

**HOUSING AUTHORITY OF THE
CITY OF BAYONNE
Bayonne, New Jersey**

**COMPARATIVE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2018

As Management of 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, 2018. 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 \$9,412,639 (net position) as opposed to \$25,500,055 for the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported an ending Unrestricted Net Position deficit of \$18,849,230.

3 – The Authority's cash and cash equivalent balances at June 30, 2018 were \$7,997,900, representing a decrease of \$100,726 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$18,888,013 and Total Operating Expenses of \$22,541,401 (including depreciation of \$2,504,650) for the year ended June 30, 2018.

5 – The Authority's total capital outlays for the fiscal year were \$3,269,900. \$2,421,174 of the capital outlays were funded by the Capital Fund Program.

6 – The Authority's Expenditures of Federal Awards amounted to \$10,400,608 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 for Proprietary Fund types.

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 the Comparative Statements of Net Position, the Comparative Statements of Revenues, Expenses and Changes in Net Position, and the Comparative Statements of Cash Flows.

The Comparative 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 Comparative Statements of Revenue, 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 (e.g.; depreciation and earned but unused vacation leave).

The Comparative Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the year. The statements classify cash receipts and cash payments as resulting from operating activities, capital and related financing activities and investing activities.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2018

2 – Financial Statements (Continued)

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 8 through 10.

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 financial statements. The Notes to Financial Statements can be found in this Report after the financial statements.

4 – Supplemental Information

The Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes 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*, The SEFA can be found on page 28 of this report.

C – The Authority as a Whole

The Authority's Net Position decreased during the fiscal year as detailed below. 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 to its tenants. Consequently, these assets are not available for future spending.

D – Budgetary Highlights

For the year ended June 30, 2018 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. (Also, the Authority adopted a comprehensive annual budget for the General Fund.) The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the excess of expense over revenues, the Authority's Net Position decreased during the fiscal year.

E – Capital Assets and Debt Administration

1 – Capital Assets

As of June 30, 2018, the Authority's net investment in capital assets for its Proprietary Fund was \$28,261,869 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress. Major capital assets purchased from grants of \$2,421,174 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. These activities are funded by grants from HUD. Additional informational on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this Report.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2018

E – Capital Assets and Debt Administration (Continued)

2 – Long Term Debt

The Authority does not have any long-term debt outstanding at this time.

F – Significant Changes from FYE June 30, 2017 to June 30, 2018

Changes in the Statement of Net Position

Net fixed assets increased \$765,249 during the current fiscal year. The Authority had \$3,269,900 of fixed asset additions and incurred \$2,504,650 of depreciation expense.

Deferred Outflow of Resources decreased \$2,196,730 based on the GASB 68 pension liability actuarial report provided by the State of New Jersey.

Total Liabilities increased \$11,700,210 primarily because of the \$16,107,791 increase from the GASB 75 other post-retirement benefits liability (OPEB). This was offset by the Authority's \$4,366,389 decrease in its GASB 68 pension liability.

Deferred Inflow of Resources increased \$2,910,580 based on the GASB 68 pension liability actuarial report provided by the State of New Jersey.

Unrestricted net position decreased \$16,792,519 primarily because of the aforementioned increase in OPEB liability and decrease in pension liability.

Changes in the Statement of Revenues, Expenses and Changes in Net Position

Total operating revenue increased \$2,948,966.

- Total tenant revenue increased \$321,786. Public housing unit months leased increased 141 in the current fiscal year and tenant recertifications resulted in a 5.9% rental revenue increase.
- HUD operating grants increased \$122,996. Housing Choice Voucher HAP revenue increased \$298,288, Housing Choice Voucher administrative revenue increased \$13,526, low rent public housing subsidy increased \$33,462, and capital funds used for operations decreased \$222,280.
- Other revenue increased \$2,504,184 primarily because the Authority received approximately \$2,000,000 from the HUD recapture lawsuit settlement. In addition, other government grants increased \$405,631.

Operating expenses (excluding depreciation expense) increased \$2,789,679 when compared to the prior fiscal year.

- Administrative expenses increased approximately \$2,325,000 due to the transfer of the \$2,000,000 HUD settlement to Post Road Gardens. This transfer was recorded as a miscellaneous administrative expense and is offset by the \$2,000,000 increase in other revenue, as previously mentioned.
- In addition, HAP expense increased \$635,173 as HCV units months leased increased 119 when compared to the prior fiscal year. The current fiscal year average housing assistance payment was \$1,580 as opposed to \$1,425 in 2017.

Gain on sale of capital assets decreased \$708,042 to \$0 in the current fiscal year as the Authority sold property at 19th Street during the prior fiscal year.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2018

F – Significant Changes from FYE June 30, 2017 to June 30, 2018 (Continued)

Capital grants increased \$2,073,143 as the Authority made improvements to the exterior of the building and also upgraded the elevators during the current fiscal year.

Prior period adjustment increased from \$0 in 2017 to \$14,895,984 in 2018. A required adjustment of \$14,981,239 related to the aforementioned GASB 75 OPEB liability reduced equity. In addition, an adjustment of \$85,255 related to a prior year HUD VMS reconciliation increased equity.

G – 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, 2019.

- 1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.
- 2 – The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.

H – 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 the Executive Director, Housing Authority of the City of Bayonne, P.O. Box 277, Bayonne, New Jersey 07002, or call (201) 339-8700.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2018

