

COMMISSIONERS

Dale Caldwell
Yirgu Wolde
Anthony Giorgianni
Kevin Jones
Wallace Dunlap
Yesenia Medina-Hernandez



EXECUTIVE DIRECTOR

John Clarke, P.H.M.

**Local Authorities
Group Affidavit Form**

**Prescribed By
The New Jersey Local Finance Board**

Audit Review Certification



**EQUAL HOUSING
EQUAL EMPLOYMENT
OPPORTUNITY**

We, the members of the governing body of the Housing Authority of the City of New Brunswick, being of full age and being duly sworn according to law, upon our oath depose and say:

1. We are duly appointed members of the Housing Authority of the City of New Brunswick.
2. We certify, pursuant to N.J.S.A. 40A:5A-17, that we have each reviewed the Annual Audit Report for the fiscal year ended June 30, 2018 and specifically the section of the Audit Report Entitled "General Comments and Recommendations"

Signatures

Dale Caldwell

[Handwritten signature of Dale Caldwell]

Yirgu Wolde

[Handwritten signature of Yirgu Wolde]

Anthony Giorgianni

[Handwritten signature of Anthony Giorgianni]

Kevin Jones

[Handwritten signature of Kevin Jones]

Wallace Dunlap

[Handwritten signature of Wallace Dunlap]

Yesenia Medina-Hernandez

[Handwritten signature of Yesenia Medina-Hernandez]

Sworn and subscribed before me this 27th day of March, 2019

[Handwritten signature of Alberto L. Comacho]
Notary Public of New Jersey
Attorney at Law, State of New Jersey

Alberto L. Comacho, Esq.
Attorney at Law
State of New Jersey

"Working Together, We Can Make a Better Future"

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
TRANSMITTAL FORM**

**LOCAL AUTHORITIES
BOARD RESOLUTION**

**PRESCRIBED BY
THE NEW JERSEY LOCAL FINANCE BOARD**

WHEREAS, N.J.S.A. 40A:5A-15 requires the governing body of each local authority to cause an annual audit of its accounts to be made, and WHEREAS, the annual audit report for the fiscal year ended **June 30, 2018** has been completed and filed with the Local Finance Board of the State of New Jersey pursuant to N.J.S.A. 40A:5A-15, and

WHEREAS, the Annual Report of Audit for the year ending June 30, 2018 has been filed by a Certified Public Accountant with the pursuant to N.J.S.A. 40A: 5-6, and a copy has been received by each member of the governing body; and

WHEREAS, N.J.S.A. 40A:5A-17, requires the governing body of each authority to, within 45 days of receipt of the annual audit, certify by resolution to the Local Finance Board that each member thereof has personally reviewed the annual audit report, and specifically the sections of the audit report entitled "General Comments" and "Recommendations," and has evidenced same by group affidavit in the form prescribed by the Local Finance Board, and

WHEREAS, the members of the governing body have received the annual audit and have personally reviewed the annual audit, and have specifically reviewed the sections of the annual audit report entitled "General Comments" and "Recommendations," in accordance with N.J.S.A. 40A:5A-17,

NOW, THEREFORE BE IT RESOLVED, that the governing body of the **Housing Authority of the City of New Brunswick** hereby certifies to the Local Finance Board of the State of New Jersey that each governing body member has personally reviewed the annual audit report for the fiscal year ended **June 30, 2018**, and specifically has reviewed the sections of the audit report entitled "General Comments" and "Recommendations," and has evidenced same by group affidavit in the form prescribed by the Local Finance Board.

BE IT FURTHER RESOLVED that the secretary of the authority is hereby directed to promptly submit to the Local Finance Board the aforesaid group affidavit, accompanied by a certified true copy of this resolution.

IT IS HEREBY CERTIFIED THAT THIS IS A TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING HELD ON _____

Secretary

Report On Audit

**HOUSING AUTHORITY OF
CITY OF NEW BRUNSWICK**

**For the Year Ended
June 30, 2018**

Housing Authority of the City of New Brunswick
Table of Contents

	<u>Page Number</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-18
Financial Statements	
Statement of Net Position	19-20
Statement of Revenue, Expenses and Changes in Net Position	21
Statement of Cash Flows	22-23
Notes to Financial Statements	24-59
Required Supplementary Information	
Schedule of Changes in Total OPEB Liabilities and Ratios	60
Schedule of Proportionate Share of the Net Pension Liability Of the Public Employee Retirement System (PERS)	61-62
Supplementary Information	
Schedule of Expenditures of Federal Awards	63-65
Statement on Certification of Actual Cost Capital Fund Program	66
Financial Data Schedule	67-74
Other Reports and Comments	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	75-76
Independent Auditors Report on Compliance for each Major Program and on Internal Control over Compliance Required by Uniform Guidance	77-79
Schedule of Findings and Questioned Cost	80
Independent Accountant's Report on Applying Agreed-upon Procedures – REAC	81-82



Hymanson, Parnes & Giampaolo

Certified Public Accountants

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Lincroft, NJ 07738

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, 2018 and 2017 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 the Housing Authority of the City of New Brunswick preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of New Brunswick 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 the Housing Authority of the City of New Brunswick as of June 30, 2018 and 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 OPEB as a result of the adoption of Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an Amendment of GASB Statement No. 45*. 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 and OPEB and PERS supplemental information on pages 4 through 18 and pages 60-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the City of New Brunswick. The accompanying supplemental information on pages 63-74 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Capital Fund cost certification are also not required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Capital Fund cost certification 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 Schedule of Expenditures of Federal Awards, Capital Fund cost certification and the Financial Data Schedule, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued reports dated January 28, 2019 on our consideration of the 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 solely 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 effectiveness of the Housing Authority of the City of New Brunswick internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of New Brunswick's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: January 28, 2019

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

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 19 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

The liabilities and deferred inflows of the Authority exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$10,002,511 a decrease in the financial position of \$12,615,203 or 483% percent as compared to the prior year.

As noted above, the net position of the Authority was a negative (\$10,002,511) as of June 30, 2018. Of this amount, the unrestricted net position is a negative (\$15,830,761) representing an increase in the deficit of \$11,753,476 or 288% percent from the previous year. During the year, the Authority recorded a prior period adjustment for the implementation of GASB #75 in the amount of \$11,577,939. Additional information on the Authority's unrestricted net positions can be found in Note 21 the financial statements, which is included in this report.

The net investment in capital assets decreased \$431,458 or 7% percent for an ending balance of \$5,635,189.

The restricted net position decreased \$430,269 from the previous year for an ending balance of \$193,061. Additional information on the Authority's restricted net position can be found in Note 20 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at June 30, 2018 is \$484,671 representing an increase of \$47,130 or 11% percent from the prior year. Total noncurrent restricted cash decreased \$340,194 or 8% percent for an ending balance of \$4,074,526. The full detail of these amounts can be found in the Statement of Cash Flows on pages 22-23 of this report.

The Authority's total assets and deferred outflows are \$24,949,265 of which capital assets net book value is \$6,855,189, other assets is \$8,387,603, noncurrent restricted assets is \$4,074,526, deferred outflow amount is \$1,193,457, leaving total current assets at \$4,438,490.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current assets increased from the previous year by \$190,253 or 4% percent. Cash and cash equivalents unrestricted increased by \$47,130, accounts receivables increased by \$142,320, and prepaid expenses increased by \$803.

Total noncurrent restricted assets decrease from the previous year by \$340,194 or 8% percent for an ending balance of \$4,074,526. Total noncurrent restricted assets consisted of restricted cash amounts.

Capital assets reported a decreased in the net book value of the capital assets in the amount of \$561,458 or 8% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$135,702, less the recording of depreciation expense in the amount of \$697,160. 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 \$3,798,756 or 31% percent as compared to the previous fiscal year for an ending balance of \$8,387,603. 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 reported a decrease in the deferred outflow for the pension cost in the amount of \$421,834 for an ending balance of \$1,193,457. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$663,159 for an ending balance of \$951,394. 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 \$34,000,382 of which noncurrent liabilities are stated at \$25,727,855. Total liabilities increased during the year as compared to the prior year in the amount of \$7,020,055 or 26% percent. Total current liabilities increased during the year by \$342,936 leaving noncurrent liabilities for an increase of \$6,677,119 or 35% percent, as compared to the previous year.

Total current liabilities increased from the previous year by \$342,936 or 4% percent. Accounts payables increased by \$9,953, accrued liabilities decreased by \$11,299, tenant security deposit payable remained the same balance from the prior year, unearned revenue increased \$164,282 for the receipt of the bonds revenue in June 2017 for the payment of July 2017, and the current portion of the Capital Project Bonds increased \$180,000.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL HIGHLIGHTS - CONTINUED

Total noncurrent liabilities increased by \$6,677,119 or 35% percent. The increase was comprised of four accounts, long-term capital bonds which decreased by \$3,640,000 for an ending balance of \$8,610,000, accrued compensated absences – long term with no offsetting assets decreased \$8,521 from the prior fiscal year for an ending balance of \$141,725, noncurrent other liabilities decreased \$301,661 during the year for the receipt for the net amortization of the bond premium cost refinanced.

