

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

**COMPARATIVE FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016**

HOUSING AUTHORITY OF THE CITY OF BAYONNE
Bayonne, New Jersey
COMPARATIVE FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016

TABLE OF CONTENTS

	<u>PAGE</u>
Management's Discussion and Analysis	1-5
Independent Auditor's Report	6-7
<u>FINANCIAL STATEMENTS</u>	
Comparative Statements of Net Position	8
Comparative Statements of Revenue, Expenses and Changes in Net Position	9
Comparative Statements of Cash Flows	10
Notes to Financial Statements	11-23
<u>SUPPLEMENTAL INFORMATION</u>	
Financial Data Schedule	24-27
Schedule of Expenditures of Federal Awards	28
Statement and Certification of Completed Modernization Grants	29
Schedule of Proportionate Share of the Net Pension Liability of the Public Employees Retirement Systems (PERS)	30
Schedule of Authority Contributions to the Public Employees Retirement System (PERS)	31
<u>OTHER REPORTS AND COMMENTS</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	32-33
Independent Auditor's Report on Compliance For Each Major Federal Program and Internal Control Over Compliance Required by the Uniform Guidance	34-35
Status of Prior Audit Findings	36
Schedule of Findings and Questioned Costs	36

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 \$25,500,055 (net position) as opposed to \$28,317,345 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 \$2,056,711.

3 – The Authority's cash and cash equivalent balances at June 30, 2017 were \$8,098,626, representing an increase of \$168,156 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$16,647,089 and Total Operating Expenses of \$19,849,969 (including depreciation of \$2,602,897) for the year ended June 30, 2017.

5 – The Authority's total capital outlays for the fiscal year were \$450,487. \$348,031 of the capital outlays were funded by the Capital Fund Program and \$102,456 were funded by operations.

6 – The Authority's Expenditures of Federal Awards amounted to \$8,204,469 for the fiscal year.

B – Using the Annual Report

1 – Management's Discussion and Analysis

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

2 –Financial Statements

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

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

The Comparative Statements of Revenue, Expenses and Changes in Net Position present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g.; depreciation and earned but unused vacation leave).

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

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2017

2 – Financial Statements (Continued)

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 8 through 10.

3 – Notes to Financial Statements

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

4 – Supplemental Information

The Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, The SEFA can be found on page 28 of this report.

C – The Authority as a Whole

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

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

D – Budgetary Highlights

For the year ended June 30, 2017 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. (Also, the Authority adopted a comprehensive annual budget for the General Fund.) The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

E – Capital Assets and Debt Administration

1 – Capital Assets

As of June 30, 2017, the Authority's net investment in capital assets for its Proprietary Fund was \$27,496,620 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress. Major capital assets purchased from grants of \$348,031 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. These activities are funded by grants from HUD. Additional informational on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this Report.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2017

E – Capital Assets and Debt Administration (Continued)

2 – Long Term Debt

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

F – Significant Changes from FYE June 30, 2016 to June 30, 2017

Changes in the Statement of Net Position

Accounts receivable miscellaneous increased \$443,856 primarily because the receivable from Post Road Gardens increased \$369,388. As mentioned in Note 4, there is a lawsuit pending against Post Road Gardens for cost reimbursement due from this not for profit corporation that owns property managed by the Housing Authority.

Net fixed assets decreased \$2,152,410 during the current fiscal year. The Authority had \$450,487 of fixed asset additions and incurred \$2,602,897 of depreciation expense.

Deferred Outflow of Resources increased \$3,857,753 based on the GASB 68 pension liability actuarial report provided by the State of New Jersey.

Total Liabilities increased \$5,434,866 primarily because of the \$4,645,720 increase in the GASB 68 pension liability. The Authority's other post-retirement benefits liability (OPEB) also increased \$710,663.

Deferred Inflow of Resources decreased \$305,223 based on the GASB 68 pension liability actuarial report provided by the State of New Jersey.

Unrestricted net position decreased \$585,524 primarily because of the aforementioned increases in the Authority's GASB 68 pension and OPEB liabilities.

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

Total operating revenue increased \$1,497,590.

- Total tenant revenue increased \$112,145. 54 additional public housing unit months leased during the current fiscal year and tenant recertifications resulted in an approximate 2.1% increase in rental revenue.
- Other revenue increased \$692,441 primarily because the Authority had a significant increase in HCV portability-in and administrative fees. In addition, the Authority received \$241,000 from FEMA related to storm damage.
- Gain on sale of capital assets increased \$708,042 as the Authority sold property at 19th Street during the current fiscal year.
- HUD operating grants and other government grants decreased a combined \$15,038; Low Rent Public Housing operating subsidy decreased \$118,268, HCV HAP subsidy revenue increased \$142,540, HCV administrative subsidy revenue decreased \$14,428, other government grants increased \$12,401, and capital fund operating grants decreased \$37,283.

Operating expenses (excluding depreciation expense) increased \$1,122,759 when compared to the prior fiscal year. The main cause of the increase is the Authority's GASB 68 pension liability related employee benefit expenses increased \$482,744. In addition, employee benefits expenses related to the Authority's OPEB liability increased \$710,663.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2017

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, 2018.

1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.

