

HOUSING AUTHORITY OF THE
CITY OF BAYONNE
Bayonne, New Jersey

COMPARATIVE FINANCIAL STATEMENTS
For the Years Ended June 30, 2015 and 2014

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Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2015

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, 2014. 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 \$29,765,832 (net position) as opposed to \$40,977,179 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 \$507,051.
- 3 – The Authority's cash and cash equivalent balances at June 30, 2015 were \$7,770,869, representing a decrease of \$327,066 from the prior fiscal year.
- 4 – The Authority had Total Operating Revenues of \$14,733,352 and Total Operating Expenses of \$17,167,259 (including depreciation \$2,582,134) for the year ended June 30, 2015.
- 5 – The Authority's total capital outlays for the fiscal year were \$895,108. \$873,195 of the capital outlays were funded by the Capital Fund Program and \$21,913 were funded by operations.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$8,839,792 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 (Continued)
June 30, 2015

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 is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 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, 2015 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.

As of June 30, 2015, the Authority's net investment in capital assets for its Proprietary Fund was \$30,087,368 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, equipment and construction in progress. Major capital assets purchased from grants of \$873,195 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.

E – Capital Assets and Debt Administration

1 – Capital Assets

As of June 30, 2015, the Authority's net investment in capital assets for its Proprietary Fund was \$30,087,368 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress. Major capital assets purchased from grants of \$873,195 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 information on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this Report.

2 – Long Term Debt

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

F – Significant Changes from FYE June 30, 2014 to June 30, 2015

Changes in the Statement of Net Position

Cash and Other Assets increased \$250,398 primarily because accounts receivable due from affiliates increased \$585,097. These amounts represent fees and cost reimbursements due from not-for-profit organizations managed by the Authority. The Authority has filed a lawsuit against Post Road Gardens and Zito Towers, and fully expects to collect the receivables. This increase was offset by a \$327,066 decrease in cash; net cash used by operating activities was \$347,550, net cash used by financing activities was \$15,517, and net cash provided by investment activities was \$36,001.

Net fixed assets decreased \$1,687,026. The Authority had \$895,108 of fixed asset additions and \$2,582,134 of depreciation expense during the current fiscal year.

Deferred Inflow of Resources increased 781,582 because of the required GASB 68 pension liability that was recorded during the current fiscal year.

Total Liabilities increased \$9,517,376 primarily because of the \$9,332,257 GASB 68 pension liability that was recorded during the current fiscal year.

Restricted net position increased \$183,613 because the Housing Choice Voucher (HCV) HAP subsidy revenue exceeded its HAP payments during the current fiscal year.

Unrestricted net position decreased \$9,707,934 primarily because of the \$9,332,257 GASB 68 pension liability that was recorded during the current fiscal year.

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

Total operating revenue increased \$348,624. Although there were 59 fewer unit months leased during the current fiscal year, higher rents caused tenant rental revenue to increase \$236,614. Operating and other government grants increased \$81,053; Low Rent Public Housing operating subsidy increased \$289,106, HCV HAP subsidy revenue increased \$88,379, HCV administrative subsidy revenue increased \$10,619, other government grants increased \$9,614, and capital fund operating grants decreased \$316,665. The large decrease in capital fund operating grants is because the Authority funded its protective services contract with operations during the current fiscal year. Finally, other revenue increased \$30,957 when compared to the prior year.

Operating expenses (excluding depreciation expense) decreased \$250,809 when compared to the prior fiscal year. The main cause of the decrease is the Authority's protective services expenses decreased

Housing Authority of the City of Bayonne
Management's Discussion and Analysis (Continued)
June 30, 2015

F -- Significant Changes from FYE June 30, 2014 to June 30, 2015 (Continued)

approximately \$340,000 when compared to the prior fiscal year. In addition, electric, gas, water and sewer expenses decreased a combined \$215,000 due to lower rates and consumption. These savings were offset by an approximate \$67,000 increase in employee benefits (EB) expense, \$86,000 increase in HAP expenses, \$70,000 increase in legal costs, \$25,000 increase in maintenance costs (excluding EB), and a \$45,000 increase in PILOT expense.

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, 2016.

