

Report On Audit

**HOUSING AUTHORITY OF
CITY OF NEW BRUNSWICK**

**For the Year Ended
June 30, 2013**

Housing Authority of the City of New Brunswick

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Authority of the City of New Brunswick (a governmental public corporation) in New Brunswick, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of June 30, 2013 and 2012, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Housing Authority of the City of New Brunswick as of June 30, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 17 and pages 55-56 be presented to supplement the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued reports dated January 28, 2014 on our consideration of Housing Authority of the City of New Brunswick's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: January 28, 2014

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

As Management of Housing Authority of the City of New Brunswick (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 18 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

Net position of the Authority's enterprise fund was \$7,112,971 greater than the liabilities, a decrease in the financial position of \$4,319,643 or 38% percent.

As noted above, the net position of the Authority exceeded its liabilities by \$7,112,971 as of June 30, 2013. Of this amount, the unrestricted net position is \$325,515 representing a decrease of \$690,004 or 68% percent from the previous year. The restricted net position decreased \$2,328,007 or 95% percent from the prior year for and ending balance of \$125,907. The net investment in capital assets decreased \$1,301,632 or 16% percent for an ending balance of \$6,661,549. Additional information on the Authority's restricted and unrestricted net position can be found in Notes 20 and 21 to the financial statements, which is included in this report.

The Authority's cash, and cash equivalent at June 30, 2013 is \$4,715,821 representing an increase of \$3,346,287 or 244% percent from the prior fiscal year. The full detail of this amount can be found in the Statement of Cash Flow on page 21 of this report.

The Authority's total assets are \$45,847,333 of which capital assets net book value is \$8,491,549, other noncurrent assets is \$28,899,111 leaving total current assets at \$8,456,673. Total current assets decreased from the previous year by \$711,102 or 8% percent. Cash and cash equivalents increased by \$3,346,287, accounts receivables decreased by \$400,005, investments decreased by \$3,648,276, and prepaid expenses decreased by \$9,108.

The Authority's total liabilities are reported at \$38,734,362, of which noncurrent liabilities are stated at \$30,751,263. Total liabilities decreased during the year as compared to the prior year in the amount of \$245,943 or 1% percent. Total current liabilities increased during the year by \$6,795,646, leaving non-current liabilities for a decrease of \$7,041,589 as compared to the previous fiscal year.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current liabilities increased from the previous year by \$6,795,646 or 572% percent. Accounts payables increased by \$22,153, accrued liabilities increased by \$58,044, tenant security deposit payable decreased by \$2,004, unearned revenue increased \$3,423,068 for the receipt of the bonds revenue in June for the payment of July 2013, and the current portion of the Capital Project Bonds increased \$3,390,000 for the payment in July 2013, other current liabilities decreased \$95,615.

Total noncurrent liabilities decreased by \$7,041,589 or 19% percent. The decreased was comprised of four accounts, long-term capital bonds which decreased by \$9,439,660 for an ending balance of \$27,975,000, accrued compensated absences – long term with no offsetting assets increased \$28,871 from the prior fiscal year for an ending balance of \$168,670, noncurrent other liabilities increased \$2,329,035 during the year for the receipt for the net amortization of the bond premium cost refinanced, the and accrued other post-employment benefits (OPEB) liabilities increased \$40,165 or 20% percent. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. All of the Authority's retirees continue their life insurance and continue to receive health insurance benefits at various percentages depending on the length of service to the Authority. In prior years, the Authority financed OPEB on a pay-as-you-go basis with expenditures recorded in the General Fund. Accounting for OPEB under GASB No. 45 will result in the Authorities reporting a significant actuarially-based liability for benefits. The Authority's actuarially-based liability benefits for June 30, 2013 are \$244,593. Additional information on the Authority's accrued other post-employment benefits (OPEB) liabilities at June 30, 2013 can be found in Note 19 to the financial statements, which is included in this report

The Authority had total operating revenue of \$15,525,833 as compared to \$14,319,347 from the prior year for an increase of \$1,206,486 or 8% percent. The Authority had total operating expenses of \$17,050,567 as compared to \$15,550,502 from the previous year for an increase of \$1,500,065 or 10% percent, resulting in a deficiency of revenue from operations in the amount of \$1,524,734 for the current year as compared to a deficiency of revenue from operations in the amount of \$1,231,155 for an increase in deficit of \$293,579 or 24% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$323,880 as compared to \$998,243 from the previous year for a decrease of \$674,363 or 68% percent. The Authority's had capital outlays in the amount of \$213,880 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$12,917,660 for the fiscal year 2013 as compared to \$12,654,103 for the previous fiscal year 2012 for an increase of \$263,557 or 2% percent.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

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

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

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flow
- 4) Notes 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 Authority's 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 18 through 21.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Statement of Cash Flow— This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 22 through 53.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

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.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for Housing Authority of the City of New Brunswick are those which equal or exceeded \$387,530 in expenditures for the fiscal year ended June 30, 2013. Type B programs for Housing Authority of the City of New Brunswick are those which are less than \$387,530 in expenditures for the fiscal year ended June 30, 2013.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program can be 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 Position between June 30, 2013 and June 30, 2012:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase
	June-13	June-12	(Decrease)
Cash	\$ 4,715,821	\$ 1,369,534	\$ 3,346,287
Other Current Assets	3,740,852	7,798,241	(4,057,389)
Capital Assets - Net	8,491,549	9,903,181	(1,411,632)
Other Assets	28,899,111	31,341,963	(2,442,852)
Total Assets	45,847,333	50,412,919	(4,565,586)
Less: Current Liabilities	(7,983,099)	(1,187,453)	(6,795,646)
Less: Non Current Liabilities	(30,751,263)	(37,792,852)	7,041,589
Net Position	<u>\$ 7,112,971</u>	<u>\$ 11,432,614</u>	<u>\$ (4,319,643)</u>
Net Investment in Capital Assets	\$ 6,661,549	\$ 7,963,181	\$ (1,301,632)
Restricted Net Position	125,907	2,453,914	(2,328,007)
Unrestricted Net Position	325,515	1,015,519	(690,004)
	<u>\$ 7,112,971</u>	<u>\$ 11,432,614</u>	<u>\$ (4,319,643)</u>

Cash increased by \$3,346,287 or 244% percent. Net cash provided by operating activities was \$2,942,152, net cash used by capital and related financing activities was \$3,252,428, and net cash provided by investing activities was \$3,656,563. The full detail of this amount can be found in the Statement of Cash Flow on page 21 of this audit report.

Other current assets decreased \$4,057,389. Account receivable decreased \$400,005 mainly due to a collection of notes receivable current portion, investments decreased \$3,648,276 which was converted to cash during the year, and prepaid expenses decreased \$9,108 due to the decreases in prepaid insurance expense.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$1,411,632 or 14% percent. The major factors that contributed for the decrease was the purchase of fixed assets in the amount of \$213,880, less the recording of depreciation expense in the amount of \$652,127, and the deletion and disposal of fixed assets in the amount of \$973,385. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 9 Fixed Assets.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) – CONTINUED

The Authority reported a decrease in other assets in the amount of \$2,442,852. 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 – 10 Notes Receivable, Note - 11 Grants Receivable, and Note – 11 Other Assets. During the year, the Authority has written off due to a change in the method of accounting due to new guidance from GASB for the long term grants receivables and the bond issuance cost for the Capital Fund Leveraging program. The amount was \$2,168,643.

Total current liabilities increased from the previous year by \$6,795,646 or 572% percent. Accounts payables increased by \$22,153, accrued liabilities increased by \$58,044, tenant security deposit payable decreased by \$2,004, unearned revenue increased \$3,423,068 for the receipt of the bonds revenue in June for the payment of July 2013, and the current portion of the Capital Project Bonds increased \$3,390,000 for the payment in July 2013, other current liabilities decreased \$95,615.

Total noncurrent liabilities decreased by \$7,041,589 or 19% percent. The decreased was comprised of four accounts, long-term capital bonds which decreased by \$9,439,660 for an ending balance of \$27,975,000, accrued compensated absences – long term with no offsetting assets increased \$28,871 from the prior fiscal year for an ending balance of \$168,670, noncurrent other liabilities increased \$2,329,035 during the year for the receipt for the net amortization of the bond premium cost refinanced, the and accrued other post-employment benefits (OPEB) liabilities increased \$40,165 or 20% percent. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions.

