

HOUSING AUTHORITY OF THE
CITY OF BAYONNE
Bayonne, New Jersey

COMPARATIVE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
 COMPARATIVE FINANCIAL STATEMENTS
 For the Fiscal Years Ended June 30, 2019 and 2018

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	11-25
<u>SUPPLEMENTAL INFORMATION</u>	
Financial Data Schedule	26-29
Schedule of Expenditures of Federal Awards	30
Schedule of Proportionate Share of the Net Pension Liability of the Public Employees Retirement Systems (PERS)	31
Schedule of Authority Contributions to the Public Employees Retirement System (PERS)	32
Schedule of Changes in the Housing Authority's Total OPEB Liability and Related Ratios	33
<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	34-35
Independent Auditor's Report on Compliance For Each Major Federal Program and Internal Control Over Compliance Required by the Uniform Guidance	36-37
Status of Prior Audit Findings	38
Schedule of Findings and Questioned Costs	38

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2019

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A - Financial Highlights

1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$9,080,321 (net position) as opposed to \$9,412,639 for the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported an ending Unrestricted Net Position deficit of \$18,794,832.

3 – The Authority's cash and cash equivalent balances at June 30, 2019 were \$8,555,821, representing an increase of \$557,921 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$17,440,859 and Total Operating Expenses of \$20,311,418 (including depreciation of \$2,627,759) for the year ended June 30, 2019.

5 – The Authority's total capital outlays for the fiscal year were \$2,241,043.

6 – The Authority's Expenditures of Federal Awards amounted to \$10,156,636 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, 2019

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, 2019 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, 2019, the Authority's net investment in capital assets for its Proprietary Fund was \$27,875,153 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress. Major capital assets purchased from grants of \$2,179,723 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, 2019

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, 2018 to June 30, 2019

Changes in the Statement of Net Position

Cash and other current assets increased \$434,404 primarily because the Authority' cash increased \$557,921. Cash provided by operations was \$553,065, cash used by capital activities was \$61,320 and cash provided from investments was \$66,176.

Net fixed assets decreased \$386,716 during the current fiscal year. The Authority had \$2,241,023 of fixed asset additions and incurred \$2,627,759 of depreciation expense.

Deferred Outflow of Resources increased \$309,305 based on the other post-retirement benefits (OPEB) liability and pension liability actuarial reports provided by the State of New Jersey.

Total liabilities decreased \$7,394,430 primarily because the other post-retirement benefits (OPEB) and pension liabilities decreased from the prior fiscal year. As previously mentioned, these liabilities are actuarial valuations provided by the State of New Jersey.

Deferred Inflow of Resources increased \$8,083,741 based on the other post-retirement benefits (OPEB) (OPEB) and pension liability actuarial reports provided by the State of New Jersey.

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

Total operating revenue decreased \$1,447,154.

- Total tenant revenue increased \$343,206. Public housing annual tenant recertifications resulted in a 5.9% rental revenue increase when compared to the prior fiscal year.
- Other revenue decreased \$1,787,839 primarily because the Authority received approximately \$2,000,000 from the HUD recapture lawsuit settlement in the prior fiscal year. The Authority received no such settlement in the current fiscal year.

Operating expenses (excluding depreciation expense) decreased \$2,309,645 when compared to the prior fiscal year primarily because administrative expenses decreased \$2,830,378. In the prior fiscal year, the transfer of the \$2,000,000 lawsuit settlement to Post Road Gardens was recorded as a miscellaneous administrative expense. This large decrease in expense in the current fiscal year was partially offset by the \$696,385 HAP expense increase. The current fiscal year average housing assistance payment was \$1,831 as opposed to \$1,580 in 2018.

Prior period adjustment decreased \$15,187,652 due to the aforementioned other post-retirement benefits (OPEB) liability (OPEB) and pension liability actuarial adjustments provided by the State of New Jersey.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2019

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, 2020.