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 (Continued)
June 30, 2015

Composition of Net Position is as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2015</u>	<u>June 30, 2014</u>		
Cash and Other Assets	\$ 12,599,874	\$ 12,349,476	\$ 250,398	2.0%
Net Fixed Assets	30,087,368	31,774,394	(1,687,026)	-5.3%
Deferred Outflow of Resources	<u>781,582</u>	<u>-</u>	<u>781,582</u>	<u>100.0%</u>
Total Assets and Def. Outflow of Resources	<u>43,468,824</u>	<u>44,123,870</u>	<u>(655,046)</u>	<u>-1.5%</u>
Less: Total Liabilities	(12,664,067)	(3,146,691)	(9,517,376)	302.5%
Less: Deferred Inflow of Resources	<u>(1,038,925)</u>	<u>-</u>	<u>(1,038,925)</u>	<u>100.0%</u>
Total Net Position	<u>\$ 29,765,832</u>	<u>\$ 40,977,179</u>	<u>\$ (11,211,347)</u>	<u>-27.4%</u>
Net Investment in Capital Assets	30,087,368	31,774,394	(1,687,026)	-5.3%
Restricted Net Position	185,515	1,902	183,613	9653.7%
Unrestricted Net Position	<u>(507,051)</u>	<u>9,200,883</u>	<u>(9,707,934)</u>	<u>-105.5%</u>
Total Net Position	<u>\$ 29,765,832</u>	<u>\$ 40,977,179</u>	<u>\$ (11,211,347)</u>	<u>-27.4%</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2015</u>	<u>June 30, 2014</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 5,238,154	\$ 5,001,540	\$ 236,614	4.7%
HUD Subsidies and Other Gov. Grants	8,025,800	7,944,747	81,053	1.0%
Other	<u>1,469,398</u>	<u>1,438,441</u>	<u>30,957</u>	<u>2.2%</u>
Total Operating Revenues	<u>14,733,352</u>	<u>14,384,728</u>	<u>348,624</u>	<u>2.4%</u>
<u>Expenses</u>				
Operating Expenses (Excl. Dep.)	14,585,125	14,835,934	(250,809)	-1.7%
Depreciation Expense	<u>2,582,134</u>	<u>2,650,404</u>	<u>(68,270)</u>	<u>-2.6%</u>
Total Operating Expenses	<u>17,167,259</u>	<u>17,486,338</u>	<u>(319,079)</u>	<u>-1.8%</u>
Deficiency of Operating Revenues Over Expenses	(2,433,907)	(3,101,610)	667,703	-21.5%
<u>Non-Operating Revenues</u>				
Interest on Investments	<u>36,250</u>	<u>22,414</u>	<u>13,836</u>	<u>61.7%</u>
Deficiency of Revenues Over Expenses Before Capital Grants Received	(2,397,657)	(3,079,196)	681,539	-22.1%
<u>Capital Grants</u>				
HUD Capital Grants	<u>873,195</u>	<u>1,046,487</u>	<u>(173,292)</u>	<u>-16.6%</u>
Excess Revenues/(Deficiency)	(1,524,462)	(2,032,709)	508,247	-25.0%
Net Position - Beginning Balance	40,977,179	43,009,888	(2,032,709)	-4.7%
Prior Period Adjustments	<u>(9,686,885)</u>	<u>-</u>	<u>(9,686,885)</u>	<u>100.0%</u>
Net Position - Ending Balance	<u>\$ 29,765,832</u>	<u>\$ 40,977,179</u>	<u>\$ (11,211,347)</u>	<u>-27.4%</u>



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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 ("the Authority") which is comprised of the Statement of Net Position as of June 30, 2015 and June 30, 2014, and the related Statements of Revenues, Expenses and Changes in Net Position, Cash Flows, and related notes to the financial statements for the years then ended.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Bayonne as of June 30, 2015 and 2014, and the results of its operations, and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 Schedules of Proportionate Share of Net Pension Liability and Authority Contributions to PERS on pages 30 and 31 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 the purpose 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 U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The financial data schedule and schedule of expenditures of federal awards 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 general 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 February 19, 2016, 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 & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
February 19, 2016

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
 At June 30, 2015 and 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 7,581,168	\$ 8,091,598
Cash and Cash Equivalents - Restricted	189,701	6,337
Accounts Receivable - Tenants (Net)	34,017	24,244
Accounts Receivable - Other Government	13,251	6,993
Accounts Receivable - HUD	-	49,021
Accounts Receivable Miscellaneous	4,113,679	3,528,582
Inventory	53,370	50,546
Prepaid Expenses and Other Current Assets	304,646	275,501
Notes, Loans, & Mortgages Receivable - Current	6,396	6,612
Total Current Assets	<u>12,296,228</u>	<u>12,039,434</u>
<u>FIXED ASSETS</u>		
Land	1,452,593	1,452,593
Buildings	78,064,114	76,355,921
Furniture, Equipment and Machinery	761,647	739,734
Site Improvements	3,613,738	3,613,738
Construction in Progress	2,821,208	3,656,206
Total Fixed Assets	86,713,300	85,818,192
Less: Accumulated Depreciation	(56,625,932)	(54,043,798)
Net Fixed Assets	<u>30,087,368</u>	<u>31,774,394</u>
Notes, Loans, & Mortgages Receivable - Non-Current	303,646	310,042
Deferred Outflow of Resources	781,582	-
Total Assets and Deferred Outflow of Resources	<u>\$ 43,468,824</u>	<u>\$ 44,123,870</u>

LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 337,125	\$ 375,977
Accrued Payroll and Related Taxes	248,655	152,103
Due to Tenants:		
Security Deposits	4,186	4,435
Unearned Revenue	53,647	45,704
Due to Other Governments	217,261	546,859
Other Current Liabilities	100,000	49,021
Compensated Absences - Current Portion	340,478	315,421
Total Current Liabilities	1,301,352	1,489,520
Accrued Compensated Absences - Noncurrent	73,637	95,191
Accrued Pension and OPEB Liabilities	11,289,078	1,561,980
Total Liabilities	<u>12,664,067</u>	<u>3,146,691</u>
Deferred Inflow of Resources	1,038,925	-
 <u>NET POSITION</u>		
Net Investment in Capital Assets	30,087,368	31,774,394
Restricted	185,515	1,902
Unrestricted	(507,051)	9,200,883
Total Net Position	<u>\$ 29,765,832</u>	<u>\$ 40,977,179</u>

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, 2015 and 2014

	For the Year Ended	
	June 30, 2015	June 30, 2014
<u>OPERATING REVENUES</u>		
Tenant Rental & Other Revenue	\$ 5,238,154	\$ 5,001,540
HUD Grants - Operating	7,966,597	7,895,158
Other Government Grants	59,203	49,589
Other	1,469,398	1,438,441
Total Operating Revenues	14,733,352	14,384,728
<u>OPERATING EXPENSES</u>		
Administration	2,213,230	1,816,460
Tenant Services	924,321	897,586
Utilities	3,046,107	3,295,556
Ordinary Maintenance & Operations	4,148,167	4,298,224
Protective Services	126,021	465,592
General Expense	695,314	716,802
Housing Assistance Payments	3,431,965	3,345,714
Depreciation Expense	2,582,134	2,650,404
Total Operating Expenses	17,167,259	17,486,338
Excess of Operating Revenues Over Expenses	(2,433,907)	(3,101,610)
<u>NON OPERATING REVENUES/(EXPENSES)</u>		
Interest Income	36,250	22,414
Income/(Loss) Before Contributions and Transfers	(2,397,657)	(3,079,196)
Capital Grants	873,195	1,046,487
Increase/(Decrease) In Net Position	(1,524,462)	(2,032,709)
Beginning Net Position	40,977,179	43,009,888
Prior Period Adjustments	(9,686,885)	-
Ending Net Position	\$ 29,765,832	\$ 40,977,179

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, 2015 and 2014

	For the Year Ended	
	June 30, 2015	June 30, 2014
<u>CASH FLOWS FORM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Revenue	\$ 5,236,324	\$ 5,024,033
From Government Agencies for Operating Grants	8,068,563	7,899,540
For Other Operating Revenues	884,301	145,103
Cash Paid:		
To Employees for Operations	(3,297,775)	(2,763,124)
To Suppliers for Operations	(7,806,998)	(8,209,901)
For Housing Assistance Payments	(3,431,965)	(3,345,714)
Net Cash Provided by Operating Activities	(347,550)	(1,250,063)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	873,195	1,046,487
Loans, Notes and Mortgage Receivable - Noncurrent	6,396	6,115
Acquisition of Property and Equipment	(895,108)	(1,125,232)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(15,517)	(72,630)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Receipt/(Refund) of Security Deposits	(249)	22
Investment Income	36,250	22,414
Net Cash Provided by Investing Activities	36,001	22,436
Net Increase/(Decrease) in Cash and Cash Equivalents	(327,066)	(1,300,257)
Cash and Equivalents at Beginning of Period	8,097,935	9,398,192
Cash and Equivalents at End of Period	\$ 7,770,869	\$ 8,097,935
Reconciliation of Operating Income/(Loss) to Net Cash		
Provided/(Used) by Operations		
Operating Income/(Loss)	\$ (2,433,907)	\$ (3,101,610)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	2,582,134	2,650,404
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants (Net)	(9,773)	22,493
Accounts Receivable - HUD and Other Governments	42,763	(45,207)
Accounts Receivable - Miscellaneous	(585,097)	(536,031)
Accrued Interest Receivable	-	4,231
Inventory	(2,824)	(628)
Prepaid Expenses and Other Current Assets	(29,145)	1,339
Loans, Notes and Mortgage Receivable - Current	216	(766)
Deferred Outflow of Resources	(781,582)	-
Increase/(Decrease) in Liabilities		
Accounts Payable	(38,852)	(103,180)
Accrued Payroll	96,552	244
Unearned Revenue	7,943	(760,772)
Due to Other Governments	(329,598)	174,461
Other Current Liabilities	50,979	49,021
Compensated Absences	3,503	1,099
Accrued Pension and OPEB Liabilities	40,213	394,839
Deferred Inflow of Resources	1,038,925	-
Net Cash Provided by Operating Activities	\$ (347,550)	\$ (1,250,063)

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015
(Continued)

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 Income – 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, 2015
(Continued)

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, 2015
 (Continued)

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, 2015, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering SFAS 144.