The Authority's reported net position of \$7,112,971 is made up of three categories. The net investment in capital assets in the amount of \$6,661,549 represents 94% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are 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 schedule below reflects the activity in this account for the current fiscal year:

Balance June 30, 2012	\$	7,963,181
Acquisition in Fixed Assets		213,880
Payment of Debt		110,000
Depreciation Expense		(652,127)
Disposal of Fixed Assets		(973,385)
Balance June 30, 2013	\$	6,661,549

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported a restricted net position of \$125,907, a decrease of \$2,328,007 from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The account balance consists of the amount of cash that is restricted for the Housing Choice Voucher program, leveraging program and the business activities. Additional information on these funds can be found in Note 5 Restricted Cash and Note 20 Restricted Net Position.

Housing Authority of the City of New Brunswick operating results for June 30, 2013 reported a decrease in unrestricted position of \$690,004 or 68% percent for an ending balance of \$325,515. A full detail of these accounts can be found in the Notes to the Financial Statements section Note - 21 Unrestricted Net Position.

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

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between June 30, 2013 and June 30, 2012:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	June-13	June-12	
<u>Revenues</u>			
Tenant Revenues	\$ 1,340,064	\$ 1,293,890	\$ 46,174
HUD Subsidies	12,593,780	11,655,860	937,920
Other Revenues	1,591,989	1,369,597	222,392
Total Operating Income	<u>15,525,833</u>	<u>14,319,347</u>	<u>1,206,486</u>
<u>Expenses</u>			
Operating Expenses	16,398,440	14,888,179	1,510,261
Depreciation Expense	652,127	662,323	(10,196)
Total Operating Expenses	<u>17,050,567</u>	<u>15,550,502</u>	<u>1,500,065</u>
Operating Income before Non Operating Income	(1,524,734)	(1,231,155)	(293,579)
Interest Income	10,291	674	9,617
Loss on Sale of Capital Assets	(9,720)	(637,817)	628,097
Casualty Losses - Non Capitalized	-	(13,871)	13,871
Capital Grants	323,880	998,243	(674,363)
Increase in Net Assets	<u>(1,200,283)</u>	<u>(883,926)</u>	<u>(316,357)</u>
Net Assets Prior Year	11,432,614	12,309,050	752,979
Prior Period Adjustment	(3,119,360)	7,490	(116,209)
Total Net Assets	<u>7,112,971</u>	<u>11,432,614</u>	<u>\$ 320,413</u>

Approximately 81% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 9% percent resulted from tenant revenue. Charges for various services provided the remaining 10% percent of the total operating income.

Housing Authority of the City of New Brunswick received from the capital fund program \$323,880 in grant money a decrease of \$674,363 from the prior fiscal year. The Authority had capital expenditures of \$213,880. The current year additions included water meter upgrades and security camera installations.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 58% percent of total operating expenses. Administrative expenses accounted for 16% percent, tenant services accounted for less than 1% percent, utilities expense accounted for 5% percent, maintenance expense accounted for 4% percent, other operating expenses accounted for 3% percent, interest expense accounted for 9%, and depreciation accounted for the remaining 4% percent of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$1,524,734 from operations as compared to excess expenses from operations of \$1,231,155 for the previous year. The key elements for the increase in deficit in comparison to the prior year are as follow:

- Utility expenses increased \$85,843 mainly due to rate increases as well as usage increases.
- Housing Assistance Payments increased \$331,508.
- Interest expense increased \$932,669 during the year, mainly due to the refinancing of the redevelopment debt.
- The Authority tried to combat these increases in expenses by increasing rental revenue in the amount of \$46,174 due to increases in rent collections and rent rates, other revenue increased in the amount of \$201,040, and maintenance expenses decreased \$27,216.

Total net cash provided by operating activities during the year was \$2,942,152 as compared to cash used in the amount of \$1,069,671 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flow on page 21 of this report.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four year period of time ending on June 30, 2013:

	June-13	June-12	June-11	June-10
Significant Income				
Total Tenant Revenue	\$ 1,340,064	\$ 1,293,890	\$ 1,331,706	\$ 1,392,771
HUD Operating Grants	12,593,780	11,655,860	10,852,513	10,228,449
HUD Capital Grants	323,880	998,243	761,429	2,217,695
Investment Income	10,291	674	16,526	6,071
Other Income	1,591,989	1,369,597	2,745,756	3,023,737
Total	\$ 15,860,004	\$ 15,318,264	\$ 15,707,930	\$ 16,868,723
Payroll Expense				
Administrative Salaries	\$ 1,133,722	\$ 1,131,789	\$ 1,315,753	\$ 1,126,366
Tenant Services Salaries	-	2,151	-	-
Maintenance Labor	229,924	184,268	201,261	214,259
Employee Benefits Expense	848,876	829,429	782,012	812,884
Total Payroll Expense	\$ 2,212,522	\$ 2,147,637	\$ 2,299,026	\$ 2,153,509
Other Significant Expenses				
Other Administrative Expenses	\$ 746,311	\$ 278,935	\$ 741,585	\$ 1,207,875
Utilities Expense	927,307	841,464	1,040,493	1,052,068
Maintenance Supplies	125,867	145,887	134,409	186,904
Maintenance Contract Cost	249,277	318,452	382,909	387,512
Insurance Premiums	157,480	182,593	151,110	176,067
Bad Debt Expense	-	54,734	80,558	105,287
Housing Assistance Payments	9,831,765	9,500,257	7,769,783	7,038,251
Total	\$ 12,038,007	\$ 11,322,322	\$ 10,300,847	\$ 10,153,964
Total Operating Expenses	\$ 17,050,567	\$ 15,550,502	\$ 15,371,697	\$ 14,772,828
Total of Federal Awards	\$ 12,917,660	\$ 12,654,103	\$ 11,613,942	\$ 12,883,750

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

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 revenues were not sufficient to cover all expenses excluding depreciation expense. The Authority's unrestricted net position appears 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 position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK PROGRAMS

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) Housing authority of the City of New Brunswick flat rent amount.

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 to keep them clean, safe and in good condition.

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 contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2013, 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.

NEW INITIATIVES

For the fiscal year 2013 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 81% percent of its revenue from the Department of Housing and Urban Development, (2012 fiscal year was 83% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of New Brunswick all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

For 2013, HUD (in an effort to show Congress its attempts to reduce costs), implemented a "recapture" of public housing reserves process. This is a process whereby a Housing Authority that has been efficient in operations and has built a "reserve" may be required to refund any reserve in excess of four months. Housing Authority of the City of New Brunswick did not experience a recapture for the 2013 fiscal year.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2013 was \$8,491,549 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total decreased during the year in the Authority's investment in capital assets was \$1,411,632 or 14% percent. Major capital expenditures of \$213,880 were made during the year, and the disposal of fixed assets in the amount of \$973,385. Major capital assets events during the fiscal year included the following:

- Water Meter Upgrades
- Security Camera Installation

	June-13	June-12	Increase (Decrease)
Land	\$1,499,991	\$2,339,486	\$ (839,495)
Building	2,333,317	2,333,317	-
Furniture, Equipment - Dwelling	277,618	277,618	-
Furniture, Equipment - Administration	643,241	861,383	(218,142)
Leasehold Improvements	7,259,429	7,259,428	1
Construction in Process	925,124	835,415	89,709
Total Fixed Assets	12,938,720	13,906,647	(967,927)
Accumulated Depreciation	(4,447,171)	(4,003,466)	(443,705)
Net Book Value	<u>\$8,491,549</u>	<u>\$9,903,181</u>	<u>\$ (1,411,632)</u>

Additional information on the Authority's capital assets can be found in Note 9 to the financial statements, which is included in this report.

2 – Long Term Debt

Long Term Debt

The Authority as of June 30, 2013 had \$31,475,000 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 17 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Housing Authority of the City of New Brunswick 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 2013 fiscal year have already been submitted to HUD for approval and no major changes were made. 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, 2014.