2 – The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.

H – Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Bayonne, P.O. Box 277, Bayonne, New Jersey 07002, or call (201) 339-8700.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2017

Composition of Net Position is as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>		
Cash and Other Assets	\$ 13,933,558	\$ 13,326,548	\$ 607,010	4.6%
Net Fixed Assets	27,496,620	29,649,030	(2,152,410)	-7.3%
Deferred Outflow of Resources	<u>5,290,434</u>	<u>1,432,681</u>	<u>3,857,753</u>	<u>269.3%</u>
Total Assets and Def. Outflow of Resources	<u>46,720,612</u>	<u>44,408,259</u>	<u>2,312,353</u>	<u>5.2%</u>
Less: Total Liabilities	(20,762,855)	(15,327,989)	(5,434,866)	35.5%
Less: Deferred Inflow of Resources	<u>(457,702)</u>	<u>(762,925)</u>	<u>305,223</u>	<u>-40.0%</u>
Total Net Position	<u>\$ 25,500,055</u>	<u>\$ 28,317,345</u>	<u>\$ (2,817,290)</u>	<u>-9.9%</u>
Net Investment in Capital Assets	27,496,620	29,649,030	(2,152,410)	-7.3%
Restricted Net Position	60,146	139,502	(79,356)	-56.9%
Unrestricted Net Position	<u>(2,056,711)</u>	<u>(1,471,187)</u>	<u>(585,524)</u>	<u>39.8%</u>
Total Net Position	<u>\$ 25,500,055</u>	<u>\$ 28,317,345</u>	<u>\$ (2,817,290)</u>	<u>-9.9%</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 5,473,747	\$ 5,361,602	\$ 112,145	2.1%
HUD Subsidies and Other Gov. Grants	7,919,159	7,934,197	(15,038)	-0.2%
Other	<u>2,546,141</u>	<u>1,853,700</u>	<u>692,441</u>	<u>37.4%</u>
Total Operating Revenues	<u>15,939,047</u>	<u>15,149,499</u>	<u>789,548</u>	<u>5.2%</u>
<u>Expenses</u>				
Operating Expenses (Excl. Dep.)	17,247,072	16,124,313	1,122,759	7.0%
Depreciation Expense	<u>2,602,897</u>	<u>2,521,550</u>	<u>81,347</u>	<u>3.2%</u>
Total Operating Expenses	<u>19,849,969</u>	<u>18,645,863</u>	<u>1,204,106</u>	<u>6.5%</u>
Deficiency of Operating Revenues Over Expenses	(3,910,922)	(3,496,364)	(414,558)	11.9%
<u>Non-Operating Revenues</u>				
Gain on Sale of Capital Assets	708,042	-	708,042	100.0%
Interest on Investments	<u>37,559</u>	<u>39,683</u>	<u>(2,124)</u>	<u>-5.4%</u>
Deficiency of Revenues Over Expenses Before Capital Grants Received	(3,165,321)	(3,456,681)	291,360	-8.4%
<u>Capital Grants</u>				
HUD Capital Grants	<u>348,031</u>	<u>2,008,194</u>	<u>(1,660,163)</u>	<u>-82.7%</u>
Excess Revenues/(Deficiency) Net Position - Beginning Balance	(2,817,290)	(1,448,487)	(1,368,803)	94.5%
	<u>28,317,345</u>	<u>29,765,832</u>	<u>(1,448,487)</u>	<u>-4.9%</u>
Net Position - Ending Balance	<u>\$ 25,500,055</u>	<u>\$ 28,317,345</u>	<u>\$ (2,817,290)</u>	<u>-9.9%</u>



CERTIFIED PUBLIC ACCOUNTANTS

2035 HAMBURG TURNPIKE, UNIT H
WAYNE, NEW JERSEY 07470
TELEPHONE: (973) 831-6969
FAX: (973) 831-6972
E-MAIL: POLCARICO@OPTONLINE.NET

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 Statements of Net Position of the Housing Authority of the City of Bayonne, herein referred to as the Authority, as of June 30, 2017 and 2016 and the related Statements of Revenue, Expenses and Changes in Net Position and Cash Flows for the years then and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, 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, 2017 and 2016, and the changes in net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the Housing Authority of the City of Bayonne adopted new accounting guidance, GASB Statement No. 68 Accounting for Pensions. Our opinion is not modified with respect to this matter.

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 Supplemental Schedules pertaining to the Public Employees Retirement System presented on pages 30-31 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.