- 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.

NOTE 2 – Cash and Cash Equivalents

Cash and Cash Equivalents of \$7,770,869 and \$8,097,935 at June 30, 2015 and 2014 respectively, consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Checking Accounts	\$ 7,766,358	\$ 8,093,175
Tenant Pet Deposit Accounts	4,186	4,435
Petty Cash Fund	325	325
Total Cash and Equivalents	<u>\$ 7,770,869</u>	<u>\$ 8,097,935</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, 2015 was \$7,770,544 and the bank balances were \$7,748,589. Of the bank balances, \$250,000 was covered by FDIC insurance and \$7,498,589 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.

NOTE 3 – Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance for doubtful accounts of \$9,337 and \$24,423 at June 30, 2015 and 2014, respectively. Fraud recovery receivables are fully allowed for at both June 30, 2015 and 2014.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
(Continued)

NOTE 4 – Accounts Receivable Miscellaneous

\$4,113,679 of Accounts Receivable Miscellaneous represents fee and cost reimbursements due from not-for-profit corporations owning properties managed by the Housing Authority of the City of Bayonne. At June 30, 2015, the Authority was owed \$2,815,187 from Post Road Gardens, \$660,390 from Bridgeview Manor, and \$638,102 from Zito Towers. A lawsuit was filed during the current fiscal year in an attempt to collect the money owed from Post Road Gardens and Zito Towers. The total Accounts Receivable Miscellaneous balance at June 30, 2014 was \$3,528,582.

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, 2015 and 2014:

	July 1, 2014	Additions	Disposals	Transfers	June 30, 2015
Land	\$ 1,452,593	\$ -	\$ -	\$ -	\$ 1,452,593
Buildings and Improvements	79,969,659	-	-	1,708,193	81,677,852
Furniture and Equipment	739,734	21,913	-	-	761,647
Construction in Progress	3,656,206	873,195	-	(1,708,193)	2,821,208
Total Fixed Assets	85,818,192	895,108	-	-	86,713,300
Accumulated Depreciation	(54,043,798)	(2,582,134)	-	-	(56,625,932)
Net Fixed Assets	\$ 31,774,394	\$ (1,687,026)	\$ -	\$ -	\$ 30,087,368

	July 1, 2013	Additions	Disposals	Transfers	June 30, 2014
Land	\$ 1,452,593	\$ -	\$ -	\$ -	\$ 1,452,593
Buildings and Improvements	77,999,036	-	-	1,970,623	79,969,659
Furniture and Equipment	660,988	78,746	-	-	739,734
Construction in Progress	4,580,343	1,046,486	-	(1,970,623)	3,656,206
Total Fixed Assets	84,692,960	1,125,232	-	-	85,818,192
Accumulated Depreciation	(51,393,394)	(2,650,404)	-	-	(54,043,798)
Net Fixed Assets	\$ 33,299,566	\$ (1,525,172)	\$ -	\$ -	\$ 31,774,394

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 of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

<u>Years</u>	
Buildings	40
Components	20
Site Improvements	15
Furniture	10
Equipment	5
Vehicles	7
Computers	3

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
(Continued)

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, 2015 and June 30, 2014, PILOT expense of \$217,261 and \$174,261, 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, 2015 and 2014 totaled \$414,115 and \$410,612, 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 year ended June 30, 2015, 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, 2015, 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 \$53,647 at June 30, 2015, represents \$49,937 of tenant prepaid rent and \$3,710 of deferred credits related to the Congregate Services program. Deferred revenue of \$45,704 at June 30, 2014 represents prepaid tenant rent.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(Continued)

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, 2015:

Administrative Fee Reserves		
Beginning Balance	\$ 190,268	
FYE June 30, 2015 Excess of Admin Fees Revenue Over Expense	(192,590)	(2,322)
Housing Assistance Payment Reserves		
Beginning Balance	1,902	
FYE June 30, 2015 Excess of HAP Fees Revenue Over Expense	183,613	<u>185,515</u>
Total Restricted & Unrestricted Net Position		<u>\$ 183,193</u>

NOTE 12 – Post Employment Retirement Benefits

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015
 (Continued)

NOTE 12 – Post Employment Retirement Benefits (Continued)

Annual Required Contribution	\$609,002
Interest on net OPEB obligation	\$38,615
Adjustment to annual required contribution	\$0
Annual OPEB cost (expense)	\$647,617
Contributions made	\$(252,778)
Increase in net OPEB obligation	\$394,839
Net OPEB Obligation – beginning of year	\$1,561,982
Net OPEB Obligation – end of year	\$1,956,821

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$647,617	39.03%	\$1,167,141
6/30/2014	\$647,617	39.03%	\$1,561,982
6/30/2015	\$647,617	39.03%	\$1,956,821

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$11,539,899 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAL) of \$11,539,899. The covered payroll (annual payroll of active employees covered by the plan) was \$3,152,746 and the ratio of the UAL to covered payroll was not computed since benefit and retiree rates were not based on payroll.