- 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.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants

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, Housing Authority of the City of New Brunswick, 7 Vandyke Avenue, New Brunswick, New Jersey 08901, or call (732) 745-0514.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF NET POSITION - 1
AS OF JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>June 30,</u> <u>2012</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 4,715,821	\$ 1,369,534
Accounts Receivables, Net of Allowances	3,667,044	4,067,049
Investments	-	3,648,276
Prepaid Expenses	73,808	82,916
Total Current Assets	8,456,673	9,167,775
Noncurrent Assets		
Capital Assets		
Land	1,499,991	2,339,486
Building	2,333,317	2,333,317
Furniture, Equipment - Dwelling	277,618	277,618
Furniture, Equipment - Administration	643,241	861,383
Leasehold Improvements	7,259,429	7,259,428
Construction in Process	925,124	835,415
Total Capital Assets	12,938,720	13,906,647
Less: Accumulated Depreciation	(4,447,171)	(4,003,466)
Net Book Value	8,491,549	9,903,181
Other Assets		
Notes Receivable - Non Current	28,899,111	29,173,320
Grants Receivable - Non Current		1,770,000
Other Assets - Bond Issuance Costs	-	398,643
Total Other Assets	28,899,111	31,341,963
Total Noncurrent Assets	37,390,660	41,245,144
Total Assets	45,847,333	50,412,919
Deferred Outflow of Resources		
Total Deferred Outflows of Resources	-	-
Total Assets and Deferred Outflow of Resources	\$ 45,847,333	\$ 50,412,919

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF NET POSITION - 2
AS OF JUNE 30, 2013 AND 2012

	June 30,	
	2013	2012
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 78,919	\$ 56,766
Accrued Liabilities	869,766	811,722
Tenant Security Deposit Payable	101,553	103,557
Unearned Revenue	3,425,502	2,434
Current Portion - Long Term Debt	3,500,000	110,000
Other Current Liabilities	7,359	102,974
Total Current Liabilities	7,983,099	1,187,453
Noncurrent Liabilities		
Bonds, Notes and Loans Payable	27,975,000	37,414,660
Accrued Compensated Absences - Long-Term	168,670	139,799
Noncurrent - Other Liabilities	2,363,000	33,965
Other Post-Employment Benefits Liabilities	244,593	204,428
Total Noncurrent Liabilities	30,751,263	37,792,852
Total Liabilities	38,734,362	38,980,305
Deferred Inflow of Resources		
Total Deferred Inflow of Resources	-	-
Net Position:		
Net Investment in Capital Assets	6,661,549	7,963,181
Restricted	125,907	2,453,914
Unrestricted	325,515	1,015,519
Total Net Position	7,112,971	11,432,614
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 45,847,333	\$ 50,412,919

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013 AND 2012

	<u>June 30,</u>	
	2013	2012
Revenue:		
Tenant Rental Revenue	\$ 1,340,064	\$ 1,293,890
HUD PHA Operating Grants	12,593,780	11,655,860
Fraud Recovery	26,574	5,222
Other Revenue	1,565,415	1,364,375
Total Revenue	15,525,833	14,319,347
Operating Expenses:		
Administrative Expenses	2,769,387	2,105,808
Tenant Services	586	3,683
Utilities Expense	927,307	841,464
Maintenance Expense	755,443	782,659
Protective Services Expenses	7,454	-
Other Operating Expenses	500,042	980,521
Interest Expense	1,606,456	673,787
Housing Assistance Payments	9,831,765	9,500,257
Depreciation Expense	652,127	662,323
Total Operating Expenses	17,050,567	15,550,502
Excess Expenses Over Revenue From Operations	(1,524,734)	(1,231,155)
Nonoperating Revenue (Expenses)		
Investment Income	10,291	674
Loss on Sale of Capital Assets	(9,720)	(637,817)
Casualty Losses - Non-capitalized	-	(13,871)
Total Nonoperating Revenue	571	(651,014)
(Deficit) Revenue Before Contributions	(1,524,163)	(1,882,169)
Capital Grant Contributions	323,880	998,243
Change in Net Position	(1,200,283)	(883,926)
Beginning Net Position	11,432,614	12,309,050
Prior Period Adjustment	(3,119,360)	7,490
Beginning Net Position - Restated	8,313,254	12,316,540
Ending Net Position	\$ 7,112,971	\$ 11,432,614

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013 AND 2012

	June 30,	
	2013	2012
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 1,266,848	\$ 1,347,780
Receipts from Federal Grants	12,619,365	11,861,170
Receipts from Misc. Sources	1,591,989	1,369,597
Receipt of Unearned Revenue - Bonds	3,425,502	-
Payments to Vendors and Suppliers	(2,867,412)	(3,158,860)
Payments for Housing Assistance Payments	(9,831,765)	(9,500,257)
Payments to Employees	(1,363,646)	(1,318,208)
Payment of Employee Benefits	(971,422)	(829,429)
Payment of Utilities Expenses	(927,307)	(841,464)
Net Cash Provided (Used) by Operating Activities	2,942,152	(1,069,671)
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	323,880	998,243
Acquisitions and Construction of Capital Assets	(213,880)	(965,209)
Payment for Retirement of Debt	(6,049,660)	(3,411,659)
Receipts from Mortgage Note Receivables	3,074,209	4,372,531
Receipts of Grants Receivable	-	100,000
Increase (Payment) in Noncurrent Liabilities	2,329,035	(3,114)
Increase (Payment) in Accrued Compensated Absences - Noncurrent	28,871	(1,464)
Increase in Accrued Pension and OPEB Liabilities	40,165	40,400
Prior Period Adjustment - Net Cash	(2,775,328)	7,490
Casualty Losses	-	(13,871)
Proceeds (Loss) from Sale of Capital Assets - net of Adjustment	(9,720)	(637,817)
Net Cash (Used) Provided by and Related Financing Activities	(3,252,428)	485,530
Cash Flow From Investing Activities		
Interest Income	10,291	674
Receipts (Payment) in Tenant Security Deposit	(2,004)	7,350
Receipt (Purchase) of Investment	3,648,276	(3,349,578)
Net Cash Provided (Used) by Investing Activities	3,656,563	(3,341,554)
Net Increase (Decrease) in Cash and Cash Equivalents	3,346,287	(3,925,695)
Beginning Cash	1,369,534	5,295,229
Ending Cash	\$ 4,715,821	\$ 1,369,534
Reconciliation of Operating Income to Net Cash		
(Used) by Operating Activities		
Excess of Expenses Over Revenue	\$ (1,524,734)	\$ (1,231,155)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	652,127	132,197
(Increase) Decrease in:		
Accounts Receivables	400,005	(172,011)
Prepaid Expenses	9,108	16,761
Other Assets		(65,010)
Increase (Decrease) in:		
Accounts Payable	22,153	(122,639)
Accrued Liabilities	58,044	295,321
Security Deposit Payable	(2,004)	7,350
Unearned Revenue	3,423,068	-
Other Current Liabilities	(95,615)	69,515
Net Cash Provided (Used) by Operating Activities	\$ 2,942,152	\$ (1,069,671)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

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

1. Organization - The Authority is a governmental, public 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: 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. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in City of New Brunswick. 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 City of New Brunswick and City Council, 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 calendar dependency by the organization on the primary government.
- F. The organization has potential to impose a financial benefit or burden on the primary government.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

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”. The Authority follows GASB-45-“Accounting for Pensions by State and Local Governmental Employers.”

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.

Statement No. 63 of the Government Accounting Standards Board (“GASB 63”) *Financial Reporting of deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* was issued in June 2011. This Statement results in a change in the presentation of the Authority’s Statement of Net Assets to what is now referred to as the Statements of Net Position and the term “net assets” is changed to “net position” throughout the financial statements.

Statement No. 65 of the Government Accounting Standards Board (“GASB 65”) *Items Previously Reported as Assets and Liabilities* was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

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. 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) Housing Authority of the City of New Brunswick'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 contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

Basis of Accounting – Continued

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 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.

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 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 revenues and expenses that are related to financing and investing activities and result from non exchange transactions or ancillary activities.

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

In Enterprise fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

Report Presentation -

The Authority's basic financial statements are presented on an entity-wide basis consisting of various housing programs. 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" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" 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. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

Net Investment in Capital Assets.

The net position 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.

Restricted Net Position

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

Unrestricted Net Position

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

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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

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.

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

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

Other accounting policies - Continued

11-Continued - 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.

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 positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

14- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

Budgetary and Policy Control -

The Authority submits its annual operating and capital budgets to U.S. Department of Housing and Urban Development. 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.

