost	(27,505)	(19,163)
Net Book Value - Underwriter's Cost	<u>\$ 333,633</u>	<u>\$ 50,526</u>

NOTE 14 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its balance sheet as of June 30, 2011 and 2010. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at June 30, 2011 and 2010 consist of the following:

	Year Ended	
	June-11	June-10
Accounts Payable Vendors	\$ 144,461	\$ 22,710
Accounts Payable - Other Government	31,354	321,760
Accounts Payable - HUD PHA Programs	3,590	-
Total Accounts Payable	<u>\$ 179,405</u>	<u>\$ 344,470</u>

NOTE 15 - ACCOUNTS PAYABLE - OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of New Brunswick. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended June 30, 2011 and 2010, PILOT expense as of June 30, 2011 is \$33,318 and \$31,495 for 2010 was accrued. The total amount of PILOT payable at June 30, 2011 and 2010 is \$31,354 and \$32,633, respectfully.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 16 - ACCRUED EXPENSES

The Authority reported accrued expenses on its balance sheet in the amount of \$516,401 for June 30, 2011 and \$1,271,637 for 2010. Accrued expenses are liabilities covering expenses incurred on or before June 30, and are payable at some future date. Accrued liabilities at June 30, 2011 and 2010 consist of the following:

	Year Ended	
	June-11	June-10
Compensated Absences - Current Portion	\$ 15,695	\$ 40,289
Wages and Payroll Taxes Payable	28,878	80,598
Accrued Audit Fee	-	14,500
Accrued Legal Fees	-	12,376
Accrued Utilities Bills	-	68,883
Accrued Interest Payable - Notes Payable	471,828	1,054,991
Total Accrued Liabilities	\$ 516,401	\$ 1,271,637

NOTE 17 - ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Employees may be compensated for accumulated vacation leave after October 1st for any unused vacation leave prior to December 31st. The Authority will not permit an employee to carry over unused vacation leave to the next year. Employees may accumulate up to 150 sick days. Employees receive 10 sick days per year. At the end of each year, employees may either carry over all remaining sick days or carry over half of their earned sick days and be compensated for the other half up to \$10,000. At retirement, the employee is entitled to be paid 50% of the accumulated sick leave balance or \$10,000. The Authority has determined that the potential liability for accumulated vacation time and sick time as follows:

	Year Ended	
	June-11	June-10
Accumulated Sick Time	\$ 56,986	\$ 208,425
Accumulated Vacation Time	88,818	165,840
Accrued Payroll Taxes	11,154	28,631
Total	156,958	402,896
Compensated Absences - Current Portion	(15,695)	(40,289)
Total Compensated Absences - Noncurrent	\$ 141,263	\$ 362,607

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements June 30, 2011

NOTE 18- DEFERRED REVENUE

The Authority reported deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized. The deferred revenue for June 30, 2011 is \$2,434 and \$22,186 for June 30, 2010.

NOTE 19 - OTHER NON CURRENT LIABILITY - FSS ESCROW PAYABLE

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education.

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited.

The bank account balance at June 30, 2011 is \$37,079. The bank account balance at June 30, 2010 is \$63,861.

NOTE 20 - LONG TERM DEBT

At June 30, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off.

GASB Interpretation No. 2, "Disclosure of Conduit Debt Obligations," provided guidance as to the proper GAAP treatment of this HUD-guaranteed debt. The debt transactions between the Authority and HUD are similar to conduit debt obligations, which are "certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by the state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer" financial reporting entity.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 20 - LONG TERM DEBT - CONTINUED

The transaction between the Authority and HUD is similar to HUD giving funds to the Authority to operate and the funds are a capital contribution. HUD has essentially made an investment in the Authority. Therefore, the liability was reclassified as a capital contribution. Since HUD is paying the obligations directly, the outstanding Long Term Debt balance at June 30, 2011 and 2010 could not be readily determined.

At June 30, 2011, the Authority has four (4) notes payable. They consist of the following:

	Current Portion	Long-Term	Accrued Interest	Total
Golden Triangle	\$ 495,000	\$ 2,900,000	\$ 77,802	\$ 3,472,802
Easton Ave - 1992	55,000	1,135,000	34,362	1,224,362
Easton Ave - 2011	2,540,000	31,771,319	344,639	34,655,958
Capital Leveraging Fund	100,000	1,940,000	15,025	2,055,025
Total	\$ 3,190,000	\$ 37,746,319	\$ 471,828	\$ 41,408,147

At June 30, 2010, the Authority has four (4) notes payable. They consist of the following:

	Current Portion	Long-Term	Accrued Interest	Total
Golden Triangle	\$ 495,000	\$ 3,365,000	\$ 88,458	\$ 3,948,458
Easton Ave - 1992	55,000	1,190,000	35,814	1,280,814
Easton Ave - 1998	1,835,000	37,040,000	915,123	39,790,123
Capital Leveraging Fund	100,000	2,040,000	15,596	2,155,596
Total	\$ 2,485,000	\$ 43,635,000	\$ 1,054,991	\$ 47,174,991

1. Golden Triangle Project – The Authority issued \$8,460,000 in Public Improvement Series 1993 tax exempt bonds to provide funds to advance refund the Authority’s outstanding Public Improvement Bonds Series 1986A. The Series 1986A bonds were issued to finance the public improvement of the Golden Triangle located at the intersection of Albany and George Streets. The proceeds were used to finance the cost of road widening and expenses related thereto, including the cost of land acquisition, demolition and relocation of existing occupants. The proceeds were also used to finance the cost of interest and related expenses in connection with the issuance of the bonds.