Accrued other post-employment benefits (OPEB) liabilities increased \$10,627,301 for ending balance of \$16,121,429. Accrued OPEB increased due to the adoption of GASB #75 by the Authority. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at June 30, 2018 can be found in Notes 18-19 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$13,601,431 as compared to \$14,562,533 from the prior year for a decrease of \$961,102 or 7% percent. The Authority had total operating expenses of \$15,171,082 as compared to \$15,974,706 from the previous year for a decrease of \$803,624 or 5% percent, resulting in a deficiency of revenue from operations in the amount of \$1,569,651 for the current year as compared to a deficiency of revenue from operations in the amount of \$1,412,173 for an increase in deficit of \$157,478 or 11% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$265,702 as compared to \$204,703 from the previous year for an increase of \$60,999 or 30% percent.

The Authority's had capital outlays in the amount of \$135,702 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 \$12,055,638 for the fiscal year 2018 as compared to \$13,049,856 for the previous fiscal year 2017 for a decrease of \$994,218 or 8% percent.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

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. Public and Indian Housing Program
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flows
- 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 19 through 23.

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

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

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Statement of Cash Flows– 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 24 through 60.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 61-63 of this report.

1. **Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 the Uniform Guidance 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 the Housing Authority of the City of New Brunswick Housing are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended June 30, 2018. Type B programs for the Housing Authority of the City of New Brunswick are those which are less than \$750,000 in expenditures for the fiscal year ended June 30, 2018.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between June 30, 2018 and June 30, 2017:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	June-18	June-17	
Cash	\$ 4,559,197	\$ 4,852,261	\$ (293,064)
Other Current Assets	3,953,819	3,810,696	143,123
Capital Assets - Net	6,855,189	7,416,647	(561,458)
Other Assets	8,387,603	12,186,359	(3,798,756)
Deferred Outflows	1,193,457	1,615,291	(421,834)
Total Assets	24,949,265	29,881,254	(4,931,989)
Less: Current Liabilities	(8,272,527)	(7,929,591)	(342,936)
Less: Non Current Liabilities	(25,727,855)	(19,050,736)	(6,677,119)
Less: Deferred Inflows	(951,394)	(288,235)	(663,159)
Net Position	\$ (10,002,511)	\$ 2,612,692	\$ (12,615,203)
Net Investment in Capital Assets	\$ 5,635,189	\$ 6,066,647	\$ (431,458)
Restricted Net Position	193,061	623,330	(430,269)
Unrestricted Net Position	(15,830,761)	(4,077,285)	(11,753,476)
Net Position	\$ (10,002,511)	\$ 2,612,692	\$ (12,615,203)

Cash decreased by \$293,064 or 6% percent. Net cash used by operating activities was \$1,162,860, net cash provided by capital and related financing activities was \$603,111, and net cash provided by investing activities was \$266,685. The full detail of this amount can be found in the Statement of Cash Flows on page 22-23 of this audit report.

Other current assets increased \$143,123. Accounts receivables increase by \$142,320, and prepaid expenses increased by \$803.

Capital assets reported a decreased in the net book value of the capital assets in the amount of \$561,458 or 8% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$135,702, less the recording of depreciation expense in the amount of \$697,160. 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 \$3,798,756 or 31% percent as compared to the previous fiscal year for an ending balance of \$8,387,603. 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.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$421,834 for an ending balance of \$1,193,457. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$663,159 for an ending balance of \$951,394. 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.

Total current liabilities increased from the previous year by \$342,936 or 4% percent. Accounts payables increased by \$9,953, accrued liabilities decreased by \$11,299, tenant security deposit payable remained the same balance from the prior year, unearned revenue increased \$164,282 for the receipt of the bonds revenue in June 2017 for the payment of July 2017, and the current portion of the Capital Project Bonds increased \$180,000.

Total noncurrent liabilities increased by \$6,677,119 or 35% percent. The increase was comprised of four accounts, long-term capital bonds which decreased by \$3,640,000 for an ending balance of \$8,610,000, accrued compensated absences – long term with no offsetting assets decreased \$8,521 from the prior fiscal year for an ending balance of \$141,725, noncurrent other liabilities decreased \$301,661 during the year for the receipt for the net amortization of the bond premium cost refinanced.

Accrued other post-employment benefits (OPEB) liabilities increased \$10,627,301 for ending balance of \$16,121,429. Accrued OPEB increased due to the adoption of GASB #75 by the Authority. Additional information on GASB #68 and #75 effect and the Authority's accrued OPEB liabilities at June 30, 2018 can be found in Notes 18-19 to the financial statements, which is included in this report.

The Authority's reported net position of negative (\$10,002,511) is made up of three categories. The net investment in capital assets in the amount of \$5,635,189 represents the majority of the total net position. 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, 2017	\$	6,066,647
Acquisition in Fixed Assets		135,702
Payment of Debt -CFFP		130,000
Depreciation Expense		(697,160)
Balance June 30, 2018	\$	5,635,189

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported a restricted net position of \$193,061, a decrease of \$430,269 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, 2018 reported a decrease in unrestricted position of \$11,753,476 or 288% percent for an ending balance of a deficit (\$15,830,761). 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 (\$11,577,939) for the recording of the adoption of GASB #75 requirement.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between June 30, 2018 and June 30, 2017:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	June-18	June-17	
<u>Revenues</u>			
Tenant Revenues	\$ 1,377,332	\$ 1,312,327	\$ 65,005
HUD Subsidies	11,789,936	12,845,153	(1,055,217)
Other Revenues	434,163	405,053	29,110
Total Operating Income	<u>13,601,431</u>	<u>14,562,533</u>	<u>(961,102)</u>
<u>Expenses</u>			
Operating Expenses	14,473,922	15,261,546	(787,624)
Depreciation Expense	697,160	713,160	(16,000)
Total Operating Expenses	<u>15,171,082</u>	<u>15,974,706</u>	<u>(803,624)</u>
Operating Income before Non Operating Income	(1,569,651)	(1,412,173)	(157,478)
Interest Income	266,685	476,335	(209,650)
Capital Grants	265,702	204,703	60,999
Increase (Decrease) in Net Position	<u>(1,037,264)</u>	<u>(731,135)</u>	<u>(306,129)</u>
Net Assets Prior Year	2,612,692	3,342,004	(729,312)
Prior Period Adjustment	(11,577,939)	1,823	(11,579,762)
Total Net Position	<u>(10,002,511)</u>	<u>2,612,692</u>	<u>\$ (12,615,203)</u>

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 \$265,685 in grant money an increase of \$60,999 from the prior fiscal year. The Authority had capital expenditures of \$135,702. The current year additions were for apartment improvements, security cameras, electrical upgrades and replacement of water heaters.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses representing 63% percent of total operating expenses. Administrative expenses accounted for 16% percent, utilities expense accounted for 7% percent, maintenance expense accounted for 5% percent, other operating expenses accounted for 2% percent, interest expense accounted for 2%, and depreciation accounted for the remaining 5% 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 \$1,569,651 from operations as compared to excess expenses from operations of \$1,412,173 for the previous year. The key elements for the increase 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 \$1,055,217 or 8% percent.
- Tenants dwelling rents revenue increased \$65,005 mainly due to tenant's increase in household income.
- Other income increased \$27,111 as compared to the prior year.
- The operating expense accounts that saw some major decreases was:
 - Administrative expense decreased \$668,397
 - Interest expense decreased \$204,925
 - Housing Assistance Payments decreased \$114,708

The operating expense accounts that saw a major increase was:

- Utilities expense increased \$42,419
- Maintenance expense increased \$20,334
- Other operating expenses increased \$137,653

Total net cash used in operating activities during the year was \$1,162,860 as compared to cash used by in the amount of \$1,183,237 in the prior fiscal year. A full detail of these amounts can be found on the Statement of Cash Flows on page 22-23 of this report.

