

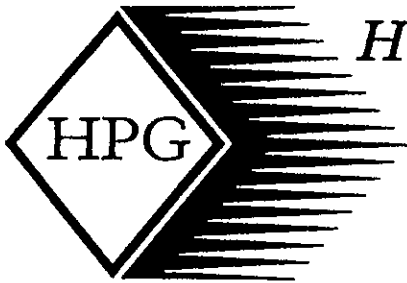
Report On Audit

**HOUSING AUTHORITY OF
CITY OF NEW BRUNSWICK**

**For the Year Ended
June 30, 2015**

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, 2015 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, 2015, 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.

Change in Method of Accounting for Pensions

As discussed in Note 1 to the financial statements, the Authority changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 17 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 22, 2016 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 report is 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 22, 2016

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

As Management of the 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 \$2,655,901 greater than the liabilities, a decrease in the financial position of \$3,196,295 or 55% percent. As noted above, the net position of the Authority exceeded its liabilities by \$2,655,901 as of June 30, 2015. Of this amount, the unrestricted net position is a deficit (3,603,453) representing a decrease of \$3,098,127 or 613% percent from the previous year. The restricted net position decreased \$141,015 or 82% percent from the prior year for an ending balance of \$30,518. The net investment in capital assets increased \$42,847 or 1% percent for an ending balance of \$6,228,836. 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. During the year, the Authority had a prior period adjustment in the amount of (\$2,957,170) while recording Net Pension Liability. This adjustment was due to the implementation of GASB 68.

The Authority's unrestricted cash, and cash equivalent at June 30, 2015 is \$283,701 representing an increase of \$173,166 or 157% percent from the prior year. Total restricted cash decreased \$258,044 or 6% percent for an ending balance of \$3,908,424. The full detail of these amounts can be found in the Statement of Cash Flow on pages 21-22 of this report.

The Authority's total assets are \$37,390,464 of which capital assets net book value is \$7,828,836, other noncurrent assets is \$20,419,033, deferred outflow amount is \$463,166, leaving total current assets at \$8,679,429. Total current assets increased from the previous year by \$50,193 or 1% percent. Cash and cash equivalents unrestricted increased by \$173,166, cash and cash equivalents restricted decreased by \$258,044, investments increased by \$119,000, accounts receivables increased by \$88,264, and prepaid expenses decreased by \$72,193.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

FINANCIAL HIGHLIGHTS - CONTINUED

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$77,153 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$453,504, less the recording of depreciation expense in the amount of \$530,657. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 8 Fixed Assets.

The Authority note receivable – noncurrent decreased \$4,049,031 or 17% percent as compared to the previous fiscal year for an ending balance of \$20,419,033. The Authority has issued bonds in the previous years to provide financing for public improvements activities for the City. The proceeds for the payment of the debt will be funded by the City of New Brunswick. The decrease of the account balance was mainly the receipt for the payment of debt issued.

The Authority changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* resulted in an increase in the deferred outflow for the pension cost in the amount of \$463,166. The Authority also reported an increase in the deferred inflow for the pension cost in the amount of \$195,215. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements section Note – 10 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$34,539,348 of which noncurrent liabilities are stated at \$26,208,563. Total liabilities decreased during the year as compared to the prior year in the amount of \$611,745 or 2% percent. Total current liabilities increased during the year by \$131,719 leaving noncurrent liabilities for a decrease of \$743,464 or 3% percent, as compared to the previous year.

Total current liabilities increased from the previous year by \$131,719 or 2% percent. Accounts payables decreased by \$59,081, accrued liabilities decreased by \$65,252, tenant security deposit payable increased by \$135, unearned revenue increased \$77,273 for the receipt of the bonds revenue in June for the payment of July 2015, and the current portion of the Capital Project Bonds increased \$160,000 for the payment in July 2015, and the other current liabilities increased \$18,644.

Total noncurrent liabilities decreased by \$743,464 or 3% percent. The decreased was comprised of four accounts, long-term capital bonds which decreased by \$3,820,000 for an ending balance of \$20,495,000, accrued compensated absences – long term with no offsetting assets decreased \$40,590 from the prior fiscal year for an ending balance of \$143,898, noncurrent other liabilities decreased \$303,429 during the year for the receipt for the net amortization of the bond premium cost refinanced. Accrued pension and OPEB liabilities increased \$3,420,555 or 878% percent for an ending balance of \$3,809,985. Accrued pension and OPEB increased in part due to the adoption of GASB 68 by the Authority.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

FINANCIAL HIGHLIGHTS - CONTINUED

Additional information on GASB 68's effect and the Authority's accrued pension and OPEB liabilities at June 30, 2015 can be found in Notes 18-19 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$13,743,110 as compared to \$13,752,597 from the prior year for a decrease of \$9,487 or less than 1% percent. The Authority had total operating expenses of \$15,226,106 as compared to \$16,016,229 from the previous year for a decrease of \$790,123 or 5% percent, resulting in a deficiency of revenue from operations in the amount of \$1,482,996 for the current year as compared to a deficiency of revenue from operations in the amount of \$2,263,632 for a decrease in deficit of \$780,636 or 34% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$569,485 as compared to \$231,515 from the previous year for an increase of \$337,970 or 146% percent. The Authority's had capital outlays in the amount of \$453,504 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 - 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$12,578,603 for the fiscal year 2015 as compared to \$12,301,055 for the previous fiscal year 2014 for an increase of \$277,548 or 2% percent.

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.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

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 22.

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.

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 23 through 58.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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 59 of this report.

Federal Awards -

1. 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 \$377,358 in expenditures for the fiscal year ended June 30, 2015. Type B programs for Housing Authority of the City of New Brunswick are those which are less than \$377,358 in expenditures for the fiscal year ended June 30, 2015.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between June 30, 2015 and June 30, 2014:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	June-15	June-14	
Cash	\$ 4,192,125	\$ 4,277,003	\$ (84,878)
Other Current Assets	4,487,304	4,352,233	135,071
Capital Assets - Net	7,828,836	7,905,989	(77,153)
Other Assets	20,419,033	24,468,064	(4,049,031)
Deferred Outflows	463,166	-	463,166
Total Assets	37,390,464	41,003,289	(3,612,825)
Less: Current Liabilities	(8,330,785)	(8,199,066)	(131,719)
Less: Non Current Liabilities	(26,208,563)	(26,952,027)	743,464
Less: Deferred Inflows	(195,215)	-	(195,215)
Net Position	\$ 2,655,901	\$ 5,852,196	\$ (3,196,295)
Net Investment in Capital Assets	\$ 6,228,836	\$ 6,185,989	\$ 42,847
Restricted Net Position	30,518	171,533	(141,015)
Unrestricted Net Position	(3,603,453)	(505,326)	(3,098,127)
Net Position	\$ 2,655,901	\$ 5,852,196	\$ (3,196,295)

Cash decreased by \$84,878 or 9% percent. Net cash used by operating activities was \$1,264,642, net cash provided by capital and related financing activities was \$617,617, and net cash provided by investing activities was \$562,147. The full detail of this amount can be found in the Statement of Cash Flow on page 21-22 of this audit report.