The bond series 1993 are due December 31, 2016. Interest is payable semi-annually and the interest rate is variable. For the fiscal year ended June 30, 2011, the interest rate was 5.3%.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 20 – LONG TERM DEBT - CONTINUED

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

June 30, 2012	\$	495,000
June 30, 2013		520,000
June 30, 2014		550,000
June 30, 2015		575,000
June 30, 2016		610,000
		<hr/>
		2,750,000
Year 2017		645,000
		<hr/>
Total	\$	<u>3,395,000</u>

2. Easton Avenue Project – The Authority issued \$2,000,000 in bond anticipation notes to provide temporary financing for the Easton Avenue project. These notes were repaid with accrued interest when the Authority issued \$55,295,000 in Lease Revenue Bonds, Series 1992. The bonds were issued to finance the costs of acquisition and construction of a combined use structure consisting of a Rutgers student apartment complex, parking deck, health club and a multi-unit retail center. Additionally, the bond proceeds were used to capitalize the interest due on the bonds through July 1, 1994, fund the debt service reserve fund and pay all costs and expenses associated with the authorization, issuance and delivery of the bonds.

On July 1, 2002, in addition to the scheduled retirement of bonds in the amount of \$1,070,000, the Authority retired an additional \$46,500,000 in outstanding bonds. All bonds Series 1992 except for \$1,550,000 were retired on July 1, 2002. Interest is payable semi-annually on January 1, and July 1 and the interest rate is variable. For the fiscal year ended June 30, 2011 the interest rate was 5%.

On July 1, 2011 the Authority retired the outstanding amount of \$37,040,000 aggregate principal amount of Series 1998 Bonds. This was used to refund the holder's allocable share and used to pay the costs and expenses incurred with the authorization, issuance and delivery of the Series 2011 Bonds. Interest is payable semi-annually on January 1, and July 1 and the interest rate is variable. For the fiscal year ended June 30, 2011 the interest rate was 5%.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 20 - LONG TERM DEBT - CONTINUED

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

	<u>Series 1992</u>	<u>Series 2011</u>	<u>Total</u>
June 30, 2012	\$ 60,000	\$ 2,786,289	\$ 2,846,289
June 30, 2013	60,000	2,936,670	2,996,670
June 30, 2014	65,000	3,036,670	3,101,670
June 30, 2015	70,000	3,181,670	3,251,670
June 30, 2016	70,000	3,326,670	3,396,670
	<u>325,000</u>	<u>15,267,969</u>	<u>15,592,969</u>
Year 2017-2021	425,000	19,043,350	19,468,350
Year 2022-2025	440,000	-	440,000
	<u>1,190,000</u>	<u>34,311,319</u>	<u>35,501,319</u>

3. Capital Fund Leveraging Program - The Authority participated on December 23, 2004 with other New Jersey Housing Authorities in the issuance of \$79,860,000 in Series 2004 HMFA Bonds. The Authority portion of the Series 2004 HMFA Bonds is \$2,570,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2025.

The faith and credit of the New Brunswick Housing and Redevelopment Authority was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2005. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month. The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Bank of New York, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund. The interest paid on the Bonds thru June 30, 2011 was \$446,161 which was capitalized under construction in process cost.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

NOTE 20 - LONG TERM DEBT - CONTINUED

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

June 30, 2011	\$	100,000
June 30, 2012		110,000
June 30, 2013		110,000
June 30, 2014		110,000
June 30, 2015		120,000
		<hr/>
		550,000
Year 2016-2020		685,000
Year 2021-2025		805,000
		<hr/>
Total	\$	<u>2,040,000</u>

NOTE 21 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

	Year Ended	
	June-11	June-10
Annual Required Contribution	\$ 55,743	\$ 329,343
Unfunded Accrued Liability	171,942	-
Interest on Net OPEB Obligation	5,310	-
Annual OPEB cost (expense)	<hr/> 232,995	<hr/> 329,343
Contributions made	(201,217)	(196,593)
Increase in net OPEB obligation	<hr/> 31,778	<hr/> 132,750
Net OPEB Obligation - beginning of year	132,750	-
Net OPEB Obligation - end of year	<hr/> <u>\$ 164,528</u>	<hr/> <u>\$ 132,750</u>

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

NOTE 22 - RESTRICTED NET ASSETS

The Authority Restricted Net Assets account balance at June 30, 2011 is \$3,486,587 and \$1,724,982 for 2010.

	Year Ended	
	June-11	June-10
HCV - HAP Reserve	\$ 1,347,965	\$ 1,361,352
State Leveraging Bond Reserve	501	363,630
Authority Bond Program	2,138,121	-
Total Grants Receivable	<u>\$ 3,486,587</u>	<u>\$ 1,724,982</u>

Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 2007-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the reserve fund balance and may only be used to assist additional families up to the number of units under contract.

