

**BRICK HOUSING AUTHORITY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**YEAR ENDED JUNE 30, 2013**

**BRICK HOUSING AUTHORITY**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Brick Housing Authority:

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

We have audited the accompanying financial statements of the Brick Housing Authority ("the Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## INDEPENDENT AUDITOR'S REPORT (continued)

### Opinion

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

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Brick Housing Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial data schedule and schedule of capital fund program costs and advances are also not required parts of the financial statements and are presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards, notes to schedule of expenditures of federal awards, schedule of findings and questioned costs, financial data schedule and schedule of capital fund program costs and advances are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, financial data schedule and schedule of capital fund program costs and advances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2013 on our consideration of the Brick Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Brick Housing Authority's internal control over financial reporting and compliance.

December 11, 2013  
Toms River, New Jersey

*Fallon & Larsen LLP*

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

**BRICK HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

As Management of the Brick Housing Authority ("the Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**A     Financial Highlights**

1. The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$6,561,009 (net position) as opposed to \$6,740,618 for the prior fiscal year.
2. At the close of the current fiscal year, the Authority reported ending unrestricted net position of \$1,315,187.
3. The Authority's unrestricted cash and cash equivalents and restricted cash balances at June 30, 2013 were \$1,669,415 representing an increase of \$138,150 from the prior fiscal year.
4. The Authority had total operating revenues of \$3,879,333 and total operating expenses of \$4,063,728 for the year ended June 30, 2013.
5. The Authority's capital outlays for the fiscal year were \$2,773, all of which was purchased through the Authority's capital fund program.
6. The Authority's expenditures of federal awards amounted to \$2,839,529 for the fiscal year.

**B.     Using the Annual Report**

1. Management's Discussion and Analysis

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

**BRICK HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

B. Using the Annual Report (continued)

2. Financial Statements

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

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

The Statements of Revenues Expenses and Changes in Net Position present information showing how the Authority's net position changed during the most recent 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 unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statements of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 11 through 14 in this Report.

3. Notes to Financial Statements

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



**BRICK HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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

**4. Supplemental Information**

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal awards can be found on page 32 of this report.

**C. The Authority as a Whole**

The Authority's net position decreased during the fiscal year as detailed on the following page. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses, excluding depreciation during the fiscal year.

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

Computations of Net Position are as follows:

	As of	
	6/30/2013	6/30/2012
Cash and Other Current Assets	\$ 1,610,167	\$ 1,487,964
Restricted Cash	106,897	87,763
Capital Assets - Net	5,138,925	5,447,515
Total Assets	6,855,989	7,023,242
Less: Total Liabilities	294,980	282,624
Net Position	\$ 6,561,009	\$ 6,740,618
Net Investment in Capital Assets	\$ 5,138,925	\$ 5,447,515
Restricted Net Position	106,897	87,763
Unrestricted Net Position	1,315,187	1,205,340
Net Position	\$ 6,561,009	\$ 6,740,618

**BRICK HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

C. The Authority as a Whole (continued)

Computations of Changes in Net Position are as follows:

	Year Ended	
	6/30/2013	6/30/2012
<u>Revenues</u>		
Tenant Revenues	\$ 922,992	\$ 913,533
HUD Subsidies	2,142,592	2,242,055
Other Revenues	813,749	747,467
Total Operating Revenues	<u>3,879,333</u>	<u>3,903,055</u>
<u>Expenses</u>		
Other Operating Expenses	1,830,147	1,883,687
Housing Assistance Payments	1,922,218	1,975,605
Depreciation Expense	311,363	346,169
Total Operating Expenses	<u>4,063,728</u>	<u>4,205,461</u>
Operating Income/(Loss)	<u>(184,395)</u>	<u>(302,406)</u>
<u>Non-Operating Revenues &amp; Expenses</u>		
Interest on Investments	<u>2,013</u>	<u>3,150</u>
Loss before capital grants	(182,382)	(299,256)
Capital grants	<u>2,773</u>	<u>46,793</u>
Change in Net Position	(179,609)	(252,463)
Net Position - Beginning of Year	<u>6,740,618</u>	<u>6,993,081</u>
Net Position - End of Year	<u>\$ 6,561,009</u>	<u>6,740,618</u>

- The Housing Choice Voucher ("HCV") program was over funded by \$19,134 in fiscal year 2013. As a result, the Authority was required to increase their Housing Assistance Payments ("HAP") reserves to account for the excess. The excess of funding is reflected in the above computation of changes in net position.