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	356
Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-22	903

Business Activities – Authority Bond Fund Program

- a. Golden Triangle Project
- b. Easton Avenue Project

State Program –State of NJ CDBG Program

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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 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. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

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.

On the web :www.state.nj.us/treasury/pension/financial

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 6.64% 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 2013 and 2012 amounted to \$133,606 and \$156,753.

Post Employment Retirement Benefits

The Authority provide post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

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.

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.

The bank balances at June 30, 2013 and 2012 were \$4,715,821 and \$1,369,534 and investments of \$-0- and \$3,648,276, respectively, 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-13	June-12
Bank of New York - Bonds Proceeds	\$ 3,620,881	\$ 3,557,892
Bank of America	860,855	1,118,361
Bank of New York - Leveraging	597	549
Amboy National Bank	111,076	80,384
Wells Fargo Bank	-	102,357
PNC Bank	121,812	157,667
Petty Cash	600	600
Total	<u>\$ 4,715,821</u>	<u>\$ 5,017,810</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

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 custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>Bank Balances</u>	
	<u>June-13</u>	<u>June-12</u>
Insured	\$ 733,488	\$ 841,556
Collateralized held by pledging bank's trust department in the Authority's name	3,982,333	4,176,254
Total	<u>\$ 4,715,821</u>	<u>\$ 5,017,810</u>

NOTE 5 - RESTRICTED CASH

The Authority has total restricted cash at June 30, 2013 and 2012 in the amount of \$3,926,840 and \$4,016,576, respectively, which was accounted for in Note 4 and consists of the following:

	<u>Year Ended</u>	
	<u>June-13</u>	<u>June-12</u>
Bank of New York - Bonds Proceeds	\$ 3,731,957	\$ 3,648,276
Bank of America - FSS Escrow	1,768	33,965
Bank of New York - Leveraging	597	549
HAP Reserve	90,965	231,429
Tenant Security Deposit	101,553	102,357
Total	<u>\$ 3,926,840</u>	<u>\$ 4,016,576</u>

The restricted cash in the amount of \$90,965 for 2013 and \$231,429 for 2012 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. The Authority invested these funds with Bank of America. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The tenant security deposit restricted cash at June 30, 2013 was in the amount of \$101,553 and \$102,357 at June 30, 2012. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at PNC Bank and Wells Fargo Bank in 2012.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 5 - RESTRICTED CASH - CONTINUED

The Authority has restricted cash in the amount of \$597 as of June 30, 2013 and \$549 as of June 30, 2012 for capital leveraging program. 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 \$3,731,957 as of June 30, 2013 and \$3,648,276 as of June 30, 2012 for the Authority Bond program. It is held in trust at the Bank of New York. These funds at Bank of New York and Bank of America 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.

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2013 and 2012 consisted of the following:

	Year Ended	
	June-13	June-12
Tenants Accounts Receivable - Present	\$ 55,791	\$ 25,921
Tenants Accounts Receivable - Fraud Recovery	96,059	107,570
Tenants Accounts Receivable - Vacated	43,346	-
Less Allowance for Doubtful Accounts	(95,184)	(74,484)
Net Tenants Accounts Receivable	100,012	59,007
Accounts Receivable - HUD	-	25,585
Accrued Interest Income Receivable	701,617	767,457
Notes Receivable - Current Portion	2,800,000	3,215,000
Accounts Receivable - Misc Charges	65,415	-
Accounts Receivable - Other	3,567,032	4,008,042
Total Accounts Receivable	\$ 3,667,044	\$ 4,067,049

Housing Authority of the City of New Brunswick 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 7 - 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 amortized on a monthly basis. Prepaid expenses at June 30, 2013 and 2012 consisted of prepaid insurance in the amount of \$73,808 on June 30, 2013 and \$82,916 as of June 30, 2012.

NOTE 8 - 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. The amounts between the various programs administered by the Authority at June 30, 2013 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 9 - FIXED ASSETS

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

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.

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

Housing Authority of the City of New Brunswick has given consideration to the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS No. 144) in the preparation of these financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 9 - FIXED ASSETS - CONTINUED

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 has not recognized any impairment in the carry value of its fixed assets at June 30, 2013.

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2013 and 2012:

	Balance June-12	Additions	Deletions	Disposal	Balance June-13
Land and Improvements	\$ 2,339,486	\$ -	\$ (839,495)	\$ -	\$ 1,499,991
Buildings & Improvements	2,333,317				2,333,317
Furniture & Equipment - Dwelling	277,618				277,618
Furniture & Equipment - Administration	861,383			(218,142)	643,241
Leasehold Improvements	7,259,428		1		7,259,429
Construction in Progress	835,415	213,880	(124,171)		925,124
Totals	13,906,647	213,880	(963,665)	(218,142)	12,938,720
Accumulated Depreciation	(4,003,466)	(652,127)	-	208,422	(4,447,171)
Net Book Value	\$ 9,903,181	\$ (438,247)	\$ (963,665)	\$ (9,720)	8,491,549

	Balance June-11	Additions	Deletions	Transfer	Balance June-12
Land and Improvements	\$ 604,468	\$ -	\$ -	\$ 1,735,018	\$ 2,339,486
Buildings & Improvements	3,032,863		(699,546)		2,333,317
Furniture & Equipment - Dwelling	298,054	23,835	(66,129)	21,858	277,618
Furniture & Equipment - Administration	574,945	34,995	(76,653)	328,096	861,383
Leasehold Improvements	3,158,009		(518,508)	4,619,927	7,259,428
Construction in Progress	6,633,935	906,379		(6,704,899)	835,415
Totals	14,302,274	965,209	(1,360,836)	-	13,906,647
Accumulated Depreciation	(4,135,663)	(662,323)	794,520	-	(4,003,466)
Net Book Value	\$ 10,166,611	\$ 302,886	\$ (566,316)	\$ -	9,903,181

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 10- NOTES RECEIVABLE – NON CURRENT

City of New Brunswick Housing Authority has four notes receivable -noncurrent as of June 30, 2013 and 2012.

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 \$2,980,000 in Public Improvement Bonds-Series 2011. 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 \$31,345,000 in Bond Anticipation Notes to provide temporary financing for the “Easton Avenue Project”. These notes were repaid with accrued interest when the Authority issued a new Lease Revenue Bonds, Series 2011. 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 a multi-unit retail center and the common space associated therewith.
- Fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve 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 authorization, issuance and delivery of the Bonds.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 10- 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, 2013 the interest rate on the note was \$6.9% and accrued annually. The Authority did not accrued interest for June 30, 2013 due to the developments financial condition. See the June 30, 2013 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, 2013 the interest rate on the note was 7% and accrued annually. The Authority did not accrued interest for June 30, 2013 due to the developments financial condition. See the June 30, 2013 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, 2013.

	<u>Note Balance</u>	<u>Accrued Interest</u>	<u>Present Value</u>	<u>Allowance for Doubtful</u>	<u>Net Book Value</u>
Golden Triangle -2011	\$ 2,319,616	\$ 16,479	\$ 2,336,095	\$ -	\$ 2,336,095
Easton Avenue 2011	29,379,495	685,138	30,064,633		30,064,633
New Bruns Urban Renewal L.P.	1,778,146	-	1,778,146	(1,778,146)	-
Community Builders Inc.	5,822,188	-	5,822,188	(5,822,188)	-
	<u>\$ 39,299,445</u>	<u>\$ 701,617</u>	<u>\$ 40,001,062</u>	<u>\$ (7,600,334)</u>	<u>32,400,728</u>
					Less Current Portion (2,800,000)
					Less Accrued Interest Receivable (701,617)
					<u>Net Book Value \$ 28,899,111</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 11- OTHER ASSETS - 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.

The leveraging cost and grant receivable is recorded as other assets and amortized over the life of the bond using the straight line method. For June 30, 2013 the remaining amount of \$1,770,000 for grant receivable and \$398,643 for net book value - underwriters cost was written off due to new guidance which changed the method of accounting for this program per GASB #65.