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. The Authority's unrestricted net position, a deficit of (\$15,830,761), does not appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

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, 2018:

	June-18	June-17	June-16	June-15
Significant Income				
Total Tenant Revenue	\$ 1,377,332	\$ 1,312,327	\$ 1,279,704	\$ 1,309,735
HUD Operating Grants	11,789,936	12,845,153	12,625,752	12,009,118
HUD Capital Grants	265,702	204,703	878,204	569,485
Investment Income	266,685	476,335	514,951	681,147
Other Income	434,163	405,053	609,324	424,257
Total	\$ 14,133,818	\$ 15,243,571	\$ 15,907,935	\$ 14,993,742
Payroll Expense				
Administrative Salaries	\$ 972,632	\$ 963,140	\$ 879,624	\$ 921,015
Maintenance Labor	280,888	289,976	297,242	293,729
Employee Benefits Expense	987,303	1,285,369	1,059,021	964,426
Total Payroll Expense	\$ 2,240,823	\$ 2,538,485	\$ 2,235,887	\$ 2,179,170
Other Significant Expenses				
Other Administrative Expenses	\$ 591,982	\$ 1,024,807	\$ 730,689	\$ 731,392
Utilities Expense	1,106,791	1,064,372	929,372	964,426
Maintenance Supplies	98,815	130,616	130,731	101,401
Maintenance Contract Cost	173,817	59,592	123,936	152,088
Insurance Premiums	142,822	143,540	145,371	147,874
Bad Debt Expense	34,219	56,757	14,472	53,921
Housing Assistance Payments	9,586,455	9,701,163	9,411,871	9,223,710
Total	\$ 11,734,901	\$ 12,180,847	\$ 11,486,442	\$ 11,374,812
Total Operating Expenses	\$ 15,171,082	\$ 15,974,706	\$ 15,214,991	\$ 15,226,106
Total of Federal Awards	\$ 12,055,638	\$ 13,049,856	\$ 13,503,956	\$ 12,578,603

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK PROGRAMS

Public and Indian Housing Program:

Under the Public and Indian 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.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK PROGRAMS-CONTINUED

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). 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. 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.

Section 8 Housing Choice Voucher Program

Under the Section 8 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.

BUDGETARY HIGHLIGHTS

The Authority submits its annual operating subsidy and capital budgets to HUD. The Authority also 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 2018 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 85% percent of its revenue from the Department of Housing and Urban Development, (2017 fiscal year was 86% 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.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

NEW INITIATIVES -CONTINUED

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.

The Authority is under way with the phase two of the RAD conversion for the 2019 year. The transfer of ownership has begun in January 2018 for phase one. While this process takes time the Authority has remained diligent in being proactive in regards to maintaining the condition of their buildings.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's net investment in capital assets as of June 30, 2018 was \$6,855,189 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$135,702, less the recording of depreciation expense in the amount of \$697,160. Major capital asset event during the fiscal year included the following:

- Apartment Improvements
- Security Cameras
- Electrical Upgrades
- Replacement of Water Heaters

	June-18	June-17	Increase (Decrease)
Land	\$ 1,499,991	\$1,499,991	\$ -
Building	2,333,317	11,069,699	(8,736,382)
Furniture, Equipment - Dwelling	280,071	280,071	-
Furniture, Equipment - Administration	1,103,427	1,103,427	-
Leasehold Improvements	8,736,382	-	8,736,382
Construction in Process	374,546	238,844	135,702
Total Fixed Assets	14,327,734	14,192,032	135,702
Accumulated Depreciation	(7,472,545)	(6,775,385)	(697,160)
Net Book Value	<u>\$ 6,855,189</u>	<u>\$7,416,647</u>	<u>\$ (561,458)</u>

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

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, 2018 had \$12,250,000 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.

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 2019 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, 2019.

- 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 Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- 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.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES -CONTINUED

- Converting Low Income Housing Program rental units into RAD subsidy units.

- 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, 2018 AND 2017

	June 30,	
	2018	2017
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 484,671	\$ 437,541
Accounts Receivables, Net of Allowances	3,882,006	3,739,686
Prepaid Expenses	71,813	71,010
Total Current Assets	4,438,490	4,248,237
Noncurrent Restricted Assets		
Cash and Investments - Restricted	4,074,526	4,414,720
Noncurrent Assets		
Capital Assets		
Land	1,499,991	1,499,991
Building	2,333,317	11,069,699
Furniture, Equipment - Dwelling	280,071	280,071
Furniture, Equipment - Administration	1,103,427	1,103,427
Leasehold Improvements	8,736,382	-
Construction in Process	374,546	238,844
Total Capital Assets	14,327,734	14,192,032
Less: Accumulated Depreciation	(7,472,545)	(6,775,385)
Net Book Value	6,855,189	7,416,647
Other Assets		
Notes Receivable - Non Current	8,387,603	12,186,359
Total Noncurrent Assets	19,317,318	19,603,006
Total Assets	23,755,808	28,265,963
Deferred Outflow of Resources		
State of New Jersey P.E.R.S.	1,193,457	1,615,291
Total Assets and Deferred Outflow of Resources	\$ 24,949,265	\$ 29,881,254

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF NET POSITION - 2
AS OF JUNE 30, 2018 AND 2017

	June 30,	
	2018	2017
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 46,741	\$ 36,788
Accrued Liabilities	630,117	641,416
Tenant Security Deposit Payable	99,390	99,390
Unearned Revenue	3,856,279	3,691,997
Current Portion - Long Term Debt	3,640,000	3,460,000
Total Current Liabilities	8,272,527	7,929,591
Noncurrent Liabilities		
Bonds, Notes and Loans Payable	8,610,000	12,250,000
Accrued Compensated Absences - Long-Term	141,725	150,246
Noncurrent - Other Liabilities	854,701	1,156,362
Accrued Net Pension and OPEB Liabilities	16,121,429	5,494,128
Total Noncurrent Liabilities	25,727,855	19,050,736
Total Liabilities	34,000,382	26,980,327
Deferred Inflow of Resources		
State of New Jersey P.E.R.S.	951,394	288,235
Net Position:		
Net Investment in Capital Assets	5,635,189	6,066,647
Restricted	193,061	623,330
Unrestricted	(15,830,761)	(4,077,285)
Total Net Position	(10,002,511)	2,612,692
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 24,949,265	\$ 29,881,254

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, 2018 AND 2017

	June 30,	
	2018	2017
Revenue:		
Tenant Rental Revenue	\$ 1,377,332	\$ 1,312,327
HUD PHA Operating Grants	11,789,936	12,845,153
Fraud Recovery	14,720	12,721
Other Revenue	419,443	392,332
Total Revenue	13,601,431	14,562,533
Operating Expenses:		
Administrative Expenses	2,361,843	3,030,240
Utilities Expense	1,106,791	1,064,372
Maintenance Expense	743,594	723,260
Other Operating Expenses	365,454	227,801
Interest Expense	309,785	514,710
Housing Assistance Payments	9,586,455	9,701,163
Depreciation Expense	697,160	713,160
Total Operating Expenses	15,171,082	15,974,706
Excess Expenses Over Revenue From Operations	(1,569,651)	(1,412,173)
Nonoperating Revenue (Expenses)		
Investment Income	266,685	476,335
Capital Grant Contributions	265,702	204,703
Total Nonoperating Revenue	532,387	681,038
Change in Net Position	(1,037,264)	(731,135)
Beginning Net Position	2,612,692	3,342,004
Prior Period Adjustment	(11,577,939)	1,823
Beginning Net Position - Restated	(8,965,247)	3,343,827
Ending Net Position	\$ (10,002,511)	\$ 2,612,692

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF CASH FLOWS - 1
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018	2017
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 1,385,014	\$ 1,333,913
Receipts from Federal Grants	11,798,024	12,845,153
Receipts from Other Sources	434,163	405,053
Payments to Vendors and Suppliers	(1,845,992)	(2,463,336)
Payments for Housing Assistance Payments	(9,586,455)	(9,701,163)
Payments to Employees	(1,253,520)	(1,253,116)
Payment of Employee Benefits	(987,303)	(1,285,369)
Payment of Utilities Expenses	(1,106,791)	(1,064,372)
Net Cash (Used) by Operating Activities	<u>(1,162,860)</u>	<u>(1,183,237)</u>
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	265,702	204,703
Acquisitions and Construction of Capital Assets	(135,702)	(74,703)
Payment for Retirement of Debt	(3,460,000)	(4,785,000)
Receipts from Mortgage Note Receivables	3,798,756	4,179,641
Net Effect of Deferred Inflows and Outflows from GASB 68	1,084,993	(990,916)
Increase in Accrued Pension and OPEB Liabilities	10,627,301	1,404,373
Prior Period Adjustment	(11,577,939)	1,823
Net Cash Provided by and Related Financing Activities	<u>603,111</u>	<u>(60,079)</u>
Cash Flow From Investing Activities		
Interest Income	266,685	476,335
Net Cash Provided by Investing Activities	<u>266,685</u>	<u>476,335</u>
Net Decrease in Cash and Cash Equivalents	(293,064)	(766,981)
Beginning Cash	<u>4,852,261</u>	<u>5,619,242</u>
Ending Cash	<u>\$ 4,559,197</u>	<u>\$ 4,852,261</u>
<u>Reconciliation of Cash Balances:</u>		
Cash and Cash Equivalents - Unrestricted	\$ 484,671	\$ 437,541
Bond Proceeds at Bank of New York	3,782,075	3,692,000
Restricted Cash for Leveraging	684	617
HCV HAP Reserve	192,377	622,713
Tenant Security Deposit	99,390	99,390
Ending Cash	<u>\$ 4,559,197</u>	<u>\$ 4,852,261</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT OF CASH FLOWS - 2
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018 AND 2017