Composition of Net Position is as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2018</u>	<u>June 30, 2017</u>		
Cash and Other Current Assets	\$ 13,578,371	\$ 13,623,516	\$ (45,145)	-0.3%
Net Fixed Assets	28,261,869	27,496,620	765,249	2.8%
Notes Receivable	310,042	310,042	-	0.0%
Deferred Outflow of Resources	<u>3,093,704</u>	<u>5,290,434</u>	<u>(2,196,730)</u>	<u>-41.5%</u>
Total Assets and Def. Outflow of Resources	<u>45,243,986</u>	<u>46,720,612</u>	<u>(1,476,626)</u>	<u>-3.2%</u>
Less: Total Liabilities	(32,463,065)	(20,762,855)	(11,700,210)	56.4%
Less: Deferred Inflow of Resources	<u>(3,368,282)</u>	<u>(457,702)</u>	<u>(2,910,580)</u>	<u>635.9%</u>
Total Net Position	<u>\$ 9,412,639</u>	<u>\$ 25,500,055</u>	<u>\$ (16,087,416)</u>	<u>-63.1%</u>
Net Investment in Capital Assets	28,261,869	27,496,620	765,249	2.8%
Restricted Net Position	-	60,146	(60,146)	-100.0%
Unrestricted Net Position	<u>(18,849,230)</u>	<u>(2,056,711)</u>	<u>(16,792,519)</u>	<u>816.5%</u>
Total Net Position	<u>\$ 9,412,639</u>	<u>\$ 25,500,055</u>	<u>\$ (16,087,416)</u>	<u>-63.1%</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2018</u>	<u>June 30, 2017</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 5,795,533	\$ 5,473,747	\$ 321,786	5.9%
HUD Subsidies and Other Gov. Grants	7,979,434	7,856,438	122,996	1.6%
Other	<u>5,113,046</u>	<u>2,608,862</u>	<u>2,504,184</u>	<u>96.0%</u>
Total Operating Revenues	<u>18,888,013</u>	<u>15,939,047</u>	<u>2,948,966</u>	<u>18.5%</u>
<u>Expenses</u>				
Operating Expenses (Excl. Dep.)	20,036,751	17,247,072	2,789,679	16.2%
Depreciation Expense	<u>2,504,650</u>	<u>2,602,897</u>	<u>(98,247)</u>	<u>-3.8%</u>
Total Operating Expenses	<u>22,541,401</u>	<u>19,849,969</u>	<u>2,691,432</u>	<u>13.6%</u>
Deficiency of Operating Revenues Over Expenses	(3,653,388)	(3,910,922)	257,534	-6.6%
<u>Non-Operating Revenues</u>				
Gain on Sale of Capital Assets	-	708,042	(708,042)	100.0%
Interest on Investments	<u>40,782</u>	<u>37,559</u>	<u>3,223</u>	<u>8.6%</u>
Deficiency of Revenues Over Expenses Before Capital Grants Received	(3,612,606)	(3,165,321)	(447,285)	14.1%
<u>Capital Grants</u>				
HUD Capital Grants	<u>2,421,174</u>	<u>348,031</u>	<u>2,073,143</u>	<u>595.7%</u>
Excess Revenues/(Deficiency)	(1,191,432)	(2,817,290)	1,625,858	-57.7%
Prior Period Adjustment	(14,895,984)	-	(14,895,984)	100.0%
Net Position - Beginning Balance	<u>25,500,055</u>	<u>28,317,345</u>	<u>(2,817,290)</u>	<u>-9.9%</u>
Net Position - Ending Balance	<u>\$ 9,412,639</u>	<u>\$ 25,500,055</u>	<u>\$ (16,087,416)</u>	<u>-63.1%</u>



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Bayonne
Bayonne, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Bayonne, which comprise the Comparative Statements of Net Position as of June 30, 2018 and 2017 and the related Comparative Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the years 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 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position the Housing Authority of the City of Bayonne, as of June 30, 2018 and 2017, and the respective changes in net position and cash flows thereof for the years then ended, in accordance with the accounting principles generally accepted in the United States of America

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

During the current fiscal year, the Authority adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additional information can be found in Note 13 to these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Supplemental Schedules pertaining to the Public Employees Retirement System and Other Postemployment Benefits presented on pages 31-33 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 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 audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Bayonne. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes 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*, and is also not a required part of the basic financial statements.

The financial data schedule and the schedule of expenditures of federal awards for the year ended June 30, 2018 are the responsibility of management and were derived from and directly relate 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 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 financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated March 14, 2019 on our consideration of the Housing Authority of the City of Bayonne'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 the Authority's internal control over financial reporting and compliance.

Polcari & Co., CPAs
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 14, 2019



HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
 At June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 7,997,900	\$ 8,038,480
Cash and Cash Equivalents - Restricted	-	60,146
Accounts Receivable - Tenants (Net)	16,723	15,731
Accounts Receivable - HUD	88,316	-
Accounts Receivable - Other Government	42,409	708
Accounts Receivable Miscellaneous	5,133,020	5,168,409
Inventory	53,685	65,511
Prepaid Expenses and Other Current Assets	246,318	274,531
Total Current Assets	13,578,371	13,623,516
<u>FIXED ASSETS</u>		
Land	1,506,843	1,506,843
Buildings	80,766,372	80,270,251
Furniture, Equipment and Machinery	489,749	884,869
Leasehold Improvements	4,039,233	4,039,233
Construction in Progress	5,298,475	2,545,803
Total Fixed Assets	92,100,672	89,246,999
Less: Accumulated Depreciation	(63,838,803)	(61,750,379)
Net Fixed Assets	28,261,869	27,496,620
Notes, Loans, & Mortgages Receivable - Non-Current	310,042	310,042
Deferred Outflow of Resources	3,093,704	5,290,434
Total Assets and Deferred Outflow of Resources	\$ 45,243,986	\$ 46,720,612
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 707,160	\$ 312,748
Accrued Payroll and Related Taxes	171,976	166,519
Due to Tenants:		
Security Deposits	4,082	3,919
Unearned Revenue	65,282	66,399
Due to Other Governments	546,532	502,804
Other Current Liabilities	15,775	288,895
Compensated Absences - Current Portion	44,351	48,192
Total Current Liabilities	1,555,158	1,389,476
Accrued Compensated Absences - Noncurrent	399,160	433,719
Accrued Pension and OPEB Liabilities	30,508,747	18,939,660
Total Liabilities	32,463,065	20,762,855
Deferred Inflow of Resources	3,368,282	457,702
<u>NET POSITION</u>		
Net Investment in Capital Assets	28,261,869	27,496,620
Restricted	-	60,146
Unrestricted	(18,849,230)	(2,056,711)
Total Net Position	\$ 9,412,639	\$ 25,500,055

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
 For the Years Ended June 30, 2018 and 2017

	For the Year Ended	
	June 30, 2018	June 30, 2017
<u>OPERATING REVENUES</u>		
Total Tenant Revenue	\$ 5,795,533	\$ 5,473,747
HUD Grants - Operating	7,979,434	7,856,438
Other Government Grants	468,352	62,721
Other	4,644,694	2,546,141
Total Operating Revenues	18,888,013	15,939,047
<u>OPERATING EXPENSES</u>		
Administration	5,274,833	2,947,680
Tenant Services	1,136,281	1,389,784
Utilities	2,932,256	2,970,703
Ordinary Maintenance & Operations	4,925,361	4,825,908
Protective Services	230,678	87,463
General Expense	805,518	928,883
Housing Assistance Payments	4,731,824	4,096,651
Depreciation Expense	2,504,650	2,602,897
Total Operating Expenses	22,541,401	19,849,969
Excess of Operating Revenues Over Expenses	(3,653,388)	(3,910,922)
<u>NON OPERATING REVENUES/(EXPENSES)</u>		
Gain on Sale of Capital Assets	-	708,042
Interest Income	40,782	37,559
Income/(Loss) Before Contributions and Transfers	(3,612,606)	(3,165,321)
Capital Grants	2,421,174	348,031
Increase/(Decrease) In Net Position	(1,191,432)	(2,817,290)
Beginning Net Position	25,500,055	28,317,345
Prior Period Adjustments	(14,895,984)	-
Ending Net Position	\$ 9,412,639	\$ 25,500,055