- 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, 2019

Composition of Net Position is as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2019</u>	<u>June 30, 2018</u>		
Cash and Other Current Assets	\$ 14,012,775	\$ 13,578,371	\$ 434,404	3.2%
Net Fixed Assets	27,875,153	28,261,869	(386,716)	-1.4%
Notes Receivable	310,042	310,042	-	0.0%
Deferred Outflow of Resources	<u>3,403,009</u>	<u>3,093,704</u>	<u>309,305</u>	<u>10.0%</u>
Total Assets and Def. Outflow of Resources	<u>45,600,979</u>	<u>45,243,986</u>	<u>356,993</u>	<u>0.8%</u>
Less: Total Liabilities	(25,068,635)	(32,463,065)	7,394,430	-22.8%
Less: Deferred Inflow of Resources	<u>(11,452,023)</u>	<u>(3,368,282)</u>	<u>(8,083,741)</u>	<u>240.0%</u>
Total Net Position	<u>\$ 9,080,321</u>	<u>\$ 9,412,639</u>	<u>\$ (332,318)</u>	<u>-3.5%</u>
Net Investment in Capital Assets	27,875,153	28,261,869	(386,716)	-1.4%
Restricted Net Position	-	-	-	0.0%
Unrestricted Net Position	<u>(18,794,832)</u>	<u>(18,849,230)</u>	<u>54,398</u>	<u>-0.3%</u>
Total Net Position	<u>\$ 9,080,321</u>	<u>\$ 9,412,639</u>	<u>\$ (332,318)</u>	<u>-3.5%</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2019</u>	<u>June 30, 2018</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 6,138,739	\$ 5,795,533	\$ 343,206	5.9%
HUD Operating Grants	7,976,913	7,979,434	(2,521)	0.0%
Other	<u>3,325,207</u>	<u>5,113,046</u>	<u>(1,787,839)</u>	<u>-35.0%</u>
Total Operating Revenues	<u>17,440,859</u>	<u>18,888,013</u>	<u>(1,447,154)</u>	<u>-7.7%</u>
<u>Expenses</u>				
Operating Expenses (Excl. Dep.)	17,727,106	20,036,751	(2,309,645)	-11.5%
Depreciation Expense	<u>2,627,759</u>	<u>2,504,650</u>	<u>123,109</u>	<u>4.9%</u>
Total Operating Expenses	<u>20,354,865</u>	<u>22,541,401</u>	<u>(2,186,536)</u>	<u>-9.7%</u>
Deficiency of Operating Revenues Over Expenses	(2,914,006)	(3,653,388)	739,382	-20.2%
<u>Non-Operating Revenues</u>				
Interest on Investments	<u>66,850</u>	<u>40,782</u>	<u>26,068</u>	<u>63.9%</u>
Deficiency of Revenues Over Expenses Before Capital Grants Received	(2,847,156)	(3,612,606)	765,450	-21.2%
<u>Capital Grants</u>				
HUD Capital Grants	<u>2,179,723</u>	<u>2,421,174</u>	<u>(241,451)</u>	<u>-10.0%</u>
Excess Revenues/(Deficiency)	(667,433)	(1,191,432)	523,999	-44.0%
Prior Period Adjustment	335,115	(14,895,984)	15,231,099	-102.2%
Net Position - Beginning Balance	<u>9,412,639</u>	<u>25,500,055</u>	<u>(16,087,416)</u>	<u>-63.1%</u>
Net Position - Ending Balance	<u>\$ 9,080,321</u>	<u>\$ 9,412,639</u>	<u>\$ (332,318)</u>	<u>-3.5%</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 financial statements of the Housing Authority of the City of Bayonne, which comprise the Comparative Statements of Net Position as of June 30, 2019 and 2018 and the related Comparative Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the years ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position the Housing Authority of the City of Bayonne, as of June 30, 2019 and 2018, and the respective changes in net position and cash flows thereof for the years then ended, in accordance with the accounting principles generally accepted in the United States of America

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Supplemental Schedules pertaining to the Public Employees Retirement System and Other Postemployment Benefits presented on pages 31-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Bayonne. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial data schedule and the schedule of expenditures of federal awards for the year ended June 30, 2019 are the responsibility of management and were derived from and directly relate to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated February 25, 2020 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.


CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
February 25, 2020

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
 At June 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 8,555,821	\$ 7,997,900
Cash and Cash Equivalents - Restricted	-	-
Accounts Receivable - Tenants (Net)	35,728	16,723
Accounts Receivable - HUD	27,496	88,316
Accounts Receivable - Other Government	17,496	42,409
Accounts Receivable Miscellaneous	5,039,169	5,133,020
Inventory	65,901	53,685
Prepaid Expenses and Other Current Assets	271,164	246,318
Total Current Assets	14,012,775	13,578,371
<u>FIXED ASSETS</u>		
Land	1,506,843	1,506,843
Buildings	82,900,482	80,766,372
Furniture, Equipment and Machinery	555,069	489,749
Leasehold Improvements	4,157,895	4,039,233
Construction in Progress	5,221,426	5,298,475
Total Fixed Assets	94,341,715	92,100,672
Less: Accumulated Depreciation	(66,466,562)	(63,838,803)
Net Fixed Assets	27,875,153	28,261,869
Notes, Loans, & Mortgages Receivable - Non-Current	310,042	310,042
Deferred Outflow of Resources	3,403,009	3,093,704
Total Assets and Deferred Outflow of Resources	\$ 45,600,979	\$ 45,243,986
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 906,284	\$ 707,160
Accrued Payroll and Related Taxes	181,624	171,976
Due to Tenants:		
Security Deposits	3,408	4,082
Unearned Revenue	57,243	65,282
Due to Other Governments	298,467	546,532
Other Current Liabilities	-	15,775
Compensated Absences - Current Portion	42,650	44,351
Total Current Liabilities	1,489,676	1,555,158
Accrued Compensated Absences - Noncurrent	383,856	399,160
Accrued Pension and OPEB Liabilities	23,195,103	30,508,747
Total Liabilities	25,068,635	32,463,065
Deferred Inflow of Resources	11,452,023	3,368,282
<u>NET POSITION</u>		
Net Investment in Capital Assets	27,875,153	28,261,869
Restricted	-	-
Unrestricted	(18,794,832)	(18,849,230)
Total Net Position	\$ 9,080,321	\$ 9,412,639