**BRICK HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

C. The Authority as a Whole (continued)

- Low Rent Public Housing program ("LRPH") grant revenue decreased \$121,625 from \$818,102 in fiscal year 2012 to \$696,477 in fiscal year 2013. This decrease was a result of HUD budget cuts whereas PHA's were required to fund part of their LRPH program with operating reserves.
- Administrative expenses decreased \$30,431 or 4.5% primarily due to decreases in salaries and benefits.
- Utility costs increased \$18,909 or 4.2% due to increases in usage of gas.
- Housing assistance payments expense decreased \$53,387 or 2.7% due to a decrease in Port-In tenants as well as a decrease in unit months leased.
- Restricted cash increased \$19,134 primarily due to HUD over funding the HCV program in 2013. HAP reserves can only be used in the HCV program for tenant rent.

D. Budgetary Highlights

For the year ended June 30, 2013, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the deficit of revenues over expenses, the Authority's net position decreased during the fiscal year.

E. Capital Assets and Debt Administration

1. Capital Assets

As of June 30, 2013, the Authority's net investment in capital assets, net of accumulated depreciation was \$5,138,925. This investment in capital assets includes land, buildings, equipment and construction in progress.

**BRICK HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**E. Capital Assets and Debt Administration (continued)**

Major capital assets purchased during the year totaled \$2,773, all of which came from the Capital Fund program.

Additional information on the Authority's capital assets can be found in the Notes to the Financial Statements, which is included in this Report.

The following table summarizes the change in capital assets as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Land	\$ 108,250	\$ 108,250	\$ -
Buildings and improvements	14,402,519	13,676,306	726,213
Furniture and equipment	649,569	640,703	8,866
Construction in progress	<u>2,773</u>	<u>735,079</u>	<u>(732,306)</u>
Total fixed assets	15,163,111	15,160,338	2,773
Less: accumulated depreciation	<u>10,024,186</u>	<u>9,712,823</u>	<u>311,363</u>
Net fixed assets	<u>\$ 5,138,925</u>	<u>\$ 5,447,515</u>	<u>\$ (308,590)</u>

**2. Long Term Debt**

The Authority has no interest bearing debt.

**F. Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2014:

1. The state of the economy and the current recession.
2. The need for Congress to fund the war on terrorism and the continued cut-back of funding of federal programs.
3. The Authority's use of unrestricted reserves to offset the proration of subsidy from HUD.

**BRICK HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

G. 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 Anthony Matthews, Executive Director, Brick Housing Authority, 165 Chambers Bridge Road., Brick, NJ 08723.

## FINANCIAL STATEMENTS

**BRICK HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2013**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 1,562,518
Accounts receivable - tenants, net	4,700
Accounts receivable - misc, net	1,994
Prepaid expenses	<u>40,955</u>
Total current assets	<u>1,610,167</u>
Non-current assets:	
Restricted cash	106,897
Capital assets, net	<u>5,138,925</u>
Total non-current assets	<u>5,245,822</u>
Total assets	<u>6,855,989</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	93,746
Accounts payable - other government	31,387
Accrued expenses	11,018
Accrued compensated absences, current	53,526
Tenant security deposits	90,333
Prepaid Rents	543
Other current liabilities	<u>749</u>
Total current liabilities	<u>281,302</u>
Non-current liabilities:	
Accrued compensated absences, net of current portion	<u>13,678</u>
Total liabilities	<u>294,980</u>

**NET POSITION**

Net position:	
Net investment in capital assets	5,138,925
Restricted	106,897
Unrestricted	<u>1,315,187</u>
Total net position	<u>\$ 6,561,009</u>

See accompanying notes to financial statements.

**BRICK HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2013**

Operating revenues:	
Tenant revenue	\$ 922,992
HUD operating grants	2,142,592
Other revenues	<u>813,749</u>
Total operating revenue	<u>3,879,333</u>
Operating expenses:	
Administrative	646,608
Tenant services	70,981
Utilities	471,954
Ordinary maintenance and operations	523,943
Insurance expense	79,917
General expenses	36,744
Housing assistance payments	1,922,218
Depreciation	<u>311,363</u>
Total operating expenses	<u>4,063,728</u>
Operating gain (loss)	<u>(184,395)</u>
Non-operating revenues (expenses):	
Investment income	<u>2,013</u>
Gain / (loss) before capital grants	(182,382)
Capital grants	<u>2,773</u>
Change in net position	(179,609)
Net position, beginning of the year	<u>6,740,618</u>
Net position, end of year	<u>\$ 6,561,009</u>

See accompanying notes to financial statements.



