

HOUSING AUTHORITY OF THE
CITY OF BAYONNE
Bayonne, New Jersey

COMPARATIVE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
 COMPARATIVE FINANCIAL STATEMENTS
 For the Fiscal Years Ended June 30, 2021 and 2020

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| Management's Discussion and Analysis | 1-5 |
| Independent Auditor's Report | 6-8 |
| <u>FINANCIAL STATEMENTS</u> | |
| Comparative Statements of Net Position | 9 |
| Comparative Statements of Revenue, Expenses and Changes in Net Position | 10 |
| Comparative Statements of Cash Flows | 11 |
| Notes to Financial Statements | 12-26 |
| <u>SUPPLEMENTAL INFORMATION</u> | |
| Financial Data Schedule | 27-30 |
| Schedule of Expenditures of Federal Awards | 31 |
| Statement and Certification of Completed Modernization Grants | 32 |
| Schedule of Proportionate Share of the Net Pension Liability of the Public Employees Retirement Systems (PERS) | 33 |
| Schedule of Authority Contributions to the Public Employees Retirement System (PERS) | 34 |
| Schedule of Changes in the Housing Authority's Total OPEB Liability and Related Ratios | 35 |
| Schedule of Authority Contributions to the Other Post-Employment Benefits Plan (OPEB) | 36 |
| <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 | 37-38 |
| Independent Auditor's Report on Compliance For Each Major Federal Program and Internal Control Over Compliance Required by the Uniform Guidance | 39-40 |
| Status of Prior Audit Findings | 41 |
| Schedule of Findings and Questioned Costs | 41 |

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2021

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, 2021. 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 \$32,698,637 (net position) as opposed to \$31,032,713 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 surplus of \$7,638,227.

3 – The Authority's cash and cash equivalent balances at June 30, 2021 were \$30,916,018, representing an increase of \$3,104,335 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$18,700,558 and Total Operating Expenses of \$18,863,076 (including depreciation of \$2,762,866) for the year ended June 30, 2021.

5 – The Authority's total capital outlays for the fiscal year were \$577,628.

6 – The Authority's Expenditures of Federal Awards amounted to \$9,898,043 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, 2021

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 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 31 of this report. Supplemental Schedules pertaining to the Public Employees Retirement System and OPEB are also presented on pages 31-34 to supplement the basic financial statements.

C – The Authority as a Whole

The Authority's Net Position increased 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, 2021 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 revenues over expenses, the Authority's Net Position increased during the fiscal year.

E – Capital Assets and Debt Administration

1 – Capital Assets

As of June 30, 2021, the Authority's net investment in capital assets for its Proprietary Fund was \$24,942,932 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress. Major capital assets purchased from capital grants of \$503,526 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, 2021

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, 2020 to June 30, 2021

Changes in the Statement of Net Position

Cash and other current assets increased \$2,341,996 primarily because the Authority' cash increased \$3,104,335. This increase in cash is primarily due to the Authority generating an operating profit during the current fiscal year and improved tenant rent collection efforts.

Net fixed assets decreased \$2,185,239 during the current fiscal year. The Authority had \$577,628 of net fixed asset additions and incurred \$2,762,866 of depreciation expense.

Deferred Outflow of Resources increased \$1,861,069 based on the most recent other post-retirement benefits (OPEB) liability and pension liability actuarial reports provided by the State of New Jersey.

Total liabilities increased \$1,441,616 primarily because the other post-retirement benefits (OPEB) and pension liabilities decreased from the prior fiscal year. As previously indicated, these liabilities are based on actuarial valuations provided by the State of New Jersey. In addition, the Authority did not make a PILOT payment during the current fiscal year.

Deferred Inflow of Resources decreased \$1,089,694 based on the other post-retirement benefits (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 \$19,477,730 primarily because other revenue decreased \$19,802,946. The Authority received \$19,514,846 from the sale of the Post Road Gardens Property in the prior fiscal year.

Operating expenses (excluding depreciation expense) decreased \$820,792 when compared to the prior fiscal year. The primary reason for this decrease is a decrease in administrative and maintenance costs, specifically employee benefits.