	Year Ended	
	June-13	June-12
HUD CFP Future Principal Payments	\$ -	\$ 1,870,000
Less Current Receivable	-	(100,000)
Total Grants Receivable	\$ -	\$ 1,770,000

	Year Ended	
	June-13	June-12
Underwriter's Cost	\$ -	\$ 469,626
Less Amortization - Underwriter's Cost	-	(70,983)
Net Book Value - Underwriter's Cost	\$ -	\$ 398,643

NOTE 12 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its statement of net position as of June 30, 2013 and 2012. Accounts payable vendors are amount owed to creditors as a result of delivered goods and completed services. Accounts payable at June 30, 2013 and 2012 consist of the following:

	Year Ended	
	June-13	June-12
Accounts Payable Vendors	\$ 37,644	\$ 11,523
Accounts Payable - Other Government	41,275	45,243
Total Accounts Payable	\$ 78,919	\$ 56,766

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2013

NOTE 13 – 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 smaller of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended June 30, 2013 and 2012, PILOT expense of \$41,276 and \$45,243, respectively, was accrued. PILOT payable at June 30, 2013 and 2012 consist of the following:

Total PILOT Payable as of June 30, 2011	\$	31,354
PILOT Expense for June 30, 2012		45,243
Less: Payments		(31,354)
Total PILOT Payable as of June 30, 2012		45,243
PILOT Expense for June 30, 2013		41,276
Less: Payments		(45,244)
Total PILOT Payable June 30, 2013	\$	41,275

NOTE 14 – ACCRUED EXPENSES

The Authority reported accrued expenses on its statement of net position. Accrued expenses are liabilities incurred on or before June 30. Accrued liabilities at June 30, 2013 and 2012 consist of the following:

	Year Ended	
	June-13	June-12
Compensated Absences - Current Portion	\$ 18,741	\$ 15,533
Wages and Payroll Taxes Payable	35,040	28,732
Accrued Interest Payable - Notes Payable	715,360	767,457
Accrued Expenses - Various Vendors	19,664	-
Accrued Expense - Utilities	80,961	-
Total Accrued Liabilities	\$ 869,766	\$ 811,722

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 15 – 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 1. 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 up to \$10,000.

The Authority has determined that the potential liability for accumulated vacation and sick time at June 30, 2013 and 2012 as follows:

	Year Ended	
	June-13	June-12
Accumulated Sick Time	\$ 61,888	\$ 45,321
Accumulated Vacation Time	112,205	98,973
Accrued Payroll Taxes	13,318	11,038
Total	187,411	155,332
Compensated Absences - Current Portion	(18,741)	(15,533)
Total Compensated Absences - Noncurrent	\$ 168,670	\$ 139,799

NOTE 16 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned 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 unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The deferred revenue for June 30, 2013 and 2012 as follows:

	Year Ended	
	June-13	June-12
Prepaid Tenants Rent - July	\$ -	\$ 2,434
Early Receipt of Mortgage Payment - July	3,425,502	-
Total Unearned Revenue	\$ 3,425,502	\$ 2,434

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 17 - 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.

At June 30, 2013, the Authority has four (4) notes payable. They consist of the following:

	Current Portion	Long-Term	Accrued Interest	Total
Golden Triangle	\$ 590,000	\$ 1,810,000	\$ 16,479	\$ 2,416,479
Easton Ave - 1992	65,000	1,005,000	30,762	1,100,762
Easton Ave - 2011	2,735,000	23,440,000	654,375	26,829,375
Capital Leveraging Fund	110,000	1,720,000	13,744	1,843,744
Total	<u>\$ 3,500,000</u>	<u>\$ 27,975,000</u>	<u>\$ 715,360</u>	<u>\$ 32,190,360</u>

At June 30, 2012, the Authority has four (4) notes payable. They consist of the following:

	Current Portion	Long-Term	Accrued Interest	Total
Golden Triangle	\$ -	\$ 2,980,000	\$ 19,982	\$ 2,999,982
Easton Ave - 1992	-	1,130,000	32,563	1,162,563
Easton Ave - 2011	-	31,474,660	700,487	32,175,147
Capital Leveraging Fund	110,000	1,830,000	14,425	1,954,425
Total	<u>\$ 110,000</u>	<u>\$ 37,414,660</u>	<u>\$ 767,457</u>	<u>\$ 38,292,117</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 17 – LONG TERM DEBT - CONTINUED

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, 2013, the interest rate was 5.3%.

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

June 30, 2014	\$	590,000
June 30, 2015		590,000
June 30, 2016		605,000
June 30, 2017		615,000
Total		<u>2,400,000</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, 2013 the interest rate was 5%.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 17 - LONG TERM DEBT - CONTINUED

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, 2013 the interest rate was 5%.

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

	Series 1992	Series 2011	Total
June 30, 2014	\$ 65,000	\$ 2,735,000	\$ 2,800,000
June 30, 2015	70,000	2,880,000	2,950,000
June 30, 2016	70,000	3,025,000	3,095,000
June 30, 2017	75,000	3,175,000	3,250,000
June 30, 2018	80,000	3,330,000	3,410,000
	<u>360,000</u>	<u>15,145,000</u>	<u>15,505,000</u>
Year 2019-2023	475,000	11,030,000	11,505,000
Year 2024-2025	235,000	-	235,000
	<u>1,070,000</u>	<u>26,175,000</u>	<u>27,245,000</u>
Total	<u>\$ 1,070,000</u>	<u>\$ 26,175,000</u>	<u>\$ 27,245,000</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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 17 – LONG TERM DEBT – CONTINUED

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.

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

June 30, 2014	\$	110,000
June 30, 2015		110,000
June 30, 2016		120,000
June 30, 2017		120,000
June 30, 2018		130,000
		<u>590,000</u>
Year 2019-2023		765,000
Year 2024-2025		<u>475,000</u>
Total	\$	<u><u>1,830,000</u></u>

NOTE 18 – OTHER NON CURRENT LIABILITY

Bond Premium

During 2011, the Authority entered into a refinancing agreement with Easton Avenue project bonds Series 1998. The refinancing incurred a bond premium in the amount of \$3,016,596 which is being amortized over the life of the bond using the straight line method.

	June-13
Bond Premium Amount	<u>\$ 3,016,596</u>
Less Amortization - Bond Premium	<u>(653,596)</u>
Net Book Value - Bond Premium	<u><u>\$ 2,363,000</u></u>

FSS Escrow

The Authority under the Low Rent Public Housing program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the Authority for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the Authority during the term of the FSS contract.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 18 – OTHER NON CURRENT LIABILITY - CONTINUED

FSS Escrow

The Authority 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 Authority terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited.

NOTE 19 – 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-13	June-12
Annual Required Contribution	\$ 44,976	\$ 57,972
Unfunded Accrued Liability	165,329	171,942
Interest on Net OPEB Obligation	6,613	6,581
Annual OPEB cost (expense)	216,918	236,495
Contributions made	(176,753)	(196,095)
Increase in net OPEB obligation	40,165	40,400
Net OPEB Obligation – beginning of year	204,428	164,028
Net OPEB Obligation – end of year	\$ 244,593	\$ 204,428

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 19 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June-10	\$ 329,343	59.7%	\$ 132,750
June-11	\$ 232,995	86.6%	\$ 164,028
June-12	\$ 236,495	82.9%	\$ 204,428
June-13	\$ 216,918	82.0%	\$ 244,593

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2009, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$4,959,861, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,959,861.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

EFFECT OF A 1% CHANGE IN HEALTHCARE TREND RATES

In the event of that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$5,821,639 or by 17.4% and the corresponding Normal Cost would increase to \$71,355 or by 33.3%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$4,265,909 or by 14.0% and the corresponding Normal Cost would decrease to \$39,968 or 25.4%.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 19 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED **ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

- Actuarial Cost Method Projected Unit Credit
- Investment Rate of Return 4.00% per annum
- Healthcare Trend Rates:

Year	Medical
June-12	7.00%
June-13	6.00%
June-14	5.00%
June-15	5.00%
June-16	5.00%

- General Inflation Assumption: 3.5% per annum
- Annual Compensation Increases 4.5% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
- Remaining Amortization Period: 30 years at July 1, 2009

Reconciliation of Plan Participation (As of July 1, 2009) Active Employees:

Average Age at Hire	June-10 34.76
Average Service	14.37
Average Current Age	49.13

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 20 - RESTRICTED NET POSITION

The Authority restricted net position account balance at June 30, 2013 is \$125,907 and \$2,453,914 for 2012. The detail of the restricted reserve account balances is as follows:

	Year Ended	
	June-13	June-12
HCV - HAP Reserve	\$ 90,965	\$ 231,429
State Leveraging Bond Reserve	597	549
Authority Bond Program	34,345	2,221,936
Total Restricted Net Position	\$ 125,907	\$ 2,453,914

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 2006-03, 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 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.