The detail of the HAP reserve account balances is as follows:

	<u>HAP Payments</u>
Pre - January 1, 2005	\$ -
Increase During 6-30-2005 Year	-
Increase During 6-30-2006 Year	842,568
Increase During 6-30-2007 Year	268,569
Increase During 6-30-2008 Year	852,099
Decrease During 6-30-2009 Year	(326,363)
Decrease During 6-30-2010 Year	(275,521)
Decrease During 6-30-2011 Year	(13,387)
Balance June 30, 2011	<u>\$ 1,347,965</u>

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 23 - UNRESTRICTED NET ASSETS

The Authority Unrestricted Net Assets account balance as of June 30, 2011 is \$695,852 and \$2,835,074 for June 30, 2010. The detail of the account balance is as follows:

	LIH Program	Section 8			Business	Total
	Reserves	VASH	HCV	COCC	Activities	
Balance June 30, 2009	\$ 3,717,443	\$ -	\$ 109,195	\$ (170,928)	\$ 76,257	\$ 3,731,967
Increase During the Year	-	198,719	-	-	-	198,719
Decrease During the Year	(1,167,852)	-	(224,203)	(80,697)	377,140	(1,095,612)
Balance June 30, 2010	2,549,591	198,719	(115,008)	(251,625)	453,397	2,835,074
Increase During the Year	-	-	93,537	-	43,917	137,454
Decrease During the Year	(1,990,745)	(198,719)	-	(87,212)	-	(2,276,676)
Balance June 30, 2011	\$ 558,846	\$ -	\$ (21,471)	\$ (338,837)	\$ 497,314	\$ 695,852

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements
June 30, 2011

NOTE 23 - UNRESTRICTED NET ASSETS - CONTINUED

Housing Choice Voucher Program - Reserves

Administrative fee paid by HUD to the Authority in excess of administrative expenses are also part of the undesignated fund balance and are considered to be administrative fee reserves. Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR 982.155 - i.e. other housing purposes permitted by state and local law. Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

	Pre 2004 Unrestricted Reserves	Post 2003 Unrestricted Reserves	Total Unrestricted Reserves
Balance 6/30/2004	\$ 39,179	\$ -	\$ 39,179
Net Admin. Fee Operating Income for the year ended 6/30/2005	-	2,322	2,322
Balance 6/30/2005	39,179	2,322	41,501
Net Admin. Fee Operating Income for the year ended 6/30/2006		951,535	951,535
Balance 6/30/2006	39,179	953,857	993,036
Net Admin. Fee Operating Income for the year ended 6/30/2007		801,581	801,581
Balance 6/30/2007	39,179	1,755,438	1,794,617
Net Admin. Fee Operating Income for the year ended 6/30/2008		328,311	328,311
Transfer to restricted		(1,963,236)	(1,963,236)
Balance 6/30/2008	39,179	120,513	159,692
Net Admin. Fee Operating Income for the year ended 6/30/2009		(50,497)	(50,497)
Balance 6/30/2009	39,179	70,016	109,195
Net Admin. Fee Operating Income for the year ended 6/30/2010	(39,179)	(185,024)	(224,203)
Balance 6/30/2010	\$ -	\$ (115,008)	\$ (115,008)
Net Admin. Fee Operating Income for the year ended 6/30/2011		93,537	93,537
Balance 6/30/2011	\$ -	\$ (21,471)	\$ (21,471)

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

NOTE 24 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended June 30, 2011, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of all its buildings for the purpose of determining potential liability issues.

During the year ended June 30, 2011, the Authority did not reduce insurance coverage's from coverage levels in place as of June 30, 2010. No settlements have exceeded coverage levels in place during 2009, 2010, and 2011.

The Authority participates in the New Jersey Public housing Authority Joint Insurance Fund (NJPHA –JIF), for worker's compensation coverage, which was established in 1998 by several Housing Authority's as a means of reducing the cost of general liability insurance. The NJ-PHA JIF is a public entity risk pool currently operating as a common risk management and insurance program for the member Authority's. The main purpose of the Consortium is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit.

In 2000 NJPHA –JIF added statutory worker's compensation coverage. For the fiscal year ended June 30, 2011 the Authority paid \$163,756 and \$163,684 for June 30, 2010 to NJPHA –JIF for worker's compensation protection. Since the Consortium requests initial payments to cover substantially any losses to be incurred for that policy year, the Authority anticipates no future liabilities for incurred losses.

NOTE 25 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended June 30, 2011 and 2010 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended June 30, 2011 was \$2,267,285 and \$2,697,530 for 2010.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

NOTE 25 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES - CONTINUED

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. The authority is also eligible to receive reimbursement for preliminary expenses prior to lease up. HUD contributions for the Housing Choice Voucher were \$8,040,665 for June 30, 2011 and \$7,320,274 for 2010.

NOTE 26 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD was \$11,613,942 for June 30, 2011 and \$12,833,750 for the year ending June 30, 2010.

NOTE 27 - CONTINGENCIES

Litigation – At June 30, 2011, the Authority was not involved in any threatened litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2011

NOTE 28- PRIOR PERIOD ADJUSTMENTS

For the year ending June 30, 2011

The Authority discovered invoices paid to various vendors which were recorded as soft cost and was restated as hard construction cost for concrete site work and stair railing. The amount of the adjustment was \$91,864.

The Authority purchased an automobile through a grant program which in error was expensed. The Authority closed the grant program this year and found the error. The asset was recorded on the equipment ledgers. The amount of the adjustment was \$31,835.

For year ending June 30, 2010

The Authority's Public Housing Capital Fund program had an adjustment of (\$870,012) to adjust the HUD receivable for future funding on the Capital Fund Leveraging Program.

The Authority's Housing Choice Voucher Program had an adjustment of (\$60) to adjust the previous year opening balance.

NOTE 29 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 22, 2012, the date which the financial statements were available for issue.