**BRICK HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013**

	<u>2013</u>
Cash Flows from Operating Activities:	
Cash received from grantors	\$ 2,142,592
Cash received from tenants	1,733,043
Cash paid to employees	(499,628)
Cash paid to suppliers	<u>(3,239,870)</u>
Net cash flows provided (used) by operating activities	<u>136,137</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(2,773)
Capital grant contributions	<u>2,773</u>
Cash Flows from Investing Activities:	
Investment income	<u>2,013</u>
Net cash flows provided by investing activities	<u>2,013</u>
Net increase (decrease) in cash	138,150
Cash and cash equivalents, beginning of year	<u>1,531,265</u>
Cash and cash equivalents, end of year	<u>\$ 1,669,415</u>
A reconciliation of cash and cash equivalents to Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 1,562,518
Restricted cash	<u>106,897</u>
Cash and cash equivalents, end of year	<u>\$ 1,669,415</u>

See accompanying notes to financial statements.

**BRICK HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS (continued)**  
**YEAR ENDED JUNE 30, 2013**

Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities:

Operating income (loss)	\$ (184,395)
Items which did not use cash:	
Depreciation	311,363
Bad debts	837
Working capital changes which provided (used) cash:	
Accounts receivable - tenants	(3,868)
Accounts receivable - other	(1,994)
Prepaid expenses	1,838
Accounts payable	8,330
Accounts payable - other government	10,590
Accrued expenses	(4,058)
Accrued compensated absences	(4,582)
Tenant security deposits	796
Prepaid rent	531
Other current liabilities	<u>749</u>
Net cash provided (used) by operating activities	<u>\$ 136,137</u>

See accompanying notes to financial statements.

**BRICK HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013**

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

**A. Organization**

The Housing Authority of the Township of Brick ("Brick Housing Authority") or ("the Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A: 12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Township of Brick. The Authority is responsible for operating certain low-rent housing programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority.

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

**B. Description of Programs**

Low Rent Public Housing Program

The public housing program is designed to provide low-cost housing within the Township of Brick. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Housing Assistance Payments Program - Section 8

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

**BRICK HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**C. Reporting Entity**

In accordance with statement No. 39 of the Government Accounting Standards Board ("GASB"), the Authority's financial statements include those of the Authority and any component units. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

- ◆ The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority.
- ◆ The Authority has the ability to access a majority of the economic resources held by the separate organization.
- ◆ The economic resources referred to above are significant to the Authority.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

**D. Basis of Accounting**

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered Enterprise Funds that are used to account for activities that are operated in a manner similar to those found in the private sector.

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.

The Authority has also 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. Grants and subsidies revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

**BRICK HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board ("FASB") statements and interpretations that do not conflict with Government Accounting Standards Board statements and interpretations.

On January 30, 2008, HUD issued *PIH Notice 2008-9* which among other things clarifies HUD's reporting position 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 Assets 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 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.

**E. Use of Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

**F. Cash and cash equivalents**

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

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

**BRICK HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**F. Cash and Cash Equivalents (continued)**

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC 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.

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 acquisition.

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

**G. Accounts Receivable - Tenants**

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

**H. Prepaid Expenses**

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

**I. Capital Assets**

Fixed assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Assets. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

◆	Furniture and Equipment	3 - 5 Years
◆	Site Improvements	15 Years
◆	New Buildings	40 Years

The Authority has established a capitalization threshold of \$1,000.

**BRICK HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**J. Compensated Absences**

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at their current salary. The Authority permits the carryover of one year of accrued unused vacation time up to a maximum of 25 days. Employees with at least 10 years of employment may be compensated for sick leave as used or at retirement. Other employees with at least 15 years of employment may be compensated for sick leave at separation. Sick leave is based on 4 days of pay for every 5 days accrued to a maximum of 107 days for employees who have been employed for less than 25 years and a maximum of 115 days for employees who have been employed for 25 years or more. Unlimited sick leave may be accrued.

**K. Prepaid Rents**

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

**L. Grants Advanced**

Grants advanced consists of the receipt of HUD and other governmental program funding applicable to future periods.

**M. Inter-program Receivables and Payables**

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, interprogram receivables and payables are eliminated for financial statement purposes, however they are reflected in the accompanying financial data schedule as required by HUD.

**N. Operating Revenues and Expenses**

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues as non-operating.

**O. Taxes**

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

**BRICK HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013**

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

**P. Equity Classifications**

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

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

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**Q. Budgets and Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

**NOTE 2. CASH AND CASH EQUIVALENTS**

As of June 30, 2013 the carrying amount of the Authority's cash and cash equivalents was \$1,669,415 and the bank balances approximated \$1,743,593.

Of the bank balance, \$750,000 was covered by federal depository insurance and the remaining \$993,593 was collateralized with the pledging financial institution as of June 30, 2013.

Cash Account

Insured:	
FDIC	\$ 750,000
Collateralized:	
Collateralized amount held by pledging financial institution	<u>993,593</u>
	<u>\$ 1,743,593</u>

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of June 30, 2013, the Authority's bank balances were not exposed to custodial credit risk.