	2018	June 30, 2017
Reconciliation of Operating Income to Net Cash		
(Used) by Operating Activities		
Excess of Expenses Over Revenue	\$ (1,569,651)	\$ (1,412,173)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense	697,160	713,160
(Increase) Decrease in:		
Accounts Receivables	(142,320)	567,613
Prepaid Expenses	(803)	1,519
Increase (Decrease) in:		
Accounts Payable	9,953	(12,745)
Accrued Liabilities	(11,299)	(147,096)
Security Deposit Payable	-	2,091
Unearned Revenue	164,282	(589,315)
Other Liabilities - Noncurrent	(301,661)	(301,659)
Accrued Compensated Absences - Noncurrent	(8,521)	(4,632)
Net Cash (Used) by Operating Activities	\$ (1,162,860)	\$ (1,183,237)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

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

Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of New Brunswick in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in 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 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, 2018 and 2017

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.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

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

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

Both administrative fees and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fees and HAP revenue in the reporting period as revenue for financial statement reporting.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

Significant Accounting Policies -Continued

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

New Accounting Standards Adopted

Statement No. 75 of the Government Accounting Standards Board ("GASB 75") *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued June 2015. GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information.

The Authority adopted this accounting standards effective July 1, 2017. As a result of adopting GASB 75, which was applied retroactively, the Authority restated its other postemployment benefit liability and its net position as of June 30, 2017 by (\$11,577,939).

Basis of Accounting –

In proprietary 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, and other revenue. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low income families.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

Basis of Accounting – Continued

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

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

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

Other revenue composed primarily of miscellaneous services fees and resident's 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.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

Report Presentation –

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges, designated to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The Authority's financial statements are prepared in accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

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.

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

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

Other accounting policies are as follows:

1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

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

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

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

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

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

8 – The Authority does not have any infrastructure assets for its Enterprise Fund.

9 – 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.

10- Advertising cost is charged to expense when incurred.

11- 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.

12- 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

Other accounting policies - Continued

13- 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.

14 - Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Under federal, state, and local law, the Authority's program is 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 pay the municipality 10% of its net shelter rent.

15 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*, the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

Other accounting policies - Continued

15 - Net Position -Continued

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

16-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2018.

Budgetary and Policy Control -

The Authority submits its annual operating subsidy forms and capital budgets to HUD. The Authority also 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, 2018 and 2017

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

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-22	260
Public Housing Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-22	903

Public and Indian Housing Program:

Under the Public and Indian 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.

Public Housing 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.

Section 8 Housing Choice Voucher Program

Under the Section 8 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.

- Business Activities – Authority Bond Fund Program
 - a. Easton Avenue Project

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2018 and 2017

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.

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

NOTE 2 – ESTIMATES

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

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925. On the web: <http://www.state.nj.us/treasury/pensions/pdf/financial/2016divisioncombined.pdf>

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 7.34% 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 2018 amounted to \$146,840.

Post Employment Retirement Benefits

The Authority provides 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.

Further information on the Pension Plan and its effects of GASB #68 can be found in Note 19 - Accrued Pension Liability.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 4 – CASH, CASH EQUIVALENTS

The Housing Authority of the City of New Brunswick 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.

Concentration of Credit Risk

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.

Risk Disclosures

Collateral for Deposits

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

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, 2018, 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

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

<u>Depository Accounts</u>	<u>June-18</u>	<u>June-17</u>
Insured	\$ 583,296	\$ 613,992
Collateralized held by pledging bank's trust department in the Authority's name	3,975,901	4,238,269
Total	<u>\$ 4,559,197</u>	<u>\$ 4,852,261</u>

Restricted Cash

The Authority has total restricted cash at June 30, 2018 in the amount of \$4,074,526 and \$4,414,720 for 2017 which consists of the following:

	<u>June-18</u>	<u>June-17</u>
Bank of New York - Bonds Proceeds	\$ 3,775,750	\$ 3,692,000
Bank of New York - Leveraging	684	617
HAP Reserve	192,377	622,713
Golden Triangle Restricted Cash	6,325	
Tenant Security Deposit	99,390	99,390
Total Restricted Cash	<u>\$ 4,074,526</u>	<u>\$ 4,414,720</u>

The restricted cash in the amount of \$192,377 and \$622,713 for 2017 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, 2018 and 2017 was in the amount of \$99,390. This amount is held as security deposits for the tenants of the Public and Indian Housing Program in an interest bearing accounts.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED

Restricted Cash

The Authority has restricted cash in the amount of \$684 and \$617 as of June 30, 2018 and 2017 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 \$3,775,750 as of June 30, 2018 and \$ 3,692,000 for 2017 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.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2018 and 2017 consisted of the following:

	June-18	June-17
Tenants Accounts Receivable - Present	\$ 56,352	\$ 49,603
Tenants Accounts Receivable - Fraud Recovery	33,108	58,356
Tenants Accounts Receivable - Vacated	5,675	18,926
Less Allowance for Doubtful Accounts	(59,654)	(99,664)
Net Tenants Accounts Receivable	<u>35,481</u>	<u>27,221</u>
Accrued Interest Income Receivable	275,720	359,000
Notes Receivable - Current Portion	3,500,000	3,330,000
HUD Receivable	11,244	19,332
Accounts Receivable - Misc Charges	59,561	4,133
Accounts Receivable - Other	<u>3,846,525</u>	<u>3,712,465</u>
Total Accounts Receivable	<u>\$ 3,882,006</u>	<u>\$ 3,739,686</u>

Housing Authority of the City of New Brunswick carries its accounts receivable at cost less an allowance for doubtful accounts. 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. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2018, the allowance for doubtful accounts was \$59,654 and \$99,664 for 2017.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2018 and 2017

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, 2018 consisted of prepaid insurance premiums in the amount of \$71,813 and \$71,010 for 2017.

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, 2018 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 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 Expense

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 Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2018.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2018 and 2017

NOTE 8 - FIXED ASSETS - CONTINUED

Depreciation expense for June 30, 2018 was \$697,160 and \$713,160 for 2017.

Below is a schedule of changes in fixed assets for the twelve months ending June 30, 2018 and 2017:

	Balance June-17	Additions	Transfers	Balance June-18
Land and Improvements	\$ 1,499,991	\$ -	\$ -	\$ 1,499,991
Buildings & Improvements	11,069,699	-	(8,736,382)	2,333,317
Furniture & Equipment - Dwelling	280,071	-	-	280,071
Furniture & Equipment - Administration	1,103,427	-	-	1,103,427
Leasehold Improvements	-	-	8,736,382	8,736,382
Construction in Progress	238,844	135,702	-	374,546
Totals	14,192,032	135,702	-	14,327,734
Accumulated Depreciation	(6,775,385)	(697,160)	-	(7,472,545)
Net Book Value	\$ 7,416,647	\$ (561,458)	\$ -	\$ 6,855,189

	Balance June-16	Additions	Transfers	Balance June-17
Land and Improvements	\$ 1,499,991	\$ -	\$ -	\$ 1,499,991
Buildings & Improvements	9,656,765	-	1,412,934	11,069,699
Furniture & Equipment - Dwelling	277,618	-	2,453	280,071
Furniture & Equipment - Administration	834,628	-	268,799	1,103,427
Construction in Progress	1,848,327	74,703	(1,684,186)	238,844
Totals	14,117,329	74,703	-	14,192,032
Accumulated Depreciation	(6,062,225)	(713,160)	-	(6,775,385)
Net Book Value	\$ 8,055,104	\$ (638,457)	\$ -	\$ 7,416,647

Below is a schedule of the net book value of the fixed assets for the Housing Authority of the City of New Brunswick as of June 30, 2018:

<u>Net Book Value of the Assets</u>	<u>June-18</u>
Land and Improvements	\$ 1,499,991
Buildings & Improvements	784,761
Furniture & Equipment - Dwelling	61,176
Furniture & Equipment - Administration	316,088
Leasehold Improvements	3,818,627
Construction in Progress	374,546
Net Book Value	<u>\$ 6,855,189</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2018 and 2017

NOTE 9- NOTES RECEIVABLE - NON CURRENT

Housing Authority of the City of New Brunswick has three notes receivable -noncurrent as of June 30, 2018.

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

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.