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2018 and 2017

	For the Year Ended	
	June 30, 2018	June 30, 2017
<u>CASH FLOWS FORM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Revenue	\$ 5,793,424	\$ 5,480,947
From Government Agencies for Operating Grants	8,403,024	7,939,107
For Other Operating Revenues	4,680,083	2,102,285
Cash Paid:		
To Employees for Operations	(3,078,964)	(3,192,049)
To Suppliers for Operations	(10,358,688)	(8,707,993)
For Housing Assistance Payments	(4,731,824)	(4,096,651)
Net Cash Provided by Operating Activities	707,055	(474,354)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	2,421,174	348,031
Gain on Sale of Capital Assets	-	708,042
Acquisition of Property and Equipment	(3,269,900)	(450,487)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(848,726)	605,586
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Receipt/(Refund) of Security Deposits	163	(635)
Investment Income	40,782	37,559
Net Cash Provided by Investing Activities	40,945	36,924
Net Increase/(Decrease) in Cash and Cash Equivalents	(100,726)	168,156
Cash and Equivalents at Beginning of Period	8,098,626	7,930,470
Cash and Equivalents at End of Period	\$ 7,997,900	\$ 8,098,626
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operations		
Operating Income/(Loss)	\$ (3,653,388)	\$ (3,910,922)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	2,504,650	2,602,897
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants (Net)	(992)	5,198
Accounts Receivable - HUD and Other Governments	(44,762)	19,948
Accounts Receivable - Miscellaneous	35,389	(443,856)
Inventory	11,826	(15,471)
Prepaid Expenses and Other Current Assets	28,213	(4,673)
Deferred Outflow of Resources	2,196,730	(3,857,753)
Increase/(Decrease) in Liabilities		
Accounts Payable	394,412	(201,561)
Accrued Payroll	5,457	(107,628)
Unearned Revenue	(1,117)	2,002
Due to Other Governments	43,728	40,534
Other Current Liabilities	(273,120)	288,895
Compensated Absences	(38,400)	56,876
Accrued Pension and OPEB Liabilities	(3,412,151)	5,356,383
Deferred Inflow of Resources	2,910,580	(305,223)
Net Cash Provided by Operating Activities	\$ 707,055	\$ (474,354)

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 –Summary of Organization, Activities and Significant Accounting Policies:

1. Organization and Activities – The Housing Authority of the City of Bayonne (the Authority) is a governmental, public corporation created under the laws of the state of New Jersey to provide housing for qualified individuals in accordance with rules and regulations prescribed by the United States Department of Housing and Urban Development. 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 the city of Bayonne. The housing authority also acts as Redevelopment Agency, performing redevelopment activities and services within the city of Bayonne. Operating and modernization subsidies are provided to the Authority by the federal government.

The combined 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, 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 not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.

2. Significant Accounting Policies

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

Revenue – The major sources of revenue are various subsidies and grants received from the United States Department of Housing and Urban Development, charges to tenants and other miscellaneous revenues discussed below.

Federal Grant Revenue – Operating subsidies, Section Eight housing assistance grants and Capital Fund Program revenue received from HUD are recorded under the accrual method of accounting and are recognized in the period earned in accordance with applicable HUD guidelines. The Authority is generally entitled to receive funds from HUD under an established payment schedule or as expenditures are made under the Capital Fund Program or Comprehensive Improvements Assistance Program. Under the Section Eight Program, a year-

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

**NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies
(Continued):**

end settlement is no longer computed, and the overfunded or underfunded amount, if any, is considered to be available for future use. Advance payments received for the subsequent fiscal year are recorded as deferred revenue.

Tenant Charges – Rental charges to tenants are determined and billed monthly and are recognized as revenue when billed since they are measurable and collectible within the current period. Amounts not collected at year-end are included in the balance sheet as accounts receivable, and amounts paid by tenants for the subsequent fiscal year are recorded as deferred revenue.

Miscellaneous Revenue – Miscellaneous revenue consists primarily of miscellaneous service fees. The revenue is recorded as earned since it is measurable and available.

b. Report Presentation – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” (Statement No. 34). The Authority also implemented GASB Statement No. 61 “Financial Reporting of Deferred Outflows of Resources, deferred Inflows of Resources and Net Position.” This Statement requires the classification of net assets into three components - Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. These classifications are defined as follows:

Net Investment in Capital Assets – This component consists of land, construction in progress and depreciable assets, net of accumulated depreciation and net of the related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of Invested in Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Restricted Net Position – This component includes net assets subject to restrictions placed on net asset use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by the law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net assets that do not meet the definition of Restricted Net Position or Invested in Net Investment in Capital Assets.

The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 and 61 have no significant effect on the basic financial statements, except for the classification of net assets in accordance with Statement No. 61.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

**NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies
(Continued):**

Significant accounting policies are as follows:

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

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

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis. Interest costs necessary to place a Capital Asset in its intended location and condition are capitalized.

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

5 – The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

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

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

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

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower of first-in first-out, cost or market.

10 - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

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

12 – The Authority does not have any infrastructure assets for its Proprietary Fund.

13 – Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which the transactions are executed.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies (Continued):

14 – Long lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of June 30, 2018, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering AU 360.

- c. **Budgetary Policy Control** – The housing authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority’s Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund’s budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source. Redevelopment Activities of the housing authority are controlled and reported to the New Jersey Department of Community Affairs in budgets and financial statements separate and distinct from other activities of the housing authority.
- d. **New Accounting Pronouncements** - The Authority was required to adopt GASB Statement 68, *Accounting and Financial Reporting for Pensions* which requires employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. Additional information regarding the adoption of GASB 68 can be found in Note 13 to these financial statements.