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, 2019 and 2018

	For the Year Ended	
	June 30, 2019	June 30, 2018
<u>OPERATING REVENUES</u>		
Total Tenant Revenue	\$ 6,138,739	\$ 5,795,533
HUD Grants - Operating	7,976,913	7,979,434
Other Government Grants	54,584	468,352
Other	3,270,623	4,644,694
Total Operating Revenues	17,440,859	18,888,013
<u>OPERATING EXPENSES</u>		
Administration	2,444,455	5,274,833
Tenant Services	978,301	1,136,281
Utilities	3,174,886	2,932,256
Ordinary Maintenance & Operations	4,776,690	4,925,361
Protective Services	76,516	230,678
General Expense	848,049	805,518
Housing Assistance Payments	5,428,209	4,731,824
Depreciation Expense	2,627,759	2,504,650
Total Operating Expenses	20,354,865	22,541,401
Excess of Operating Revenues Over Expenses	(2,914,006)	(3,653,388)
<u>NON OPERATING REVENUES/(EXPENSES)</u>		
Interest Income	66,850	40,782
Income/(Loss) Before Contributions and Transfers	(2,847,156)	(3,612,606)
Capital Grants	2,179,723	2,421,174
Increase/(Decrease) In Net Position	(667,433)	(1,191,432)
Beginning Net Position	9,412,639	25,500,055
Prior Period Adjustments	335,115	(14,895,984)
Ending Net Position	\$ 9,080,321	\$ 9,412,639

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, 2019 and 2018

	For the Year Ended	
	June 30, 2019	June 30, 2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Revenue	\$ 6,111,695	\$ 5,793,424
From Government Agencies for Operating Grants	8,117,230	8,403,024
For Other Operating Revenues	3,364,474	4,680,083
Cash Paid:		
To Employees for Operations	(3,298,118)	(3,078,964)
To Suppliers for Operations	(8,314,007)	(10,358,688)
For Housing Assistance Payments	(5,428,209)	(4,731,824)
Net Cash Provided by Operating Activities	553,065	707,055
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	2,179,723	2,421,174
Acquisition of Property and Equipment	(2,241,043)	(3,269,900)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(61,320)	(848,726)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Receipt/(Refund) of Security Deposits	(674)	163
Investment Income	66,850	40,782
Net Cash Provided by Investing Activities	66,176	40,945
Net Increase/(Decrease) in Cash and Cash Equivalents	557,921	(100,726)
Cash and Equivalents at Beginning of Period	7,997,900	8,098,626
Cash and Equivalents at End of Period	\$ 8,555,821	\$ 7,997,900
Reconciliation of Operating Income/(Loss) to Net Cash		
Provided/(Used) by Operations		
Operating Income/(Loss)	\$ (2,914,006)	\$ (3,653,388)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	2,627,759	2,504,650
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants (Net)	(19,005)	(992)
Accounts Receivable - HUD and Other Governments	85,733	(44,762)
Accounts Receivable - Miscellaneous	93,851	35,389
Inventory	(12,216)	11,826
Prepaid Expenses and Other Current Assets	(24,846)	28,213
Deferred Outflow of Resources	(309,305)	2,196,730
Increase/(Decrease) in Liabilities		
Accounts Payable	199,124	394,412
Accrued Payroll	9,648	5,457
Unearned Revenue	(8,039)	(1,117)
Due to Other Governments	(248,065)	43,728
Other Current Liabilities	(15,775)	(273,120)
Compensated Absences	(17,005)	(38,400)
Accrued Pension and OPEB Liabilities	(6,978,529)	(3,412,151)
Deferred Inflow of Resources	8,083,741	2,910,580
Net Cash Provided by Operating Activities	\$ 553,065	\$ 707,055

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019

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, 2019

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, 2019

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

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

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

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

NOTE 2 – Cash and Cash Equivalents

Cash and Cash Equivalents of \$8,555,821 and \$7,997,900 at June 30, 2019 and 2018 respectively, consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Checking Accounts	\$ 8,552,088	\$ 7,993,494
Tenant Pet Deposit Accounts	3,408	4,081
Petty Cash Fund	325	325
Total Cash and Equivalents	<u>\$ 8,555,821</u>	<u>\$ 7,997,900</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, 2019 was \$8,555,821 and the bank balances were \$8,827,726. Of the bank balances, \$250,000 was covered by FDIC insurance and \$8,577,726 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, 2019

NOTE 3 – Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance for doubtful accounts of \$35,729 and \$16,723 at June 30, 2019 and 2018, respectively.