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011**

Programs funded by the U.S. Department of Housing
and Urban Development: Subject to Annual Contribution Contract

	<u>CFDA#</u>	<u>Expenditures</u>
<u>PHA Owned Housing</u>		
Low Rent Public Housing	14.850	\$ 2,267,284
Resident Opportunity and Supportive Services	14.870	56,074
Public Housing Capital Fund Program	14.872	885,573
Formula Capital Fund Stimulus Grant	14.885	123,097
Subtotal		<u>3,332,028</u>
<u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	8,063,356
HUD - Veterans Affairs Supported Housing	14.VSH	218,558
Subtotal		<u>8,281,914</u>
Total Awards		<u>\$ 11,613,942</u>

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New Brunswick Housing Authority. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2. Loans Outstanding:

The City of New Brunswick Housing Authority have bonds payable in the amount of \$40,936,319 plus interest accrued outstanding at June 30, 2011. See footnote Note #20 on page 42 of this report for full detail.

Note 3. Sub recipients:

Of the federal expenditures presented in the schedule above, the City of New Brunswick Housing Authority did not provide federal awards to any sub recipients.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
BUDGETARY COMPARISON SCHEDULE
LOW INCOME HOUSING PROGRAM
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 1,331,706	\$ 1,353,984	\$ (22,278)
HUD PHA Operating Grants	2,514,525	2,152,578	361,947
Other Revenue	189,406	114,345	75,061
Total Revenue	<u>4,035,637</u>	<u>3,620,907</u>	<u>414,730</u>
Operating Expenses:			
Administration:			
Administrative Salaries	439,682	424,961	(14,721)
Audit Fee's	8,000	8,000	-
Outside Management Fees	300,793	294,504	(6,289)
Management and Bookkeeping Fee	24,338	35,000	10,662
Employee Benefit Contributions	417,803	240,600	(177,203)
Other Operating Administrative Expenses	420,098	250,400	(169,698)
Total Administrative Expenses	<u>1,610,714</u>	<u>1,253,465</u>	<u>(357,249)</u>
Tenant Services:			
Tenant Services - Salaries	-	54,916	54,916
Relocation Costs	8,248	-	(8,248)
Tenant Services Other	3,414	20,000	16,586
Total Tenant Services	<u>11,662</u>	<u>74,916</u>	<u>16,586</u>
Utilities:			
Water	125,993	255,000	129,007
Electricity	430,273	425,000	(5,273)
Gas	339,409	420,000	80,591
Sewer	134,059	150,000	15,941
Total Utilities	<u>1,029,734</u>	<u>1,250,000</u>	<u>220,266</u>
Maintenance:			
Maintenance Labor	201,261	244,050	42,789
Materials	134,409	143,000	8,591
Maintenance Contract Cost	377,789	241,725	(136,064)
Employee Benefit Contributions	108,135	189,043	80,908
Total Maintenance	<u>821,594</u>	<u>817,818</u>	<u>(3,776)</u>
Protective Services:			
Protective Services - Other	7,882	10,000	2,118
Total Protective Services	<u>7,882</u>	<u>10,000</u>	<u>2,118</u>
Other Operating Expenses:			
Insurance	92,771	28,000	(64,771)
Other General Expenses	52,627	65,000	12,373
Payment in Lieu of Taxes	33,318	23,028	(10,290)
Bad Debt	80,558	-	(80,558)
Total Other Operating Expenses	<u>259,274</u>	<u>116,028</u>	<u>(143,246)</u>
Total Operating Expenses	<u>3,740,860</u>	<u>3,522,227</u>	<u>(265,301)</u>
Excess Revenue Over Expenses From Operations	<u>294,777</u>	<u>98,680</u>	<u>196,097</u>
Other Income and (Expenses):			
Extraordinary Maintenance	-	(5,000)	(5,000)
Investment Income	16,068	2,200	13,868
Prior Period Adjustment	31,835	-	31,835
Fixed Asset Purchases	(615,305)	-	(615,305)
Interest/Amortization Expense	(111,249)	-	(111,249)
Transfer to Restricted	(1,606,871)	(94,664)	(1,512,207)
Total Other Income and (Expenses)	<u>(2,285,522)</u>	<u>(97,464)</u>	<u>(2,193,058)</u>
Excess Revenue over Expenses	<u>\$ (1,990,745)</u>	<u>\$ 1,216</u>	<u>\$ (1,991,961)</u>

See accompanying notes to the financial statements.

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
BUDGETARY COMPARISON SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	\$ 8,063,356	\$ 7,591,560	\$ 471,796
Ongoing Administrative Fees Earned	-	648,000	(648,000)
Fraud Recovery	25,744	-	25,744
Other Revenue	88,107	25,000	63,107
Total Revenue	<u>8,177,207</u>	<u>8,264,560</u>	<u>(87,353)</u>
Operating Expenses:			
Administration:			
Administrative Salaries	196,483	206,487	10,004
Audit Fee's	5,000	5,000	-
Management and Bookkeeping Fee	161,752	155,480	(6,272)
Employee Benefit Contributions	98,555	75,076	(23,479)
Other Operating Administrative Expenses	70,678	226,490	155,812
Total Administrative Expenses	<u>532,468</u>	<u>668,533</u>	<u>136,065</u>
Other Operating Expenses:			
Other General Expenses	157,827	-	(157,827)
Compensated Absences	17,480	-	(17,480)
Insurance	24,118	4,525	(19,593)
Housing Assistance Payments	7,574,607	7,591,560	16,953
Total Other Operating Expenses	<u>7,774,032</u>	<u>7,596,085</u>	<u>(177,947)</u>
Total Operating Expenses	<u>8,306,500</u>	<u>8,264,618</u>	<u>(41,882)</u>
Excess Revenue Over Expenses From Operations	<u>(129,293)</u>	<u>(58)</u>	<u>(129,235)</u>
Other Income and (Expenses):			
Investment Income	295	5,000	(4,705)
Transfer In from Restricted	13,387	-	13,387
Equity Transfer in from VSH	209,148	-	209,148
Total Other Income and (Expenses)	<u>222,830</u>	<u>5,000</u>	<u>209,148</u>
Excess Revenue over Expenses	<u>\$ 93,537</u>	<u>\$ 4,942</u>	<u>\$ 88,595</u>