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, 2018 the interest rate on the note was \$6.9% and accrued annually. The Authority did not accrued interest for June 30, 2018 due to the developments financial condition. See the June 30, 2018 schedule of notes receivable below.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2018 and 2017

NOTE 9- NOTES RECEIVABLE – NON CURRENT - CONTINUED

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, 2018 the interest rate on the note was 7% and accrued annually. The Authority did not accrued interest for June 30, 2018 due to the developments financial condition. See the June 30, 2018 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, 2018 and 2017:

	June-18 Note Balance	Accrued Interest	Present Value	Allowance for Doubtful	June-18 Net Book Value
Easton Avenue 2011	\$ 11,887,603	\$ 275,720	\$ 12,163,323	\$ -	\$ 12,163,323
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>\$ 19,487,937</u>	<u>\$ 275,720</u>	<u>\$ 19,763,657</u>	<u>\$ (7,600,334)</u>	<u>12,163,323</u>
					(3,500,000)
					<u>(275,720)</u>
				Net Book Value	<u>\$ 8,387,603</u>

	June-17 Note Balance	Accrued Interest	Present Value	Allowance for Doubtful	June-17 Net Book Value
Golden Triangle -2011	\$ -	\$ -	\$ -	\$ -	\$ -
Easton Avenue 2011	15,516,359	359,000	15,875,359	-	15,875,359
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>\$ 23,116,693</u>	<u>\$ 359,000</u>	<u>\$ 23,475,693</u>	<u>\$ (7,600,334)</u>	<u>15,875,359</u>
					(3,330,000)
					<u>(359,000)</u>
				Net Book Value	<u>\$ 12,186,359</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

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 at June 30, 2018 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences Between Expected and Actual Experiences	\$ 86,882	\$ -
Changes in Assumptions	743,366	740,641
Net Difference Between Projected and Actual Earning on Pension Plan Investments	25,125	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	178,133	210,753
Contributions Subsequent to the Measurement Date	159,951	-
	<hr/>	<hr/>
Total	\$ 1,193,457	\$ 951,394
	<hr/>	<hr/>

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$86,882.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2018 and 2017

NOTE 10 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan 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 collective amount of the difference between expected and actual experience for the fiscal year is \$743,336 and \$740,641.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. 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 collective amount of the difference between expected and actual experience for the fiscal year is \$25,125 and \$-0-.

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 changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$178,133 and \$210,753.

NOTE 11 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of June 30, 2018. Accounts payable vendors are amount owed to creditors as a result of delivered goods and completed services. Accounts payable at June 30, 2018 and 2017 consist of the following:

	<u>June-18</u>	<u>June-17</u>
Accounts Payable Vendors	\$ 19,687	\$ 12,244
Accounts Payable - Other Government	27,054	24,544
Total Accounts Payable	<u>\$ 46,741</u>	<u>\$ 36,788</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2018 and 2017

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 10% of its net shelter rent for real property taxes. During the fiscal year ended June 30, 2018 the PILOT expense of \$27,054 and \$24,544 for 2017 was accrued. PILOT payable at June 30, 2018 consist of \$27,054, the 2018 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, 2018 and 2017 consist of the following:

	June-18	June-17
Compensated Absences - Current Portion	\$ 15,748	\$ 16,694
Wages and Payroll Taxes Payable	52,848	52,458
Accrued Interest Payable - Notes Payable	285,163	369,391
Accrued Expense - Utilities	177,341	139,061
Contractors Retention	95,417	63,812
Pet Deposits	3,600	-
Total Accrued Liabilities	\$ 630,117	\$ 641,416

NOTE 14 - 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, 2018 and 2017 consisted of the following:

	June-18	June-17
Early Receipt of Mortgage Payment - July	\$ 3,778,652	\$ 3,691,997
Advanced of CFP Grant Funds	25,544	-
July RAD HAP Subsidy	52,083	-
Total Unearned Revenue	\$ 3,856,279	\$ 3,691,997

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 15 – ACCRUED COMPENSATED ABSENCES

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

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

The Authority has determined that the potential liability for accumulated vacation and sick time at June 30, 2018 and 2017 is as follows:

	<u>June-18</u>	<u>June-17</u>
Accumulated Sick Time	\$ 45,720	\$ 46,449
Accumulated Vacation Time	100,563	108,628
Accrued Payroll Taxes	<u>11,190</u>	<u>11,863</u>
Total	157,473	166,940
Compensated Absences - Current Portion	<u>(15,748)</u>	<u>(16,694)</u>
Total Compensated Absences - Noncurrent	<u>\$ 141,725</u>	<u>\$ 150,246</u>

NOTE 16 – LONG TERM DEBT

At June 30, 2018 and 2017, the Authority has two (2) notes payable. They consist of the following:

	<u>June-18</u>		<u>Accrued</u>	<u>June-18</u>
	<u>Current</u>	<u>Long-Term</u>	<u>Interest</u>	<u>Total</u>
	<u>Portion</u>			
Easton Ave - 2011	\$ 3,500,000	\$ 7,530,000	\$ 275,720	\$ 11,305,720
Capital Leveraging Fund	140,000	1,080,000	9,443	1,229,443
Total	<u>\$ 3,640,000</u>	<u>\$ 8,610,000</u>	<u>\$ 285,163</u>	<u>\$ 12,535,163</u>
	<u>June-17</u>		<u>Accrued</u>	<u>June-17</u>
	<u>Current</u>		<u>Interest</u>	<u>Total</u>
	<u>Portion</u>			
Easton Ave - 2011	\$ 3,330,000	\$ 11,030,000	\$ 359,000	\$ 14,719,000
Capital Leveraging Fund	130,000	1,220,000	10,391	1,360,391
Total	<u>\$ 3,460,000</u>	<u>\$ 12,250,000</u>	<u>\$ 369,391</u>	<u>\$ 16,079,391</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 16 - LONG TERM DEBT - CONTINUED

1. 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, 2018 the interest rate was 5%.

On July 1, 2011 the Authority retired the outstanding amount of \$37,040,000 aggregate principal amount of Series 1998 Bonds. This was used to refund the holder's allocable share and used to pay the costs and expenses incurred with the authorization, issuance and delivery of the Series 2011 Bonds. Interest is payable semi-annually on January 1, and July 1 and the interest rate is variable. For the fiscal year ended June 30, 2018 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 2011</u>
June 30, 2019	\$ 3,500,000
June 30, 2020	3,675,000
June 30, 2021	3,855,000
Total	<u>\$ 11,030,000</u>

2. 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 Public and Indian 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 16 - LONG TERM DEBT - CONTINUED

2. Capital Fund Leveraging Program

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

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2005. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

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

	<u>CFP Bonds</u>	
June 30, 2019	\$	140,000
June 30, 2020		145,000
June 30, 2021		150,000
June 30, 2022		160,000
June 30, 2023		170,000
		<u>765,000</u>
Year 2024-2026		455,000
Total	\$	<u>1,220,000</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.

	<u>June-18</u>	<u>June-17</u>
Bond Premium Amount	\$ 3,016,596	\$ 3,016,596
Less Amortization - Bond Premium	(2,161,895)	(1,860,234)
Net Book Value - Bond Premium	<u>\$ 854,701</u>	<u>\$ 1,156,362</u>

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2018 and 2017

NOTE 18 – OTHER POST EMPLOYMENT BENEFITS

The Authority as of June 30, 2018 and 2017 reported accrued pension and OPEB liability amounts as follows:

	<u>June-18</u>	<u>June-17</u>
Accrued OPEB Liability	\$ 12,431,635	\$ 815,019
Accrued Pension Liability	3,689,794	4,679,109
Total OPEB and Pension Liability	<u>\$ 16,121,429</u>	<u>\$ 5,494,128</u>

These amounts arose due to adoption of GASB #75 this year as well as GASB #68 which was just adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 19 will discuss the effect of GASB #68 and the liability which arose from that.

OPEB Liability – Plan Description and Benefits Provided

Plan Description: The Authority administers a single-employer defined-benefit post-employment healthcare plan. Spouses are eligible for coverage under the plan and benefits may continue to the surviving spouses.

Benefits Provided: Retirees, that are vested, are eligible for post-employment medical benefits, including prescription drug benefits, as part of the medical plan on a fully insured basis through New Jersey State Health Benefits Program. Employee will pay Medicare Part B premium and reimbursed by Authority. Dental coverage and vision coverage are also provided to retirees. All coverages are 100% subsidized by the Authority.

Employees covered by benefits terms: At July 1, 2017 (the census date), the following employees were covered by the benefits terms:

Retired Employees Receiving Benefits	21
Actives Eligible for Benefits	3
Active Employees	<u>11</u>
Total Employees	<u><u>35</u></u>

Assets: The Authority has not accumulated plan assets in an irrevocable trust designated for plan participants.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 18 – ACCRUED OPEB LIABILITIES – CONTINUED

Net OPEB Liability

The Authority's net OPEB liability was measured as of July 1, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB Liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Discount Rate:	3.50%, net of OPEB plan investment expense, including inflation.
Assets	Not valued since benefit is unfunded
Information for Valuation	All information provided by Authority
Covered Benefits	Employees that retire are eligible for subsidized postemployment medical, including prescription drug coverage. Benefits are provided for dental, vision, and Medicare Part B premium
Insurance Coverage and Funding Basis	Medical, including prescription drugs, are fully insured through the NJ State Health Benefits Program for Local Government Employer Groups.
Actuarial Cost Method	Projected Unit Credit
Retirement System	Valuation is based on NJ Public Employees' Retirement System (PERS). Decrement tables used in this valuation are from the July 1, 2016 Annual Report of the Actuary.
Mortality	RP 2014 Healthy Male and Female Tables are based on the Combined Healthy Table for both pre & post retirement projected with mortality improvements using Projection Scale AA for 2 years plus 7 years for generational improvement.