NOTE 4 – Accounts Receivable Miscellaneous

Accounts receivable miscellaneous of \$5,039,169 and \$5,133,020 at June 30, 2019 and 2018 represent fee and cost reimbursements due from not-for-profit corporations owning properties managed by the Housing Authority. At June 30, 2019, the Authority was owed \$3,813,340 from Post Road Gardens, \$87,727 from Bridgeview Manor, \$638,102 from Zito Towers and \$500,000 related to the business activities program. At June 30, 2018, the Authority was owed \$3,813,340, \$181,578, \$638,102, and \$500,000, respectively. The Authority filed a lawsuit against Post Road Gardens and Zito Towers during the fiscal year ended June 30, 2015 to collect the money owed. The lawsuit is still pending as of the date of this audit report.

NOTE 5 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost. The following is a summary of the changes in general fixed assets for the fiscal years ended June 30, 2019 and 2018:

	July 1, 2018	Additions	Disposals	Transfers	June 30, 2019
Land	\$ 1,506,843	\$ -	\$ -	\$ -	\$ 1,506,843
Buildings and Improvements	84,805,605	-	-	2,252,772	87,058,377
Furniture and Equipment	489,749	65,320	-	-	555,069
Construction in Progress	5,298,475	2,175,723	-	(2,252,772)	5,221,426
Total Fixed Assets	92,100,672	2,241,043	-	-	94,341,715
Accumulated Depreciation	(63,838,803)	(2,627,759)	-	-	(66,466,562)
Net Fixed Assets	\$ 28,261,869	\$ (386,716)	\$ -	\$ -	\$ 27,875,153

	July 1, 2017	Additions	Disposals	Transfers	June 30, 2018
Land	\$ 1,506,843	\$ -	\$ -	\$ -	\$ 1,506,843
Buildings and Improvements	84,309,484	496,121	-	-	84,805,605
Furniture and Equipment	884,869	21,107	(416,227)	-	489,749
Construction in Progress	2,545,803	2,752,672	-	-	5,298,475
Total Fixed Assets	89,246,999	3,269,900	(416,227)	-	92,100,672
Accumulated Depreciation	(61,750,379)	(2,504,651)	416,227	-	(63,838,803)
Net Fixed Assets	\$ 27,496,620	\$ 765,249	\$ -	\$ -	\$ 28,261,869

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, 2019

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, 2019 and June 30, 2018, PILOT expense of \$298,467 and \$288,737 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, 2019 and 2018 totaled \$426,506 and \$443,511, respectively.

NOTE 8 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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 \$57,243 at June 30, 2019 and \$65,282 at June 30, 2018 represents the low rent public housing program tenant prepaid rent.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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, 2019 and 2018:

<u>Administrative Fee Reserves</u>	
June 30, 2017 Balance	\$ (22,749)
Revenues	2,671,613
Expenses	<u>(3,429,785)</u>
June 30, 2018 Balance	<u>(780,921)</u>
Revenues	3,255,851
Expenses	<u>(3,170,183)</u>
June 30, 2019 Balance	<u>\$ (695,253)</u>
 <u>HAP Reserves</u>	
June 30, 2017 Balance	\$ 60,146
Revenues	2,494,595
Expenses	<u>(2,554,741)</u>
June 30, 2018 Balance	<u>-</u>
Revenues	2,625,436
Expenses	<u>(2,625,436)</u>
June 30, 2019 Balance	<u>\$ -</u>

NOTE 12 – Post Employment Retirement Benefits (OPEB)

Plan Description

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 – Post Employment Retirement Benefits (Continued)

Benefits Provided

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

Employees Covered Under the Plan

At June 30, 2018, the census date in the most recent plan valuation report, 90 employees were covered under the plan.

Plan Assets

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

Total OPEB Liability

The Authority's total other postemployment benefit ("OPEB") liability of \$13,614,761 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial evaluation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.87%
Healthcare Cost Trend Assumptions	For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreased to a 5.0% long term trend rate after eight years.

The discount rate represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 12 – Post Employment Retirement Benefits (Continued)

Changes in the Total OPEB Liability are as follows:

OPEB Liability at June 30, 2018	\$ 13,084,880
Changes for the Year	
Service Cost	778,855
Interest	664,010
Expected Investment Return	(8,160)
Administrative Expense	7,126
Current period recognition/amortization of deferred inflows/outflows of resources:	
Differences between expected and actual experience	(387,154)
Changes of Assumptions	(526,786)
Differences between projected and actual investment earnings on OPEB plan investments	1,989
Total OPEB Expense	<u>529,881</u>
OPEB Liability at June 30, 2019	<u>\$ 13,614,761</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the Authority as of June 30, 2018, calculated using the discount rate disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease	Discount Rate	1% Increase
	<u>2.87%</u>	<u>3.87%</u>	<u>4.87%</u>
Total OPEB Liability	\$ 15,973,714	\$ 13,614,761	\$ 11,730,491

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability of the Authority as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1% lower or 1% higher than the current rate.