See accompanying notes to the financial statements.

New Brunswick Housing Authority (NJ022)

NEW BRUNSWICK, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	14.VSH HUD- VETERANS AFFAIRS SUPPORTIV E HOUSING	14.218 Community Development Block Grants/Entitle	14.870 Resident Opportunity and Supportive	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$307,688	\$55,301	\$318,096						\$681,085		\$681,085
112 Cash - Restricted - Modernization and Development	\$501								\$501		\$501
113 Cash - Other Restricted	\$37,079	\$1,347,965	\$3,132,392						\$4,517,436		\$4,517,436
114 Cash - Tenant Security Deposits	\$96,207								\$96,207		\$96,207
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	\$441,475	\$1,403,266	\$3,450,488	\$0	\$0	\$0	\$0	\$0	\$5,295,229	\$0	\$5,295,229
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects	\$197,903	\$22,691					\$10,301		\$230,895		\$230,895
124 Accounts Receivable - Other Government											
125 Accounts Receivable - Miscellaneous	\$16,438								\$16,438		\$16,438
126 Accounts Receivable - Tenants	\$79,811								\$79,811		\$79,811
126.1 Allowance for Doubtful Accounts - Tenants	-\$15,520	\$0	\$0						-\$15,520		-\$15,520
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0				\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current			\$3,090,000						\$3,090,000		\$3,090,000
128 Fraud Recovery	\$103,217								\$103,217		\$103,217
128.1 Allowance for Doubtful Accounts - Fraud	-\$66,709								-\$66,709		-\$66,709
129 Accrued Interest Receivable		\$103	\$456,803						\$456,906		\$456,906
120 Total Receivables, Net of Allowances for Doubtful	\$315,140	\$22,794	\$3,546,803	\$0	\$0	\$0	\$10,301	\$0	\$3,895,038	\$0	\$3,895,038
131 Investments - Unrestricted	\$200,000								\$200,000		\$200,000
132 Investments - Restricted			\$98,698						\$98,698		\$98,698
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	\$75,315	\$6,194						\$18,168	\$99,677		\$99,677
143 Inventories											
143.1 Allowance for Obsolete Inventories											
144 Inter Program Due From	\$761,960	\$12,909	\$265,614			\$3,590		\$174,073	\$1,218,146	-\$1,218,146	\$0
145 Assets Held for Sale											
150 Total Current Assets	\$1,793,890	\$1,445,163	\$7,361,603	\$0	\$0	\$3,590	\$10,301	\$192,241	\$10,806,788	-\$1,218,146	\$9,588,642
161 Land	\$604,468								\$604,468		\$604,468
162 Buildings	\$3,032,863								\$3,032,863		\$3,032,863
163 Furniture, Equipment & Machinery - Dwellings	\$298,054								\$298,054		\$298,054
164 Furniture, Equipment & Machinery - Administration	\$345,419	\$13,689	\$33,163					\$182,674	\$574,945		\$574,945
165 Leasehold Improvements	\$3,158,009								\$3,158,009		\$3,158,009
166 Accumulated Depreciation	-\$3,934,701	-\$13,689	-\$19,341					-\$167,932	-\$4,135,663		-\$4,135,663
167 Construction In Progress	\$6,542,071					\$91,864			\$6,633,935		\$6,633,935
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$10,046,183	\$0	\$13,822	\$0	\$0	\$91,864	\$0	\$14,742	\$10,166,611	\$0	\$10,166,611
171 Notes, Loans and Mortgages Receivable - Non-Current			\$32,456,759						\$32,456,759		\$32,456,759
172 Notes, Loans, & Mortgages Receivable - Non Current -											
173 Grants Receivable - Non Current	\$1,870,000								\$1,870,000		\$1,870,000
174 Other Assets	\$47,042		\$286,591						\$333,633		\$333,633
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$11,963,225	\$0	\$32,757,172	\$0	\$0	\$91,864	\$0	\$14,742	\$44,827,003	\$0	\$44,827,003
190 Total Assets	\$13,757,115	\$1,445,163	\$40,118,775	\$0	\$0	\$95,454	\$10,301	\$206,983	\$55,633,791	-\$1,218,146	\$54,415,645