Other current assets increased \$135,071. Investment increased by \$119,000, account receivable increased \$88,264 mainly due to a current receivable portion of City of New Brunswick notes receivable and prepaid expenses decreased \$72,193 due to the payment of prepaid insurance in the prior year.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$77,153 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$453,504, less the recording of depreciation expense in the amount of \$530,657. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 8 Fixed Assets.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority note receivable – noncurrent decreased \$4,049,031 or 17% percent as compared to the previous fiscal year for an ending balance of \$20,419,033. The Authority has issued bonds in the previous years to provide financing for public improvements activities for the City. The proceeds for the payment of the debt will be funded by the City of New Brunswick. The decrease of the account balance was mainly the receipt for the payment of debt issued.

Total current liabilities increased from the previous year by \$131,719 or 2% percent. Accounts payables decreased by \$59,081, accrued liabilities decreased by \$65,252, tenant security deposit payable increased by \$135, unearned revenue increased \$77,273 for the receipt of the bonds revenue in June for the payment of July 2015, and the current portion of the Capital Project Bonds increased \$160,000 for the payment in July 2015, and the other current liabilities increased \$18,644.

Total noncurrent liabilities decreased by \$743,464 or 3% percent. The decreased was comprised of four accounts, long-term capital bonds which decreased by \$3,820,000 for an ending balance of \$20,495,000, accrued compensated absences – long term with no offsetting assets decreased \$40,590 from the prior fiscal year for an ending balance of \$143,898, noncurrent other liabilities decreased \$303,429 during the year for the receipt for the net amortization of the bond premium cost refinanced. Accrued pension and OPEB liabilities increased \$3,420,555 or 878% percent for an ending balance of \$3,809,985. Accrued pension and OPEB increased in part due to the adoption of GASB 68 by the Authority.

The Authority's reported net position of \$2,655,901 is made up of three categories. The net investment in capital assets in the amount of \$6,228,836 represents 235% 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, 2014	\$ 6,185,989
Acquisition in Fixed Assets	453,504
Payment of Debt	120,000
Depreciation Expense	(530,657)
Balance June 30, 2015	\$ 6,228,836

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported a restricted net position of \$30,518, a decrease of \$141,015 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 and the leveraging program activities. Additional information on these funds can be found in Note 4 Restricted Cash and Note 20 Restricted Net Position.

Housing Authority of the City of New Brunswick operating results for June 30, 2015 reported a decrease in unrestricted position of \$3,098,127 or 613% percent for an ending balance of a deficit (\$3,603,453). A full detail of these accounts can be found in the Notes to the Financial Statements section Note - 21 Unrestricted Net Position. During the year, the Authority had a prior period adjustment in the amount of (\$2,957,170) while recording Net Pension Liability. This adjustment was due to the implementation of GASB 68. At the end of the current year, the Authority is able to report positive balances in two of the three categories of net position.

The following summarizes the changes in Net Position between June 30, 2015 and June 30, 2014:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	June-15	June-14	
<u>Revenues</u>			
Tenant Revenues	\$ 1,309,735	\$ 1,294,370	\$ 15,365
HUD Subsidies	12,009,118	12,069,540	(60,422)
Other Revenues	424,257	388,687	35,570
Total Operating Income	<u>13,743,110</u>	<u>13,752,597</u>	<u>(9,487)</u>
<u>Expenses</u>			
Operating Expenses	14,695,449	15,330,149	(634,700)
Depreciation Expense	530,657	686,080	(155,423)
Total Operating Expenses	<u>15,226,106</u>	<u>16,016,229</u>	<u>(790,123)</u>
Operating Income before Non Operating Income	(1,482,996)	(2,263,632)	780,636
Interest Income	681,147	842,085	(160,938)
Loss on Sale of Capital Assets	-	(4,009)	4,009
Casualty Loss	(6,761)	-	(6,761)
Capital Grants	569,485	231,515	337,970
Decrease in Net Position	<u>(239,125)</u>	<u>(1,194,041)</u>	<u>954,916</u>
Net Assets Prior Year	5,852,196	7,112,971	(1,260,775)
Prior Period Adjustment	(2,957,170)	(66,734)	(2,890,436)
Total Net Position	<u>2,655,901</u>	<u>5,852,196</u>	<u>\$ (3,196,295)</u>

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Approximately 87% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 10% percent resulted from tenant revenue. Charges for various services provided the remaining 3% percent of the total operating income.

Housing Authority of the City of New Brunswick received from the capital fund program \$569,485 in grant money an increase of \$337,970 from the prior fiscal year. The Authority had capital expenditures of \$453,504. The current year additions included roof replacements, exterior stairs and rails replacement and security surveillance equipment installations.

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 61% percent of total operating expenses. Administrative expenses accounted for 16% percent, utilities expense accounted for 6% percent, maintenance expense accounted for 5% percent, other operating expenses accounted for 3% percent, interest expense accounted for 6%, and depreciation accounted for the remaining 3% 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 \$1,482,996 from operations as compared to excess expenses from operations of \$2,263,632 for the previous year. The key elements for the decrease in the deficit in comparison to the prior year are as follow:

- The Authority reported a decrease in HUD PHA operating grants in the amount of \$60,422 or 1% percent, due to reductions by HUD, because of budgets cuts by Congress.
- Tenants dwelling rents revenue increased \$15,365 mainly due to tenant's additional household income.
- To combat the decrease in operation income, the Authority reduced the total operating expenses in the amount of \$790,123 or 5% percent
 - Administrative expense decreased \$73,958
 - Utilities decreased \$80,139
 - Maintenance expense decreased \$19,546
 - Other operating expenses decreased \$120,540
 - Interest expense decreased \$150,007
 - Housing Assistance Payments decreased \$190,510
 - Depreciation expense decreased \$155,423

Total net cash used in operating activities during the year was \$1,264,642 as compared to cash used by in the amount of \$2,132,966 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flow on page 21-22 of this report.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

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, 2015:

	June-15	June-14	June-13	June-12
Significant Income				
Total Tenant Revenue	\$ 1,309,735	\$ 1,294,370	\$ 1,340,064	\$ 1,293,890
HUD Operating Grants	12,009,118	12,069,540	12,593,780	11,655,860
HUD Capital Grants	569,485	231,515	323,880	998,243
Investment Income	681,147	842,085	10,291	674
Other Income	424,257	388,687	1,591,989	1,369,597
Total	\$ 14,993,742	\$ 14,826,197	\$ 15,860,004	\$ 15,318,264
Payroll Expense				
Administrative Salaries	\$ 921,015	\$ 1,058,290	\$ 1,133,722	\$ 1,131,789
Tenant Services Salaries	-	-	-	2,151
Maintenance Labor	293,729	257,804	229,924	184,268
Employee Benefits Expense	964,426	926,371	848,876	829,429
Total Payroll Expense	\$ 2,179,170	\$ 2,242,465	\$ 2,212,522	\$ 2,147,637
Other Significant Expenses				
Other Administrative Expenses	\$ 731,392	\$ 697,487	\$ 746,311	\$ 278,935
Utilities Expense	964,426	1,044,565	927,307	841,464
Maintenance Supplies	101,401	129,085	125,867	145,887
Maintenance Contract Cost	152,088	221,064	249,277	318,452
Insurance Premiums	147,874	148,086	157,480	182,593
Bad Debt Expense	53,921	51,272	-	54,734
Housing Assistance Payments	9,223,710	9,414,220	9,831,765	9,500,257
Total	\$ 11,374,812	\$ 11,705,779	\$ 12,038,007	\$ 11,322,322
Total Operating Expenses	\$ 15,226,106	\$ 16,016,229	\$ 17,050,567	\$ 15,550,502
Total of Federal Awards	\$ 12,578,603	\$ 12,301,055	\$ 12,917,660	\$ 12,654,103

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

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, a deficit of (\$3,603,453), does not appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

By far, the largest portion of the Authority's net 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.