NOTE 2 – Cash and Cash Equivalents

Cash and Cash Equivalents of \$7,997,900 and \$8,098,626 at June 30, 2018 and 2017 respectively, consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Checking Accounts	\$ 7,993,494	\$ 8,094,382
Tenant Pet Deposit Accounts	4,081	3,919
Petty Cash Fund	325	325
Total Cash and Equivalents	<u>\$ 7,997,900</u>	<u>\$ 8,098,626</u>

The Authority maintains cash and investments in local banks. The carrying amount of the Authority’s cash and cash equivalents as of June 30, 2018 was \$7,997,900 and the bank balances were \$8,036,150. Of the bank balances, \$250,000 was covered by FDIC insurance and \$7,786,150 was covered collateral agreements, which require the institutions to purchase securities as collateral for all of the Authority’s deposits and have the collateral held by an approved custodian in the Authority’s name. Cash and cash equivalents, except petty cash, are held in the Authority’s name.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance for doubtful accounts of \$16,723 and \$15,731 at June 30, 2018 and 2017, respectively.

NOTE 4 – Accounts Receivable Miscellaneous

Accounts receivable miscellaneous of \$5,133,020 and \$5,168,409 at June 30, 2018 and 2017 represent fee and cost reimbursements due from not-for-profit corporations owning properties managed by the Housing Authority. At June 30, 2018, the Authority was owed \$3,813,340 from Post Road Gardens, \$181,578 from Bridgeview Manor, \$638,102 from Zito Towers and \$500,000 related to the business activities program. At June 30, 2017, the Authority was owed \$3,813,340, \$216,968, \$638,101, and \$500,000, respectively. The Authority filed a lawsuit against Post Road Gardens and Zito Towers during the fiscal year ended June 30, 2015 to collect the money owed. The lawsuit is still pending as of the date of this audit report.

NOTE 5 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost. The following is a summary of the changes in general fixed assets for the fiscal years ended June 30, 2018 and 2017:

	July 1, 2017	Additions	Disposals	Transfers	June 30, 2018
Land	\$ 1,506,843	\$ -	\$ -	\$ -	\$ 1,506,843
Buildings and Improvements	84,309,484	496,121	-	-	84,805,605
Furniture and Equipment	884,869	21,107	(416,227)	-	489,749
Construction in Progress	2,545,803	2,752,672	-	-	5,298,475
Total Fixed Assets	89,246,999	3,269,900	(416,227)	-	92,100,672
Accumulated Depreciation	(61,750,379)	(2,504,651)	416,227	-	(63,838,803)
Net Fixed Assets	<u>\$ 27,496,620</u>	<u>\$ 765,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,261,869</u>
	July 1, 2016	Additions	Disposals	Transfers	June 30, 2017
Land	\$ 1,452,593	\$ 54,250	\$ -	\$ -	\$ 1,506,843
Buildings and Improvements	81,677,852	2	-	2,631,630	84,309,484
Furniture and Equipment	836,665	48,204	-	-	884,869
Construction in Progress	4,829,402	348,031	-	(2,631,630)	2,545,803
Total Fixed Assets	88,796,512	450,487	-	-	89,246,999
Accumulated Depreciation	(59,147,482)	(2,602,897)	-	-	(61,750,379)
Net Fixed Assets	<u>\$ 29,649,030</u>	<u>\$ (2,152,410)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,496,620</u>

Expenditures are capitalized when they meet the Authority's Capitalization Policy requirements. Under that policy, assets purchased or constructed at a cost not exceeding \$1,000 are expensed when incurred. Depreciation is calculated using the straight-line method based upon the following estimated useful lives:

<u>Years</u>	
Buildings	40
Site Improvements	15
Furniture	10
Vehicles	7
Equipment	5
Computers	3

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – Payment in Lieu of Taxes (PILOT)

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 Bayonne. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended June 30, 2018 and June 30, 2017, PILOT expense of \$288,737 and \$257,795 respectively, was accrued.

NOTE 7 – Accrued Compensated Absences

Employees are entitled to unused sick days at retirement if employed by the Authority for a minimum of 25 years and have at least 100 unused sick days at the time of retirement. All eligible employees are entitled to receive one day's pay at the rate paid at retirement for every three days of unused sick leave up to a maximum of \$15,000. Vacation days may be carried forward for a maximum of two years and are then lost if not used. The Authority determined that the potential liability for accumulated vacation and sick time as of June 30, 2018 and 2017 totaled \$443,511 and \$481,911, respectively.

NOTE 8 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the years ended June 30, 2018 and 2017, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

NOTE 9 – Construction Commitments

At June 30, 2018 and 2017, the Authority's outstanding construction commitments pertaining to its Comprehensive Grant Programs were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 10 – Unearned Revenue

Unearned revenue of \$65,282 at June 30, 2018 and \$66,399 at June 30, 2017 represents the low rent public housing program tenant prepaid rent

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 11 – Restricted and Unrestricted Net Position

Prior to January 1, 2005 excess funds advanced by HUD to the Authority for the payment of housing assistance payments were returned to HUD at the end of the Authority's fiscal 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 Housing Assistance Payments that are not so 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. As of November 2007, HUD is reverting to treating these funds as restricted in order to comply with generally accepted accounting principles. HUD has indicated that any HAP amounts received by the PHA and not expended should be reported as restricted cash and restricted net position.

Administrative fees paid by HUD to the Authority in excess of administrative expenses are also part of the unrestricted fund balance and are considered to be "administrative fee reserves". Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR982.155 – i.e. "other housing purposes permitted by state or local law". Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

In accordance with HUD requirements, the Agency's restricted and unrestricted fund balance consists of the following components as of June 30, 2018:

Administrative Fee Reserves		
Beginning Balance	\$ (22,749)	
FYE June 30, 2018 Excess of Admin Revenue Over Expense	(758,172)	(780,921)
Housing Assistance Payment Reserves		
Beginning Balance	60,146	
FYE June 30, 2018 Excess of HAP Revenue Over Expense	(60,146)	<u> -</u>
Total Restricted & Unrestricted Net Position		<u>\$ (780,921)</u>

NOTE 12 – Post Employment Retirement Benefits (OPEB)

PLAN DESCRIPTION

The Authority administers a single-employer defined benefit postemployment health care benefit plan. Coverage under the plan is available to employee spouses and benefits may continue to surviving spouses.