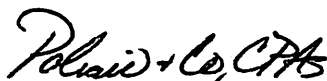
Other Information

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

The financial data schedule and the schedule of expenditures of federal awards for the year ended June 30, 2017 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 March 19, 2018 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
March 19, 2018



CERTIFIED PUBLIC ACCOUNTANTS

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
 At June 30, 2017 and 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 8,038,480	\$ 7,790,968
Cash and Cash Equivalents - Restricted	60,146	139,502
Accounts Receivable - Tenants (Net)	15,731	20,929
Accounts Receivable - Other Government	708	20,656
Accounts Receivable Miscellaneous	5,168,409	4,724,553
Inventory	65,511	50,040
Prepaid Expenses and Other Current Assets	274,531	269,858
Total Current Assets	<u>13,623,516</u>	<u>13,016,506</u>
<u>FIXED ASSETS</u>		
Land	1,506,843	1,452,593
Buildings	80,270,251	78,064,114
Furniture, Equipment and Machinery	884,869	836,665
Leasehold Improvements	4,039,233	3,613,738
Construction in Progress	2,545,803	4,829,402
Total Fixed Assets	<u>89,246,999</u>	<u>88,796,512</u>
Less: Accumulated Depreciation	<u>(61,750,379)</u>	<u>(59,147,482)</u>
Net Fixed Assets	<u>27,496,620</u>	<u>29,649,030</u>
Notes, Loans, & Mortgages Receivable - Non-Current	310,042	310,042
Deferred Outflow of Resources	5,290,434	1,432,681
Total Assets and Deferred Outflow of Resources	<u>\$ 46,720,612</u>	<u>\$ 44,408,259</u>
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 312,748	\$ 514,309
Accrued Payroll and Related Taxes	166,519	274,147
Due to Tenants:		
Security Deposits	3,919	4,554
Unearned Revenue	66,399	64,397
Due to Other Governments	502,804	462,270
Other Current Liabilities	288,895	-
Compensated Absences - Current Portion	48,192	42,504
Total Current Liabilities	<u>1,389,476</u>	<u>1,362,181</u>
Accrued Compensated Absences - Noncurrent	433,719	382,531
Accrued Pension and OPEB Liabilities	18,939,660	13,583,277
Total Liabilities	<u>20,762,855</u>	<u>15,327,989</u>
Deferred Inflow of Resources	<u>457,702</u>	<u>762,925</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	27,496,620	29,649,030
Restricted	60,146	139,502
Unrestricted	(2,056,711)	(1,471,187)
Total Net Position	<u>\$ 25,500,055</u>	<u>\$ 28,317,345</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, 2017 and 2016

	For the Year Ended	
	June 30, 2017	June 30, 2016
<u>OPERATING REVENUES</u>		
Total Tenant Revenue	\$ 5,473,747	\$ 5,361,602
HUD Grants - Operating	7,856,438	7,883,877
Other Government Grants	62,721	50,320
Other	2,546,141	1,853,700
Total Operating Revenues	15,939,047	15,149,499
<u>OPERATING EXPENSES</u>		
Administration	2,947,680	2,745,586
Tenant Services	1,389,784	1,074,858
Utilities	2,970,703	2,943,652
Ordinary Maintenance & Operations	4,825,908	4,775,106
Protective Services	87,463	187,805
General Expense	928,883	705,444
Housing Assistance Payments	4,096,651	3,691,862
Depreciation Expense	2,602,897	2,521,550
Total Operating Expenses	19,849,969	18,645,863
Excess of Operating Revenues Over Expenses	(3,910,922)	(3,496,364)
<u>NON OPERATING REVENUES/(EXPENSES)</u>		
Gain on Sale of Capital Assets	708,042	-
Interest Income	37,559	39,683
Income/(Loss) Before Contributions and Transfers	(3,165,321)	(3,456,681)
Capital Grants	348,031	2,008,194
Increase/(Decrease) In Net Position	(2,817,290)	(1,448,487)
Beginning Net Position	28,317,345	29,765,832
Prior Period Adjustments	-	-
Ending Net Position	\$ 25,500,055	\$ 28,317,345

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, 2017 and 2016

	For the Year Ended	
	June 30, 2017	June 30, 2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Revenue	\$ 5,480,947	\$ 5,385,440
From Government Agencies for Operating Grants	7,939,107	7,926,792
For Other Operating Revenues	2,102,285	1,242,826
Cash Paid:		
To Employees for Operations	(3,192,049)	(3,276,744)
To Suppliers for Operations	(8,707,993)	(7,385,488)
For Housing Assistance Payments	(4,096,651)	(3,691,862)
Net Cash Provided by Operating Activities	(474,354)	200,964
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	348,031	2,008,194
Gain on Sale of Capital Assets	708,042	-
Loans, Notes and Mortgage Receivable - Noncurrent	-	(6,396)
Acquisition of Property and Equipment	(450,487)	(2,083,212)
Net Cash Provided/(Used) by Capital and Related Financing Activities	605,586	(81,414)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Receipt/(Refund) of Security Deposits	(635)	368
Investment Income	37,559	39,683
Net Cash Provided by Investing Activities	36,924	40,051
Net Increase/(Decrease) in Cash and Cash Equivalents	168,156	159,601
Cash and Equivalents at Beginning of Period	7,930,470	7,770,869
Cash and Equivalents at End of Period	\$ 8,098,626	\$ 7,930,470
Reconciliation of Operating Income/(Loss) to Net Cash		
Provided/(Used) by Operations		
Operating Income/(Loss)	\$ (3,910,922)	\$ (3,496,364)
Adjustments to Reconcile Operating Income/(Loss) to Net		
Cash Provided/(Used) by Operating Activities		
Depreciation	2,602,897	2,521,550
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants (Net)	5,198	13,088
Accounts Receivable - HUD and Other Governments	19,948	(7,405)
Accounts Receivable - Miscellaneous	(443,856)	(610,874)
Inventory	(15,471)	3,330
Prepaid Expenses and Other Current Assets	(4,673)	34,788
Loans, Notes and Mortgage Receivable - Current	-	6,396
Deferred Outflow of Resources	(3,857,753)	(651,099)
Increase/(Decrease) in Liabilities		
Accounts Payable	(201,561)	177,184
Accrued Payroll	(107,628)	25,492
Unearned Revenue	2,002	10,750
Due to Other Governments	40,534	245,009
Other Current Liabilities	288,895	(100,000)
Compensated Absences	56,876	10,920
Accrued Pension and OPEB Liabilities	5,356,383	2,294,199
Deferred Inflow of Resources	(305,223)	(276,000)
Net Cash Provided by Operating Activities	\$ (474,354)	\$ 200,964