Business Activities

The Authority has issued bond anticipation notes to provide temporary financing for capital improvements in the City of New Brunswick. These notes are guaranteed by the City of New Brunswick.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

BUDGETARY HIGHLIGHTS

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

NEW INITIATIVES

For the fiscal year 2015 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 84% percent of its revenue from the Department of Housing and Urban Development, (2014 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.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 - Capital Assets

The Authority's net investment in capital assets as of June 30, 2015 was \$7,828,836 (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 \$77,153 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$453,504, less the recording of depreciation expense in the amount of \$530,657. Major capital assets events during the fiscal year included the following:

- Roof Replacements
- Exterior Stairs and Rails Replacement
- Security Surveillance Equipment installations.

	June-15	June-14	Increase (Decrease)
Land	\$1,499,991	\$1,499,991	\$ -
Building	2,333,317	2,333,317	-
Furniture, Equipment - Dwelling	277,618	277,618	-
Furniture, Equipment - Administration	782,629	782,629	-
Leasehold Improvements	7,323,448	7,319,429	4,019
Construction in Process	1,145,426	695,941	449,485
Total Fixed Assets	13,362,429	12,908,925	453,504
Accumulated Depreciation	(5,533,593)	(5,002,936)	(530,657)
Net Book Value	<u>\$7,828,836</u>	<u>\$7,905,989</u>	<u>\$ (77,153)</u>

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 - Long Term Debt

Long Term Debt

The Authority as of June 30, 2015 had \$24,315,000 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 16 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, 2015**

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. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

The capital budgets for the 2015 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, 2016.

- 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.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- 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.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

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, 2015

	2015
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 283,701
Cash and Cash Equivalents- Restricted	3,908,424
Investments	119,000
Accounts Receivables, Net of Allowances	4,295,463
Prepaid Expenses	72,841
Total Current Assets	8,679,429
Noncurrent Assets	
Capital Assets	
Land	1,499,991
Building	2,333,317
Furniture, Equipment - Dwelling	277,618
Furniture, Equipment - Administration	782,629
Leasehold Improvements	7,323,448
Construction in Process	1,145,426
Total Capital Assets	13,362,429
Less: Accumulated Depreciation	(5,533,593)
Net Book Value	7,828,836
Other Assets	
Notes Receivable - Non Current	20,419,033
Total Other Assets	20,419,033
Total Noncurrent Assets	28,247,869
Total Assets	36,927,298
Deferred Outflow of Resources	
Total Deferred Outflows of Resources	463,166
Total Assets and Deferred Outflow of Resources	\$ 37,390,464

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF NET POSITION - 2
AS OF JUNE 30, 2015

	2015
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 68,406
Accrued Liabilities	781,151
Tenant Security Deposit Payable	99,262
Unearned Revenue	3,541,997
Current Portion - Long Term Debt	3,820,000
Other Current Liabilities	19,969
Total Current Liabilities	8,330,785
Noncurrent Liabilities	
Bonds, Notes and Loans Payable	20,495,000
Accrued Compensated Absences - Long-Term	143,898
Noncurrent - Other Liabilities	1,759,680
Other Post-Employment Benefits Liabilities	3,809,985
Total Noncurrent Liabilities	26,208,563
Total Liabilities	34,539,348
Deferred Inflow of Resources	
Total Deferred Inflow of Resources	195,215
Net Position:	
Net Investment in Capital Assets	6,228,836
Restricted	30,518
Unrestricted	(3,603,453)
Total Net Position	2,655,901
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 37,390,464

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, 2015

	<u>2015</u>
Revenue:	
Tenant Rental Revenue	\$ 1,309,735
HUD PHA Operating Grants	12,009,118
Fraud Recovery	8,504
Other Revenue	415,753
Total Revenue	<u>13,743,110</u>
 Operating Expenses:	
Administrative Expenses	2,442,321
Utilities Expense	964,426
Maintenance Expense	754,276
Other Operating Expenses	415,238
Interest Expense	895,478
Housing Assistance Payments	9,223,710
Depreciation Expense	530,657
Total Operating Expenses	<u>15,226,106</u>
 Excess Expenses Over Revenue From Operations	 <u>(1,482,996)</u>
 Nonoperating Revenue (Expenses)	
Investment Income	681,147
Casualty Loss	(6,761)
Total Nonoperating Revenue	<u>674,386</u>
 (Deficit) Revenue Before Contributions	 (808,610)
 Capital Grant Contributions	 <u>569,485</u>
 Change in Net Position	 <u>(239,125)</u>
Beginning Net Position	5,852,196
Prior Period Adjustment	(2,957,170)
Beginning Net Position - Restated	<u>2,895,026</u>
 Ending Net Position	 <u><u>\$ 2,655,901</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF CASH FLOW - 1
FOR THE TWELVE MONTHS ENDED JUNE 30, 2015

	2015
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 1,254,407
Receipts from Federal Grants	12,009,118
Receipts from Misc. Sources	414,457
Payments to Vendors and Suppliers	(2,542,772)
Payments for Housing Assistance Payments	(9,223,710)
Payments to Employees	(1,214,744)
Payment of Employee Benefits	(996,972)
Payment of Utilities Expenses	(964,426)
Net Cash (Used) by Operating Activities	(1,264,642)
Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	569,485
Acquisitions and Construction of Capital Assets	(453,504)
Payment for Retirement of Debt	(3,660,000)
Receipts from Mortgage Note Receivables	4,049,031
Increase (Payment) in Noncurrent Liabilities	(303,429)
Increase (Payment) in Accrued Compensated Absences - Noncurrent	(40,590)
Increase in Accrued Pension and OPEB Liabilities	3,420,555
Prior Period Adjustment	(2,957,170)
Casualty Loss	(6,761)
Net Cash Provided by and Related Financing Activities	617,617
Cash Flow From Investing Activities	
Interest Income	681,147
Receipt (Purchase) of Investment	(119,000)
Net Cash Provided by Investing Activities	562,147
Net (Decrease) in Cash and Cash Equivalents	(84,878)
Beginning Cash	4,277,003
Ending Cash	\$ 4,192,125
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 283,701
Bond Proceeds at Bank of New York	3,778,644
Restricted Cash for Leveraging	417
HCV HAP Reserve	30,101
Tenant Security Deposit	99,262
	\$ 4,192,125