Change in Assumptions: Effective July 1, 2017.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2018 and 2017

NOTE 18 – ACCRUED OPEB LIABILITIES – CONTINUED
Changes in Net OPEB Liability:

Balance as of July 1, 2017	<u>\$ 12,392,957</u>
 <i><u>Changes For the Year</u></i>	
Service Cost	65,906
Interest	425,825
Benefit Payments	<u>(453,053)</u>
Net Changes	<u>38,678</u>
 Balance as of June 30, 2018	 <u>\$ 12,431,635</u>

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.50%	3.50%	4.50%
Total OPEB Liability	<u>\$ 14,534,193</u>	<u>\$ 12,431,635</u>	<u>\$ 10,778,766</u>

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	<u>\$ 10,653,968</u>	<u>\$ 12,431,635</u>	<u>\$ 14,795,215</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized an OPEB expense of \$491,731 before contribution in the amount of \$453,053, which netted to \$38,678. As of June 30, 2018, the Authority did not report a deferred outflows of resources and deferred inflows of resources in relation to OPEB.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 19 - ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of June 30, 2018 reported a net pension liability in the amount of \$3,689,794 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2017, the last evaluation date, is as follows:

Employer Total Pension Liability	PERS
	<u>\$ 7,109,423</u>
Plan Net Position	<u>(3,419,629)</u>
Employer Net Pension Liability	<u>\$ 3,689,794</u>

The Authority allocation percentage is 0.0158507208% as of June 30, 2017.

Plan Description

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. 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.gov/treasury/pensions/financial-reports.shtml.

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

The following represents the membership tiers for PERS:

- 1) Tier 1 - Members who enrolled prior to July 1, 2007
- 2) Tier 2 - Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3) Tier 3 - Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
- 4) Tier 4 - Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 5) Tier 5 - Members who were eligible to enroll on or after June 28, 2011.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 19 – ACCRUED PENSION LIABILITY - CONTINUED

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, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2017.

The contribution for PERS is set by NJSA 43:15A 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 include 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 2017 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2018 and 2017

NOTE 19 - ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions

The total pension liability for June 30, 2017 measurement dates were determined by using an actuarial valuation as of July 1, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. The actuarial valuations used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65-4.15%, based on age
Thereafter	2.65-5.15%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 evaluation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2018 and 2017

NOTE 19 - ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions - Continued

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2014. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2018 and 2017

NOTE 19 – ACCRUED PENSION LIABILITY - CONTINUED

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 5.00% 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 (4.00% percent) or 1 percentage-point higher (6.00% 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:

	1% Decrease (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,577,440	\$ 3,689,794	\$ 2,950,275

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2018	\$ 86,861
Year Ending June 30, 2019	131,076
Year Ending June 30, 2020	79,425
Year Ending June 30, 2021	(105,636)
Year Ending June 30, 2022	(76,994)
Total	\$ 114,732

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72, and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 19 - ACCRUED PENSION LIABILITY - CONTINUED

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2017, are as follows:

Service Cost	\$	172,102
Interest on the Total Pension Liability		312,302
Member Contributions		(81,866)
Administrative Expenses		2,142
Expected Investment Return Net of Investment Expenses		(222,982)
Pension Expense Related to Specific Liabilities of Individual Employers		(2,421)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		27,365
Changes of Assumptions		63,768
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		(4,272)
Total	\$	<u>266,138</u>

NOTE 20 - RESTRICTED NET POSITION

The Authority restricted net position account balance at June 30, 2018 is \$193,061 and \$623,330 for 2017. The detail of the restricted reserve account balances is as follows:

	<u>June-18</u>	<u>June-17</u>
HCV - HAP Reserve	\$ 192,377	\$ 622,713
State Leveraging Bond Reserve	684	617
Total Restricted Net Position	<u>\$ 193,061</u>	<u>\$ 623,330</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 AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements
June 30, 2018 and 2017

NOTE 20 – RESTRICTED NET POSITION - CONTINUED

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, 2018 was \$488,704.

NOTE 21 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at June 30, 2018 is deficit (\$15,830,761). The detail of the account balance is as follows:

	PIH Program Reserves	Section 8 HCV	COCC	Business Activities	Total
Balance June 30, 2016	\$ (1,519,775)	\$ (624,354)	\$(1,269,932)	\$ (100,681)	\$ (3,514,742)
Increase During the Year	-	-	-	9,616	9,616
Decrease During the Year	(493,533)	(4,158)	(76,291)	-	(573,982)
Prior Period Adjustment	-	-	-	1,823	1,823
Balance June 30, 2017	(2,013,308)	(628,512)	(1,346,223)	(89,242)	(4,077,285)
Increase During the Year	-	-	156,188	83,112	239,300
Decrease During the Year	(150,775)	(264,062)	-	-	(414,837)
Prior Period Adjustment	(5,641,186)	(2,704,019)	(2,762,724)	(470,010)	(11,577,939)
Balance June 30, 2018	\$ (7,805,269)	\$ (3,596,593)	\$(3,952,759)	\$ (476,140)	\$ (15,830,761)

The Authority unrestricted net position reflects a balance of (\$15,830,761), as of June 30, 2018, because of the requirement to adopt GASB #75 (OPEB) and GASB #68 pension liability. The Authority recorded OPEB liability to date of \$12,431,635 which has a direct effect on the reserves. The Authority recorded an accrued pension liability to date of \$3,689,794 which also has a direct effect on the reserves. GASB #75 and GASB #68 do not require the Authority to fund the liability.

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, 2018, 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.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements June 30, 2018 and 2017

NOTE 23 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended June 30, 2018 were \$1,694,691 and \$1,759,669 for 2017.

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 program provides 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, 2018 was in the amount of \$9,841,969 and \$10,830,126 for 2017.

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.

Total financial support by HUD was \$12,055,638 to the Authority which represents approximately 85% percent of the Authority's total revenue for the year ended June 30, 2018.

NOTE 25 - CONTINGENCIES

Litigation – At June 30, 2018, the Authority was not involved in any threatening litigation.

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

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 26- PRIOR PERIOD ADJUSTMENTS

For year ending June 30, 2017

As of June 30, 2017, the Authority had a prior period adjustment in the amount of \$1,823 for the business Activities Program for an adjustment to the accounts receivable balance from the prior year.

For year ending June 30, 2018

As of June 30, 2018 the Authority had a prior period adjustment in the amount of (\$11,577,939) while recording GASB #75 Net OPEB Liability as detailed below:

Net OPEB Liability GASB #45 - June 30, 2017 Liability	\$ 815,019
Adoption of GASB #75 - July 2017	(12,392,957)
Prior Period Adjustment - July 2017	<u>\$ (11,577,938)</u>

NOTE 27 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position's date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru January 28, 2019; 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

Required Supplementary Information
June 30, 2018

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

<u>Total OPEB Liability</u>	<u>2018</u>
Service Cost	\$ 65,906
Interest	425,825
Changes in Benefit Terms	-
Difference Between Expected and Actual Experiences	-
Changes in Assumptions or Other Inputs	-
Benefit Payments	<u>(453,053)</u>
Net Change in Total OPEB Liability	38,678
Total OPEB Liability, Beginning	<u>12,392,957</u>
 Total OPEB Liability, Ending	 <u><u>\$ 12,431,635</u></u>
 Covered, Employee Payroll	 \$ 936,520
Total OPEB Liability as a percentage of covered employee payroll	1327.43%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Required Supplementary Information
June 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

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.