**BRICK HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 2. CASH AND CASH EQUIVALENTS (continued)**

Cash and cash equivalents consist of the following:

<u>Cash Category</u>	
Operating	\$ 1,472,185
Tenant security deposits	90,333
Restricted	<u>106,897</u>
	<u>\$ 1,669,415</u>

**NOTE 3. ACCOUNTS RECEIVABLE - TENANTS, NET**

Accounts receivable - tenants, net, represents amounts due from tenants for rent and is shown net of an allowance for doubtful accounts of \$14,374.

**NOTE 4. RESTRICTED CASH**

As of June 30, 2013, restricted cash consists of housing assistance payment reserves which are restricted for tenant rents in the Housing Choice Voucher program.

**NOTE 5. CAPITAL ASSETS, NET**

The following is a summary of changes in capital assets for the fiscal years ended June 30, 2013:

Description	June 30, 2012	Additions	Dispositions	Transfers	June 30, 2013
<u>Non-depreciable capital assets</u>					
Land	\$ 108,250	\$ -	\$ -	\$ -	\$ 108,250
Construction in progress	<u>735,079</u>	<u>2,773</u>	<u>-</u>	<u>(735,079)</u>	<u>2,773</u>
Total	<u>843,329</u>	<u>2,773</u>	<u>-</u>	<u>(735,079)</u>	<u>111,023</u>
<u>Depreciable capital assets</u>					
Buildings and improvements	13,676,306	-	-	726,213	14,402,519
Furniture and equipment	<u>640,703</u>	<u>-</u>	<u>-</u>	<u>8,866</u>	<u>649,569</u>
Total	<u>14,317,009</u>	<u>-</u>	<u>-</u>	<u>735,079</u>	<u>15,052,088</u>
Less: accum. depreciation	<u>9,712,823</u>	<u>311,363</u>	<u>-</u>	<u>-</u>	<u>10,024,186</u>
Net capital assets	<u>\$ 5,447,515</u>	<u>\$ (308,590)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,138,925</u>

Depreciation expense for the year ended June 30, 2013 amounted to \$311,363.

**BRICK HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 6. COMPENSATED ABSENCES**

Accrued compensated absences represents the amount of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy.

Compensated absences activity for the year ended June 30, 2013 is as follows:

Beginning compensated absences	\$ 71,786
Compensated absences earned	3,801
Compensated absences redeemed	<u>(8,383)</u>
Ending compensated absences	67,204
Less: current portion	<u>53,526</u>
Compensated absences, net of current portion	<u>\$ 13,678</u>

**NOTE 7. PENSION PLAN**

**A. Description of the Plan**

All required employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Statutes, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**B. Public Employees Retirement System**

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. Medical benefits are now provided by the State Health Benefits Program.

**BRICK HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 7. PENSION PLAN**

**C. Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**D. Contribution Requirements**

The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007 for most PERS state employees and effective July 1, 2008 for PERS local employees, based on Chapter 103, P.L. 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits. Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers to contribute 50% of the normal and accrued liability contribution amounts certified by PERS for payment due in State fiscal year 2009. This law also provided that a local employer may pay 100% of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS 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 State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Three Year Trend Information for PERS**

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 58,142	100	\$ -
June 30, 2012	\$ 69,075	100	\$ -
June 30, 2011	\$ 61,924	100	\$ -

**BRICK HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 8. OTHER POST EMPLOYMENT BENEFITS**

The Authority participates New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

A retiree may also receive Authority-paid health benefits in accordance with labor agreements if they have twenty-five (25) or more years enrolled in the pension system.

**Contribution Requirements – SHBP**

Contributions to pay for the health premiums of participating employees in the SHBP – Local are collected from the State of New Jersey, participating local employers, active members, and retired members. Local employer payments and active and retired member contributions are generally received on a monthly basis.

Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996.

Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health care benefits coverage by all active public employees. Employees of the State, local governments, and boards of education who become a member of a State or locally-administered retirement system on or after the law's effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**BRICK HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 8. OTHER POST EMPLOYMENT BENEFITS (continued)**

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. At June 30, 2013, the Authority had six (6) retired participants in the system. The required contribution rate is determined on an annual pay as you go basis.

The following amounts were the required contributions to the SHBP for the past three years:

Year	Amount
June 30, 2013	\$ 44,989
June 30, 2012	\$ 42,145
June 30, 2011	\$ 31,659

**NOTE 9. PAYMENTS IN LIEU OF TAXES**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Township of Brick. Under the Cooperation Agreement, the Authority must pay the Township the lesser of 10% of its net shelter rent or the approximate full real property taxes. For the year ended June 30, 2013, the Authority incurred PILOT expense in the amount of \$31,387 and which is included in accounts payable - other government in the Statement of Net Position.