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015
 (Continued)

NOTE 12 – Post Employment Retirement Benefits (Continued)

Actuarial Cost Method - Projected Unit Credit
 Investment Rate of Return - 5.00% per annum
 Healthcare Trend Rates

Year	Medical Including Prescription Costs Are Known
FY 2015	
FY 2016	6.0%
FY 2017	5.0%
FY 2018	5.0%

Actuarial Value of Assets: Market Value
 Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
 Remaining Amortization Period: 30 years at July 1, 2010

Reconciliation of Plan Participation

Active Employees	July 1, 2010	June 30, 2009
A. Average Age of Hire	N/A	N/A
B. Average Service	14.8	N/A
C. Average Current Age	49.1	N/A

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 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/terasury/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, 2001.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
(Continued)

NOTE 13 – Pension Plan (Continued)

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. The employer contribution rate was 6.78% - 6.92% and 6.64% - 6.78% in fiscal years 2015 and 2014, respectively. 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.

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

At June 30, 2014 and June 30, 2013, the Authority reported \$9,332,257 and \$10,097,795, 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, 2014 and June 30, 2013 were 0.0498% and 0.0528%, respectively.

For the year ended June 30, 2015, the Authority recognized pension expense of \$(97,285). At June 30, 2015 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015
 (Continued)

NOTE 13 – Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 293,456	\$ -
Differences between expected and actual experience	-	-
Net differences between projected and actual earnings on plan investments	-	556,152
Changes in proportion	-	482,773
Authority's contributions subsequent to the measurement date	488,126	-
TOTAL	\$ 781,582	\$ 1,038,925

\$488,126 reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date and \$482,773 reported as deferred inflows related to changes in the housing authority's proportion will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2015	\$ (85,094)
2016	(85,094)
2017	(85,094)
2018	(85,094)
2019	53,944
2020	23,734
Total	\$ (262,696)

Actuarial Assumptions - The total pension liability for the June 30, 2014 measurement date was determined by an actuarial evaluation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial evaluation as of July 1, 2013. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation Rate	3.01%
Salary increases	
2012-2021	2.15% - 4.40% based on age
Thereafter	3.15% - 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on projection Scale AA.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015
 (Continued)

NOTE 13 – Pension Plan (Continued)

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

In accordance with State statute, the long-term expected rate of return on plan investments 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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015
 (Continued)

NOTE 13 – Pension Plan (Continued)

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, 2014 and June 30, 2013, 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:

	At 1% decrease (4.39%)	At current discount rate (5.39%)	At 1% increase (6.39%)
2014	\$ 11,740,297	\$ 9,332,257	\$ 7,310,116
2013	\$ 12,570,424	\$ 10,097,795	\$ 8,026,059

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 14 – Prior Period Adjustments

Net position as previously reported on June 30, 2014 was adjusted for the implementation of GASB 68. Prior period adjustments recorded during the fiscal year ended June 30, 2015 are as follows:

Beginning Net Position as Previously Reported at June 30, 2014	\$ 40,977,179
Prior Period Adjustment - Implementation of GASB 68:	
Net Pension Liability (Measurement Date)	(10,097,795)
Deferred Outflows of Resources - Authority's Contributions Made During Fiscal Year 2014	410,910
Total Prior Period Adjustment	(9,686,885)
Net Position as Restated July 1, 2014	\$ 31,290,294

There was no prior period adjustment recorded during the fiscal year ending June 30, 2014.

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 February 19, 2016, 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/A-133