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017

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

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

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

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

**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, 2017

**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, 2017, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering AU 360.

c. **Budgetary Policy Control** – The housing authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority’s Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund’s budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source. Redevelopment Activities of the housing authority are controlled and reported to the New Jersey Department of Community Affairs in budgets and financial statements separate and distinct from other activities of the housing authority.

d. **New Accounting Pronouncements** - The Authority was required to adopt GASB Statement 68, *Accounting and Financial Reporting for Pensions* which requires employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. Additional information regarding the adoption of GASB 68 can be found in Note 13 to these financial statements.

NOTE 2 – Cash and Cash Equivalents

Cash and Cash Equivalents of \$8,098,626 and \$7,930,470 at June 30, 2017 and 2016 respectively, consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Checking Accounts	\$ 8,094,382	\$ 7,925,591
Tenant Pet Deposit Accounts	3,919	4,554
Petty Cash Fund	<u>325</u>	<u>325</u>
Total Cash and Equivalents	<u>\$ 8,098,626</u>	<u>\$ 7,930,470</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, 2017 was \$8,098,626 and the bank balances were \$8,286,942. Of the bank balances, \$250,000 was covered by FDIC insurance and \$8,036,942 was covered collateral agreements, which require the institutions to purchase securities as collateral for all of the Authority’s deposits and have the collateral held by an approved custodian in the Authority’s name. Cash and cash equivalents, except petty cash, are held in the Authority’s name.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance for doubtful accounts of \$15,067 and \$20,930 at June 30, 2017 and 2016, respectively.

NOTE 4 – Accounts Receivable Miscellaneous

Accounts receivable miscellaneous of \$5,168,409 and \$4,724,553 at June 30, 2017 and 2016 represent fee and cost reimbursements due from not-for-profit corporations owning properties managed by the Housing Authority. At June 30, 2017, the Authority was owed \$3,813,340 from Post Road Gardens, \$216,968 from Bridgeview Manor, \$638,101 from Zito Towers and \$500,000 related to the business activities program. At June 30, 2016, the Authority was owed \$3,443,952, \$642,499, and \$638,101, respectively. The Authority filed a lawsuit against Post Road Gardens and Zito Towers during the fiscal year ended June 30, 2015 to collect the money owed. The lawsuit is still pending as of the date of this audit report.

NOTE 5 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost. The following is a summary of the changes in general fixed assets for the fiscal years ended June 30, 2017 and 2016:

	July 1, 2016	Additions	Disposals	Transfers	June 30, 2017
Land	\$ 1,452,593	\$ 54,250	\$ -	\$ -	\$ 1,506,843
Buildings and Improvements	81,677,852	2	-	2,631,630	84,309,484
Furniture and Equipment	836,665	48,204	-	-	884,869
Construction in Progress	4,829,402	348,031	-	(2,631,630)	2,545,803
Total Fixed Assets	88,796,512	450,487	-	-	89,246,999
Accumulated Depreciation	(59,147,482)	(2,602,897)	-	-	(61,750,379)
Net Fixed Assets	\$ 29,649,030	\$ (2,152,410)	\$ -	\$ -	\$ 27,496,620
	July 1, 2015	Additions	Disposals	Transfers	June 30, 2016
Land	\$ 1,452,593	\$ -	\$ -	\$ -	\$ 1,452,593
Buildings and Improvements	81,677,852	-	-	-	81,677,852
Furniture and Equipment	761,647	75,018	-	-	836,665
Construction in Progress	2,821,208	2,008,194	-	-	4,829,402
Total Fixed Assets	86,713,300	2,083,212	-	-	88,796,512
Accumulated Depreciation	(56,625,932)	(2,521,550)	-	-	(59,147,482)
Net Fixed Assets	\$ 30,087,368	\$ (438,338)	\$ -	\$ -	\$ 29,649,030

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

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017 and June 30, 2016, PILOT expense of \$257,795 and \$245,009, 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, 2017 and 2016 totaled \$481,911 and \$425,035, 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, 2017, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

NOTE 9 – Construction Commitments

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

NOTE 10 – Unearned Revenue

Unearned revenue of \$66,399 at June 30, 2017, represents tenant prepaid rent. Unearned revenue of \$64,397 at June 30, 2016, represents \$58,875 of tenant prepaid rent and \$5,522 of deferred credits related to the Congregate Services program.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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, 2017:

Administrative Fee Reserves			
Beginning Balance	\$	35,293	
FYE June 30, 2017 Excess of Admin Revenue Over Expense		(58,042)	(22,749)
Housing Assistance Payment Reserves			
Beginning Balance		139,502	
FYE June 30, 2017 Excess of HAP Revenue Over Expense		(79,356)	<u>60,146</u>
Total Restricted & Unrestricted Net Position			<u>\$ 37,397</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, 2017

NOTE 12 – Post Employment Retirement Benefits (Continued)

Annual Required Contribution	\$764,603
Interest on net OPEB obligation	\$78,273
Adjustment to annual required contribution	\$407,593
Annual OPEB cost (expense)	\$1,250,469
Contributions made	\$(539,806)
Increase in net OPEB obligation	\$710,663
Net OPEB Obligation – beginning of year	\$2,667,484
Net OPEB Obligation – end of year	\$3,378,147

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 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
6/30/2015	\$647,617	39.03%	\$1,956,821
6/30/2016	\$1,250,469	43.17%	\$2,667,484
6/30/2017	\$1,250,469	43.17%	\$3,378,147

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2016, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$18,227,070 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAL) of \$18,227,070. The covered payroll (annual payroll of active employees covered by the plan) was \$3,238,300 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, 2017

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 2017	
FY 2018	8.0%
FY 2019	8.0%

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, 2015	July 1, 2012
A. Average Age of Hire	N/A	N/A
B. Average Service	12.4	14.8
C. Average Current Age	47.6	49.1

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, 2017

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. 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, 2016 and June 30, 2015, the Authority reported \$15,561,513 and \$10,915,793 respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2017 and June 30, 2016 were 0.0525% and 0.0486%, respectively. The components of the Authority's net pension liability as of June 30, 2016 and 2015, the most recent evaluation dates, are as follows:

	<u>2016</u>	<u>2015</u>
Total Pension Liability	\$ 25,995,128	\$ 20,962,906
Less: Plan Fiduciary Net Position	<u>(10,433,616)</u>	<u>(10,047,114)</u>
Net Pension Liability	<u>\$ 15,561,513</u>	<u>\$ 10,915,793</u>

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 13 – Pension Plan (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases	
Through 2026	1.65% - 4.15% based on age
Thereafter	2.65% - 5.15% based on age
Investment Rate of Return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 2 years for males and 7 years for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2013 based on projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 13 – Pension Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made as the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make future projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the collective net pension liability of the Authority as of June 30, 2016 and June 30, 2015, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>At 1% Decrease</u>	<u>At June 30 Discount Rate</u>	<u>At 1% Increase</u>
2016	\$ 19,068,818	\$ 15,561,513	\$ 12,665,929
2015	\$ 13,566,995	\$ 10,915,793	\$ 8,693,044

At June 30, 2016 and 2015, the Authority reported deferred outflows inflows of resources related to pensions from the following sources:

	2016 Deferred Outflows of Resources	2016 Deferred Inflows of Resources	2015 Deferred Outflows of Resources	2015 Deferred Inflows of Resources
Changes of assumptions	\$ 3,223,514	\$ -	\$ 1,172,269	\$ -
Differences between expected and actual experience	289,397	-	260,412	-
Net differences between projected and actual earnings on plan investments	593,375	-	-	175,505
Changes in proportion	638,052	457,702	-	587,420
Authority's contributions subsequent to the measurement date	546,096	-	-	-
TOTAL	\$ 5,290,434	\$ 457,702	\$ 1,432,681	\$ 762,925

The amounts reported as deferred outflows and inflows resources (excluding employer specific amounts) relate to pensions will be recognized in pension expense as shown in the below chart. The amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 13 – Pension Plan (Continued)

(amortized) over the average of the expected remaining service lives which is 5.57 and 5.72 for the years 2016 and 2015, respectively.

Year ended June 30:	
2017	\$ 1,191,093
2018	1,191,093
2019	1,379,921
2020	1,159,336
2021	<u>368,990</u>
Total	<u>\$ 5,290,434</u>

NOTE 14 – Prior Period Adjustments

There was no prior period adjustments recorded during the fiscal years ending June 30, 2017 and June 30, 2016.

NOTE 15 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through March 19, 2018, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Bayonne Housing Authority (NJ012)
 BAYONNE, NJ
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit
 Fiscal Year End: 06/30/2017