Prior period adjustments increased \$322,210 due to the aforementioned other post-retirement benefits (OPEB) liability and pension liability actuarial adjustments provided by the State of New Jersey.

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, 2022.

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 reduce funding for HUD programs due to the current fiscal crisis and federal budget deficits.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2021

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, 2021

Composition of Net Position is as follows:

| | <u>Year Ended</u> | | <u>Variance</u> | <u>% Var</u> |
|--|----------------------|----------------------|---------------------|--------------|
| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | | |
| Cash and Other Current Assets | \$ 37,721,809 | \$ 35,379,813 | \$ 2,341,996 | 6.6% |
| Net Fixed Assets | 24,942,932 | 27,128,171 | (2,185,239) | -8.1% |
| Notes Receivable | 310,042 | 310,042 | - | 0.0% |
| Deferred Outflow of Resources | <u>4,495,519</u> | <u>2,634,430</u> | <u>1,861,089</u> | <u>70.6%</u> |
| Total Assets and Def. Outflow of Resources | <u>67,470,302</u> | <u>65,452,456</u> | <u>2,017,846</u> | <u>3.1%</u> |
| Less: Total Liabilities | (22,489,997) | (21,048,381) | (1,441,616) | 6.8% |
| Less: Deferred Inflow of Resources | <u>(12,281,668)</u> | <u>(13,371,362)</u> | <u>1,089,694</u> | <u>-8.1%</u> |
| Total Net Position | <u>\$ 32,698,637</u> | <u>\$ 31,032,713</u> | <u>\$ 1,665,924</u> | <u>5.4%</u> |
| Net Investment in Capital Assets | 24,942,932 | 27,128,171 | (2,185,239) | -8.1% |
| Restricted Net Position | 117,478 | 8,734 | 108,744 | 0.0% |
| Unrestricted Net Position | <u>7,638,227</u> | <u>3,895,808</u> | <u>3,742,419</u> | <u>96.1%</u> |
| Total Net Position | <u>\$ 32,698,637</u> | <u>\$ 31,032,713</u> | <u>\$ 1,665,924</u> | <u>5.4%</u> |

Computations of Changes in Net Position are as follows:

| | <u>Year Ended</u> | | <u>Variance</u> | <u>% Var</u> |
|--|----------------------|----------------------|---------------------|---------------|
| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | | |
| <u>Revenues</u> | | | | |
| Tenant Revenues | \$ 6,239,831 | \$ 6,451,999 | \$ (212,168) | -3.3% |
| HUD Operating Grants | 9,394,517 | 8,857,133 | 537,384 | 6.1% |
| Other | <u>3,066,210</u> | <u>22,869,156</u> | <u>(19,802,946)</u> | <u>-86.6%</u> |
| Total Operating Revenues | <u>18,700,558</u> | <u>38,178,288</u> | <u>(19,477,730)</u> | <u>-51.0%</u> |
| <u>Expenses</u> | | | | |
| Operating Expenses (Excl. Dep.) | 16,100,210 | 16,921,002 | (820,792) | -4.9% |
| Depreciation Expense | <u>2,762,866</u> | <u>2,699,894</u> | <u>62,972</u> | <u>2.3%</u> |
| Total Operating Expenses | <u>18,863,076</u> | <u>19,620,896</u> | <u>(757,820)</u> | <u>-3.9%</u> |
| Excess of Operating Revenues Over Expenses | (162,518) | 18,557,392 | (18,719,910) | -100.9% |
| <u>Non-Operating Revenues</u> | | | | |
| Interest on Investments | <u>208,757</u> | <u>181,522</u> | <u>27,235</u> | <u>15.0%</u> |
| Deficiency of Revenues Over Expenses Before Capital Grants Received | 46,239 | 18,738,914 | (18,692,675) | -99.8% |
| <u>Capital Grants</u> | | | | |
| HUD Capital Grants | <u>503,526</u> | <u>2,419,529</u> | <u>(1,916,003)</u> | <u>-79.2%</u> |
| Excess Revenues/(Deficiency) | 549,765 | 21,158,443 | (20,608,678) | -97.4% |
| Prior Period Adjustment | 1,116,159 | 793,949 | 322,210 | 40.6% |
| Net Position - Beginning Balance | <u>31,032,713</u> | <u>9,080,321</u> | <u>21,952,392</u> | <u>241.8%</u> |
| Net Position - Ending Balance | <u>\$ 32,698,637</u> | <u>\$ 31,032,713</u> | <u>\$ 1,665,924</u> | <u>5.4%</u> |