	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.01585072%	0.01177889%	0.01519358%	0.01749594%
Housing Authority's proportionate share of the net pension liability	\$ 3,689,794	\$ 4,679,109	\$ 3,410,653	\$ 3,275,718
Housing Authority's covered employee payroll	\$ 1,253,520	\$ 1,253,116	\$ 1,176,866	\$ 1,214,744
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	294.35%	373.40%	289.81%	269.66%
Plan fiduciary net position as a percentage of the total pension liability	48.01%	59.86%	52.07%	52.08%

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

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Required Supplementary Information
June 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

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

	2018	2017	2016	2015
Contractually required contribution	\$ 146,840	\$ 140,353	\$ 130,624	\$ 144,234
Contribution in relation to the contractually required contribution	(146,840)	(140,353)	(130,624)	(144,234)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,253,520	\$ 1,253,116	\$ 1,176,866	\$ 1,214,744
Contribution as a percentage of covered employee payroll	11.71%	11.20%	11.10%	11.87%

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

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED JUNE 30, 2018**

Programs funded by:

U.S. Department of Housing and Urban Development

	CFDA #'s	Grant Period		Grant Award	Fiscal Year	Fiscal Year	Cumulative Expenditures
		From	To		Cash Receipts	Expenditures	
Public and Indian Housing Program							
NJ022-00000116D	14.850	1/1/2016	12/31/2016	\$ 1,294,675	\$ 1,779	\$ 1,779	\$ 1,294,675
NJ022-00000117D	14.850	1/1/2017	12/31/2017	1,246,895	584,029	584,029	1,245,633
NJ022-00000118D	14.850	1/1/2018	12/31/2018	1,645,619	811,696	811,696	811,696
NJ022-00000316D	14.850	1/1/2016	12/31/2016	293,904	404	404	293,904
NJ022-00000317D	14.850	1/1/2017	12/31/2017	358,600	159,468	159,468	333,850
NJ022-00000416D	14.850	1/1/2016	12/31/2016	126,075	173	173	126,075
NJ022-00000417D	14.850	1/1/2017	12/31/2017	127,477	64,390	64,390	127,348
NJ022-00000418D	14.850	1/1/2018	12/31/2018	147,494	72,752	72,752	72,752
Grant Subtotal				<u>5,240,739</u>	<u>1,694,691</u>	<u>1,694,691</u>	<u>4,233,181</u>
Public Housing Capital Fund Program							
NJ39P022501-15	14.872	4/13/2015	4/12/2019	476,506	23,207	23,207	453,300
NJ39P022501-16	14.872	4/13/2016	4/12/2020	499,684	148,220	148,220	472,067
NJ39P022501-17	14.872	8/16/2017	8/15/2021	526,457	347,551	347,551	347,551
Grant Subtotal				<u>1,502,647</u>	<u>518,978</u>	<u>518,978</u>	<u>1,272,918</u>
Section 8 Housing Choice Voucher Program							
NJ39P022	14.871	7/1/2017	6/30/2018	9,841,969	9,841,969	9,841,969	9,841,969
Grant Subtotal				<u>9,841,969</u>	<u>9,841,969</u>	<u>9,841,969</u>	<u>9,841,969</u>
Total Expenditures of Federal Awards				<u>\$ 16,585,355</u>	<u>\$ 12,055,638</u>	<u>\$ 12,055,638</u>	<u>\$ 15,348,068</u>

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018**

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of New Brunswick is under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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 flows of the 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Housing Authority of the City of New Brunswick has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:

The Housing Authority of the City of New Brunswick had \$12,250,000 as a loan balance outstanding at June 30, 2018. Note 16 presented on page 45-47 of this report have full disclosure regarding the loan activity for the Housing Authority of the City of New Brunswick.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended June 30, 2018.

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018**

Note 6. Sub recipients:

Expenditures and Expenses

When monies are received by the Housing Authority of the City of New Brunswick redistributed (expended) to a sub-recipient, the federal financial assistance is reflected in the Authority's accounts. The total expenditures for sub recipients amounted to \$268,278 during the year ended June 30, 2018.

	CFDA #s	June-18 Expenditures
Riverside Urban Renewal L.P.	14.850	143,588
Providence Square Housing Urban Renewal, LLC.	14.850	124,690
Total Pass-Thru		\$ 268,278

**HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF JUNE 30, 2018**

	NJ39P022501-09		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 100,200	\$ 100,200	\$ -
Management Improvements	100,200	100,200	-
Administration	50,100	50,100	-
Fees & Costs	138,823	138,823	-
Dwelling Structures	60,000	60,000	-
Dwelling Equipment	9,043	9,043	-
Non-Dwelling Equipment	42,634	42,634	-
Bond Debt Obligation	198,889	198,889	-
Total	\$ 699,889	\$ 699,889	\$ -
Funds Advanced	\$ 699,889		
Funds Expended	699,889		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-09 was completed on June 13, 2017.
4. There were no budget overruns noted.

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

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2018

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$337,839	14,871 \$69,259	\$77,573		\$484,671		\$484,671
112 Cash - Restricted - Modernization and Development	\$684				\$684		\$684
113 Cash - Other Restricted		\$192,377			\$192,377		\$192,377
114 Cash - Tenant Security Deposits	\$99,390		\$3,775,750		\$99,390		\$99,390
115 Cash - Restricted for Payment of Current Liabilities			\$3,853,323		\$3,775,750		\$3,775,750
100 Total Cash	\$437,913	\$261,636	\$3,853,323	\$0	\$4,552,872	\$0	\$4,552,872
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects	\$11,244				\$11,244		\$11,244
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous	\$0		\$59,561		\$59,561		\$59,561
126 Accounts Receivable - Tenants	\$60,846				\$60,846		\$60,846
126.1 Allowance for Doubtful Accounts - Tenants	-\$37,709				-\$37,709		-\$37,709
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current			\$3,500,000		\$3,500,000		\$3,500,000
128 Fraud Recovery	\$34,289				\$34,289		\$34,289
128.1 Allowance for Doubtful Accounts - Fraud	-\$21,945				-\$21,945		-\$21,945
129 Accrued Interest Receivable			\$275,720		\$275,720		\$275,720
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$46,725	\$0	\$3,835,281	\$0	\$3,882,006	\$0	\$3,882,006
131 Investments - Unrestricted							
132 Investments - Restricted			\$6,325		\$6,325		\$6,325
135 Investments - Restricted for Payment of Current							
142 Prepaid Expenses and Other Assets	\$56,224	\$7,793		\$7,796	\$71,813		\$71,813
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From	\$148	\$36,856		\$84,298	\$121,302	-\$121,302	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$541,010	\$306,285	\$7,694,929	\$92,094	\$8,634,318	-\$121,302	\$8,513,016
161 Land	\$1,499,991				\$1,499,991		\$1,499,991
162 Buildings	\$2,333,317				\$2,333,317		\$2,333,317
163 Furniture, Equipment & Machinery - Dwellings	\$277,618			\$2,453	\$280,071		\$280,071

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

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2018

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
		14,871					
164 Furniture, Equipment & Machinery - Administration	\$976,553	\$65,689	\$33,163	\$28,022	\$1,103,427		\$1,103,427
165 Leasehold Improvements	\$8,736,382				\$8,736,382		\$8,736,382
166 Accumulated Depreciation	-\$7,362,037	-\$46,870	-\$33,163	-\$30,475	-\$7,472,545		-\$7,472,545
167 Construction in Progress	\$374,546				\$374,546		\$374,546
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,836,370	\$18,819	\$0	\$0	\$6,855,189	\$0	\$6,855,189
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			\$8,387,603		\$8,387,603		\$8,387,603
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$6,836,370	\$18,819	\$8,387,603	\$0	\$15,242,792	\$0	\$15,242,792
200 Deferred Outflow of Resources	\$584,794	\$274,495	\$27,068	\$307,100	\$1,193,457		\$1,193,457
290 Total Assets and Deferred Outflow of Resources	\$7,962,174	\$599,599	\$16,109,600	\$399,194	\$25,070,567	-\$121,302	\$24,949,265
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$17,765	\$1,200		\$722	\$19,687		\$19,687
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$33,107	\$5,628		\$14,113	\$52,848		\$52,848
322 Accrued Compensated Absences - Current Portion	\$7,416	\$872		\$7,460	\$15,748		\$15,748
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$9,443		\$275,720		\$285,163		\$285,163
331 Accounts Payable - HUD PHA Programs							
332 Accounts Payable - PHA Projects	\$27,054				\$27,054		\$27,054
333 Accounts Payable - Other Government	\$99,390				\$99,390		\$99,390
341 Tenant Security Deposits	\$25,544	\$52,083	\$3,778,652		\$3,856,279		\$3,856,279
342 Unearned Revenue							
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$140,000		\$3,500,000		\$3,640,000		\$3,640,000
344 Current Portion of Long-term Debt - Operating Borrowings							