111	Cash - Unrestricted	\$7,948,710	\$357,581	\$65,368	\$0	\$0	\$8,371,659
112	Cash - Restricted - Modernization and Development	\$60,146					\$60,146
113	Cash - Other Restricted	\$3,919					\$3,919
114	Cash - Tenant Security Deposits						\$3,919
115	Cash - Restricted for Payment of Current Liabilities						\$0
100	Total Cash	\$7,952,629	\$417,727	\$65,368	\$0	\$0	\$8,435,724
121	Accounts Receivable - PHA Projects						
122	Accounts Receivable - HUD Other Projects						
124	Accounts Receivable - Other Government	\$708					\$708
125	Accounts Receivable - Miscellaneous	\$500,000					\$5,168,409
126	Accounts Receivable - Tenants	\$24,064					\$24,064
126.1	Allowance for Doubtful Accounts - Tenants	-\$12,032					-\$12,032
126.2	Allowance for Doubtful Accounts - Other	\$0					\$0
127	Notes, Loans, & Mortgages Receivable - Current						
128	Fraud Recovery	\$6,734					\$6,734
128.1	Allowance for Doubtful Accounts - Fraud	-\$3,035					-\$3,035
129	Accrued Interest Receivable	\$15,731					\$5,184,848
120	Total Receivables, Net of Allowances for Doubtful Accounts	\$708	\$0	\$500,000	\$4,668,409	\$5,184,848	\$0
131	Investments - Unrestricted						
132	Investments - Restricted						
133	Investments - Restricted for Payment of Current Liability						
142	Prepaid Expenses and Other Assets	\$253,731		\$20,800			\$274,531
143	Inventories	\$65,514		\$65,514			\$65,514
143.1	Allowance for Obsolete Inventories	-\$3					-\$3
144	Inter Program Due From	\$0		\$2,000,000			-\$2,000,000
145	Assets Held for Sale						
150	Total Current Assets	\$8,287,602	\$418,435	\$2,565,368	\$4,689,209	\$15,960,614	-\$2,000,000
161	Land	\$1,452,593		\$54,250			\$1,506,843
162	Buildings	\$60,270,251					\$60,270,251
163	Furniture, Equipment & Machinery - Dwellings						
164	Furniture, Equipment & Machinery - Administration	\$85,561		\$29,308			\$84,869
165	Leasehold Improvements	\$3,515,233		\$524,000			\$4,039,233
166	Accumulated Depreciation	-\$61,367,592		-\$382,787			-\$61,750,379
167	Construction in Progress	\$2,545,803					\$2,545,803
168	Infrastructure						
160	Total Capital Assets, Net of Accumulated Depreciation	\$27,271,849	\$0	\$54,250	\$170,521	\$27,496,620	\$0
171	Notes, Loans and Mortgages Receivable - Non-Current						
172	Notes, Loans, & Mortgages Receivable - Non-Current - Past Due						
173	Grants Receivable - Non-Current						
174	Other Assets						
176	Investments in Joint Ventures						
180	Total Non-Current Assets	\$27,271,849	\$0	\$364,292	\$170,521	\$27,806,662	\$0
200	Deferred Outflow of Resources	\$3,749,142	\$200,501	\$1,340,791	\$5,290,434		\$5,290,434
290	Total Assets and Deferred Outflow of Resources	\$39,308,593	\$618,936	\$2,929,660	\$6,200,521	\$49,057,710	-\$2,000,000
311	Bank Overdraft	\$281,091	\$14,397	\$337,098			\$337,098
312	Accounts Payable <= 90 Days						
313	Accounts Payable > 90 Days Past Due						
321	Accrued Wages/Payroll Taxes Payable	\$166,519					\$166,519
322	Accrued Compensated Absences - Current Portion	\$26,986	\$1,785	\$19,421			\$48,192
324	Accrued Contingency Liability						
325	Accrued Interest Payable						
331	Accounts Payable - HUD PHA Programs						
332	Accounts Payable - PHA Projects						
333	Accounts Payable - Other Government	\$502,804					\$502,804
341	Tenant Security Deposits	\$3,919					\$3,919
342	Unearned Revenue	\$66,399					\$66,399
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344	Current Portion of Long-term Debt - Operating Borrowings						
345	Other Current Liabilities						\$5,692
	Total						
	Project Total						
	14.871 Housing Choice Vouchers						
	2 State/Local						
	1 Business Activities						
	COCC						
	Subtotal						
	ELIM						
	Total						

**Bayonne Housing Authority (NJ012)
BAYONNE, NJ**

Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2017

Submission Type: Audited/Single Audit

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
346 Accrued Liabilities - Other	\$283,203					\$283,203		\$283,203
347 Inter Program - Due To					\$2,000,000	\$2,000,000	-\$2,000,000	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$1,164,402	\$16,182	\$0	\$0	\$2,545,990	\$3,726,574	-\$2,000,000	\$1,726,574
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	\$242,868	\$16,062			\$174,789	\$433,719		\$433,719
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$13,587,218	\$547,305			\$4,805,137	\$18,939,660		\$18,939,660
350 Total Non-Current Liabilities	\$13,830,086	\$563,367	\$0	\$0	\$4,979,926	\$19,373,379	\$0	\$19,373,379
300 Total Liabilities	\$14,994,488	\$579,549	\$0	\$0	\$7,525,916	\$23,099,953	-\$2,000,000	\$21,099,953
400 Deferred Inflow of Resources	\$317,184	\$1,990			\$138,528	\$457,702		\$457,702
508.4 Net Investment in Capital Assets	\$27,271,849	\$0	\$0	\$54,250	\$170,521	\$27,496,620		\$27,496,620
511.4 Restricted Net Position	\$0	\$60,146	\$0	\$0	\$0	\$60,146		\$60,146
512.4 Unrestricted Net Position	-\$3,274,928	-\$22,749	\$0	\$2,875,410	-\$1,634,444	-\$2,056,711		-\$2,056,711
513 Total Equity - Net Assets / Position	\$23,996,921	\$37,397	\$0	\$2,929,660	-\$1,463,923	\$25,500,055	\$0	\$25,500,055
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$39,308,593	\$618,936	\$0	\$2,929,660	\$6,200,521	\$49,057,710	-\$2,000,000	\$47,057,710