BENEFITS PROVIDED

Vested employees are eligible for postemployment medical care benefits, including prescription drug benefits, as part of the plan. Benefits are insured through the state of New Jersey State health Benefits Program. Retired employees paying Medicare Part B premiums are reimbursed by the Authority under the Plan. Contribution rates for retirees are based on the state of New Jersey's formula under Chapter 78.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 12 – Post Employment Retirement Benefits (Continued)

EMPLOYEES COVERED UNDER THE PLAN

At July 1, 2017, the census date in the most recent plan valuation report, the following employees were covered under the plan:

Inactive Employees or Beneficiaries Receiving Benefits	64
Active employees	<u>21</u>
Total Employees included in Plan	<u>85</u>

PLAN ASSETS

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

TOTAL OPEB LIABILITY

The Authority's total other postemployment benefit ("OPEB") liability of \$19,485,938 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 actuarial evaluation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.5%
Healthcare Cost Trend Rates	9.0% beginning in 2018, decreasing 05% per year until an ultimate trend rate of 5.0% for 2026 and later years
Retiree's Share of Benefit-Related Cost	Contribution rates for future retirees will be based on the state of New Jersey's new contribution formuls per implementation of Chapter 78. Contributions are calculated using a varying formula based on the retirees' base salary at retirement with a minimum of 1.5% of base salary. Contributions for current and future retirees with 20 or more years of service at June 28, 2011 are 0% (non-contributory).

The discount rate is based on the prescribed discount interest rate methodology under GASB 75 based on average of three 20-year indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of June 30, 2018.

Mortality rates are based on the RP 2014 Combined Healthy Table for both pre & post retirement; projected with mortality improvements using Projection Scale AA for 2.5 years, plus 7 years generational improvement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

Changes in the Total OPEB Liability are as follows:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – Post Employment Retirement Benefits (Continued)

Balance at 6/30,2017	\$ 19,313,624
Changes for the Year	
Service Cost	235,177
Interest	719,061
Changes in Benefit Terms	-
Changes in Expected to Actual Experience	-
Changes in Assumptions or Other Inputs	-
Benefit Payments	<u>(781,924)</u>
Net Changes	<u>172,314</u>
Balance at 6/30/18	<u>\$ 19,485,938</u>

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the Authority as of June 30, 2018, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current discount rate:

	<u>2.50%</u>		<u>3.50%</u>		<u>4.50%</u>
Total OPEB Liability	\$ 16,558,386	\$	19,485,938	\$	23,390,452

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the Authority as of June 30, 2018, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (8.0% decreasing to 4.0%) or 1 percentage point higher (10.0% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (8.0% decreasing <u>to 4.0%</u>)	Trend Rates (9.0% decreasing <u>to 5.0%</u>)	1% Decrease (10.0% decreasing <u>to 6.0%</u>)
Total OPEB Liability	\$ 16,527,983	\$	19,485,938
		\$	23,427,353

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 OPEB expense of \$954,238. At June 30, 2018, the Authority did not report deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE 13 – Pension Plan

General Information about the Pension Plan

Plan Description - The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – Pension Plan (continued)

administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at the following website: www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided - 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 following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and to tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that

a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by state of New Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. The employee rate was increased from 6.5% to 7.0% of base salary effective July 1, 2012 plus an additional 1% phased in over 7 years beginning in fiscal year 2013. The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The actuarially determined contribution includes funding for cost of living adjustments and a noncontributory death benefit. Chapter 9, 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 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. The 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 BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 13 – Pension Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At the June 30, 2017 and June 30, 2016 measurement dates, the Authority reported \$11,195,124 and \$15,561,513, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2017 and June 30, 2016 were 0.0481% and 0.0525%, respectively. The components of the Authority's net pension liability as of June 30, 2017 and 2016, the most recent evaluation dates, are as follows:

	<u>2017</u>	<u>2016</u>
Total Pension Liability	\$ 21,570,545	\$ 25,995,128
Less: Plan Fiduciary Net Position	<u>(10,375,421)</u>	<u>(10,433,616)</u>
Net Pension Liability	<u>\$ 11,195,124</u>	<u>\$ 15,561,513</u>

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Actuarial Assumptions - The total pension liability as of June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Actuarial Assumptions - The total pension liability as of June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
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 Mortality Table for male and female active participants. For Authority employees, mortality tables were 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-retirement mortality rates were based on the RP-2000 Combined healthy Male and Female Mortality Tables (set back 1 year for males and females) for

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – Pension Plan (Continued)

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 disables 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 valuation 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 actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be 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 Director of the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%

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 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 as the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions,

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – Pension Plan (Continued)

the plan's fiduciary net position was projected to be available to make future projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the collective net pension liability of the Authority as of June 30, 2017 and June 30, 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>At 1% Decrease</u>	<u>At June 30 Discount Rate</u>	<u>At 1% Increase</u>
2017	\$ 13,888,311	\$ 11,195,124	\$ 8,951,365
2016	\$ 19,068,818	\$ 15,561,513	\$ 12,665,929

At June 30, 2017 and 2016, the Authority reported deferred outflows inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 2,255,432	\$ 2,247,163	\$ 3,223,514	\$ -
Differences between expected and actual experience	263,607	-	289,397	-
Net differences between projected and actual earnings on plan investments	76,231	-	593,375	-
Changes in proportion	498,434	1,121,119	638,052	457,702
Authority's contributions subsequent to the measurement date	-	-	546,096	-
TOTAL	<u>\$ 3,093,704</u>	<u>\$ 3,368,282</u>	<u>\$ 5,290,434</u>	<u>\$ 457,702</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) relate to pensions will be recognized in pension expense as shown in the below chart. 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.

Year ended June 30:	
2018	\$ 2,342,177
2019	3,534,402
2020	2,141,667
2021	(2,848,423)
2022	<u>(2,076,120)</u>
Total	<u>\$ 3,093,704</u>

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 – Prior Period Adjustments

Prior period adjustment increased from \$0 in 2017 to \$14,895,984 in 2018. A required adjustment of \$14,981,239 related to the aforementioned GASB 75 OPEB liability reduced equity. In addition, an adjustment of \$85,255 related to a prior year HUD VMS reconciliation increased equity. There was no prior period adjustment recorded during the prior fiscal year.

NOTE 15 – Subsequent Events

Events that occur after the balance sheet 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 balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through March 14, 2019, the date on which 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.