Fiscal Year End: 06/30/2015

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$5,613,412	\$248,979		\$1,675,888	\$42,889	\$7,581,168		\$7,581,168
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted		\$185,515				\$185,515		\$185,515
114 Cash - Tenant Security Deposits	\$4,186					\$4,186		\$4,186
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$5,617,598	\$434,494	\$0	\$1,675,888	\$42,889	\$7,770,869	\$0	\$7,770,869
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects								
124 Accounts Receivable - Other Government		\$13,251				\$13,251		\$13,251
125 Accounts Receivable - Miscellaneous				\$500,000	\$3,613,679	\$4,113,679		\$4,113,679
126 Accounts Receivable - Tenants	\$43,354					\$43,354		\$43,354
126.1 Allowance for Doubtful Accounts - Tenants	-\$9,337					-\$9,337		-\$9,337
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current				\$6,396		\$6,396		\$6,396
128 Fraud Recovery	\$24,678					\$24,678		\$24,678
128.1 Allowance for Doubtful Accounts - Fraud	-\$24,678					-\$24,678		-\$24,678
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$34,017	\$13,251	\$0	\$506,396	\$3,613,679	\$4,167,343	\$0	\$4,167,343
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$199,454				\$105,192	\$304,646		\$304,646
143 Inventories	\$53,370					\$53,370		\$53,370
143.1 Allowance for Obsolete Inventories	\$0					\$0		\$0
144 Inter Program Due From				\$852,000		\$852,000	-\$852,000	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$5,904,439	\$447,745	\$0	\$3,034,284	\$3,761,760	\$13,148,228	-\$852,000	\$12,296,228
161 Land	\$1,452,593					\$1,452,593		\$1,452,593
162 Buildings	\$78,064,114					\$78,064,114		\$78,064,114
163 Furniture, Equipment & Machinery - Dwellings								
164 Furniture, Equipment & Machinery - Administration	\$761,647					\$761,647		\$761,647
165 Leasehold Improvements	\$3,089,738				\$524,000	\$3,613,738		\$3,613,738
166 Accumulated Depreciation	-\$56,324,735				-\$301,197	-\$56,625,932		-\$56,625,932
167 Construction in Progress	\$2,821,208					\$2,821,208		\$2,821,208
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$29,864,565	\$0	\$0	\$0	\$222,803	\$30,087,368	\$0	\$30,087,368
171 Notes, Loans and Mortgages Receivable - Non-Current				\$303,646		\$303,646		\$303,646
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	\$29,864,565	\$0	\$0	\$303,646	\$222,803	\$30,391,014	\$0	\$30,391,014
200 Deferred Outflow of Resources	\$550,049	\$17,459			\$214,074	\$781,582		\$781,582
290 Total Assets and Deferred Outflow of Resources	\$36,319,053	\$465,204	\$0	\$3,337,930	\$4,198,637	\$44,320,824	-\$852,000	\$43,468,824
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$308,978	\$5,138			\$23,011	\$337,125		\$337,125
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable	\$59,222	\$2,322			\$187,111	\$248,655		\$248,655
322 Accrued Compensated Absences - Current Portion	\$184,281				\$156,197	\$340,478		\$340,478
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government	\$217,261					\$217,261		\$217,261
341 Tenant Security Deposits	\$4,186					\$4,186		\$4,186
342 Unearned Revenue	\$49,937				\$3,710	\$53,647		\$53,647
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
346 Accrued Liabilities - Other	\$100,000					\$100,000		\$100,000
347 Inter Program - Due To					\$852,000	\$852,000	-\$852,000	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$923,863	\$7,460	\$0	\$0	\$1,222,029	\$2,153,352	-\$852,000	\$1,301,352

Bayonne Housing Authority (NJ012)

BAYONNE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
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	\$40,773				\$32,864	\$73,637		\$73,637
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$8,150,732	\$251,343			\$2,887,003	\$11,289,078		\$11,289,078
350 Total Non-Current Liabilities	\$8,191,505	\$251,343	\$0	\$0	\$2,919,867	\$11,362,715	\$0	\$11,362,715
300 Total Liabilities	\$9,115,368	\$258,803	\$0	\$0	\$4,141,896	\$13,516,067	-\$852,000	\$12,664,067
400 Deferred Inflow of Resources	\$731,158	\$23,208			\$284,559	\$1,038,925		\$1,038,925
508.4 Net Investment in Capital Assets	\$29,864,565	\$0	\$0	\$0	\$222,803	\$30,087,368		\$30,087,368
511.4 Restricted Net Position	\$0	\$185,515	\$0	\$0	\$0	\$185,515		\$185,515
512.4 Unrestricted Net Position	-\$3,392,038	-\$2,322	\$0	\$3,337,930	-\$450,621	-\$507,051		-\$507,051
513 Total Equity - Net Assets / Position	\$26,472,527	\$183,193	\$0	\$3,337,930	-\$227,818	\$29,765,832	\$0	\$29,765,832
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$36,319,053	\$465,204	\$0	\$3,337,930	\$4,198,637	\$44,320,824	-\$852,000	\$43,468,824