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$5,386,760					\$5,386,760		\$5,386,760
70400 Tenant Revenue - Other	\$86,987					\$86,987		\$86,987
70500 Total Tenant Revenue	\$5,473,747	\$0	\$0	\$0	\$0	\$5,473,747	\$0	\$5,473,747
70600 HUD PHA Operating Grants	\$5,462,428	\$2,394,010			\$0	\$7,856,438		\$7,856,438
70610 Capital Grants	\$348,031					\$348,031		\$348,031
70710 Management Fee					\$1,003,502	\$1,003,502	-\$1,003,502	\$0
70720 Asset Management Fee								
70730 Book Keeping Fee					\$133,387	\$133,387	-\$133,387	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$1,136,889	\$1,136,889	-\$1,136,889	\$0
70800 Other Government Grants			\$62,721			\$62,721		\$62,721
71100 Investment Income - Unrestricted		\$1,495		\$11,432	\$24,632	\$37,559		\$37,559
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$14,752				\$14,752		\$14,752
71500 Other Revenue	\$423,782	\$1,953,136	\$4,816	\$110,279	\$39,376	\$2,531,389		\$2,531,389
71600 Gain or Loss on Sale of Capital Assets	\$708,042					\$708,042		\$708,042
72000 Investment Income - Restricted								
70000 Total Revenue	\$12,416,030	\$4,363,393	\$67,537	\$121,711	\$1,200,897	\$18,169,568	-\$1,136,889	\$17,032,679
91100 Administrative Salaries	\$185,777	\$123,059			\$454,526	\$743,362		\$743,362
91200 Auditing Fees	\$14,236	\$1,704				\$15,940		\$15,940
91300 Management Fee	\$969,001	\$34,501				\$1,003,502	-\$1,003,502	\$0
91310 Book-keeping Fee	\$111,825	\$21,562				\$133,387	-\$133,387	\$0
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	\$699,583	\$133,474			\$438,360	\$1,271,417		\$1,271,417
91600 Office Expenses	\$204,214	\$16,205			\$132,088	\$352,507		\$352,507
91700 Legal Expense	\$171,427	\$1,680		\$253,228	\$0	\$426,335		\$426,335
91800 Travel	\$8,034	\$5,045		\$590	\$7,720	\$21,389		\$21,389
91810 Allocated Overhead								
91900 Other	\$90,843	\$25,887			\$0	\$116,730		\$116,730
91000 Total Operating - Administrative	\$2,434,940	\$383,117	\$0	\$253,818	\$1,032,694	\$4,084,569	-\$1,136,889	\$2,947,680
92000 Asset Management Fee								
92100 Tenant Services - Salaries	\$414,134	\$14,144			\$37,472	\$465,750		\$465,750
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$346,311	\$11,404			\$35,660	\$393,375		\$393,375
92400 Tenant Services - Other	\$463,122		\$67,537			\$530,659		\$530,659
92500 Total Tenant Services	\$1,223,567	\$25,548	\$67,537	\$0	\$73,132	\$1,389,784	\$0	\$1,389,784
93100 Water	\$570,471					\$570,471		\$570,471
93200 Electricity	\$1,029,835				\$15,138	\$1,044,973		\$1,044,973
93300 Gas	\$603,384				\$3,060	\$606,444		\$606,444
93400 Fuel								
93500 Labor	\$153,879					\$153,879		\$153,879
93600 Sewer	\$502,872					\$502,872		\$502,872
93700 Employee Benefit Contributions - Utilities	\$92,064					\$92,064		\$92,064
93800 Other Utilities Expense								
93000 Total Utilities	\$2,952,505	\$0	\$0	\$0	\$18,198	\$2,970,703	\$0	\$2,970,703
94100 Ordinary Maintenance and Operations - Labor	\$1,546,932				\$313,754	\$1,860,686		\$1,860,686
94200 Ordinary Maintenance and Operations - Materials and Other	\$619,903				\$2,118	\$622,021		\$622,021
94300 Ordinary Maintenance and Operations Contracts	\$597,615			\$209,860	\$7,313	\$814,788		\$814,788
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,264,466				\$263,947	\$1,528,413		\$1,528,413
94000 Total Maintenance	\$4,028,916	\$0	\$0	\$209,860	\$587,132	\$4,825,908	\$0	\$4,825,908
95100 Protective Services - Labor	\$13,468				\$1,155	\$14,623		\$14,623
95200 Protective Services - Other Contract Costs	\$66,000					\$66,000		\$66,000
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services	\$6,327				\$513	\$6,840		\$6,840
95000 Total Protective Services	\$85,795	\$0	\$0	\$0	\$1,668	\$87,463	\$0	\$87,463
96110 Property Insurance								
96120 Liability Insurance								
96130 Workmen's Compensation								
96140 All Other Insurance	\$439,166	\$3,928			\$27,934	\$471,028		\$471,028
96100 Total Insurance Premiums	\$439,166	\$3,928	\$0	\$0	\$27,934	\$471,028	\$0	\$471,028