Polcari & Co.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Net Position, Revenue, Expenses, and Changes in Net Position, and Cash Flows of the Housing Authority of the City of Bayonne, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Bayonne's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2021 and 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the City of Bayonne and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Bayonne's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Housing Authority of the City of Bayonne's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Bayonne's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Bayonne's basic financial statements. The accompanying schedule of expenditures of federal awards is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* presented for purposes of additional analysis and is not a required part of the basic financial statements. The Financial Data Schedule, Statement and Certification of Completed Modernization Grants, and supporting schedules of the Authority's portion of the Public Employees Retirement Systems (PERS) and Other Post-Employment Benefits (OPEB) liabilities are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the financial data schedule, and the statement and certification of completed modernization grants are fairly stated, in all material respects, in relation to the basic 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 September 8, 2022 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 solely 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 the effectiveness of the Housing Authority of the City of Bayonne's 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 Housing Authority of the City of Bayonne's internal control over financial reporting and compliance.



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
September 8, 2022

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
 At June 30, 2021 and 2020

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

| | June 30, 2021 | June 30, 2020 |
|--|---------------|---------------|
| <u>CURRENT ASSETS</u> | | |
| Cash and Cash Equivalents - Unrestricted | \$ 30,798,540 | \$ 27,802,949 |
| Cash and Cash Equivalents - Restricted | 117,478 | 8,734 |
| Accounts Receivable - Tenants (Net) | 699,912 | 1,282,241 |
| Accounts Receivable - HUD | 49,862 | 113,321 |
| Accounts Receivable - Other Government | 135,083 | 33,073 |
| Accounts Receivable Miscellaneous | 5,064,117 | 5,287,186 |
| Inventory | 68,917 | 63,629 |
| Prepaid Expenses and Other Current Assets | 787,900 | 788,680 |
| Total Current Assets | 37,721,809 | 35,379,813 |
| <u>FIXED ASSETS</u> | | |
| Land | 1,506,843 | 1,506,843 |
| Buildings | 85,729,223 | 84,024,499 |
| Furniture, Equipment and Machinery | 658,675 | 584,574 |
| Leasehold Improvements | 4,191,346 | 4,157,895 |
| Construction in Progress | 4,786,167 | 6,020,816 |
| Total Fixed Assets | 96,872,254 | 96,294,627 |
| Less: Accumulated Depreciation | (71,929,322) | (69,166,456) |
| Net Fixed Assets | 24,942,932 | 27,128,171 |
| Notes, Loans, & Mortgages Receivable - Non-Current | 310,042 | 310,042 |
| Deferred Outflow of Resources | 4,495,519 | 2,634,430 |
| Total Assets and Deferred Outflow of Resources | \$ 67,470,302 | \$ 65,452,456 |

LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

| | | |
|---|------------|------------|
| Accounts Payable: | | |
| Vendors and Contractors | \$ 628,709 | \$ 358,738 |
| Accrued Payroll and Related Taxes | 228,743 | 227,324 |
| Due to Tenants: | | |
| Security Deposits | 2,512 | 3,570 |
| Unearned Revenue | 64,123 | 19,621 |
| Due to Other Governments | 643,016 | 338,487 |
| Compensated Absences - Current Portion | 45,309 | 42,288 |
| Total Current Liabilities | 1,612,412 | 990,028 |
| Accrued Compensated Absences - Noncurrent | 407,782 | 380,589 |
| Accrued Pension and OPEB Liabilities | 20,469,803 | 19,677,764 |
| Total Liabilities | 22,489,997 | 21,048,381 |
| Deferred Inflow of Resources | 12,281,668 | 13,371,362 |