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF CASH FLOW - 2
FOR THE TWELVE MONTHS ENDED JUNE 30, 2015

	2015
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expenses Over Revenue	\$ (1,482,996)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense - net of adjustments	530,657
(Increase) Decrease in:	
Accounts Receivables	(88,264)
Prepaid Expenses	72,193
Deferred Outflow on Pensions	(463,166)
Increase (Decrease) in:	
Accounts Payable	(59,081)
Accrued Liabilities	(65,252)
Security Deposit Payable	135
Unearned Revenue	77,273
Other Current Liabilities	18,644
Deferred Inflow on Pensions	195,215
 Net Cash (Used) by Operating Activities	 \$ (1,264,642)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2015

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. 40A:12A-1 et al 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 GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The organization is fiscal dependency on the primary government.
- C. The organization has potential to impose a financial benefit or burden on the primary government.
- D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
- E. The primary government is able to impose its will on the organization.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2015

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. 68 of the Government Accounting Standards Board (“GASB 68”) *Accounting and Financial Reporting for Pensions – an amendment of GASB statement No. 27* was issued in June 2012. This Statement establishes financial reporting standards for state and local governmental pension plans, defined benefit pensions plans and defined contributions pension plans that are administered through trusts or equivalent programs.

The requirements of GASB 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet certain criteria and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

Basis of Accounting –

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.

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. Amounts not received by June 30, are considered to be accounts receivable and any amounts received for subsequent period are recorded as unearned 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 income 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.

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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2015

Basis of Accounting – Continued

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.

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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

Report Presentation - Continued

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.

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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2015

Other accounting policies - Continued

- 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 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2015

Other accounting policies - Continued

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

13- When expenses are incurred where both restricted and unrestricted net 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.

Budgetary and Policy Control -

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

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

A. Low Rent Public Housing Program

The low rent public housing program is designed to provide low-cost housing within the City of New Brunswick. Funding is provided by eligible residents who are charged monthly rent based on family size, family income and other determinants, as well as by subsidies provided by HUD.

B. Capital Fund Programs

Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. These programs are financed by HUD subsidies. The capital fund programs are now merged into the low rent public housing program.

C. Housing Choice Vouchers 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.

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, 2015

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.

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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 3 - PENSION PLAN - CONTINUED

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 2015 amounted to \$155,446.

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.

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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

The bank balances at June 30, 2015 were \$4,311,125 which were either insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below:

	<u>June-15</u>
Bank of New York - Bonds Proceeds	\$ 3,773,731
Bank of America	320,447
Bank of New York - Leveraging	417
Amboy National Bank	120,510
PNC Bank	95,420
Petty Cash	600
Total	<u>\$ 4,311,125</u>

Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At June 30, 2015, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities. 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:

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2015

NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED

<u>Depository Accounts</u>	
	<u>June-15</u>
Insured	\$ 716,530
Collateralized held by pledging bank's trust department in the Authority's name	3,594,595
Total	<u>\$ 4,311,125</u>

RESTRICTED CASH

The Authority has total restricted cash at June 30, 2015 in the amount of \$3,908,424 which consists of the following:

	<u>June-15</u>
Bank of New York - Bonds Proceeds	\$ 3,773,731
Bank of New York - Leveraging	417
Bank of America - Bonds Proceeds	4,913
HAP Reserve	30,101
Tenant Security Deposit	99,262
Total	<u>\$ 3,908,424</u>

The restricted cash in the amount of \$30,101 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, 2015 was in the amount of \$99,262. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing accounts.

The Authority has restricted cash in the amount of \$417 as of June 30, 2015 was for the 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 \$3,778,644 as of June 30, 2015 was 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2015

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2015 consisted of the following:

	<u>June-15</u>
Tenants Accounts Receivable - Present	\$ 46,044
Tenants Accounts Receivable - Fraud Recovery	46,313
Tenants Accounts Receivable - Vacated	9,284
Less Allowance for Doubtful Accounts	<u>(56,321)</u>
Net Tenants Accounts Receivable	<u>45,320</u>
Accrued Interest Income Receivable	548,847
Notes Receivable - Current Portion	3,700,000
Accounts Receivable - Misc Charges	1,296
Accounts Receivable - Other	<u>4,250,143</u>
Total Accounts Receivable	<u>\$ 4,295,463</u>

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.

NOTE 6 - 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, 2015 consisted of prepaid insurance premiums.

NOTE 7 - 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, 2015 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2015

NOTE 8 - 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

The Housing Authority of the City of New Brunswick has given consideration to the GASBS #42, Accounting for the Impairment or Disposal of Long-Lived Assets, in the preparation of these financial statements.

The carrying value of long-live assets in accordance with GASBS #42, 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, 2015.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 8 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2015:

	Balance June-14	Additions	Balance June-15
Land and Improvements	\$ 1,499,991	\$ -	\$ 1,499,991
Buildings & Improvements	2,333,317	-	2,333,317
Furniture & Equipment - Dwelling	277,618	-	277,618
Furniture & Equipment - Administration	782,629	-	782,629
Leasehold Improvements	7,319,429	4,019	7,323,448
Construction in Progress	695,941	449,485	1,145,426
Totals	<u>12,908,925</u>	<u>453,504</u>	<u>13,362,429</u>
Accumulated Depreciation	(5,002,936)	(530,657)	(5,533,593)
Net Book Value	<u>\$ 7,905,989</u>	<u>\$ (77,153)</u>	<u>\$ 7,828,836</u>

<u>Net Book Value of the Assets</u>	Balance June-15
Land and Improvements	\$ 1,499,991
Buildings & Improvements	1,155,699
Furniture & Equipment - Dwelling	85,215
Furniture & Equipment - Administration	250,929
Leasehold Improvements	3,691,576
Construction in Progress	1,145,426
Net Book Value	<u>\$ 7,828,836</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 9- NOTES RECEIVABLE - NON CURRENT

Housing Authority of the City of New Brunswick has four notes receivable -noncurrent as of June 30, 2015.

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, 2015

NOTE 9- 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, 2015 the interest rate on the note was \$6.9% and accrued annually. The Authority did not accrued interest for June 30, 2015 due to the developments financial condition. See the June 30, 2015 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, 2015 the interest rate on the note was 7% and accrued annually. The Authority did not accrued interest for June 30, 2015 due to the developments financial condition. See the June 30, 2015 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, 2015.