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
96200 Other General Expenses	\$14,517	\$3,546		\$76,048		\$94,111		\$94,111
96210 Compensated Absences	\$44,094	\$8,001			\$4,781	\$56,876		\$56,876
96300 Payments in Lieu of Taxes	\$257,795					\$257,795		\$257,795
96400 Bad debt - Tenant Rents	\$49,073					\$49,073		\$49,073
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$365,479	\$11,547	\$0	\$76,048	\$4,781	\$457,855	\$0	\$457,855
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	\$11,530,368	\$404,140	\$67,537	\$539,726	\$1,745,539	\$14,287,310	-\$1,136,889	\$13,150,421
97000 Excess of Operating Revenue over Operating Expenses	\$885,662	\$3,959,253	\$0	-\$418,015	-\$544,642	\$3,882,258	\$0	\$3,882,258
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$2,270,220				\$2,270,220		\$2,270,220
97350 HAP Portability-In		\$1,826,431				\$1,826,431		\$1,826,431
97400 Depreciation Expense	\$2,562,132	\$0			\$40,765	\$2,602,897		\$2,602,897
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$14,092,500	\$4,500,791	\$67,537	\$539,726	\$1,786,304	\$20,986,858	-\$1,136,889	\$19,849,969
10010 Operating Transfer In								
10020 Operating transfer Out								
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	-\$1,676,470	-\$137,398	\$0	-\$418,015	-\$585,407	-\$2,817,290	\$0	-\$2,817,290
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$25,673,391	\$174,795	\$0	\$3,347,675	-\$878,516	\$28,317,345		\$28,317,345
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0					\$0		\$0
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		-\$22,749				-\$22,749		-\$22,749
11180 Housing Assistance Payments Equity		\$60,146				\$60,146		\$60,146
11190 Unit Months Available	15036	3024			0	18060		18060
11210 Number of Unit Months Leased	14910	2875			0	17785		17785
11270 Excess Cash	\$5,893,058					\$5,893,058		\$5,893,058
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$2,631,632				\$0	\$2,631,632		\$2,631,632
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$348,031				\$0	\$348,031		\$348,031
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, 2017

	<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)	\$ -	\$ 4,862,875	\$ 4,862,875	\$ -
<u>CAPITAL FUND PROGRAM CLUSTER</u>				
Capital Fund Program (CFDA# 14.872)	-	947,584	947,584	-
<u>HOUSING ASSISTANCE PAYMENTS PROGRAM</u>				
Section 8 Voucher Program (CFDA # 14.871)	<u>-</u>	<u>2,394,010</u>	<u>2,394,010</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE	<u>\$ -</u>	<u>\$ 8,204,469</u>	<u>\$ 8,204,469</u>	<u>\$ -</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS
 As of June 30, 2017

	NJ39PO12501-12 2012 <u>Capital Fund</u>	<u>Total</u>
Funds Approved	\$ 2,065,041	\$ 2,065,041
Funds Expended	<u>2,065,041</u>	<u>2,065,041</u>
 Excess/(Deficiency) Approved	 <u>\$ -</u>	 <u>\$ -</u>
 Funds Advanced	 \$ 2,065,041	 \$ 2,065,041
Funds Expended	<u>2,065,041</u>	<u>2,065,041</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, 2017

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

Housing Authority of the City of Bayonne
 Schedule of Authority Contributions to the
 Public Employees Retirement System (PERS)
 For the Year Ended September 30, 2017

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



CERTIFIED PUBLIC ACCOUNTANTS

2035 HAMBURG TURNPIKE, UNIT H
WAYNE, NEW JERSEY 07470
TELEPHONE: (973) 831-6969
FAX: (973) 831-6972
E-MAIL: POLCARICO@OPTONLINE.NET

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States, the financial statements of the Housing Authority of the City of Bayonne as of and for the year ended June 30, 2017 and have issued our report thereon dated March 19, 2018.

Internal Control Over Financial Reporting

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

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of This Report

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



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 19, 2018



CERTIFIED PUBLIC ACCOUNTANTS

2035 HAMBURG TURNPIKE, UNIT H
WAYNE, NEW JERSEY 07470
TELEPHONE: (973) 831-6969
FAX: (973) 831-6972
E-MAIL: POLCARICO@OPTONLINE.NET

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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Bayonne's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the entity's major federal programs for the year ended June 30, 2017. The Housing Authority of the City of Bayonne's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Bayonne complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 19, 2018



Housing Authority of the City of Bayonne
Bayonne, New Jersey
June 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness Identified?	_____ yes	<u> X </u> no
Significant Deficiencies identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none reported
Noncompliance Material to Financial Statements Noted?	_____ yes	<u> X </u> no

Federal Awards

Internal Control over Major Programs:

Material Weakness Identified?	_____ yes	<u> X </u> no
Significant Deficiencies identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none reported

Type of audit report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) _____ yes X no

Identification of Major Programs

CFDA

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
14.850	Low Income Public Housing Program

Dollar Threshold used to distinguish between type A and type B Programs \$750,000

Auditee qualified as low-risk? X yes _____ no

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.