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

	HAP Payments
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)
Decrease During 6-30-2012 Year	(1,116,536)
Decrease During 6-30-2013 Year	(140,464)
Balance June 30, 2012	\$ 90,965

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 21 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at June 30, 2013 is \$325,515 and \$1,015,519 for 2012. The detail of the account balance is as follows:

	LIH Program	Section 8	Business		Total
	Reserves	HCV	COCC	Activities	
Balance June 30, 2011	\$ 558,946	\$ (21,471)	\$ (338,837)	\$ 497,314	\$ 695,952
Increase During the Year	48,241	34,181	62,349	174,896	319,667
Decrease During the Year	-	-	-	-	-
Balance June 30, 2012	607,187	12,710	(276,488)	672,210	1,015,619
Increase During the Year	-	-	45,595	-	45,595
Decrease During the Year	(264,023)	(43,036)	-	(428,640)	(735,699)
Balance June 30, 2013	\$ 343,164	\$ (30,326)	\$ (230,893)	\$ 243,570	\$ 325,515

The Authority has no pre-2004 administrative fee equity for the Housing Choice Voucher Program.

NOTE 22 – 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, 2013, 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 its building for the purpose of determining potential liability issues.

The Authority participates in the New Jersey Public housing Authority Joint Insurance Fund (NJPHA –JIF), 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, 2013 and 2012 the Authority paid \$151,078 and \$165,831 respectively, to NJPHA –JIF for property, general liability, public employee bond, public officials bond, auto coverage, excess liability, commercial package, and 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 23 - 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, 2013 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, 2013 and 2012 were \$1,926,158 and \$2,133,465, respectively.

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 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. HUD contributions for the Housing Choice Voucher for June 30, 2013 and 2012 were \$10,444,500 and \$9,180,184 respectively.

NOTE 24 - 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.

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. Total financial support by HUD was \$12,917,660 to the Authority which represents approximately 81% percent of the Authority's total revenue for the fiscal year June 30, 2013 and \$12,654,103 which represents approximately 83% percent for 2012.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2013

NOTE 24 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS - CONTINUED

Total financial support by HUD for the year ending at June 30, 2013 and 2012 were as follows:

		June 30,	
	<u>CFDA #'s</u>	<u>2013</u> <u>Expenditures</u>	<u>2012</u> <u>Expenditures</u>
<u>PHA Owned Housing</u>			
Low Rent Public Housing	14.850	\$ 1,926,158	\$ 2,133,465
Public Housing Capital Fund Program	14.872	547,002	1,340,454
Subtotal		<u>2,473,160</u>	<u>3,473,919</u>
 <u>Rental Assistance Housing Programs</u>			
Housing Choice Vouchers	14.871	10,444,500	9,180,184
 Total Awards		<u><u>\$ 12,917,660</u></u>	<u><u>\$ 12,654,103</u></u>

NOTE 25 - CONTINGENCIES

Litigation – At June 30, 2013, the Authority was not involved in any threatening 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2013

NOTE 26- PRIOR PERIOD ADJUSTMENTS

For year ending June 30, 2013

The Authority's Low Rent Public Housing Program had a prior period adjustment for the prior year to adjust and record the fraud allowance of tenants accounts receivable in the amount of \$54,276.

The Authority's Low Rent Public Housing Program had a prior period adjustment for the transfer of the land cost for the tax credit program of the Authority in the amount of \$(839,495).

The Authority Low Rent Public Housing Program had a prior period adjustment in the amount of \$(1,870,000) to write off the grant receivable, which was associated with the Capital Program Revenue Bonds, as per guidance for new accounting methods.

The Authority Low Rent Public Housing Program had a prior period adjustment in the amount of \$(326,272) to write off the bond issuance cost, which was associated with the Capital Program Revenue Bonds, as per guidance for new accounting methods.

The Authority Public Housing Capital Fund Program has a prior period adjustment for adjusting the soft cost in the construction in process account of the fixed assets for the prior period in the amount of \$(137,869) which was originally recorded as a hard cost.

For year ending June 30, 2012

The Authority's Housing Choice Voucher Program had prior year HAP checks which they voided for the amount of \$7,490.

NOTE 27 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position's date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru January 28, 2014; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

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	\$ 1,926,158
Public Housing Capital Fund Program	14.872	547,002
Subtotal		<u>2,473,160</u>
 <u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	10,444,500
Subtotal		<u>10,444,500</u>
 Total Awards		 <u><u>\$ 12,917,660</u></u>

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the City of New Brunswick. 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. Because the Schedule presents only a selected portion of the operations of Housing Authority of the City of New Brunswick, it is not intended to and does not present the financial position, change in net position, or cash flow of Housing Authority of the City of New Brunswick.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or limited as to reimbursement.

Note 3. Loans Outstanding:

Housing Authority of the City of New Brunswick has bonds payable in the amount of \$31,475,000 plus interest accrued outstanding at June 30, 2013. See footnote Note #17 on page 42 of this report for full detail.

Note 4. Sub recipients:

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

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
BUDGETARY COMPARISON SCHEDULE
LOW INCOME HOUSING PROGRAM
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 1,340,064	\$ 1,340,840	\$ (776)
HUD PHA Operating Grants	2,149,280	2,350,772	(201,492)
Other Revenue	116,915	654,620	(537,705)
Total Revenue	<u>3,606,259</u>	<u>4,346,232</u>	<u>(739,973)</u>
Operating Expenses:			
Administration:			
Administrative Salaries	417,756	825,862	408,106
Audit Fee's	8,500	6,000	(2,500)
Asset Management Fees	30,960	-	(30,960)
Management and Bookkeeping Fee	283,509	-	(283,509)
Employee Benefit Contributions	414,329	365,523	(48,806)
Other Operating Administrative Expenses	740,359	1,134,961	394,602
Total Administrative Expenses	<u>1,895,413</u>	<u>2,332,346</u>	<u>436,933</u>
Tenant Services:			
Tenant Services - Salaries	-	25,000	25,000
Employee Benefit Contributions	-	11,065	11,065
Tenant Services Other	586	5,000	4,414
Total Tenant Services	<u>586</u>	<u>41,065</u>	<u>4,414</u>
Utilities:			
Water	151,937	224,800	72,863
Electricity	351,032	340,000	(11,032)
Gas	265,257	360,000	94,743
Sewer	159,081	120,000	(39,081)
Total Utilities	<u>927,307</u>	<u>1,044,800</u>	<u>117,493</u>
Maintenance:			
Maintenance Labor	229,924	224,611	(5,313)
Materials	122,270	108,000	(14,270)
Maintenance Contract Cost	249,277	310,700	61,423
Employee Benefit Contributions	150,375	99,412	(50,963)
Total Maintenance	<u>751,846</u>	<u>742,723</u>	<u>(9,123)</u>
Protective Services:			
Protective Services - Other	7,454	10,000	2,546
Total Protective Services	<u>7,454</u>	<u>10,000</u>	<u>2,546</u>
Other Operating Expenses:			
Insurance	128,905	24,000	(104,905)
Other General Expenses	46,418	49,000	2,582
Payment in Lieu of Taxes	41,276	35,000	(6,276)
Total Other Operating Expenses	<u>216,599</u>	<u>108,000</u>	<u>(108,599)</u>
Total Operating Expenses	<u>3,799,205</u>	<u>4,278,934</u>	<u>443,664</u>
Excess Expenses Over Revenue From Operations	<u>(192,946)</u>	<u>67,298</u>	<u>(260,244)</u>
Other Income and (Expenses):			
Investment Income	9,136	2,200	6,936
Net Loss on Sale of Capital Assets	(9,720)	-	(9,720)
Interest and Amortization Expense	(129,093)	-	(129,093)
Prior Period Adjustments	(1,811,352)	-	(1,811,352)
Transfer In From Restricted	1,869,952	-	1,869,952
Total Other Income and (Expenses)	<u>(71,077)</u>	<u>2,200</u>	<u>(73,277)</u>
Excess Expenses over Revenue	<u>\$ (264,023)</u>	<u>\$ 69,498</u>	<u>\$ (333,521)</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
BUDGETARY COMPARISON SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	\$ 9,657,801	\$ 9,674,280	\$ (16,479)
Ongoing Administrative Fees Earned	786,699	969,480	(182,781)
Fraud Recovery	26,574	-	26,574
Other Revenue	18,765	5,000	13,765
Total Revenue	<u>10,489,839</u>	<u>10,648,760</u>	<u>(158,921)</u>
Operating Expenses:			
Administration:			
Administrative Salaries	255,032	319,381	64,349
Audit Fee's	5,500	5,000	(500)
Management and Bookkeeping Fee	196,394	-	(196,394)
Employee Benefit Contributions	124,997	100,000	(24,997)
Other Operating Administrative Expenses	77,906	314,760	236,854
Total Administrative Expenses	<u>659,829</u>	<u>739,141</u>	<u>79,312</u>
Other Operating Expenses:			
Other General Expenses	165,430	207,000	41,570
Insurance	17,470	4,525	(12,945)
Housing Assistance Payments	9,831,765	9,674,280	(157,485)
Total Other Operating Expenses	<u>10,014,665</u>	<u>9,885,805</u>	<u>(128,860)</u>
Total Operating Expenses	<u>10,674,494</u>	<u>10,624,946</u>	<u>(49,548)</u>
Excess Expenses Over Revenue From Operations	<u>(184,655)</u>	23,814	<u>(208,469)</u>
Other Income and (Expenses):			
Investment Income	1,155	-	1,155
Transfer In from Restricted	140,464	-	140,464
Total Other Income and (Expenses)	<u>141,619</u>	<u>-</u>	<u>141,619</u>
Excess Expenses over Revenue	<u>\$ (43,036)</u>	<u>\$ 23,814</u>	<u>\$ (66,850)</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: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$384,028	\$24,477	\$380,476	\$0	\$788,981		\$788,981
112 Cash - Restricted - Modernization and Development	\$597				\$597		\$597
113 Cash - Other Restricted	\$1,768	\$90,965	\$3,731,957		\$3,824,690		\$3,824,690
114 Cash - Tenant Security Deposits	\$101,553				\$101,553		\$101,553
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$487,946	\$115,442	\$4,112,433	\$0	\$4,715,821	\$0	\$4,715,821
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous				\$65,415	\$65,415		\$65,415
126 Accounts Receivable - Tenants	\$99,137				\$99,137		\$99,137
126.1 Allowance for Doubtful Accounts - Tenants	-\$40,288				-\$40,288		-\$40,288
126.2 Allowance for Doubtful Accounts - Other				\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current			\$2,800,000		\$2,800,000		\$2,800,000
128 Fraud Recovery	\$96,059				\$96,059		\$96,059
128.1 Allowance for Doubtful Accounts - Fraud	-\$54,896				-\$54,896		-\$54,896
129 Accrued Interest Receivable			\$701,617		\$701,617		\$701,617
120 Total Receivables, Net of Allowances for Doubtful	\$100,012	\$0	\$3,501,617	\$65,415	\$3,667,044	\$0	\$3,667,044
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$56,326	\$8,741		\$8,741	\$73,808		\$73,808
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From	\$452,591	\$11,264		\$112,882	\$576,737	-\$576,737	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$1,096,875	\$135,447	\$7,614,050	\$187,038	\$9,033,410	-\$576,737	\$8,456,673

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: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
161 Land	\$1,499,991				\$1,499,991		\$1,499,991
162 Buildings	\$2,333,317				\$2,333,317		\$2,333,317
163 Furniture, Equipment & Machinery - Dwellings	\$277,618				\$277,618		\$277,618
164 Furniture, Equipment & Machinery - Administration	\$414,602		\$68,158	\$160,481	\$643,241		\$643,241
165 Leasehold Improvements	\$7,259,429				\$7,259,429		\$7,259,429
166 Accumulated Depreciation	-\$4,241,289		-\$45,401	-\$160,481	-\$4,447,171		-\$4,447,171
167 Construction in Progress	\$925,124				\$925,124		\$925,124
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$8,468,792	\$0	\$22,757	\$0	\$8,491,549	\$0	\$8,491,549
171 Notes, Loans and Mortgages Receivable - Non-Current			\$28,899,111		\$28,899,111		\$28,899,111
172 Notes, Loans, & Mortgages Receivable - Non Current -							
173 Grants Receivable - Non Current							
174 Other Assets			\$0		\$0		\$0
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$8,468,792	\$0	\$28,921,868	\$0	\$37,390,660	\$0	\$37,390,660
190 Total Assets	\$9,565,667	\$135,447	\$36,535,918	\$187,038	\$46,424,070	-\$576,737	\$45,847,333
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$10,828		\$25,367	\$1,449	\$37,644		\$37,644
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$15,248	\$8,224		\$11,568	\$35,040		\$35,040
322 Accrued Compensated Absences - Current Portion	\$8,695	\$1,177		\$8,869	\$18,741		\$18,741
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$13,743		\$701,617		\$715,360		\$715,360
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$41,275				\$41,275		\$41,275
341 Tenant Security Deposits	\$101,553				\$101,553		\$101,553

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: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
342 Deferred Revenues			\$3,425,502		\$3,425,502		\$3,425,502
343 Current Portion of Long-term Debt - Capital	\$110,000		\$3,390,000		\$3,500,000		\$3,500,000
344 Current Portion of Long-term Debt - Operating							
345 Other Current Liabilities	\$1,768	\$5,591			\$7,359		\$7,359
346 Accrued Liabilities - Other	\$100,625				\$100,625		\$100,625
347 Inter Program - Due To	\$292,001		\$64,728	\$220,008	\$576,737	-\$576,737	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$695,736	\$14,992	\$7,607,214	\$241,894	\$8,559,836	-\$576,737	\$7,983,099
351 Long-term Debt, Net of Current - Capital	\$1,720,000		\$26,255,000		\$27,975,000		\$27,975,000
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other			\$2,363,000		\$2,363,000		\$2,363,000
354 Accrued Compensated Absences - Non Current	\$78,259	\$10,592		\$79,819	\$168,670		\$168,670
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$89,119	\$49,224	\$10,032	\$96,218	\$244,593		\$244,593
350 Total Non-Current Liabilities	\$1,887,378	\$59,816	\$28,628,032	\$176,037	\$30,751,263	\$0	\$30,751,263
300 Total Liabilities	\$2,583,114	\$74,808	\$36,235,246	\$417,931	\$39,311,099	-\$576,737	\$38,734,362
508.1 Invested In Capital Assets, Net of Related Debt	\$6,638,792		\$22,757		\$6,661,549		\$6,661,549
511.1 Restricted Net Assets	\$597	\$90,965	\$34,345		\$125,907		\$125,907
512.1 Unrestricted Net Assets	\$343,164	-\$30,326	\$243,570	-\$230,893	\$325,515		\$325,515
513 Total Equity/Net Assets	\$6,982,553	\$60,639	\$300,672	-\$230,893	\$7,112,971	\$0	\$7,112,971
600 Total Liabilities and Equity/Net Assets	\$9,565,667	\$135,447	\$36,535,918	\$187,038	\$46,424,070	-\$576,737	\$45,847,333