**NOTE 10. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the previous three years.

**NOTE 11. CONTINGENCIES**

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of June 30, 2013 the Authority estimates that no material liabilities will result from such audits.

**BRICK HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED JUNE 30, 2013**

**NOTE 12. ECONOMIC DEPENDENCY**

The Section 8 and the Low Rent Public Housing programs are economically dependent on annual grants from HUD.

**NOTE 13. SUBSEQUENT EVENTS**

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through December 11, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



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

Board of Commissioners  
Brick Housing Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Brick Housing Authority ("the Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Brick Housing Authority's basic financial statements, and have issued our report thereon dated December 11, 2013.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

December 11, 2013  
Toms River, New Jersey

*Fallon & Larsen LLP*





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

To the Board of Commissioners  
Brick Housing Authority:

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

We have audited the Brick Housing Authority compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Brick Housing Authority's major federal programs for the year ended June 30, 2013. Brick Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)**

**Opinion on Each Major Federal Program**

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

**Report on Internal Control Over Compliance**

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)**

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Brick Housing Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated December 11, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

December 11, 2013  
Toms River, New Jersey

*Fallon & Larsen LLP*

**BRICK HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal and State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditures</u>
U.S. Department of Housing and Urban Development:		
Low Rent Public Housing	14.850a	\$ 696,477
Section 8 Housing Choice Voucher Program	14.871	2,089,268
Public Housing Capital Fund Program	14.872	<u>53,784</u>
		<u>\$ 2,839,529</u>

**BRICK HOUSING AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Brick Housing Authority under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Brick Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Brick Housing Authority.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribes, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE 3. SUBRECIPIENTS**

The Authority was not a subrecipient of any federal awards and did not pass-through any federal awards to subrecipients.

**NOTE 4. NON-CASH FEDERAL ASSISTANCE**

The Authority did not receive any non-cash federal assistance for the year ended June 30, 2013.

**BRICK HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2013**

**I. Summary of Auditor's Results**

Financial Statement Section

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor's report issued:   | Unmodified |
| 2. | Internal control over financial reporting  |            |
| a. | Material Weakness(es) identified?  | No         |
| b. | Were significant deficiencies identified not considered to be material weaknesses? | No         |
| 3. | Noncompliance material to the financial statements?                                | No         |

Federal Awards Section

- |    |   |  |
|----|---|--|
| 1. | Dollar threshold used to distinguish Type A Programs from Type B Programs:  | \$300,000                                |
| 2. | Auditee qualified as low-risk Auditee?  | Yes                                      |
| 3. | Type of auditor's report on compliance for major programs:  | Unmodified                               |
| 4. | Internal Control over compliance:   |  |
| a. | Material weakness(es) identified?   | No                                       |
| b. | Were significant deficiencies identified not considered to be material weaknesses?                                    | No                                       |
| c. | Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) | No                                       |
| 5. | Identification of major programs:   |  |
|    | <u>CFDA Number</u>  | <u>Name of Federal Program</u>           |
|    | 14.871  | Section 8 Housing Choice Voucher Program |

**BRICK HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**JUNE 30, 2013**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with government auditing standards generally accepted in the United States of America.

III. Federal Award Findings and Questioned Costs

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

IV. Schedule of Prior Year Federal Audit Findings

**Finding 2012-01**

Condition: During audit testing, the auditors noted five (5) contracts awarded that were less than the bid threshold but exceeded the quotation threshold of \$2,625 without the Authority obtaining quotations.

Recommendation: The Authority should evaluate services that may exceed the bid or quote thresholds in the aggregate and request bids or quotes as necessary in accordance with N.J.S.A. 40A:11-6.1.

Status: The finding has been cleared.

**Finding 2012-02**

Condition: During audit testing, the auditors noted that trash removal services were billed and paid in excess of the contracted price awarded by the Board of Commissioners.

Recommendation: The Authority should reconcile bills to contracted prices prior to payment.

Status: The finding has been cleared.