Bayonne Housing Authority (NJ012)
BAYONNE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$8,835,201	\$301,793		\$47,712		\$9,184,706		\$9,184,706
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted								
114 Cash - Tenant Security Deposits	\$4,082					\$4,082		\$4,082
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$8,839,283	\$301,793	\$0	\$47,712	\$0	\$9,188,788	\$0	\$9,188,788
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects		\$88,316				\$88,316		\$88,316
124 Accounts Receivable - Other Government		\$42,409				\$42,409		\$42,409
125 Accounts Receivable - Miscellaneous		\$0		\$500,000	\$4,633,020	\$5,133,020		\$5,133,020
126 Accounts Receivable - Tenants	\$33,446					\$33,446		\$33,446
126.1 Allowance for Doubtful Accounts - Tenants	-\$16,723					-\$16,723		-\$16,723
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery	\$7,847					\$7,847		\$7,847
128.1 Allowance for Doubtful Accounts - Fraud	-\$3,923					-\$3,923		-\$3,923
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$20,647	\$130,725	\$0	\$500,000	\$4,633,020	\$5,284,392	\$0	\$5,284,392
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$226,188				\$16,206	\$242,394		\$242,394
143 Inventories	\$53,688					\$53,688		\$53,688
143.1 Allowance for Obsolete Inventories	-\$3					-\$3		-\$3
144 Inter Program Due From				\$1,500,000		\$1,500,000	-\$1,500,000	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$9,139,803	\$432,518	\$0	\$2,047,712	\$4,649,226	\$16,269,259	-\$1,500,000	\$14,769,259
161 Land	\$1,452,593			\$54,250	\$0	\$1,506,843		\$1,506,843
162 Buildings	\$80,270,251			\$496,121	\$0	\$80,766,372		\$80,766,372
163 Furniture, Equipment & Machinery - Dwellings					\$0	\$0		\$0
164 Furniture, Equipment & Machinery - Administration	\$480,441				\$29,308	\$489,749		\$489,749
165 Leasehold Improvements	\$3,515,233				\$524,000	\$4,039,233		\$4,039,233
166 Accumulated Depreciation	-\$63,415,221			\$0	-\$423,582	-\$63,838,803		-\$63,838,803
167 Construction in Progress	\$5,298,475					\$5,298,475		\$5,298,475
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$27,581,772	\$0	\$0	\$550,371	\$129,726	\$28,261,869	\$0	\$28,261,869
171 Notes, Loans and Mortgages Receivable - Non-Current				\$310,042		\$310,042		\$310,042
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current								
174 Other Assets								
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$27,581,772	\$0	\$0	\$860,413	\$129,726	\$28,571,911	\$0	\$28,571,911
200 Deferred Outflow of Resources	\$2,199,478	\$90,268			\$803,958	\$3,093,704		\$3,093,704
290 Total Assets and Deferred Outflow of Resources	\$38,921,053	\$522,786	\$0	\$2,908,125	\$5,582,910	\$47,934,874	-\$1,500,000	\$46,434,874
311 Bank Overdraft					\$1,190,888	\$1,190,888		\$1,190,888
312 Accounts Payable <= 90 Days	\$672,838	\$10,836			\$23,486	\$707,160		\$707,160
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable					\$171,976	\$171,976		\$171,976
322 Accrued Compensated Absences - Current Portion	\$25,409	\$1,698			\$17,244	\$44,351		\$44,351
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government	\$546,532					\$546,532		\$546,532
341 Tenant Security Deposits	\$4,082					\$4,082		\$4,082
342 Unearned Revenue	\$65,282					\$65,282		\$65,282
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								
344 Current Portion of Long-term Debt - Operating Borrowings								

Bayonne Housing Authority (NJ012)
BAYONNE, NJ

Entity Wide Balance Sheet Summary

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

	1 Business Activities	2 State/Local	COCC	Subtotal	ELIM	Total
345 Other Current Liabilities			\$15,775	\$15,775		\$15,775
346 Accrued Liabilities - Other			\$15,775	\$15,775		\$0
347 Inter Program - Due To			\$1,500,000	\$1,500,000		\$0
348 Loan Liability - Current						\$2,746,046
310 Total Current Liabilities		\$0	\$2,919,369	\$4,246,046	\$1,500,000	\$2,746,046
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current			\$155,199	\$399,160		\$399,160
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities			\$7,632,371	\$30,508,747		\$30,508,747
350 Total Non-Current Liabilities		\$0	\$7,787,570	\$30,907,907	\$0	\$30,907,907
300 Total Liabilities		\$0	\$10,706,939	\$35,153,953	\$1,500,000	\$33,653,953
400 Deferred Inflow of Resources			\$849,811	\$3,368,282		\$3,368,282
508.4 Net Investment in Capital Assets			\$550,371	\$129,726		\$28,261,869
514 Restricted Net Position			\$0	\$0		\$0
512.4 Unrestricted Net Position			\$2,357,754	-\$6,103,566		-\$18,849,230
513 Total Equity - Net Assets / Position		\$0	\$2,908,125	-\$5,973,840		\$9,412,639
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net		\$522,786	\$2,908,125	\$5,582,910	-\$1,500,000	\$46,434,874