	Healthcare		
	<u>1% Decrease</u>	<u>Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 11,356,894	\$ 13,614,761	\$ 16,536,777

At June 30, 2018 the Authority reported deferred outflows inflows of resources related to OPEB from the following sources:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 12 – Post Employment Retirement Benefits (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,764,282
Changes of Assumptions	-	3,453,562
Net differences between projected and actual investment on earnings in OPEB plan investments	7,195	-
Changes in proportion	<u>1,170,857</u>	<u>1,217,270</u>
TOTAL	<u>\$ 1,178,052</u>	<u>\$ 7,435,114</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB will be recognized as OPEB expense as follows:

2019	\$ (911,951)
2020	(911,951)
2021	(911,951)
2022	(912,712)
2023	(913,940)
Thereafter	<u>(1,694,556)</u>
Total	<u>\$ (6,257,062)</u>

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/treasury/pensions/annrpts.shtml.

Benefits Provided - The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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 7.0% to 7.5% of base salary effective July 1, 2018 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 the June 30, 2018 and June 30, 2017 measurement dates, the Authority reported \$9,580,342 and \$11,195,124, 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, 2018 and June 30, 2017 were 0.0486% and 0.0481%, respectively. The components of the Authority's net pension liability as of June 30, 2018 and 2017, the most recent evaluation dates, are as follows:

	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 20,645,977	\$ 21,570,545
Less: Plan Fiduciary Net Position	<u>(11,065,635)</u>	<u>(10,375,421)</u>
Net Pension Liability	<u>\$ 9,580,342</u>	<u>\$ 11,195,124</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, 2019

NOTE 13 – Pension Plan (Continued)

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

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

Actuarial Assumptions - The total pension liability as of June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

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

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements. In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer after consultation with the Director of the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target allocation as of June 30, 2018 are summarized in the following table:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 13 – Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield Bonds	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	12%
Buyouts/Venture Capital	8.25%	13%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal rate of 3.87% as of June 30, 2018 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, 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, 2018 and June 30, 2017, 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:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 13 – Pension Plan (Continued)

	<u>At 1% Decrease</u>	<u>Current Discount Rate</u>	<u>At 1% Increase</u>
2018	\$ 12,046,177	\$ 9,580,342	\$ 7,511,665
2017	\$ 13,888,311	\$ 11,195,124	\$ 8,951,365

At June 30, 2018 and 2017, the Authority reported deferred outflows inflows of resources related to pensions from the following sources:

	<u>2018 Deferred Outflows of Resources</u>	<u>2018 Deferred Inflows of Resources</u>	<u>2017 Deferred Outflows of Resources</u>	<u>2017 Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 182,699	\$ 49,399	\$ 263,607	\$ -
Changes of Assumptions	1,578,682	3,063,284	2,255,432	2,247,163
Net differences between projected and actual investment on earnings in OPEB plan investments	-	89,864	76,231	-
Changes in proportion	<u>463,575</u>	<u>814,362</u>	<u>498,434</u>	<u>1,121,119</u>
TOTAL	<u>\$ 2,224,956</u>	<u>\$ 4,016,909</u>	<u>\$ 3,093,704</u>	<u>\$ 3,368,282</u>

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

2019	\$ 82,677
2020	(114,468)
2021	(820,825)
2022	(711,504)
2023	<u>(227,833)</u>
Total	<u>\$ (1,791,953)</u>

NOTE 14 – Prior Period Adjustments

Prior period adjustments of \$335,115 were recorded during the fiscal year ending June 30, 2019 to adjust the Authority's OPEB and Pension liabilities per the most recent actuarial valuations. These adjustments increased unrestricted net position by \$335,155. During the prior fiscal year, prior period adjustments of \$14,981,239 related to the aforementioned OPEB and Pension liabilities decreased unrestricted net position.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 15 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through February 25, 2020, 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: 06/30/2019