**BRICK HOUSING AUTHORITY  
SCHEDULE OF CAPITAL FUND PROGRAM  
COSTS AND ADVANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>501-10</u>	<u>501-11</u>	<u>501-12</u>	<u>Total</u>
Budget	\$ <u>318,845</u>	\$ <u>265,416</u>	\$ <u>244,053</u>	\$ <u>828,314</u>
<u>Advances:</u>				
Cumulative through 6/30/12	\$ 288,845	\$ 2,067	\$ -	\$ 290,912
Current Year	<u>30,000</u>	<u>23,408</u>	<u>376</u>	<u>53,784</u>
Cumulative through 6/30/13	<u>318,845</u>	<u>25,475</u>	<u>376</u>	<u>344,696</u>
<u>Costs:</u>				
Cumulative through 6/30/12	288,845	2,067	-	290,912
Current Year	<u>30,000</u>	<u>23,408</u>	<u>376</u>	<u>53,784</u>
Cumulative through 6/30/13	<u>318,845</u>	<u>25,475</u>	<u>376</u>	<u>344,696</u>
Excess / (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Summary:</u>				
<u>Soft Costs:</u>				
Cumulative through 6/30/12	\$ 34,000	\$ 2,067	\$ -	\$ 36,067
Current Year	<u>30,000</u>	<u>20,635</u>	<u>376</u>	<u>51,011</u>
Cumulative through 6/30/13	<u>64,000</u>	<u>22,702</u>	<u>376</u>	<u>87,078</u>
<u>Hard Costs:</u>				
Cumulative through 6/30/12	254,845	-	-	254,845
Current Year	<u>-</u>	<u>2,773</u>	<u>-</u>	<u>2,773</u>
Cumulative through 6/30/13	<u>254,845</u>	<u>2,773</u>	<u>-</u>	<u>257,618</u>
Cumulative	\$ <u>318,845</u>	\$ <u>25,475</u>	\$ <u>376</u>	\$ <u>344,696</u>

**NOTES TO SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES**

- 1) The total amount of Capital Fund Program Costs and Advances incurred and earned by the Brick Housing Authority as of and for the year ended June 30, 2013 are provided herein.
- 2) Capital Fund Grant No. NJ39P056501-10 with an approved funding of \$318,345 has been fully drawn down and expended as per Capital Fund Grant Regulations.



Brick Township Housing Authority								
NJ065								
Financial Data Schedule (FDS)								
June 30, 2013								
				Account Description	Projects	Housing Choice Vouchers	Elimination	TOTAL
Line Item #								
	ASSETS:							
	CURRENT ASSETS:							
	Cash:							
111				Cash - unrestricted	\$ 1,206,388	\$ 265,797	\$ -	\$ 1,472,185
112				Cash - restricted - modernization and development	-	-	-	-
113				Cash - other restricted	-	106,897	-	106,897
114				Cash - tenant security deposits	90,333	-	-	90,333
115				Cash - restricted for payment of current liabilities	-	-	-	-
100				Total cash	1,296,721	372,694	-	1,669,415
	Accounts and notes receivables:							
121				Accounts receivable - PHA projects	-	-	-	-
122				Accounts receivable - HUD other projects	-	-	-	-
124				Accounts receivable - other government	-	-	-	-
125				Accounts receivable - miscellaneous	-	1,994	-	1,994
126				Accounts receivable- tenants	4,700	-	-	4,700
126.1				Allowance for doubtful accounts - tenants	-	-	-	-
126.2				Allowance for doubtful accounts - other	-	-	-	-
127				Notes and mortgages receivable- current	-	-	-	-
128				Fraud recovery	-	14,374	-	14,374
128.1				Allowance for doubtful accounts - fraud	-	(14,374)	-	(14,374)
129				Accrued interest receivable	-	-	-	-
120				Total receivables, net of allowances for doubtful accounts	4,700	1,994	-	6,694
	Current investments							
131				Investments - unrestricted	-	-	-	-
132				Investments - restricted	-	-	-	-
135				Investments - restricted for payment of current liability	-	-	-	-
142				Prepaid expenses and other assets	40,955	-	-	40,955
143				Inventories	-	-	-	-
143.1				Allowance for obsolete inventories	-	-	-	-
144				Interprogram - due from	10,818	-	(10,818)	-
145				Assets held for sale	-	-	-	-
150				TOTAL CURRENT ASSETS	1,353,194	374,688	(10,818)	1,717,064
	NONCURRENT ASSETS:							
	Fixed assets:							
161				Land	108,250	-	-	108,250
162				Buildings	13,520,483	-	-	13,520,483
163				Furniture, equipment & machinery - dwellings	649,569	-	-	649,569
164				Furniture, equipment & machinery - administration	-	-	-	-
165				Leasehold improvements	882,036	-	-	882,036
166				Accumulated depreciation	(10,024,186)	-	-	(10,024,186)
167				Construction in Progress	2,773	-	-	2,773
168				Infrastructure	-	-	-	-
160				Total fixed assets, net of accumulated depreciation	5,138,925	-	-	5,138,925
	Other non-current assets:							
171				Notes and mortgages receivable - non-current	-	-	-	-
172				Notes and mortgages receivable-non-current - past due	-	-	-	-
174				Other assets	-	-	-	-
175				Undistributed debits	-	-	-	-
176				Investment in joint ventures	-	-	-	-
180				TOTAL NONCURRENT ASSETS	5,138,925	-	-	5,138,925
190				TOTAL ASSETS	\$ 6,492,119	\$ 374,688	\$ (10,818)	\$ 6,855,989