Bayonne Housing Authority (NJ012)
BAYONNE, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$5,642,520					\$5,642,520		\$5,642,520
70400 Tenant Revenue - Other	\$153,013					\$153,013		\$153,013
70500 Total Tenant Revenue	\$5,795,533	\$0	\$0	\$0	\$0	\$5,795,533	\$0	\$5,795,533
70600 HUD PHA Operating Grants	\$5,273,610	\$2,705,824				\$7,979,434		\$7,979,434
70610 Capital Grants	\$2,421,174					\$2,421,174		\$2,421,174
70710 Management Fee					\$1,014,092	\$1,014,092	-\$1,014,092	\$0
70720 Asset Management Fee								
70730 Book Keeping Fee					\$135,338	\$135,338	-\$135,338	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$1,149,430	\$1,149,430	-\$1,149,430	\$0
70800 Other Government Grants	\$413,413		\$54,939			\$468,352		\$468,352
71100 Investment Income - Unrestricted		\$1,128		\$8,769	\$30,885	\$40,782		\$40,782
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$25,638				\$25,638		\$25,638
71500 Other Revenue	\$148,300	\$2,348,363	\$3,694	\$2,094,359	\$24,340	\$4,619,056		\$4,619,056
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$14,052,030	\$5,080,953	\$58,633	\$2,103,128	\$1,204,655	\$22,499,399	-\$1,149,430	\$21,349,969
91100 Administrative Salaries	\$182,383	\$169,412			\$497,263	\$849,058		\$849,058
91200 Auditing Fees	\$15,889	\$1,732				\$17,621		\$17,621
91300 Management Fee	\$978,164	\$35,928				\$1,014,092	-\$1,014,092	\$0
91310 Book-keeping Fee	\$112,883	\$22,455				\$135,338	-\$135,338	\$0
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	\$716,769	\$189,491			\$539,529	\$1,445,789		\$1,445,789
91600 Office Expenses	\$199,916	\$38,325			\$176,473	\$414,714		\$414,714
91700 Legal Expense	\$214,376	\$358			\$74,370	\$289,104		\$289,104
91800 Travel	\$10,091	\$3,696			\$13,679	\$27,766		\$27,766
91810 Allocated Overhead								
91900 Other	\$113,218	\$23,204		\$2,094,359		\$2,230,781		\$2,230,781
91000 Total Operating - Administrative	\$2,543,689	\$484,901	\$0	\$2,094,359	\$1,301,314	\$6,424,263	-\$1,149,430	\$5,274,833
92000 Asset Management Fee								
92100 Tenant Services - Salaries	\$411,037	\$4,008			\$63,466	\$478,511		\$478,511
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$350,776	\$3,689			\$67,516	\$421,991		\$421,991
92400 Tenant Services - Other	\$177,146		\$58,633			\$235,779		\$235,779
92500 Total Tenant Services	\$938,959	\$7,707	\$58,633	\$0	\$130,982	\$1,136,281	\$0	\$1,136,281
93100 Water	\$1,131,347				\$8,796	\$1,140,143		\$1,140,143
93200 Electricity	\$951,271				\$13,281	\$964,552		\$964,552
93300 Gas	\$606,801				\$2,679	\$609,480		\$609,480
93400 Fuel								
93500 Labor	\$128,494					\$128,494		\$128,494
93600 Sewer								
93700 Employee Benefit Contributions - Utilities	\$89,587					\$89,587		\$89,587
93800 Other Utilities Expense								
93000 Total Utilities	\$2,907,500	\$0	\$0	\$0	\$24,756	\$2,932,256	\$0	\$2,932,256
94100 Ordinary Maintenance and Operations - Labor	\$1,698,705				\$281,755	\$1,980,460		\$1,980,460
94200 Ordinary Maintenance and Operations - Materials and Other	\$610,542				\$2,024	\$612,566		\$612,566
94300 Ordinary Maintenance and Operations Contracts	\$526,150			\$25,730	\$741	\$552,621		\$552,621
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,534,494				\$245,220	\$1,779,714		\$1,779,714
94000 Total Maintenance	\$4,369,891	\$0	\$0	\$25,730	\$529,740	\$4,925,361	\$0	\$4,925,361
95100 Protective Services - Labor	\$17,326				\$2,067	\$19,393		\$19,393
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other	\$200,000					\$200,000		\$200,000
95500 Employee Benefit Contributions - Protective Services	\$10,159				\$1,128	\$11,285		\$11,285
95000 Total Protective Services	\$227,485	\$0	\$0	\$0	\$3,193	\$230,678	\$0	\$230,678
96110 Property Insurance								
96120 Liability Insurance								
96130 Workmen's Compensation								
96140 All Other Insurance	\$421,793	\$4,850			\$22,702	\$449,345		\$449,345

Bayonne Housing Authority (NJ012)

BAYONNE, NJ

Entry Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2018

Submission Type: Audited/Single Audit

Project Total	14 871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
\$421,793	\$4,850	\$0	\$0	\$22,702	\$449,345	\$0	\$449,345
\$18,273	\$3,476	\$4,574	\$26,323	\$13,557	\$26,323	\$26,323	\$26,323
\$13,557	\$288,737	\$288,737	\$13,557	\$288,737	\$288,737	\$288,737	\$288,737
\$27,556	\$27,556	\$27,556	\$27,556	\$27,556	\$27,556	\$27,556	\$27,556
\$356,173	\$348,123	\$3,476	\$0	\$4,574	\$356,173	\$0	\$356,173
\$6900 Total Other General Expenses							
\$6800 Severance Expense							
\$6600 Bad debt - Other							
\$6500 Bad debt - Mortgages							
\$6400 Bad debt - Tenant Rents	\$27,556	\$27,556	\$27,556	\$27,556	\$27,556	\$27,556	\$27,556
\$6300 Payments in Lieu of Taxes	\$288,737	\$288,737	\$288,737	\$288,737	\$288,737	\$288,737	\$288,737
\$6210 Compensated Absences	\$13,557	\$13,557	\$13,557	\$13,557	\$13,557	\$13,557	\$13,557
\$6200 Other General Expenses	\$18,273	\$3,476	\$4,574	\$26,323	\$26,323	\$26,323	\$26,323
\$7100 Extraordinary Maintenance							
\$7200 Casualty Losses - Non-capitalized							
\$7300 Housing Assistance Payments	\$2,554,741	\$2,554,741	\$2,554,741	\$2,554,741	\$2,554,741	\$2,554,741	\$2,554,741
\$7350 HAP Portability-In	\$2,177,083	\$2,177,083	\$2,177,083	\$2,177,083	\$2,177,083	\$2,177,083	\$2,177,083
\$7400 Depreciation Expense	\$2,483,855	\$40,795	\$2,504,650	\$2,504,650	\$2,504,650	\$2,504,650	\$2,504,650
\$7500 Fraud Losses							
\$7600 Capital Outlays - Governmental Funds							
\$7700 Debt Principal Payment - Governmental Funds							
\$7800 Dwelling Units Rent Expense							
\$9000 Total Expenses	\$14,221,295	\$5,232,758	\$58,833	\$2,124,863	\$22,053,482	\$23,690,831	\$1,149,430
\$10010 Operating Transfer In	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
\$10020 Operating Transfer Out	-\$150,000	-\$150,000	-\$150,000	-\$150,000	-\$150,000	-\$150,000	-\$150,000
\$10030 Operating Transfers from/to Component Unit							
\$10040 Operating Transfers from/to Component Unit							
\$10050 Proceeds from Notes, Loans and Bonds							
\$10060 Proceeds from Property Sales							
\$10070 Extraordinary Items, Net Gains/Loss							
\$10080 Special Items (Net Gains/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) Total Expenses	-\$169,285	-\$151,805	\$0	-\$21,535	-\$448,827	-\$1,191,432	-\$1,191,432
\$11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$11030 Beginning equity	\$23,996,921	\$37,397	\$2,929,660	-\$1,463,923	\$25,500,055	\$25,500,055	\$25,500,055
\$11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$10,568,381	-\$668,513	-\$3,661,090	-\$14,895,984	-\$14,895,984	-\$14,895,984	-\$14,895,984
\$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	-\$780,921	-\$780,921	-\$780,921	-\$780,921	-\$780,921	-\$780,921	-\$780,921
\$11180 Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$11190 Unit Months Available	15180	3024	0	0	18204	18204	18204
\$11210 Number of Unit Months Leased	15051	2994	0	0	18045	18045	18045
\$11270 Excess Cash	\$6,591,767	\$6,591,767	\$6,591,767	\$6,591,767	\$6,591,767	\$6,591,767	\$6,591,767
\$11610 Land Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$11620 Building Purchases	\$691,021	\$691,021	\$691,021	\$691,021	\$691,021	\$691,021	\$691,021
\$11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$11640 Furniture & Equipment - Administrative Purchases	\$21,107	\$21,107	\$21,107	\$21,107	\$21,107	\$21,107	\$21,107
\$11650 Leasehold Improvements Purchases	\$1,730,153	\$1,730,153	\$1,730,153	\$1,730,153	\$1,730,153	\$1,730,153	\$1,730,153
\$11660 Infrastructure Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$13510 CFPF Debt Service Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$13901 Replacement Housing Factor Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2018