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$9,335,399	\$476,842		\$57,217		\$9,869,458		\$9,869,458
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted								
114 Cash - Tenant Security Deposits	\$3,408					\$3,408		\$3,408
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$9,338,807	\$476,842	\$0	\$57,217	\$0	\$9,872,866	\$0	\$9,872,866
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects		\$27,496				\$27,496		\$27,496
124 Accounts Receivable - Other Government		\$17,496				\$17,496		\$17,496
125 Accounts Receivable - Miscellaneous				\$500,000	\$4,539,169	\$5,039,169		\$5,039,169
126 Accounts Receivable - Tenants	\$71,457					\$71,457		\$71,457
126.1 Allowance for Doubtful Accounts - Tenants	-\$35,729					-\$35,729		-\$35,729
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery	\$15,965					\$15,965		\$15,965
128.1 Allowance for Doubtful Accounts - Fraud	-\$7,982					-\$7,982		-\$7,982
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$43,711	\$44,992	\$0	\$500,000	\$4,539,169	\$5,127,872	\$0	\$5,127,872
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$244,011				\$19,170	\$263,181		\$263,181
143 Inventories	\$65,904					\$65,904		\$65,904
143.1 Allowance for Obsolete Inventories	-\$3					-\$3		-\$3
144 Inter Program Due From				\$1,500,000		\$1,500,000	-\$1,500,000	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$9,692,430	\$521,834	\$0	\$2,057,217	\$4,558,339	\$16,829,820	-\$1,500,000	\$15,329,820
161 Land	\$1,452,593			\$54,250		\$1,506,843		\$1,506,843
162 Buildings	\$82,404,361			\$496,121		\$82,900,482		\$82,900,482
163 Furniture, Equipment & Machinery - Dwellings	\$0					\$0		\$0
164 Furniture, Equipment & Machinery - Administration	\$525,761				\$29,308	\$555,069		\$555,069
165 Leasehold Improvements	\$3,633,895				\$524,000	\$4,157,895		\$4,157,895
166 Accumulated Depreciation	-\$66,002,185			\$0	-\$464,377	-\$66,466,562		-\$66,466,562
167 Construction in Progress	\$5,221,426					\$5,221,426		\$5,221,426
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$27,235,851	\$0	\$0	\$550,371	\$88,931	\$27,875,153	\$0	\$27,875,153
171 Notes, Loans and Mortgages Receivable - Non-Current				\$310,042		\$310,042		\$310,042
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current								
174 Other Assets								
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$27,235,851	\$0	\$0	\$860,413	\$88,931	\$28,185,195	\$0	\$28,185,195
200 Deferred Outflow of Resources	\$2,425,480	\$102,052			\$875,477	\$3,403,009		\$3,403,009
290 Total Assets and Deferred Outflow of Resources	\$39,353,761	\$623,886	\$0	\$2,917,630	\$5,522,747	\$48,418,024	-\$1,500,000	\$46,918,024
311 Bank Overdraft					\$1,317,045	\$1,317,045		\$1,317,045
312 Accounts Payable <= 90 Days	\$898,056	\$5,405			\$2,823	\$906,284		\$906,284
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable					\$181,624	\$181,624		\$181,624
322 Accrued Compensated Absences - Current Portion	\$24,490	\$1,507			\$16,653	\$42,650		\$42,650
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government	\$298,467					\$298,467		\$298,467
341 Tenant Security Deposits	\$3,408					\$3,408		\$3,408
342 Unearned Revenue	\$57,243					\$57,243		\$57,243

Bayonne Housing Authority (NJ012)
BAYONNE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
346 Accrued Liabilities - Other								
347 Inter Program - Due To					\$1,500,000	\$1,500,000	-\$1,500,000	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$1,281,664	\$6,912	\$0	\$0	\$3,018,145	\$4,306,721	-\$1,500,000	\$2,806,721
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	\$220,420	\$13,560			\$149,876	\$383,856		\$383,856
355 Loan Liability - Non Current								
358 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$16,278,711	\$842,658			\$6,073,734	\$23,195,103		\$23,195,103
350 Total Non-Current Liabilities	\$16,499,131	\$856,218	\$0	\$0	\$6,223,610	\$23,578,959	\$0	\$23,578,959
300 Total Liabilities	\$17,780,795	\$883,130	\$0	\$0	\$9,241,755	\$27,885,680	-\$1,500,000	\$26,385,680
400 Deferred Inflow of Resources	\$8,277,028	\$456,009			\$2,718,986	\$11,452,023		\$11,452,023
508.4 Net Investment in Capital Assets	\$27,235,851	\$0	\$0	\$550,371	\$88,931	\$27,875,153		\$27,875,153
511.4 Restricted Net Position	\$0	\$0	\$0	\$0	\$0	\$0		\$0
512.4 Unrestricted Net Position	-\$13,939,913	-\$895,253	\$0	\$2,367,259	-\$6,526,925	-\$18,794,832		-\$18,794,832
513 Total Equity - Net Assets / Position	\$13,295,938	-\$895,253	\$0	\$2,917,630	-\$6,437,994	\$9,080,321	\$0	\$9,080,321
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$39,353,761	\$823,886	\$0	\$2,917,630	\$5,522,747	\$48,418,024	-\$1,500,000	\$46,918,024