See accompanying notes to the financial statements

New Brunswick Housing Authority (NJ022)
 NEW BRUNSWICK, NJ
 Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	14.VSH HUD- VETERANS AFFAIRS SUPPORTIV E HOUSING	14.218 Community Development Block Grants/Entitle	14.870 Resident Opportunity and Supportive	COCC	Subtotal	ELIM	Total
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	\$142,542							\$1,919	\$144,461		\$144,461
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable	\$17,572	\$3,194						\$8,112	\$28,878		\$28,878
322 Accrued Compensated Absences - Current Portion	\$5,517	\$1,477						\$8,701	\$15,695		\$15,695
324 Accrued Contingency Liability											
325 Accrued Interest Payable	\$15,025		\$456,803						\$471,828		\$471,828
331 Accounts Payable - HUD PHA Programs						\$3,590			\$3,590		\$3,590
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government	\$31,354								\$31,354		\$31,354
341 Tenant Security Deposits	\$96,207								\$96,207		\$96,207
342 Deferred Revenues			\$2,434						\$2,434		\$2,434
343 Current Portion of Long-term Debt - Capital	\$100,000		\$3,090,000						\$3,190,000		\$3,190,000
344 Current Portion of Long-term Debt - Operating											
345 Other Current Liabilities	\$703								\$703		\$703
346 Accrued Liabilities - Other			\$32,756						\$32,756		\$32,756
347 Inter Program - Due To	\$733,240	\$65,415	\$44,365				\$10,301	\$364,825	\$1,218,146	-\$1,218,146	\$0
348 Loan Liability - Current											
310 Total Current Liabilities	\$1,142,160	\$70,086	\$3,626,358	\$0	\$0	\$3,590	\$10,301	\$383,557	\$5,236,052	-\$1,218,146	\$4,017,906
351 Long-term Debt, Net of Current - Capital	\$1,940,000		\$35,806,319						\$37,746,319		\$37,746,319
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other	\$37,079								\$37,079		\$37,079
354 Accrued Compensated Absences - Non Current	\$49,653	\$13,297						\$78,313	\$141,263		\$141,263
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities	\$52,693	\$35,286	\$6,841					\$69,208	\$164,028		\$164,028
350 Total Non-Current Liabilities	\$2,079,425	\$48,583	\$35,813,160	\$0	\$0	\$0	\$0	\$147,521	\$38,088,689	\$0	\$38,088,689
300 Total Liabilities	\$3,221,585	\$118,669	\$39,439,518	\$0	\$0	\$3,590	\$10,301	\$531,078	\$43,324,741	-\$1,218,146	\$42,106,595
508.1 Invested In Capital Assets, Net of Related Debt	\$8,006,183	\$0	\$13,822					\$91,864	\$14,742		\$8,126,611
509.2 Fund Balance Reserved											
511.2 Unreserved, Designated Fund Balance											
511.1 Restricted Net Assets	\$1,970,501	\$1,347,965	\$168,121						\$3,486,587		\$3,486,587
512.1 Unrestricted Net Assets	\$558,846	-\$21,471	\$497,314	\$0	\$0	\$0	\$0	-\$338,837	\$695,852		\$695,852
512.2 Unreserved, Undesignated Fund Balance											
513 Total Equity/Net Assets	\$10,535,530	\$1,326,494	\$679,257	\$0	\$0	\$91,864	\$0	-\$324,095	\$12,309,050	\$0	\$12,309,050
600 Total Liabilities and Equity/Net Assets	\$13,757,115	\$1,445,163	\$40,118,775	\$0	\$0	\$95,454	\$10,301	\$206,983	\$55,633,791	-\$1,218,146	\$54,415,645

See accompanying notes to the financial statements

New Brunswick Housing Authority (NJ022)
 NEW BRUNSWICK, NJ
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	14.VSH HUD- VETERANS AFFAIRS SUPPORTIV E HOUSING	14.218 Community Development Block Grants/Entitle	14.870 Resident Opportunity and Supportive	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,310,404								\$1,310,404		\$1,310,404
70400 Tenant Revenue - Other	\$21,302								\$21,302		\$21,302
70500 Total Tenant Revenue	\$1,331,706	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,331,706	\$0	\$1,331,706
70600 HUD PHA Operating Grants	\$2,514,525	\$8,083,356			\$218,558		\$56,074		\$10,852,513		\$10,852,513
70810 Capital Grants	\$638,332			\$123,097					\$761,429		\$761,429
70710 Management Fee								\$400,333	\$400,333	-\$400,333	\$0
70720 Asset Management Fee											
70730 Book Keeping Fee								\$86,550	\$86,550	-\$86,550	\$0
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue								\$486,883	\$486,883	-\$486,883	\$0
70800 Other Government Grants			\$40,000						\$40,000		\$40,000
71100 Investment Income - Unrestricted	\$15,586		\$163						\$15,749		\$15,749
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery		\$25,744							\$25,744		\$25,744
71500 Other Revenue	\$189,406	\$88,407	\$2,460,874					\$234,872	\$2,973,059		\$2,973,059
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted	\$482	\$295	\$0		\$0				\$777		\$777
70000 Total Revenue	\$4,690,037	\$8,177,502	\$2,501,037	\$123,097	\$218,558	\$0	\$56,074	\$721,555	\$16,487,860	-\$486,883	\$16,000,977
91100 Administrative Salaries	\$439,682	\$196,483	\$93,099						\$1,315,753		\$1,315,753
91200 Auditing Fees	\$8,000	\$5,000	\$1,100						\$14,100		\$14,100
91300 Management Fee	\$300,793	\$99,540							\$400,333	-\$400,333	\$0
91310 Book-keeping Fee	\$24,338	\$62,212							\$86,550	-\$86,550	\$0
91400 Advertising and Marketing			\$10,000						\$10,000		\$10,000
91500 Employee Benefit contributions - Administrative	\$417,803	\$98,555					\$16,433	\$141,086	\$673,877		\$673,877
91600 Office Expenses	\$80,265	\$68,778							\$149,043		\$149,043
91700 Legal Expense	\$8,025								\$8,025		\$8,025
91800 Travel	\$7,098	\$1,900						\$25,642	\$34,640		\$34,640
91810 Allocated Overhead											
91900 Other	\$324,710		\$158,055					\$43,012	\$525,777		\$525,777
91000 Total Operating - Administrative	\$1,610,714	\$532,468	\$262,254	\$0	\$0	\$0	\$56,074	\$756,588	\$3,218,098	-\$486,883	\$2,731,215
92000 Asset Management Fee											
92100 Tenant Services - Salaries											
92200 Relocation Costs	\$8,248								\$8,248		\$8,248
92300 Employee Benefit Contributions - Tenant Services											
92400 Tenant Services - Other	\$3,414								\$3,414		\$3,414
92500 Total Tenant Services	\$11,662	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,662	\$0	\$11,662
93100 Water	\$125,993								\$125,993		\$125,993
93200 Electricity	\$430,273								\$430,273		\$430,273
93300 Gas	\$339,409							\$10,759	\$350,168		\$350,168