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

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$5,095,204					\$5,095,204		\$5,095,204
70400 Tenant Revenue - Other	\$142,950					\$142,950		\$142,950
70500 Total Tenant Revenue	\$5,238,154	\$0	\$0	\$0	\$0	\$5,238,154	\$0	\$5,238,154
70600 HUD PHA Operating Grants	\$5,421,619	\$2,544,978				\$7,966,597		\$7,966,597
70610 Capital Grants	\$873,195					\$873,195		\$873,195
70710 Management Fee					\$1,001,429	\$1,001,429	-\$1,001,429	\$0
70720 Asset Management Fee								
70730 Book Keeping Fee					\$133,020	\$133,020	-\$133,020	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$1,134,449	\$1,134,449	-\$1,134,449	\$0
70800 Other Government Grants			\$59,203			\$59,203		\$59,203
71100 Investment Income - Unrestricted	\$10,911	\$411		\$21,291	\$3,637	\$36,250		\$36,250
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$2,838				\$2,838		\$2,838
71500 Other Revenue	\$84,910	\$1,359,696	\$5,745		\$16,209	\$1,466,560		\$1,466,560
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$11,628,789	\$3,907,923	\$64,948	\$21,291	\$1,154,295	\$16,777,246	-\$1,134,449	\$15,642,797
91100 Administrative Salaries	\$196,317	\$30,093			\$386,369	\$612,779		\$612,779
91200 Auditing Fees	\$14,500	\$2,000				\$16,500		\$16,500
91300 Management Fee	\$967,181	\$34,248				\$1,001,429	-\$1,001,429	\$0
91310 Book-keeping Fee	\$111,615	\$21,405				\$133,020	-\$133,020	\$0
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	\$579,013	\$17,767			\$248,573	\$845,353		\$845,353
91600 Office Expenses	\$177,171	\$66,439			\$104,891	\$348,501		\$348,501
91700 Legal Expense	\$186,606	\$240			\$101,616	\$288,462		\$288,462
91800 Travel	\$611	\$271				\$882		\$882
91810 Allocated Overhead								
91900 Other	\$80,223	\$15,400		\$5,130		\$100,753		\$100,753
91000 Total Operating - Administrative	\$2,313,237	\$187,863	\$0	\$5,130	\$841,449	\$3,347,679	-\$1,134,449	\$2,213,230
92000 Asset Management Fee								
92100 Tenant Services - Salaries	\$498,805	\$54,112				\$552,917		\$552,917
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$259,358	\$20,225				\$279,583		\$279,583
92400 Tenant Services - Other	\$28,873		\$64,948			\$91,821		\$91,821
92500 Total Tenant Services	\$785,036	\$74,337	\$64,948	\$0	\$0	\$924,321	\$0	\$924,321
93100 Water	\$539,572					\$539,572		\$539,572
93200 Electricity	\$1,223,446				\$17,334	\$1,240,780		\$1,240,780
93300 Gas	\$657,492				\$3,640	\$661,132		\$661,132
93400 Fuel								
93500 Labor	\$148,993				\$160	\$149,153		\$149,153
93600 Sewer	\$407,583					\$407,583		\$407,583
93700 Employee Benefit Contributions - Utilities	\$47,826				\$81	\$47,887		\$47,887
93800 Other Utilities Expense								
93000 Total Utilities	\$3,024,912	\$0	\$0	\$0	\$21,195	\$3,046,107	\$0	\$3,046,107
94100 Ordinary Maintenance and Operations - Labor	\$1,520,643				\$404,345	\$1,924,988		\$1,924,988
94200 Ordinary Maintenance and Operations - Materials and Other	\$657,636				\$644	\$658,280		\$658,280
94300 Ordinary Maintenance and Operations Contracts	\$515,943				\$11,349	\$527,292		\$527,292
94500 Employee Benefit Contributions - Ordinary Maintenance	\$796,582				\$241,025	\$1,037,607		\$1,037,607
94000 Total Maintenance	\$3,490,804	\$0	\$0	\$0	\$657,363	\$4,148,167	\$0	\$4,148,167
95100 Protective Services - Labor	\$5,878				\$441	\$6,319		\$6,319
95200 Protective Services - Other Contract Costs	\$118,354					\$118,354		\$118,354
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services	\$1,273				\$75	\$1,348		\$1,348
95000 Total Protective Services	\$125,505	\$0	\$0	\$0	\$516	\$126,021	\$0	\$126,021
96110 Property Insurance								
96120 Liability Insurance								
96130 Workmen's Compensation								
96140 All Other Insurance	\$364,666	\$2,972			\$22,543	\$390,181		\$390,181
96100 Total Insurance Premiums	\$364,666	\$2,972	\$0	\$0	\$22,543	\$390,181	\$0	\$390,181