	Note Balance	Accrued Interest	Present Value	Allowance for Doubtful	Net Book Value
Golden Triangle -2011	\$ 1,099,489	\$ 7,966	\$ 1,107,455	\$ -	\$ 1,107,455
Easton Avenue 2011	23,019,544	540,881	23,560,425		23,560,425
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>\$ 31,719,367</u>	<u>\$ 548,847</u>	<u>\$ 32,268,214</u>	<u>\$ (7,600,334)</u>	<u>24,667,880</u>
					Less Current Portion (3,700,000)
					Less Accrued Interest Receivable (548,847)
					<u>Net Book Value \$ 20,419,033</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 10 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The Pension Liability discussed in Note 19 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

The Authority's deferred outflows and inflows are as follows:

<u>Deferred Outflows - As of Measurement Date</u>	
Difference Between Expected and Actual Experience	\$ 360,160
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	103,006
Total Deferred Outflows	<u>\$ 463,166</u>
<u>Deferred Inflows - As of Measurement Date</u>	
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	
Total Deferred Inflows	<u>\$ 195,215</u>

NOTE 11 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of June 30, 2015. Accounts payable vendors are amount owed to creditors as a result of delivered goods and completed services. Accounts payable at June 30, 2015 consist of the following:

	<u>June-15</u>
Accounts Payable Vendors	\$ 13,762
Accounts Payable - Other Government	34,531
Accounts Payable - HUD Set-A-Side Funds	20,113
Total Accounts Payable	<u>\$ 68,406</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 12 – 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, 2015 the PILOT expense of \$34,531 was accrued. PILOT payable at June 30, 2015 consist of \$34,531, the 2015 PILOT expense.

NOTE 13 – 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, 2015 consist of the following:

	<u>June-15</u>
Compensated Absences - Current Portion	\$ 15,989
Wages and Payroll Taxes Payable	38,889
Accrued Interest Payable - Notes Payable	561,061
Accrued Expenses - Various Vendors	1,599
Accrued Expense - Utilities	163,613
Total Accrued Liabilities	<u>\$ 781,151</u>

NOTE 14 – 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 14 - ACCRUED COMPENSATED ABSENCES - CONTINUED

The Authority has determined that the potential liability for accumulated vacation and sick time at June 30, 2015 is as follows:

	June-15
Accumulated Sick Time	\$ 41,889
Accumulated Vacation Time	106,636
Accrued Payroll Taxes	11,362
Total	<u>159,887</u>
Compensated Absences - Current Portion	(15,989)
Total Compensated Absences - Noncurrent	<u>\$ 143,898</u>

NOTE 15 - 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, 2015 is the early receipt of the mortgage payment for July 2015 in the amount of \$3,541,997.

NOTE 16 - LONG TERM DEBT

At June 30, 2015, the Authority has four (4) notes payable. They consist of the following:

	Current Portion	Long-Term	Accrued Interest	Total
Golden Triangle	\$ 605,000	\$ 615,000	\$ 7,966	\$ 1,227,966
Easton Ave - 1992	70,000	865,000	26,881	961,881
Easton Ave - 2011	3,025,000	17,535,000	514,000	21,074,000
Capital Leveraging Fund	120,000	1,480,000	12,214	1,612,214
Total	<u>\$ 3,820,000</u>	<u>\$ 20,495,000</u>	<u>\$ 561,061</u>	<u>\$ 24,876,061</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 16 - 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, 2015, 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, 2016	\$	605,000
June 30, 2017		615,000
Total	<u>\$</u>	<u>1,220,000</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, 2015 the interest rate was 5%.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 16 - 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, 2015 the interest rate was 5%.

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

	<u>Series 1992</u>	<u>Series 2011</u>	<u>Total</u>
June 30, 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
June 30, 2019	85,000	3,500,000	3,585,000
June 30, 2020	90,000	3,675,000	3,765,000
	<u>400,000</u>	<u>16,705,000</u>	<u>17,105,000</u>
Year 2019-2025	535,000	3,855,000	4,390,000
Total	<u>\$ 935,000</u>	<u>\$ 20,560,000</u>	<u>\$ 21,495,000</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, 2015

NOTE 16 - 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, 2016	\$	120,000
June 30, 2017		130,000
June 30, 2018		130,000
June 30, 2019		140,000
June 30, 2020		145,000
		<hr/>
		665,000
Year 2019-2025		840,000
Year 2026		95,000
		<hr/>
Total	\$	<u>1,600,000</u>

NOTE 17 - 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-15
Bond Premium Amount	<u>\$ 3,016,596</u>
Less Amortization - Bond Premium	<u>(1,256,916)</u>
Net Book Value - Bond Premium	<u>\$ 1,759,680</u>

NOTE 18 - ACCRUED PENSION AND OPEB LIABILITIES

The Authority as of June 30, 2015 reported accrued pension and OPEB liability amounts as follows:

	June-15
Accrued OPEB	<u>\$ 534,267</u>
Accrued Pension	<u>3,275,718</u>
Total OPEB and Pension Liabilities	<u>\$ 3,809,985</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2015

NOTE 18 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

OPEB Liability

These amounts arose due to adoption of GASB 45 several years ago as well as GASB 68 which was just adopted this fiscal year. This note will discuss the liability associated with GASB 45, which is accrued other postemployment benefits. Note 19 will discuss the effect of GASB 68 and the liability which arose from that.

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:

	June-15
Annual Required Contribution	\$ 282,495
Unfunded Accrued Liability	172,863
Interest on Net OPEB Obligation	11,007
Annual OPEB cost (expense)	<u>466,365</u>
Contributions made	<u>(321,528)</u>
Increase in net OPEB obligation	144,837
Net OPEB Obligation – beginning of year	389,430
Net OPEB Obligation – end of year	<u><u>\$ 534,267</u></u>

The Authority’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 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-12	\$ 236,495	82.9%	\$ 204,428
June-13	\$ 216,918	82.0%	\$ 244,593
June-14	\$ 465,406	68.9%	\$ 244,593
June-15	\$ 282,495	68.9%	\$ 144,837

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 18 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED **FUNDED STATUS AND FUNDING PROGRESS**

As of July 1, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$9,956,652, and the actuarial value of assets was \$-0-, resulting in an unfunded accrued liability (UAL) of \$9,956,652.

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 CHANGE IN DISCOUNT RATE

For this evaluation the actuary used a discount rate of 4% percent, which is consistent with current market rates and the prior valuation report. Increasing the discount rate by 1% percent would lower the Unfunded Accrued Liability by approximately 13.6% percent. Conversely, lowering the discount rate by 1% percent would increase the UAL by approximately 17.3%.

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 \$11,912,713 or by 19.6% and the corresponding Normal Cost would increase to \$239,923 or by 33.5%.