See accompanying notes to the financial statements

New Brunswick Housing Authority (NJ022)
NEW BRUNSWICK, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.865 Formula Capital Fund Stimulus Grant	14.VSH HUD- VETERANS AFFAIRS SUPPORTIV E HOUSING	14.218 Community Development Block Grants/Entitle	14.870 Resident Opportunity and Supportive	COCC	Subtotal	ELIM	Total
93400 Fuel											
93500 Labor											
93600 Sewer	\$134,059								\$134,059		\$134,059
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense											
93000 Total Utilities	\$1,029,734	\$0	\$0	\$0	\$0	\$0	\$0	\$10,759	\$1,040,493	\$0	\$1,040,493
94100 Ordinary Maintenance and Operations - Labor	\$201,261								\$201,261		\$201,261
94200 Ordinary Maintenance and Operations - Materials	\$134,409								\$134,409		\$134,409
94300 Ordinary Maintenance and Operations Contracts	\$377,789							\$5,120	\$382,909		\$382,909
94500 Employee Benefit Contributions - Ordinary	\$108,135								\$108,135		\$108,135
94000 Total Maintenance	\$821,594	\$0	\$0	\$0	\$0	\$0	\$0	\$5,120	\$826,714	\$0	\$826,714
95100 Protective Services - Labor											
95200 Protective Services - Other Contract Costs											
95300 Protective Services - Other	\$7,882								\$7,882		\$7,882
95500 Employee Benefit Contributions - Protective Services											
95000 Total Protective Services	\$7,882	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,882	\$0	\$7,882
96110 Property Insurance											
96120 Liability Insurance											
96130 Workmen's Compensation											
96140 All Other Insurance	\$92,771	\$24,118						\$34,221	\$151,110		\$151,110
96100 Total Insurance Premiums	\$92,771	\$24,118	\$0	\$0	\$0	\$0	\$0	\$34,221	\$151,110	\$0	\$151,110
96200 Other General Expenses	\$52,627	\$157,827	\$40,000		\$12,953			\$2,079	\$265,486		\$265,486
96210 Compensated Absences		\$17,480							\$17,480		\$17,480
96300 Payments in Lieu of Taxes	\$33,318								\$33,318		\$33,318
96400 Bad debt - Tenant Rents	\$29,246								\$29,246		\$29,246
96500 Bad debt - Mortgages											
96600 Bad debt - Other	\$51,312								\$51,312		\$51,312
96800 Severance Expense											
96000 Total Other General Expenses	\$166,503	\$175,307	\$40,000	\$0	\$12,953	\$0	\$0	\$2,079	\$396,842	\$0	\$396,842
96710 Interest of Mortgage (or Bonds) Payable	\$107,765		\$1,986,744						\$2,094,509		\$2,094,509
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs	\$3,484								\$3,484		\$3,484
96700 Total Interest Expense and Amortization Cost	\$111,249	\$0	\$1,986,744	\$0	\$0	\$0	\$0	\$0	\$2,097,993	\$0	\$2,097,993
96900 Total Operating Expenses	\$3,852,109	\$731,893	\$2,288,998	\$0	\$12,953	\$0	\$56,074	\$808,767	\$7,750,794	-\$486,883	\$7,263,911
97000 Excess of Operating Revenue over Operating	\$837,928	\$7,445,609	\$212,039	\$123,097	\$205,605	\$0	\$0	-\$87,212	\$8,737,066	\$0	\$8,737,066
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments		\$7,574,807			\$195,176				\$7,769,983		\$7,769,983
97350 HAP Portability-In											