	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Ending Balance</u>
<u>LOW INCOME HOUSING PROGRAM</u>				
Operating Subsidy (CFDA # 14.850)	\$ -	\$ 4,896,337	\$ 4,896,337	\$ -
<u>CAPITAL FUND PROGRAM CLUSTER</u>				
Capital Fund Program (CFDA# 14.872)	-	2,798,447	2,798,447	-
<u>HOUSING ASSISTANCE PAYMENTS PROGRAM</u>				
Section 8 Voucher Program (CFDA # 14.871)	-	<u>2,705,824</u>	<u>2,705,824</u>	-
TOTAL FEDERAL FINANCIAL ASSISTANCE	<u>\$ -</u>	<u>\$ 10,400,608</u>	<u>\$ 10,400,608</u>	<u>\$ -</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
2. There were no subrecipient activities during the audit period.
3. The Authority has elected not to use the 10% de minimis cost rate.
4. The Authority received no non-cash assistance.
5. The Authority did not have any HUD issued mortgages or loans.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS
 As of June 30, 2018

	NJ39PO12501-13 2013 <u>Capital Fund</u>	NJ39PO12501-14 2014 <u>Capital Fund</u>	<u>Total</u>
Funds Approved	\$ 1,844,519	\$ 1,914,599	\$ 3,759,118
Funds Expended	<u>1,844,519</u>	<u>1,914,599</u>	<u>3,759,118</u>
Excess/(Deficiency) Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced	\$ 1,844,519	\$ 1,914,599	\$ 3,759,118
Funds Expended	<u>1,844,519</u>	<u>1,914,599</u>	<u>3,759,118</u>
Excess/(Deficiency) of Advances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO STATEMENT OF CERTIFICATION AND COMPLETED MODERNIZATION GRANTS

1. The distribution of cost by project and account classification accompanying the Financial Status Reports and Actual Modernization Cost Certificate submitted to HUD for approval were in agreement with the Authority's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.

Housing Authority of the City of Bayonne
Schedule of Proportionate Share of the Net Pension Liability
of the Public Employees Retirement System (PERS)
For the Year Ended June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Housing Authority's Proportion of the Net Pension Liability	0.04809%	0.05254%	0.04984%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 11,195,124	\$ 15,561,513	\$ 10,915,793
Housing Authority's Covered Employee Payroll	\$ 3,345,916	\$ 3,238,300	\$ 3,287,664
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	334.59%	480.55%	332.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%

Housing Authority of the City of Bayonne
Schedule of Authority Contributions to the
Public Employees Retirement System (PERS)
For the Year Ended September 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 445,524	\$ 466,778	\$ 418,062
Contribution in Relation to the Contractually Required Contribution	\$ (445,524)	\$ (466,778)	\$ (418,062)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 3,345,916	\$ 3,238,300	\$ 3,287,664
Contribution as a Percentage of Covered Employee Payroll	13.32%	14.41%	12.72%

Housing Authority of the City of Bayonne
 Schedule of Changes in the Housing Authority's
 Total OPEB Liability and Related Ratios
 For the Year Ended June 30, 2018

<u>Total OPEB Liability</u>	<u>June 30, 2018</u>
Service Cost	\$ 235,177
Interest	719,061
Changes of Benefits Items	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	-
Benefit Payments	<u>(781,924)</u>
Net Changes in Total OPEB Liability	172,314
 Total OPEB Liability - Beginning	 <u>19,313,624</u>
 Total OPEB Liability - Ending	 <u><u>\$ 19,485,938</u></u>
 Covered - Employee Payroll	 3,345,916
 Total OPEB Liability as a Percentage of Covered-Employee Payroll	 582.38%

Schedule is intended to show information for ten years. Additional years will be displayed as the data becomes available.



CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Housing Authority of the City of Bayonne
Bayonne, New Jersey

We have audited, 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 Controller General of the United States, the financial statements of the Housing Authority of the City of Bayonne as of and for the year ended June 30, 2018 and have issued our report thereon dated March 14, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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, as defined above. However, material weakness may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND 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 the Housing Authority of the City of Bayonne's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

Polcari + Co, CPAs

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 14, 2019



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

Board of Commissioners
Housing Authority of the City of Bayonne
Bayonne, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Bayonne's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the entity's major federal programs for the year ended June 30, 2018. The Housing Authority of the City of Bayonne'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 federal statutes, regulations, and the terms and conditions of grants of its federal awards applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Bayonne's major federal programs based on our audits 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 Bayonne'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 the Housing Authority of the City of Bayonne's compliance.

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

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Bayonne 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 the Housing Authority of the City of Bayonne 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 the Housing Authority of the City of Bayonne'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 the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Polcari & Co., CPAs

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 14, 2019

Housing Authority of the City of Bayonne
Bayonne, New Jersey
June 30, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness Identified?

_____ yes X no

Significant Deficiencies identified that are
not 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 Identified?

_____ yes X no

Significant Deficiencies identified that are
not 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 2 CFR 200.516(a)

_____ yes X no

Identification of Major Programs

CFDA

Number Name of Federal Program or Cluster

14.872 Public Housing Capital Fund Program

Dollar Threshold used to distinguish between type A
and type B Programs

\$750,000

Auditee qualified as low-risk?

X yes _____ no

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.