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: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,320,990				\$1,320,990		\$1,320,990
70400 Tenant Revenue - Other	\$19,074				\$19,074		\$19,074
70500 Total Tenant Revenue	\$1,340,064	\$0	\$0	\$0	\$1,340,064	\$0	\$1,340,064
70600 HUD PHA Operating Grants	\$2,149,280	\$10,444,500			\$12,593,780		\$12,593,780
70610 Capital Grants	\$323,880				\$323,880		\$323,880
70710 Management Fee				\$381,143	\$381,143	-\$381,143	\$0
70720 Asset Management Fee				\$30,960	\$30,960	-\$30,960	\$0
70730 Book Keeping Fee				\$98,760	\$98,760	-\$98,760	\$0
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue				\$510,863	\$510,863	-\$510,863	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$9,136	\$1,155			\$10,291		\$10,291
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery		\$26,574			\$26,574		\$26,574
71500 Other Revenue	\$116,915	\$18,765	\$1,176,685	\$253,050	\$1,565,415		\$1,565,415
71600 Gain or Loss on Sale of Capital Assets	-\$9,720				-\$9,720		-\$9,720
72000 Investment Income - Restricted							
70000 Total Revenue	\$3,929,555	\$10,490,994	\$1,176,685	\$763,913	\$16,361,147	-\$510,863	\$15,850,284
91100 Administrative Salaries	\$417,756	\$255,032	\$8,038	\$452,896	\$1,133,722		\$1,133,722
91200 Auditing Fees	\$8,500	\$5,500	\$1,150		\$15,150		\$15,150
91300 Management Fee	\$260,289	\$120,854			\$381,143	-\$381,143	\$0
91310 Book-keeping Fee	\$23,220	\$75,540			\$98,760	-\$98,760	\$0
91400 Advertising and Marketing			\$10,000		\$10,000		\$10,000
91500 Employee Benefit contributions - Administrative	\$414,329	\$124,997	\$1,403	\$157,772	\$698,501		\$698,501
91600 Office Expenses	\$111,156	\$23,202		\$5,569	\$139,927		\$139,927

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: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
91700 Legal Expense							
91800 Travel	\$465	\$3,017		\$22,294	\$25,776		\$25,776
91810 Allocated Overhead							
91900 Other	\$628,738	\$51,687	\$26,637	\$39,249	\$746,311		\$746,311
91000 Total Operating - Administrative	\$1,864,453	\$659,829	\$47,228	\$677,780	\$3,249,290	-\$479,903	\$2,769,387
92000 Asset Management Fee	\$30,960				\$30,960	-\$30,960	\$0
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$586				\$586		\$586
92500 Total Tenant Services	\$586	\$0	\$0	\$0	\$586	\$0	\$586
93100 Water	\$151,937				\$151,937		\$151,937
93200 Electricity	\$351,032				\$351,032		\$351,032
93300 Gas	\$265,257				\$265,257		\$265,257
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities	\$159,081				\$159,081		\$159,081
93800 Other Utilities Expense							
93000 Total Utilities	\$927,307	\$0	\$0	\$0	\$927,307	\$0	\$927,307
94100 Ordinary Maintenance and Operations - Labor	\$229,924				\$229,924		\$229,924
94200 Ordinary Maintenance and Operations - Materials	\$122,270			\$3,597	\$125,867		\$125,867
94300 Ordinary Maintenance and Operations Contracts	\$249,277				\$249,277		\$249,277
94500 Employee Benefit Contributions - Ordinary	\$150,375				\$150,375		\$150,375
94000 Total Maintenance	\$751,846	\$0	\$0	\$3,597	\$755,443	\$0	\$755,443
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							

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: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
95300 Protective Services - Other	\$7,454				\$7,454		\$7,454
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$7,454	\$0	\$0	\$0	\$7,454	\$0	\$7,454
96110 Property Insurance							
96120 Liability Insurance							
96130 Workmen's Compensation							
96140 All Other Insurance	\$128,905	\$17,470		\$11,105	\$157,480		\$157,480
96100 Total Insurance Premiums	\$128,905	\$17,470	\$0	\$11,105	\$157,480	\$0	\$157,480
96200 Other General Expenses	\$4,139	\$161,614		\$12,987	\$178,740		\$178,740
96210 Compensated Absences	\$42,279	\$3,816		\$76,451	\$122,546		\$122,546
96300 Payments in Lieu of Taxes	\$41,276				\$41,276		\$41,276
96400 Bad debt - Tenant Rents							
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$87,694	\$165,430	\$0	\$89,438	\$342,562	\$0	\$342,562
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)	\$85,535		\$1,113,069		\$1,198,604		\$1,198,604
96730 Amortization of Bond Issue Costs	\$43,558		\$364,294		\$407,852		\$407,852
96700 Total Interest Expense and Amortization Cost	\$129,093	\$0	\$1,477,363	\$0	\$1,606,456	\$0	\$1,606,456
96900 Total Operating Expenses	\$3,928,298	\$842,729	\$1,524,591	\$781,920	\$7,077,538	-\$510,863	\$6,566,675
97000 Excess of Operating Revenue over Operating	\$1,257	\$9,648,265	-\$347,906	-\$18,007	\$9,283,609	\$0	\$9,283,609
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments							
		\$9,816,606			\$9,816,606		\$9,816,606

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: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
97350 HAP Portability-In		\$15,159			\$15,159		\$15,159
97400 Depreciation Expense	\$639,097		\$13,030		\$652,127		\$652,127
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$4,567,395	\$10,674,494	\$1,537,621	\$781,920	\$17,561,430	-\$510,863	\$17,050,567
10010 Operating Transfer In	\$74,143				\$74,143		\$74,143
10020 Operating transfer Out	-\$74,143				-\$74,143		-\$74,143
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
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$637,840	-\$183,500	-\$360,936	-\$18,007	-\$1,200,283	\$0	-\$1,200,283
11020 Required Annual Debt Principal Payments	\$110,000	\$0	\$3,695,000	\$0	\$3,805,000		\$3,805,000
11030 Beginning Equity	\$10,405,030	\$244,139	\$1,059,933	-\$276,488	\$11,432,614		\$11,432,614
11040 Prior Period Adjustments, Equity Transfers and	-\$2,784,637		-\$398,325	\$63,602	-\$3,119,360		-\$3,119,360
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits							

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: 06/30/2013

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
11090 Changes in Allowance for Doubtful Accounts -		14,871					
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity		-\$30,326			-\$30,326		-\$30,326
11180 Housing Assistance Payments Equity		\$90,965			\$90,965		\$90,965
11190 Unit Months Available	4272	10836			15108		15108
11210 Number of Unit Months Leased	4221	10044			14265		14265
11270 Excess Cash	\$61,696				\$61,696		\$61,696
11610 Land Purchases	\$213,880			\$0	\$213,880		\$213,880
11620 Building Purchases	\$0			\$0	\$0		\$0
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	\$0			\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$110,000			\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0	\$110,000		\$110,000
				\$0	\$0		\$0

See accompanying notes to the financial statements



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of the City of New Brunswick (hereafter referred to as the Authority), which comprise the statement of net position as of June 30, 2013 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Housing Authority of the City of New Brunswick's 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 and correct, 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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 Housing Authority of the City of New Brunswick's 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*.

Purpose of This Report

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: January 28, 2014



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

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

Report on Compliance

We have audited Housing Authority of the City of New Brunswick's (hereafter referred to as the Authority), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* applicable to Authority's major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs .

Management's Responsibility for Compliance

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of New Brunswick complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Housing Authority of the City of New Brunswick is responsible for establishing and maintaining effective internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: January 28, 2014

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Schedule of Findings and Questioned Cost
Year Ended June 30, 2013

Prior Audit Findings

None reported

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statement of Housing Authority of the City of New Brunswick.
2. No significant deficiencies relating to the audit of the financial statements are reported in the INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.
3. No instances of noncompliance material to the financial statements of Housing Authority of the City of New Brunswick were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the Housing Choice Voucher Program, Public Housing Capital Fund Program, and the Low Rent Public Housing Program expresses an Unmodified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The programs tested as major program were:
 - a. Housing Choice Voucher, CFDA# 14.871 with expenditures of \$10,444,500.
 - b. Public Housing Capital Fund Program, CFDA#14.872 with expenditures of \$547,002.
 - c. Low Rent Public Housing, CFDA# 14.850 with expenditures of \$1,926,158.
8. The threshold used for distinguishing between Type A and B programs was \$387,530.
9. Housing Authority of the City of New Brunswick qualified as a low risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST - MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



Hymanson, Parnes & Giampaolo

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Independent Accountant's Report on Agreed-Upon Procedures

Board of Commissioners
Housing Authority of the City of New Brunswick
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 Housing Authority of the City of New Brunswick 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, 2013, and have issued our report thereon dated January 28, 2014. 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, 2013, 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 Housing Authority of the City of New Brunswick 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: January 28, 2014

PROCEDURE

UFRS RULE INFORMATION

HARD COPY DOCUMENTS

AGREES DOES NOT AGREE

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	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 G3100-040)	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,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010)	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 G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	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"/>

Firm Name	Hymanson Parnes & Giampaolo
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Date	January 28, 2014
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