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$6,067,339					\$6,067,339		\$6,067,339
70400 Tenant Revenue - Other	\$71,400					\$71,400		\$71,400
70500 Total Tenant Revenue	\$6,138,739	\$0	\$0	\$0	\$0	\$6,138,739	\$0	\$6,138,739
70600 HUD PHA Operating Grants	\$5,113,197	\$2,863,716				\$7,976,913		\$7,976,913
70810 Capital Grants	\$2,179,723					\$2,179,723		\$2,179,723
70710 Management Fee					\$1,015,552	\$1,015,552	-\$1,015,552	\$0
70720 Asset Management Fee								
70730 Book Keeping Fee					\$135,323	\$135,323	-\$135,323	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$1,150,875	\$1,150,875	-\$1,150,875	\$0
70800 Other Government Grants			\$54,584			\$54,584		\$54,584
71100 Investment Income - Unrestricted		\$3,245		\$11,056	\$52,549	\$66,850		\$66,850
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery	\$5,340	\$42,162				\$47,502		\$47,502
71500 Other Revenue	\$231,103	\$2,972,164	\$2,638		\$17,216	\$3,223,121		\$3,223,121
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$13,688,102	\$5,881,287	\$57,222	\$11,056	\$1,220,640	\$20,838,307	-\$1,150,875	\$19,687,432
91100 Administrative Salaries	\$181,367	\$121,335			\$497,954	\$800,656		\$800,656
91200 Auditing Fees	\$15,520	\$2,000				\$17,520		\$17,520
91300 Management Fee	\$979,984	\$35,568				\$1,015,552	-\$1,015,552	\$0
91310 Book-keeping Fee	\$113,093	\$22,230				\$135,323	-\$135,323	\$0
91400 Advertising and Marketing								
91500 Employee Benefit Contributions - Administrative	\$164,444	\$99,836			\$495,357	\$759,637		\$759,637
91600 Office Expenses	\$277,025	\$47,773			\$13,729	\$338,527		\$338,527
91700 Legal Expense	\$254,720	\$3,711			\$53,888	\$312,319		\$312,319
91800 Travel	\$21,353	\$6,052			\$8,088	\$35,491		\$35,491
91810 Allocated Overhead								
91900 Other	\$148,234	\$30,520		\$1,551		\$180,305		\$180,305
91000 Total Operating - Administrative	\$2,155,740	\$369,025	\$0	\$1,551	\$1,069,014	\$3,595,330	-\$1,150,875	\$2,444,455
92000 Asset Management Fee								
92100 Tenant Services - Salaries	\$416,885	\$4,680			\$55,123	\$476,789		\$476,789
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$362,829	\$3,987			\$48,542	\$415,358		\$415,358
92400 Tenant Services - Other	\$28,932		\$57,222			\$86,154		\$86,154
92500 Total Tenant Services	\$808,747	\$8,667	\$57,222	\$0	\$103,665	\$978,301	\$0	\$978,301
93100 Water	\$801,702					\$801,702		\$801,702
93200 Electricity	\$1,099,281				\$17,750	\$1,117,031		\$1,117,031
93300 Gas	\$647,793				\$3,056	\$650,849		\$650,849
93400 Fuel								
93500 Labor	\$94,650					\$94,650		\$94,650
93600 Sewer	\$450,000					\$450,000		\$450,000
93700 Employee Benefit Contributions - Utilities	\$60,654					\$60,654		\$60,654
93800 Other Utilities Expense								
93000 Total Utilities	\$3,154,080	\$0	\$0	\$0	\$20,806	\$3,174,886	\$0	\$3,174,886
94100 Ordinary Maintenance and Operations - Labor	\$1,703,005				\$210,528	\$1,913,533		\$1,913,533
94200 Ordinary Maintenance and Operations - Materials and Other	\$678,574				\$505	\$679,079		\$679,079
94300 Ordinary Maintenance and Operations Contracts	\$470,780				\$2,123	\$472,903		\$472,903
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,524,418				\$188,757	\$1,711,175		\$1,711,175
94000 Total Maintenance	\$4,376,777	\$0	\$0	\$0	\$399,913	\$4,776,690	\$0	\$4,776,690
95100 Protective Services - Labor	\$20,900				\$1,238	\$22,138		\$22,138
95200 Protective Services - Other Contract Costs	\$34,000					\$34,000		\$34,000
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services	\$19,280				\$1,098	\$20,378		\$20,378
95000 Total Protective Services	\$74,180	\$0	\$0	\$0	\$2,336	\$76,516	\$0	\$76,516
96110 Property Insurance								
96120 Liability Insurance								
96130 Workmen's Compensation								
96140 All Other Insurance	\$472,890	\$4,121			\$26,683	\$503,694		\$503,694
96100 Total Insurance Premiums	\$472,890	\$4,121	\$0	\$0	\$26,683	\$503,694	\$0	\$503,694