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 |
| • Discount Rate | 4.00% per annum |
| • Healthcare Cost Inflation Assumptions: | |

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2015

NOTE 18 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION - CONTINUED

	<u>Year</u>	<u>Pre-65</u>	<u>Post-65</u>
Year 1 Trend	January 1, 2015	8.0%	8.0%
Ultimate Trend	January 1, 2021 & Later	5.0%	5.0%
Grading Per Year		0.5%	0.5%

- Annual Compensation Increases 3.0% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
- Remaining Amortization Period: 26 years at July 1, 2013

Reconciliation of Plan Participants (As of July 1, 2013) Active and Retired Employees:

	<u>June-14</u>
Average Age of Active Employees	48.6
Average Age of Service	12.8
Actives Eligible for Benefits	1
Actives Ineligible for Benefits	17
Total Retired Employees	19
Average Age of Total Retired	67.6

SUMMARY OF CHANGES TO UNFUNDED ACCRUED LIABILITY

Below is a schedule the items that caused the increase in the UAL from the prior actuarial valuation of the unfunded accrued liability as of July 1, 2013:

Prior Valuation UAL	\$	5,149,624
Impact due to incremental fees and costs of healthcare reform		860,103
Impact due to changes in healthcare cost		708,308
Impact due to changes in retirement eligibility assumption		807,013
Impact due to changes in mortality assumptions		449,057
Impact due to changes in retiree contributions rates/demographics		1,982,547
Total UAL as of July 1, 2013	\$	<u>9,956,652</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2015

NOTE 19 - ACCRUED PENSION LIABILITY

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PER provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

Contributions

The contribution policy for PERS is set by N.J.S.A. 17:27 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2014 and 2013, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Measurement Date

The net pension liability for fiscal year ending June 30, 2014 is determined at a measurement date of June 30, 2014. The total pension liability as of June 30, 2014 was determined by rolling forward the Plan's total pension liability as of July 1, 2013 to June 30, 2014. The plan fiduciary net position is the market value of plan assets as of June 30, 2014.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 19 – ACCRUED PENSION LIABILITY - CONTINUED

Net Pension Liability Information

The Authority as of June 30, 2015 reported a net pension liability in the amount of \$3,275,718 due to the adoption of GASB 68.

The component of the current year net pension liability of the Authority as of June 30, 2014, the last evaluation date, is as follows:

	Employer Retirement System (ERS)
Employer Total Pension Liability	\$ 6,835,912
Plan Net Position	(3,560,194)
Employer Net Pension Liability	<u>\$ 3,275,718</u>

The Authority allocation percentage is 0.0174959393% % as of June 30, 2014.

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2014 and 2013 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2014 and 2013, respectively. For this first year implementation there was a change in allocation percentage from June 30, 2013 to June 30, 2014.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2015

NOTE 19 - ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Should contributions to the Plan be different from those outlined above, the results would reflect the new contribution policy and may result in the Fiduciary Net Plan Position not being sufficient to cover the Plan's benefit payments at some future date and thus changing the discount rate used to determine the Plan's Total Pension Liability.

Long-Term Expected Rate of Return

The arithmetic mean return on the portfolio was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014. The capital market assumptions are per Buck's investment consulting practice for 2014.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2015

NOTE 19 – ACCRUED PENSION LIABILITY - CONTINUED

The determination of each employer's projected long term contribution effort is accomplished by computing the actuarially determined indexed present value of future compensation using census data as of June 30, 2014. The indexed present value of future compensation for each employer is calculated by multiplying the present value of future projected compensation for current employees (that is, on a closed basis) by the applicable cost index for each participant. The present value of future compensation for a participant incorporates:

- 1) Current employee demographics, including age, years of service, and salary,
- 2) Projected salary increases, and
- 3) Decrements (probabilities of retirement, death, and withdrawal).

The cost indexes are designed to reflect the relative cost of benefits for groups of employees with a common benefit in relation to other groups within each GASB plan. These cost indexes are also used in the determination of annual required contributions. The cost indexes are based on a new entrant valuation where the most recent set of new members to

- 1) An PERS regular plan (retirement eligibility based on age and service),
- 2) An PERS special plan (retirement eligibility based on service alone), and

These new entrant rates are the employer contribution rates that would be paid over the employee's career assuming all valuation assumptions are realized without gains or losses. The ratio of new entrant rates between plans establishes the relative plan lucrativeness, or index.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,280,179	\$ 6,797,144	\$ 5,552,469

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 19 – ACCRUED PENSION LIABILITY - CONTINUED

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of PERS members (active and inactive members), respectively.

The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow or resources or a deferred inflow of resources.

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

Year Ending June 30, 2016	\$ 37,631
Year Ending June 30, 2017	\$ 37,631
Year Ending June 30, 2018	\$ 37,631
Year Ending June 30, 2019	\$ 37,631

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2015 is \$104,921.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 20 - RESTRICTED NET POSITION

The Authority restricted net position account balance at June 30, 2015 is \$30,518. The detail of the restricted reserve account balances is as follows:

	<u>June-15</u>
HCV - HAP Reserve	\$ 30,101
State Leveraging Bond Reserve	417
Total Restricted Net Position	<u>\$ 30,518</u>

Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 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.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority at June 30, 2015 was \$3,573,201.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 21 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at June 30, 2015 is deficit (\$3,603,453). The detail of the account balance is as follows:

	LH Program Reserves	Section 8 HCV	COCC	Business Activities	Total
Balance June 30, 2014	\$ (342,252)	\$ (39,101)	\$ (401,630)	\$ 277,657	\$ (505,326)
Increase During the Year	-	-	188,589	-	188,589
Decrease During the Year	(70,028)	(21,630)	-	(237,888)	(329,546)
Prior Period Adjustment	(1,449,013)	(591,434)	(887,151)	(29,572)	(2,957,170)
Balance June 30, 2015	\$ (1,861,293)	\$ (652,165)	\$ (1,100,192)	\$ 10,197	\$ (3,603,453)

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, 2015, 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, 2015 the Authority paid \$145,682 to NJPHA –JIF for property, general liability, public employee bond, public officials bond, auto coverage, excess liability, commercial package, and worker's compensation protection.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

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, 2015 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, 2015 was \$1,789,139.

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, 2015 were \$9,871,691.

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.

Governmental Accounting Standards Boards Statements (GASBS) requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was \$12,578,603 to the Authority which represents approximately 84% percent of the Authority's total revenue for the fiscal year June 30, 2015.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2015

NOTE 25 - CONTINGENCIES

Litigation – At June 30, 2015, 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.

NOTE 26- PRIOR PERIOD ADJUSTMENTS

For year ending June 30, 2015

As of June 30, 2015 the Authority had a prior period adjustment in the amount of (\$2,957,170) while recording Net Pension Liability. This adjustment was due to the implementation of GASB 68.

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 22, 2016; 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, 2015**

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

	<u>CFDA #'s</u>	<u>Expenditures</u>
<u>PHA Owned Housing</u>		
Low Rent Public Housing	14.850	\$ 1,789,139
Public Housing Capital Fund Program	14.872	917,773
Subtotal		<u>2,706,912</u>
<u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	9,871,691
Total Awards		<u>\$ 12,578,603</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 \$24,315,000 plus interest accrued outstanding at June 30, 2015. See footnote Note #16 on pages 42 -45 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.