Brick Township Housing Authority								
NJ065								
Financial Data Schedule (FDS)								
June 30, 2013								
Line Item #				Account Description	Projects	Housing Choice Vouchers	Elimination	TOTAL
<b>LIABILITIES AND EQUITY:</b>								
Liabilities:								
Current Liabilities:								
311				Bank overdraft	\$ -	\$ -	\$ -	\$ -
312				Accounts payable ≤ 90 days	91,002	-	-	91,002
313				Accounts payable > 90 days past due	-	2,744	-	2,744
321				Accrued wage/payroll taxes payable	9,574	1,444	-	11,018
322				Accrued compensated absences - current portion	53,526	-	-	53,526
324				Accrued contingency liability	-	-	-	-
325				Accrued interest payable	-	-	-	-
331				Accounts payable - HUD PHA programs	-	-	-	-
332				Accounts payable - PHA projects	-	-	-	-
333				Accounts payable - other government	31,387	-	-	31,387
341				Tenant security deposits	90,333	-	-	90,333
342				Deferred revenue	543	-	-	543
343				Current portion of L-T debt - capital projects	-	-	-	-
344				Current portion of L-T debt - operating borrowings	-	-	-	-
345				Other current liabilities	749	-	-	749
346				Accrued liabilities - other	-	-	-	-
347				Interprogram - due to	-	10,818	(10,818)	-
310				<b>TOTAL CURRENT LIABILITIES</b>	<b>277,114</b>	<b>15,006</b>	<b>(10,818)</b>	<b>281,302</b>
NONCURRENT LIABILITIES:								
351				Long-term debt, net of current - capital projects	-	-	-	-
352				Long-term debt, net of current - operating borrowings	-	-	-	-
353				Non-current liabilities- other	-	-	-	-
354				Accrued compensated absences - noncurrent	12,726	952	-	13,678
355				Loan Liability - Non Current	-	-	-	-
356				FASB 5 Liabilities	-	-	-	-
357				Accrued pension and OPEB liabilities	-	-	-	-
350				<b>TOTAL NONCURRENT LIABILITIES</b>	<b>12,726</b>	<b>952</b>	<b>-</b>	<b>13,678</b>
300				<b>TOTAL LIABILITIES</b>	<b>289,840</b>	<b>15,958</b>	<b>(10,818)</b>	<b>294,980</b>
<b>EQUITY:</b>								
508.1				Invested in Capital Assets, Net of Related Debt	5,138,925	-	-	5,138,925
511.1				Restricted Net Assets	-	106,897	-	106,897
512.1				Unrestricted Net Assets	1,063,354	251,833	-	1,315,187
513				<b>TOTAL EQUITY</b>	<b>6,202,279</b>	<b>358,730</b>	<b>-</b>	<b>6,561,009</b>
600				<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 6,492,119</b>	<b>\$ 374,688</b>	<b>\$ (10,818)</b>	<b>\$ 6,855,989</b>
Proof of concept					-	-	-	-