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

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
96200 Other General Expenses		\$3,371				\$3,371		\$3,371
96210 Compensated Absences	\$12,802				\$36,268	\$49,070		\$49,070
96300 Payments in Lieu of Taxes	\$217,261					\$217,261		\$217,261
96400 Bad debt - Tenant Rents	\$35,431					\$35,431		\$35,431
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$265,494	\$3,371	\$0	\$0	\$36,268	\$305,133	\$0	\$305,133
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$10,369,654	\$268,543	\$64,948	\$5,130	\$1,579,334	\$12,287,609	-\$1,134,449	\$11,153,160
97000 Excess of Operating Revenue over Operating Expenses	\$1,259,135	\$3,639,380	\$0	\$16,161	-\$425,039	\$4,489,637	\$0	\$4,489,637
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$2,162,342				\$2,162,342		\$2,162,342
97350 HAP Portability-In		\$1,269,623				\$1,269,623		\$1,269,623
97400 Depreciation Expense	\$2,547,201				\$34,933	\$2,582,134		\$2,582,134
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$12,916,855	\$3,700,508	\$64,948	\$5,130	\$1,614,267	\$18,301,708	-\$1,134,449	\$17,167,259
10010 Operating Transfer In	\$184,452					\$184,452		\$184,452
10020 Operating transfer Out	-\$184,452					-\$184,452		-\$184,452
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,288,066	\$207,415	\$0	\$16,161	-\$459,972	-\$1,524,462	\$0	-\$1,524,462
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$34,577,870	\$192,170	\$0	\$3,321,769	\$2,885,370	\$40,977,179		\$40,977,179
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$6,817,277	-\$216,392			-\$2,653,216	-\$9,686,885		-\$9,686,885
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		-\$2,322				-\$2,322		-\$2,322
11180 Housing Assistance Payments Equity		\$185,515				\$185,515		\$185,515
11190 Unit Months Available	15408	3024				18432		18432
11210 Number of Unit Months Leased	14884	2854				17738		17738
11270 Excess Cash	\$3,893,011					\$3,893,011		\$3,893,011
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$2,581,388				\$0	\$2,581,388		\$2,581,388
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0				\$0	\$0		\$0
11660 Infrastructure Purchases	\$0				\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$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, 2015

	<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)	\$ -	\$ 4,917,754	\$ 4,917,754	\$ -
<u>CAPITAL FUND PROGRAM CLUSTER</u>				
Capital Fund Program (CFDA# 14.872)	-	1,377,060	1,377,060	-
<u>HOUSING ASSISTANCE PAYMENTS PROGRAM</u>				
Section 8 Voucher Program (CFDA # 14.871)	-	2,544,978	2,544,978	-
TOTAL FEDERAL FINANCIAL ASSISTANCE	<u>\$ -</u>	<u>\$ 8,839,792</u>	<u>\$ 8,839,792</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 OMB Circular A-133. 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.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS
 As of June 30, 2015

	NJ39PO12501-10 2010 <u>Capital Fund</u>	<u>Total</u>
Funds Approved	\$ 2,698,923	\$ 2,698,923
Funds Expended	<u>2,698,923</u>	<u>2,698,923</u>
Excess/(Deficiency) Approved	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced	\$ 2,698,923	\$ 2,698,923
Funds Expended	<u>2,698,923</u>	<u>2,698,923</u>
Excess/(Deficiency) of Advances	<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, 2015

Housing Authority's Proportion of the Net Pension Liability	0.04984%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 9,332,257
Housing Authority's Covered Employee Payroll	\$ 3,152,746
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	296.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%

Housing Authority of the City of Bayonne
Schedule of Authority Contributions to the
Public Employees Retirement System (PERS)
For the Year Ended September 30, 2015

Contractually Required Contribution	\$ 488,126
Contribution in Relation to the Contractually Required Contribution	\$ (488,126)
Contribution Deficiency/(Excess)	<u>\$ -</u>
Authority's Covered Payroll	\$ 3,152,746
Contribution as a Percentage of Covered Employee Payroll	15.48%



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 and related notes to the financial statements of the Housing Authority of the City of Bayonne as of and for the year ended June 30, 2015 and have issued our report thereon dated February 19, 2016.

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 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 over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the 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 would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. 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

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 & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
February 19, 2016



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Program

We have audited the Housing Authority of the City of Bayonne compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the entity's major federal programs for the year ended June 30, 2015. 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 with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

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

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major 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 WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

(Continued)

Opinion on Each Major Program

In our opinion, the Housing Authority of the City of Bayonne complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

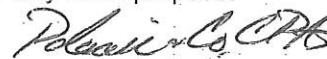
Management of the Housing Authority of the City of Bayonne is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Bayonne's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or 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, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of This Report

This 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 our testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
February 19, 2016

Housing Authority of the City of Bayonne
Bayonne, New Jersey
June 30, 2015

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:

Significant Deficiencies 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:

Significant Deficiencies 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 section 510(a) of
Circular A-133

_____ yes X no

Identification of Major Programs

CFDA

Number Name of Federal Program or Cluster

14.850 Low Rent Public Housing

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

\$300,000

Auditee qualified as low-risk?

X yes _____ no

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.