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

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted		14,871					
112 Cash - Restricted - Modernization and Development	\$106,500	\$27,353	\$72,079	\$77,769	\$283,701		\$283,701
113 Cash - Other Restricted	\$417				\$417		\$417
114 Cash - Tenant Security Deposits	\$99,262	\$30,101	\$1,510		\$31,611		\$31,611
115 Cash - Restricted for Payment of Current Liabilities			\$3,777,134		\$99,262		\$99,262
100 Total Cash	\$206,179	\$57,454	\$3,850,723	\$77,769	\$3,777,134		\$3,777,134
121 Accounts Receivable - PHA Projects					\$4,192,125	\$0	\$4,192,125
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous	\$608		\$688		\$1,296		\$1,296
126 Accounts Receivable - Tenants	\$55,328				\$55,328		\$55,328
126.1 Allowance for Doubtful Accounts - Tenants	-\$24,451				-\$24,451		-\$24,451
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery	\$46,313		\$3,700,000		\$3,700,000		\$3,700,000
128.1 Allowance for Doubtful Accounts - Fraud	-\$31,870				\$46,313		\$46,313
129 Accrued Interest Receivable					-\$31,870		-\$31,870
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$45,928	\$0	\$4,249,535	\$0	\$548,847		\$548,847
131 Investments - Unrestricted					\$4,295,463	\$0	\$4,295,463
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability			\$119,000		\$119,000		\$119,000
142 Prepaid Expenses and Other Assets	\$56,357	\$8,240		\$8,244	\$72,841		\$72,841
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From		\$33,902		\$3,687	\$37,589	-\$37,589	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$308,464	\$99,596	\$8,219,258	\$89,700	\$8,717,018	-\$37,589	\$8,679,429

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: 06/30/2015

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
161 Land	\$1,499,991	14,871			\$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	\$705,302	\$13,689	\$33,163	\$30,475	\$782,629		\$782,629
165 Leasehold Improvements	\$7,323,448				\$7,323,448		\$7,323,448
166 Accumulated Depreciation	-\$5,456,266	-\$13,689	-\$33,163	-\$30,475	-\$5,533,593		-\$5,533,593
167 Construction in Progress	\$1,145,426				\$1,145,426		\$1,145,426
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$7,828,836	\$0	\$0	\$0	\$7,828,836	\$0	\$7,828,836
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			\$20,419,033		\$20,419,033		\$20,419,033
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$7,828,836	\$0	\$20,419,033	\$0	\$28,247,869	\$0	\$28,247,869
200 Deferred Outflow of Resources	\$226,951	\$92,633	\$4,632	\$138,950	\$463,166		\$463,166
290 Total Assets and Deferred Outflow of Resources	\$8,364,251	\$192,229	\$28,642,923	\$228,650	\$37,428,053	-\$37,589	\$37,390,464
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$13,211	\$142		\$409	\$13,762		\$13,762
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$22,546	\$6,504		\$9,839	\$38,889		\$38,889
322 Accrued Compensated Absences - Current Portion	\$7,304	\$546		\$8,139	\$15,989		\$15,989
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$12,214		\$548,847		\$561,061		\$561,061
331 Accounts Payable - HUD PHA Programs		\$20,113			\$20,113		\$20,113
332 Account Payable - PHA Projects							

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: 06/30/2015

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
333 Accounts Payable - Other Government	\$34,531				\$34,531		\$34,531
341 Tenant Security Deposits	\$99,262				\$99,262		\$99,262
342 Unearned Revenue			\$3,541,997		\$3,541,997		\$3,541,997
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$120,000				\$120,000		\$120,000
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities			\$19,969		\$19,969		\$19,969
346 Accrued Liabilities - Other	\$163,613	\$1,599			\$165,212		\$165,212
347 Inter Program - Due To	\$33,903	\$3,686			\$37,589	-\$37,589	\$0
348 Loan Liability - Current			\$3,700,000		\$3,700,000		\$3,700,000
310 Total Current Liabilities	\$506,584	\$32,590	\$7,810,813	\$18,387	\$8,368,374	-\$37,589	\$8,330,785
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,480,000		\$0		\$1,480,000		\$1,480,000
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other			\$1,759,680		\$1,759,680		\$1,759,680
354 Accrued Compensated Absences - Non Current	\$65,734	\$4,915		\$73,249	\$143,898		\$143,898
355 Loan Liability - Non Current			\$19,015,000		\$19,015,000		\$19,015,000
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$1,848,318	\$737,745	\$45,281	\$1,178,641	\$3,809,985		\$3,809,985
350 Total Non-Current Liabilities	\$3,394,052	\$742,660	\$20,819,961	\$1,251,890	\$26,208,563	\$0	\$26,208,563
300 Total Liabilities	\$3,900,636	\$775,250	\$28,630,774	\$1,270,277	\$34,576,937	-\$37,589	\$34,539,348
400 Deferred Inflow of Resources	\$95,655	\$39,043	\$1,952	\$58,565	\$195,215		\$195,215
508.4 Net Investment in Capital Assets	\$6,228,836				\$6,228,836		\$6,228,836
511.4 Restricted Net Position	\$417	\$30,101			\$30,518		\$30,518
512.4 Unrestricted Net Position	-\$1,861,293	-\$652,165	\$10,197	-\$1,100,192	-\$3,603,453		-\$3,603,453
513 Total Equity - Net Assets / Position	\$4,367,960	-\$622,064	\$10,197	-\$1,100,192	\$2,655,901	\$0	\$2,655,901

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: 06/30/2015

	14.871	1 Business Activities	COCC	Subtotal	ELIM	Total
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	14.871 Housing Choice Vouchers \$192,229	\$28,642,923	\$228,650	\$37,428,053	-\$37,589	\$37,390,464

New Brunswick Housing Authority (NJ022)
NEW BRUNSWICK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,292,371	14,871			\$1,292,371		\$1,292,371
70400 Tenant Revenue - Other	\$17,364				\$17,364		\$17,364
70500 Total Tenant Revenue	\$1,309,735	\$0	\$0	\$0	\$1,309,735	\$0	\$1,309,735
70600 HUD PHA Operating Grants	\$2,137,427	\$9,871,691			\$12,009,118		\$12,009,118
70610 Capital Grants	\$569,485				\$569,485		\$569,485
70710 Management Fee				\$453,703	\$453,703	-\$453,703	\$0
70720 Asset Management Fee				\$94,755	\$94,755	-\$94,755	\$0
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue				\$548,458	\$548,458	-\$548,458	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$11,101	\$721			\$11,822		\$11,822
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery		\$8,504			\$8,504		\$8,504
71500 Other Revenue	\$149,183		\$206,375	\$60,195	\$415,753		\$415,753
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted			\$668,604		\$669,325		\$669,325
70000 Total Revenue	\$4,176,931	\$9,881,637	\$874,979	\$608,653	\$15,542,200	-\$548,458	\$14,993,742
91100 Administrative Salaries	\$302,849	\$238,333	\$10,911	\$368,922	\$921,015		\$921,015
91200 Auditing Fees	\$8,500	\$5,500	\$1,190		\$15,190		\$15,190
91300 Management Fee	\$699,947	\$115,104			\$815,051	-\$453,703	\$361,348
91310 Book-keeping Fee	\$22,815	\$71,940			\$94,755	-\$94,755	\$0
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$390,214	\$139,204	\$5,121	\$255,375	\$789,914		\$789,914
91600 Office Expenses	\$118,295	\$499			\$118,794		\$118,794