See accompanying notes to the financial statements

New Brunswick Housing Authority (NJ022)
NEW BRUNSWICK, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	14.VSH HUD- VETERANS AFFAIRS SUPPORTIV E HOUSING	14.218 Community Development Block Grants/Entite	14.870 Resident Opportunity and Supportive	COCC	Subtotal	ELIM	Total
97400 Depreciation Expense	\$326,848		\$6,031					\$5,124	\$338,003		\$338,003
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$4,178,957	\$8,306,500	\$2,295,029	\$0	\$208,129	\$0	\$56,074	\$813,891	\$15,858,580	-\$486,883	\$15,371,697
10010 Operating Transfer In	\$100,489								\$100,489		\$100,489
10020 Operating transfer Out	-\$100,489								-\$100,489		-\$100,489
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In											
10092 Inter Project Excess Cash Transfer Out											
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$511,080	-\$128,998	\$206,008	\$123,097	\$10,429	\$0	\$0	-\$92,336	\$629,280	\$0	\$629,280
11020 Required Annual Debt Principal Payments	\$100,000	\$0	\$2,385,000	\$0	\$0	\$0	\$0	\$0	\$2,485,000		\$2,485,000
11030 Beginning Equity	\$9,869,518	\$1,246,344	\$473,249	\$0	\$198,719	\$0	\$0	-\$231,759	\$11,556,071		\$11,556,071
11040 Prior Period Adjustments, Equity Transfers and	\$154,932	\$209,148		-\$123,097	-\$209,148	\$91,864			\$123,699		\$123,699
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition											
11080 Changes in Special Term/Severance Benefits											
11090 Changes in Allowance for Doubtful Accounts -											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity		-\$21,471							-\$21,471		-\$21,471
11180 Housing Assistance Payments Equity		\$1,347,965							\$1,347,965		\$1,347,965
11190 Unit Months Available	4992	9720			420				15132		15132
11210 Number of Unit Months Leased	4318	8150			167				12635		12635
11270 Excess Cash	\$280,665								\$280,665		\$280,665
11610 Land Purchases	\$0							\$0	\$0		\$0
11620 Building Purchases	\$349,789							\$0	\$349,789		\$349,789
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0							\$0	\$0		\$0
11660 Infrastructure Purchases	\$363,754							\$0	\$363,754		\$363,754
13510 CFFP Debt Service Payments	\$0							\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0							\$0	\$0		\$0

**THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND RECOVERY GRANT COST
AS OF JUNE 30, 2011**

	NJ39SO22501-09		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 200,000	\$ 200,000	\$ -
Dwelling Structures	785,803	785,803	-
Nondwelling Equipment	300,000	300,000	-
Total	\$ 1,285,803	\$ 1,285,803	\$ -
 Funds Advanced	 \$ 1,285,803		
Funds Expended	1,285,803		
 Excess of Funds Advanced	 \$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Recovery Program 501-09 was completed on December 13, 2010.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

(No Reportable Instances of Noncompliance and No Material Weaknesses)

Board of Commissioners
The City of New Brunswick Housing Authority
7 Vandyke Avenue
New Brunswick, New Jersey 08901

We have audited the financial statements of the City of New Brunswick Housing Authority as of and for the fiscal year ended June 30, 2011 and have issued our report thereon dated February 22, 2012. 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of New Brunswick Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Brunswick Housing Authority financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Date: February 22, 2012



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**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR
A-133**

**(Unqualified Opinion on Compliance, No Material Weaknesses or Significant
Deficiencies in Internal Control Over Compliance Identified)**

Board of Commissioners
The City of New Brunswick Housing Authority
7 Vandyke Avenue
New Brunswick, New Jersey 08901

Compliance

We have audited the compliance of the City of New Brunswick Housing Authority with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of New Brunswick Housing Authority major federal programs for the fiscal year ended June 30, 2011. The City of New Brunswick Housing Authority's major federal programs are identified in the summary of the auditors result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and the U.S. Office of Management and Budgets Circular A-133. Those standards and OMB Circular A-133 required 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 major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Brunswick Housing Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the City of New Brunswick Housing Authority complied, in all material respects, with the compliance requirements referred to the above that could have a direct and material effect on each of its major federal program identified in the accompanying schedule of findings and questioned cost for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Date: February 22, 2012

THE CITY OF NEW BRUNSWICK HOUSING AUTHORITY

Schedule of Findings and Questioned Cost
Year Ended June 30, 2011

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statement of the City of New Brunswick Housing Authority.
2. No significant deficiencies relating to the audit of the financial statements are reported in the REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS.
3. No instances of noncompliance material to the financial statements of the City of New Brunswick Housing Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the major federal award program for City of New Brunswick Housing Authority expresses an unqualified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as major program were:
 - a. Housing Choice Voucher Program, CFDA#14.871 with expenditures of \$8,063,356
8. The threshold used for distinguishing between Type A and B programs was \$348,418.
9. The City of New Brunswick Housing Authority did not qualify as a low risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None reported

**FINDINGS AND QUESTIONED COST - MAJOR FEDERAL AWARD PROGRAM
AUDIT**

None reported



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Independent Accountant's Report on Agreed-Upon Procedures

Board of Commissioners
The City of New Brunswick Housing Authority
37 Vandyke Avenue
New Brunswick, New Jersey 08901

We have performed the procedure described in the second paragraph of this report, which was agreed to by the City of New Brunswick Housing Authority and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. This agree-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Housing Authority as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated February 22, 2012. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule (FDS) dated June 30, 2011, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the City of New Brunswick Housing Authority and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Hymanson, Parnes & Giampaolo

Date: February 22, 2012

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule, all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G5100-010)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000, G2100, G2200, G2300, G9000, G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010 to G3000-050, G3100-010 to G3100-030, G3200-010 to G3200-030, G3300-010 to G3300-060, G3400-010 to G3400-020)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-010 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Federal agencies required to receive reporting package (data element G4000-050)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>

<u>Firm Name</u>	Hymanson Parnes & Giampaolo
<u>Employer Identification Number</u>	22-3554220
<u>Date</u>	February 22, 2012
<u>UII#</u>	#66170
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