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
345 Other Current Liabilities		14,871					
346 Accrued Liabilities - Other	\$180,941		\$95,417		\$276,358		\$276,358
347 Inter Program - Due To	\$94,275	\$3,686	\$23,341		\$121,302	-\$121,302	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$634,935	\$63,469	\$7,673,130	\$22,295	\$8,393,829	-\$121,302	\$8,272,527
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,080,000		\$7,530,000		\$8,610,000		\$8,610,000
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other			\$854,701		\$854,701		\$854,701
354 Accrued Compensated Absences - Non Current	\$66,740	\$7,843		\$67,142	\$141,725		\$141,725
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$7,902,531	\$3,694,863	\$508,881	\$4,015,154	\$16,121,429		\$16,121,429
350 Total Non-Current Liabilities	\$9,049,271	\$3,702,706	\$8,893,582	\$4,082,296	\$25,727,855	\$0	\$25,727,855
300 Total Liabilities	\$9,684,206	\$3,766,175	\$16,566,712	\$4,104,591	\$34,121,684	-\$121,302	\$34,000,382
400 Deferred Inflow of Resources	\$466,183	\$218,821	\$19,028	\$247,362	\$951,394		\$951,394
508.4 Net Investment in Capital Assets	\$5,616,370	\$18,819			\$5,635,189		\$5,635,189
511.4 Restricted Net Position	\$684	\$192,377			\$193,061		\$193,061
512.4 Unrestricted Net Position	-\$7,805,269	-\$3,596,593	-\$476,140	-\$3,952,759	-\$15,830,761		-\$15,830,761
513 Total Equity - Net Assets / Position	-\$2,188,215	-\$3,385,397	-\$476,140	-\$3,952,759	-\$10,002,511	\$0	-\$10,002,511
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$7,962,174	\$599,599	\$16,109,600	\$399,194	\$25,070,567	-\$121,302	\$24,949,265

New Brunswick Housing Authority (NJ022)
NEW BRUNSWICK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,354,942				\$1,354,942		\$1,354,942
70400 Tenant Revenue - Other	\$22,390				\$22,390		\$22,390
70500 Total Tenant Revenue	\$1,377,332	\$0	\$0	\$0	\$1,377,332	\$0	\$1,377,332
70600 HUD PHA Operating Grants	\$1,947,967	\$9,841,969			\$11,789,936		\$11,789,936
70610 Capital Grants	\$265,702				\$265,702		\$265,702
70710 Management Fee				\$394,740	\$394,740	-\$394,740	\$0
70720 Asset Management Fee							
70730 Book Keeping Fee				\$92,865	\$92,865	-\$92,865	\$0
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue				\$487,605	\$487,605	-\$487,605	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$2,330	\$2,521	\$24		\$4,875		\$4,875
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets		\$14,720			\$14,720		\$14,720
71400 Fraud Recovery		\$97,498		\$40,134	\$419,443		\$419,443
71500 Other Revenue	\$86,240		\$195,571				
71600 Gain or Loss on Sale of Capital Assets			\$261,810		\$261,810		\$261,810
72000 Investment Income - Restricted	\$3,679,571	\$9,956,708	\$457,405	\$527,739	\$14,621,423	-\$487,605	\$14,133,818
70000 Total Revenue							
91100 Administrative Salaries	\$322,938	\$312,123	\$45,985	\$291,586	\$972,632		\$972,632
91200 Auditing Fees	\$8,500	\$5,500	\$1,190		\$15,190		\$15,190
91300 Management Fee	\$549,762	\$112,896			\$662,658	-\$394,740	\$267,918
91310 Book-keeping Fee	\$22,305	\$70,560			\$92,865	-\$92,865	\$0
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$431,500	\$293,062	\$32,699	\$39,968	\$797,229		\$797,229
91600 Office Expenses	\$77,629	\$20,040			\$97,669		\$97,669
91700 Legal Expense	\$73,103		\$12,137		\$85,240		\$85,240
91800 Travel	\$873			\$6,479	\$7,352		\$7,352
91810 Allocated Overhead							

New Brunswick Housing Authority (NJ022)

NEW BRUNSWICK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
91900 Other	\$35,316	\$28,136	\$32,472	\$22,689	\$118,613		\$118,613
91000 Total Operating - Administrative	\$1,521,926	\$842,317	\$124,483	\$360,722	\$2,849,448	-\$487,605	\$2,361,843
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	\$221,479				\$221,479		\$221,479
93200 Electricity	\$308,137				\$308,137		\$308,137
93300 Gas	\$255,750				\$255,750		\$255,750
93400 Fuel							
93500 Labor							
93600 Sewer	\$321,425				\$321,425		\$321,425
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$1,106,791	\$0	\$0	\$0	\$1,106,791	\$0	\$1,106,791
94100 Ordinary Maintenance and Operations - Labor	\$280,888				\$280,888		\$280,888
94200 Ordinary Maintenance and Operations - Materials and Other	\$98,815				\$98,815		\$98,815
94300 Ordinary Maintenance and Operations Contracts	\$173,817				\$173,817		\$173,817
94500 Employee Benefit Contributions - Ordinary Maintenance	\$190,074				\$190,074		\$190,074
94000 Total Maintenance	\$743,594	\$0	\$0	\$0	\$743,594	\$0	\$743,594
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0

New Brunswick Housing Authority (NJ022)
NEW BRUNSWICK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
96110 Property Insurance		14,871					
96120 Liability Insurance							
96130 Workmen's Compensation							
96140 All Other Insurance	\$103,692	\$28,301	\$0	\$10,829	\$142,822		\$142,822
96100 Total insurance Premiums	\$103,692	\$28,301	\$0	\$10,829	\$142,822	\$0	\$142,822
96200 Other General Expenses		\$183,467			\$183,467		\$183,467
96210 Compensated Absences	\$1,544	\$3,402			\$4,946		\$4,946
96300 Payments in Lieu of Taxes	\$27,054				\$27,054		\$27,054
96400 Bad debt - Tenant Rents							
96500 Bad debt - Mortgages							
96600 Bad debt - Other		\$7,165			\$7,165		\$7,165
96800 Severance Expense							
96000 Total Other General Expenses	\$28,598	\$194,034	\$0	\$0	\$222,632	\$0	\$222,632
96710 Interest of Mortgage (or Bonds) Payable	\$59,975		\$249,810		\$309,785		\$309,785
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$59,975	\$0	\$249,810	\$0	\$309,785	\$0	\$309,785
96900 Total Operating Expenses	\$3,564,576	\$1,064,652	\$374,293	\$371,551	\$5,375,072	-\$487,605	\$4,887,467
97000 Excess of Operating Revenue over Operating Expenses	\$114,995	\$8,892,056	\$83,112	\$156,188	\$9,246,351	\$0	\$9,246,351
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments		\$9,472,098			\$9,472,098		\$9,472,098
97350 HAP Portability-In		\$114,357			\$114,357		\$114,357
97400 Depreciation Expense	\$686,100	\$11,060			\$697,160		\$697,160
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							

New Brunswick Housing Authority (NJ022)

NEW BRUNSWICK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
90000 Total Expenses	\$4,250,676	14,871 \$10,662,167	\$374,293	\$371,551	\$15,658,687	-\$487,605	\$15,171,082
10010 Operating Transfer In	\$105,291				\$105,291		\$105,291
10020 Operating transfer Out	-\$105,291				-\$105,291		-\$105,291
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$571,105	-\$705,459	\$83,112	\$156,188	-\$1,037,264	\$0	-\$1,037,264
Total Expenses							
11020 Required Annual Debt Principal Payments	\$140,000	\$0	\$0	\$0	\$140,000		\$140,000
11030 Beginning Equity	\$4,024,076	\$24,081	-\$89,242	-\$1,346,223	\$2,612,692		\$2,612,692
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$5,641,186	-\$2,704,019	-\$470,010	-\$2,762,724	-\$11,577,939		-\$11,577,939
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity		-\$3,577,774			-\$3,577,774		-\$3,577,774
11180 Housing Assistance Payments Equity		\$192,377			\$192,377		\$192,377
11190 Unit Months Available	3840	11268			15108		15108

New Brunswick Housing Authority (NJ022)

NEW BRUNSWICK, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14.871	Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
	Project Total						
11210 Number of Unit Months Leased	3702	9614		0	13316		13316
11270 Excess Cash	-\$424,105				-\$424,105		-\$424,105
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	\$0			\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$135,701			\$0	\$135,701		\$135,701
11660 Infrastructure Purchases	\$0			\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$130,000			\$0	\$130,000		\$130,000
13901 Replacement Housing Factor Funds	\$0			\$0	\$0		\$0



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of the City of New Brunswick (hereafter referred to as the Authority), which comprise the statement of net position as of June 30, 2018 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: January 28, 2019



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of New Brunswick compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the City of New Brunswick major federal programs for the year ended June 30, 2018. Housing Authority of the City of New Brunswick major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of New Brunswick major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of New Brunswick compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the City of New Brunswick's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of New Brunswick internal control over compliance.

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

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

Purpose of This Report

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: January 28, 2019

HOUSING AUTHORITY OF THE CITY OF NEW BRUNSWICK

Schedule of Findings and Questioned Cost

Year Ended June 30, 2018

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 Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Vouchers	\$ 9,841,969

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

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 Uniform Guidance 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 the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the City of New Brunswick as of and for the year ended June 30, 2018, and have issued our reports thereon dated January 28, 2019. 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, 2018, 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 Uniform Guidance, 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 28, 2019

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	☒	☐
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	☒	☐
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	☒	☐
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	☒	☐
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	☒	☐
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	☒	☐
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*	☒	☐
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	☒	☐
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	☒	☐