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: 06/30/2015

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
91700 Legal Expense	\$17,016				\$17,016		\$17,016
91800 Travel	\$917			\$11,055	\$11,972		\$11,972
91810 Allocated Overhead							
91900 Other	\$100,022	\$64,744	\$16,879	\$25,427	\$207,072		\$207,072
91000 Total Operating - Administrative	\$1,660,575	\$635,324	\$34,101	\$660,779	\$2,990,779	-\$548,458	\$2,442,321
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other							
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$160,187				\$160,187		\$160,187
93200 Electricity	\$339,540				\$339,540		\$339,540
93300 Gas	\$286,729				\$286,729		\$286,729
93400 Fuel							
93500 Labor							
93600 Sewer	\$177,970				\$177,970		\$177,970
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$964,426	\$0	\$0	\$0	\$964,426	\$0	\$964,426
94100 Ordinary Maintenance and Operations - Labor	\$293,729				\$293,729		\$293,729
94200 Ordinary Maintenance and Operations - Materials and Other	\$98,401		\$3,000		\$101,401		\$101,401
94300 Ordinary Maintenance and Operations Contracts	\$152,088				\$152,088		\$152,088
94500 Employee Benefit Contributions - Ordinary Maintenance	\$207,058				\$207,058		\$207,058
94000 Total Maintenance	\$751,276	\$0	\$3,000	\$0	\$754,276	\$0	\$754,276
95100 Protective Services - Labor							

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: 06/30/2015

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
		14,871					
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other	\$2,918				\$2,918		\$2,918
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$2,918	\$0	\$0	\$0	\$2,918	\$0	\$2,918
96110 Property Insurance							
96120 Liability Insurance							
96130 Workmen's Compensation							
96140 All Other Insurance	\$118,795	\$12,479		\$16,600	\$147,874		\$147,874
96100 Total Insurance Premiums	\$118,795	\$12,479	\$0	\$16,600	\$147,874	\$0	\$147,874
96200 Other General Expenses	\$3,531	\$172,412		\$51	\$175,994		\$175,994
96210 Compensated Absences							
96300 Payments in Lieu of Taxes	\$34,531				\$34,531		\$34,531
96400 Bad debt - Tenant Rents	\$53,921				\$53,921		\$53,921
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$91,983	\$172,412	\$0	\$51	\$264,446	\$0	\$264,446
96710 Interest of Mortgage (or Bonds) Payable	\$77,078		\$818,400		\$895,478		\$895,478
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$77,078	\$0	\$818,400	\$0	\$895,478	\$0	\$895,478
96900 Total Operating Expenses	\$3,667,051	\$820,215	\$855,501	\$677,430	\$6,020,197	-\$548,458	\$5,471,739
97000 Excess of Operating Revenue over Operating Expenses	\$509,880	\$9,061,422	\$19,478	-\$68,777	\$9,522,003	\$0	\$9,522,003
97100 Extraordinary Maintenance							

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: 06/30/2015

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
97200 Casualty Losses - Non-capitalized	\$6,761	14,871			\$6,761		\$6,761
97300 Housing Assistance Payments		\$9,223,710			\$9,223,710		\$9,223,710
97350 HAP Portability-In							
97400 Depreciation Expense	\$530,657				\$530,657		\$530,657
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$4,204,469	\$10,043,925	\$855,501	\$677,430	\$15,781,325	-\$548,458	\$15,232,867
10010 Operating Transfer In	\$143,818				\$401,184		\$401,184
10020 Operating transfer Out	-\$143,818		-\$257,366		-\$401,184		-\$401,184
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	-\$257,366	\$257,366	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$27,538	-\$162,288	-\$237,888	\$188,589	-\$239,125	\$0	-\$239,125
Total Expenses							
11020 Required Annual Debt Principal Payments	\$120,000	\$0	\$3,700,000	\$0	\$3,820,000		\$3,820,000
11030 Beginning Equity	\$5,844,511	\$131,658	\$277,657	-\$401,630	\$5,852,196		\$5,852,196
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,449,013	-\$591,434	-\$29,572	-\$887,151	-\$2,957,170		-\$2,957,170
11050 Changes in Compensated Absence Balance							

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: 06/30/2015

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
11060 Changes in Contingent Liability Balance		14,871					
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity		-\$652,165			-\$652,165		-\$652,165
11180 Housing Assistance Payments Equity		\$30,101			\$30,101		\$30,101
11190 Unit Months Available	4225	10836		0	15061		15061
11210 Number of Unit Months Leased	4197	9590		0	13787		13787
11270 Excess Cash	-\$533,870				-\$533,870		-\$533,870
11610 Land Purchases	\$0			\$0	\$0		\$0
11620 Building Purchases	\$0			\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$27,651			\$0	\$27,651		\$27,651
11650 Leasehold Improvements Purchases	\$59,292			\$0	\$59,292		\$59,292
11660 Infrastructure Purchases	\$0			\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$120,000			\$0	\$120,000		\$120,000
13901 Replacement Housing Factor Funds	\$242,542			\$0	\$242,542		\$242,542

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)
June 30, 2015

REQUIRED SUPPLEMENTAL INFORMATION

GASB 68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	<u>2014</u>	<u>2013</u>
Housing Authority's proportion of the net pension liability	0.01749594%	0.01622791%
Housing Authority's proportionate share of the net pension liability	\$ 3,275,718	\$ 3,101,476
Housing Authority's covered employee payroll	\$ 1,316,094	\$ 1,363,646
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.90%	227.44%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	48.72%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)
June 30, 2015

REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

The schedule below displays the Authority's contractually required contributions along with related ratios.

	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 144,234	\$ 122,274
Contribution in relation to the contractually required contribution	(144,234)	(122,274)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,316,094	\$ 1,363,646
Contribution as a percentage of covered employee payroll	10.96%	8.97%

**The amounts determined for each fiscal year were determined as of June 30.*



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

INDEPENDENT AUDITOR'S REPORT

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, 2015 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 22, 2016.

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 22, 2016



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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

**(Unmodified Opinion on Compliance for Each Major Program:
No Material Weakness or Significant Deficiencies
in Internal Control Over Compliance Identified)**

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 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, 2015.

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 22, 2016

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Schedule of Findings and Questioned Cost

Year Ended June 30, 2015

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Housing Choice Voucher Program	\$ 9,871,691

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 377,358

Auditee qualified as a low-risk auditee X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of New Brunswick
7 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, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. Housing Authority of the City of New Brunswick is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure 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 the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, by Housing Authority of the City of New Brunswick as of and for the year ended June 30, 2015, and have issued our reports thereon dated January 22, 2016. 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 supplementary information dated June 30, 2015, was expressed in relation to the basic financial statements of Housing Authority of the City of New Brunswick 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 Housing Authority of the City of New Brunswick. 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, PIH-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, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
January 22, 2016

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURE

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"/>