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
96200 Other General Expenses	\$1,999	\$3,273				\$5,289		\$5,289
96210 Compensated Absences								
96300 Payments in Lieu of Taxes	\$298,467					\$298,467		\$298,467
96400 Bad debt - Tenant Rents	\$40,619					\$40,619		\$40,619
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$341,082	\$3,273	\$0	\$0	\$0	\$344,355	\$0	\$344,355
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
96800 Total Operating Expenses	\$11,383,496	\$385,086	\$57,222	\$1,551	\$1,622,417	\$13,449,772	-\$1,150,875	\$12,298,897
97000 Excess of Operating Revenue over Operating Expenses	\$2,284,606	\$5,496,201	\$0	\$9,505	-\$401,777	\$7,388,535	\$0	\$7,388,535
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$2,625,436				\$2,625,436		\$2,625,436
97350 HAP Portability-In		\$2,802,773				\$2,802,773		\$2,802,773
97400 Depreciation Expense	\$2,586,984				\$40,795	\$2,627,759		\$2,627,759
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$13,970,480	\$5,813,295	\$57,222	\$1,551	\$1,663,212	\$21,505,740	-\$1,150,875	\$20,354,865
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	-\$302,358	\$67,992	\$0	\$9,505	-\$442,572	-\$687,433	\$0	-\$687,433
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$19,259,275	-\$780,921	\$0	\$2,908,125	-\$5,973,840	\$9,412,639		\$9,412,639
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$339,021	\$17,676			-\$21,582	\$335,115		\$335,115
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		-\$695,253				-\$695,253		-\$695,253
11180 Housing Assistance Payments Equity		\$0				\$0		\$0
11180 Unit Months Available	15252	3024			0	18276		18276
11210 Number of Unit Months Leased	15079	2984			0	18043		18043
11270 Excess Cash	\$7,176,306					\$7,176,306		\$7,176,306
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$822,968				\$0	\$822,968		\$822,968
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$1,356,755				\$0	\$1,356,755		\$1,356,755
11680 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, 2019

	<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)	\$ -	\$ 4,824,291	\$ 4,824,291	\$ -
<u>CAPITAL FUND PROGRAM CLUSTER</u>				
Capital Fund Program (CFDA# 14.872)	-	2,468,629	2,468,629	-
<u>HOUSING ASSISTANCE PAYMENTS PROGRAM</u>				
Section 8 Voucher Program (CFDA # 14.871)	-	2,863,716	2,863,716	-
TOTAL FEDERAL FINANCIAL ASSISTANCE	<u>\$ -</u>	<u>\$ 10,156,636</u>	<u>\$ 10,156,636</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
 Schedule of Proportionate Share of the Net Pension Liability
 of the Public Employees Retirement System (PERS)
 For the Year Ended June 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Housing Authority's Proportion of the Net Pension Liability	0.04866%	0.04809%	0.05254%	0.04984%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 9,580,342	\$ 11,195,124	\$ 15,561,513	\$ 10,915,793
Housing Authority's Covered Employee Payroll	\$ 3,307,766	\$ 3,345,916	\$ 3,238,300	\$ 3,287,664
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	289.63%	334.59%	480.55%	332.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%

Housing Authority of the City of Bayonne
 Schedule of Authority Contributions to the
 Public Employees Retirement System (PERS)
 For the Year Ended September 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 483,981	\$ 445,524	\$ 466,778	\$ 418,062
Contribution in Relation to the Contractually Required Contribution	\$ (483,981)	\$ (445,524)	\$ (466,778)	\$ (418,062)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 3,307,766	\$ 3,345,916	\$ 3,238,300	\$ 3,287,664
Contribution as a Percentage of Covered Employee Payroll	14.63%	13.32%	14.41%	12.72%

Housing Authority of the City of Bayonne
 Schedule of Changes in the Housing Authority's
 Total OPEB Liability and Related Ratios
 For the Year Ended June 30, 2019

<u>Total OPEB Liability</u>	<u>June 30, 2019</u>
Service Cost	\$ 778,855
Interest	664,010
Expected Investment Return	(8,160)
Administrative Expense	7,126
Current period recognition/amortization of deferred inflows/outflows of resources:	
Differences between expected and actual experience	(387,154)
Changes of assumptions	(526,786)
Differences between projected and actual investment earnings on OPEB plan investments	<u>1,989</u>
Net Changes in Total OPEB Liability	529,881
Total OPEB Liability - Beginning	<u>13,084,880</u>
Total OPEB Liability - Ending	<u><u>\$ 13,614,761</u></u>
Covered - Employee Payroll	3,307,766
Total OPEB Liability as a Percentage of Covered-Employee Payroll	411.60%

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



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, 2019 and have issued our report thereon dated February 25, 2020.

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
February 25, 2020



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, 2019. 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, 2019.

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
February 25, 2020

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>
14.871	Housing Choice Voucher 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.