<b>Brick Township Housing Authority</b>						
<b>NJ065</b>						
Financial Data Schedule (FDS)						
June 30, 2013						
Line Item #	Account Description	Operating	Capital	Housing Choice Vouchers	Elimination	TOTAL
<b>REVENUE:</b>						
70300	Net tenant rental revenue	\$ 920,526	\$ -	\$ -	\$ -	\$ 920,526
70400	Tenant revenue - other	2,466	-	-	-	2,466
70500	Total tenant revenue	922,992	-	-	-	922,992
70600	HUD PHA grants	696,477	51,011	1,395,104	-	2,142,592
70610	Capital grants	-	2,773	-	-	2,773
70800	Other government grants	-	-	-	-	-
71100	Investment income - unrestricted	1,618	-	279	-	1,897
71200	Mortgage interest income	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-
71400	Fraud recovery	-	-	11,222	-	11,222
71500	Other revenue	109,430	-	693,097	-	802,527
71600	Gain or loss on sale of fixed assets	-	-	-	-	-
72000	Investment income - restricted	-	-	116	-	116
70000	<b>TOTAL REVENUE</b>	1,730,517	53,784	2,099,818	-	3,884,119
<b>EXPENSES:</b>						
<b>Administrative</b>						
91100	Administrative salaries	190,105	-	75,745	-	265,850
91200	Auditing fees	7,710	-	1,970	-	9,680
91300	Outside management fees	-	-	-	-	-
91310	Book-keeping fee	-	-	-	-	-
91400	Advertising and marketing	3,697	-	-	-	3,697
91500	Employee benefit contributions- administrative	168,027	-	36,885	-	204,912
91600	Office expenses	49,557	15,744	6,811	-	72,112
91700	Legal expenses	18,226	-	-	-	18,226
91800	Travel	4,746	-	-	-	4,746
91810	Allocated overhead	-	-	-	-	-
91900	Other	22,590	2,850	41,945	-	67,385
92000	Asset Management Fee	-	-	-	-	-
<b>Tenant services</b>						
92100	Tenant services - salaries	53,133	-	-	-	53,133
92200	Relocation costs	-	-	-	-	-
92300	Employee benefit contributions- tenant service:	13,348	-	-	-	13,348
92400	Tenant services - other	4,500	-	-	-	4,500
<b>Utilities</b>						
93100	Water	51,271	-	-	-	51,271
93200	Electricity	203,385	-	-	-	203,385
93300	Gas	97,338	-	-	-	97,338
93400	Fuel	-	-	-	-	-
93500	Labor	-	-	-	-	-
93600	Sewer	119,960	-	-	-	119,960
93700	Employee benefit contributions- utilities:	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-
<b>Ordinary maintenance &amp; operation</b>						
94100	Ordinary maintenance and operations - labor	172,005	-	-	-	172,005
94200	Ordinary maintenance and operations - materials & other	22,502	2,417	-	-	24,919
94300	Ordinary maintenance and operations - contract costs:	200,026	-	-	-	200,026
94500	Employee benefit contributions- ordinary maintenance	126,993	-	-	-	126,993
<b>Protective services</b>						
95100	Protective services - labor	-	-	-	-	-
95200	Protective services- other contract costs	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-
95500	Employee benefit contributions- protective service:	-	-	-	-	-

<b>Brick Township Housing Authority</b>						
<b>NJ065</b>						
Financial Data Schedule (FDS)						
June 30, 2013						
Line Item #	Account Description	Operating	Capital	Housing Choice Vouchers	Elimination	TOTAL
	General expenses					-
96100	Insurance premiums	-	-	-	-	-
96140	All other insurance	79,917	-	-	-	79,917
96200	Other general expenses	-	-	719	-	719
96210	Compensated absences	826	-	2,975	-	3,801
96300	Payments in lieu of taxes	31,387	-	-	-	31,387
96400	Bad debt - tenant rents	837	-	-	-	837
96500	Bad debt- mortgages	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-
96700	Interest expense	-	-	-	-	-
96710	Amortization of bond issue costs	-	-	-	-	-
96800	Severance expense	-	-	-	-	-
96900	<b>TOTAL OPERATING EXPENSES</b>	1,642,086	21,011	167,050	-	1,830,147
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	88,431	32,773	1,932,768	-	2,053,972
97100	Extraordinary maintenance	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-
97300	Housing assistance payments	-	-	1,266,476	-	1,266,476
97350	HAP Portability - in	-	-	655,742	-	655,742
97400	Depreciation expense	311,363	-	-	-	311,363
97500	Fraud losses	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-
90000	<b>TOTAL EXPENSES</b>	1,953,449	21,011	2,089,268	-	4,063,728
<b>OTHER FINANCING SOURCES (USES)</b>						
10010	Operating transfers in	30,000	-	-	(30,000)	-
10020	Operating transfers out	-	(30,000)	-	30,000	-
10030	Operating transfers from/to primary government	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-
10091	Inter Project excess cash transfer in	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-
10100	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	30,000	(30,000)	-	-	-
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPE</b>	(192,932)	2,773	10,550	-	(179,609)
<b>MEMO ACCOUNT INFORMATION:</b>						
11020	Required annual debt principal payments	-	-	-	-	-
11030	Beginning equity	6,392,438	-	348,180	-	6,740,618
11040	Prior period adjustments and equity transfers	-	-	-	-	-
11170	Administrative fee equity	-	-	251,833	-	251,833
11180	Housing assistance payments equity	-	-	106,897	-	106,897
11190	Unit months available	3,192	-	-	-	3,192
11210	Number of unit months leased	3,166	-	-	-	3,166
<b>Equity Roll Forward Test:</b>						
	Calculation from R/E Statement	\$ 6,202,279		\$ 358,730	\$ -	\$ 6,561,009
	B/S Line 513	\$ 6,202,279	\$ -	\$ 358,730	\$ -	\$ 6,561,009
		\$ -	\$ -	\$ -	\$ -	\$ -