NET POSITION

| | | |
|----------------------------------|---------------|---------------|
| Net Investment in Capital Assets | 24,942,932 | 27,128,171 |
| Restricted | 117,478 | 8,734 |
| Unrestricted | 7,638,227 | 3,895,808 |
| Total Net Position | \$ 32,698,637 | \$ 31,032,713 |

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, 2021 and 2020

| | <u>For the Year Ended June 30, 2021</u> | <u>For the Year Ended June 30, 2020</u> |
|--|---|---|
| <u>OPERATING REVENUES</u> | | |
| Total Tenant Revenue | \$ 6,239,831 | \$ 6,451,999 |
| HUD Grants - Operating | 9,394,517 | 8,857,133 |
| Other Government Grants | 54,351 | 53,365 |
| Other | <u>3,011,859</u> | <u>22,815,791</u> |
| Total Operating Revenues | <u>18,700,558</u> | <u>38,178,288</u> |
| <u>OPERATING EXPENSES</u> | | |
| Administration | 1,848,417 | 1,965,124 |
| Tenant Services | 601,346 | 1,030,109 |
| Utilities | 3,181,808 | 3,051,285 |
| Ordinary Maintenance & Operations | 3,842,775 | 4,199,113 |
| Protective Services | 230,833 | 224,549 |
| General Expense | 951,809 | 957,942 |
| Housing Assistance Payments | 5,443,222 | 5,492,880 |
| Depreciation Expense | <u>2,762,866</u> | <u>2,699,894</u> |
| Total Operating Expenses | <u>18,863,076</u> | <u>19,620,896</u> |
| Excess of Operating Revenues Over Expenses | (162,518) | 18,557,392 |
| <u>NON OPERATING REVENUES/(EXPENSES)</u> | | |
| Interest Income | <u>208,757</u> | <u>181,522</u> |
| Income/(Loss) Before Contributions and Transfers | 46,239 | 18,738,914 |
| Capital Grants | <u>503,526</u> | <u>2,419,529</u> |
| Increase/(Decrease) In Net Position | 549,765 | 21,158,443 |
| Beginning Net Position | <u>31,032,713</u> | <u>9,080,321</u> |
| Prior Period Adjustments | <u>1,116,159</u> | <u>793,949</u> |
| Ending Net Position | <u>\$ 32,698,637</u> | <u>\$ 31,032,713</u> |

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, 2021 and 2020

| | <u>For the Year Ended June 30, 2021</u> | <u>For the Year Ended June 30, 2020</u> |
|---|---|---|
| <u>CASH FLOWS FORM OPERATING ACTIVITIES</u> | | |
| Cash Received: | | |
| From Tenants for Rental & Other Revenue | \$ 6,866,663 | \$ 5,167,865 |
| From Government Agencies for Operating Grants | 9,410,317 | 8,809,096 |
| For Other Operating Revenues | 3,234,928 | 22,567,774 |
| Cash Paid: | | |
| To Employees for Operations | (3,677,745) | (3,399,347) |
| To Suppliers for Operations | (7,420,203) | (8,548,825) |
| For Housing Assistance Payments | (5,443,222) | (5,492,880) |
| Net Cash Provided by Operating Activities | <u>2,970,738</u> | <u>19,103,683</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | |
| Capital Grants Received | 503,526 | 2,419,529 |
| Acquisition of Property and Equipment | (577,628) | (2,449,034) |
| Net Cash Provided/(Used) by Capital and Related Financing Activities | <u>(74,102)</u> | <u>(29,505)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Receipt/(Refund) of Security Deposits | (1,058) | 162 |
| Investment Income | 208,757 | 181,522 |
| Net Cash Provided by Investing Activities | <u>207,699</u> | <u>181,684</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 3,104,335 | 19,255,862 |
| Cash and Equivalents at Beginning of Period | 27,811,683 | 8,555,821 |
| Cash and Equivalents at End of Period | <u>\$ 30,916,018</u> | <u>\$ 27,811,683</u> |
| Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operations | | |
| Operating Income/(Loss) | \$ (162,518) | \$ 18,557,392 |
| Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities | | |
| Depreciation | 2,762,866 | 2,699,894 |
| Decrease/(Increase) in Assets | | |
| Accounts Receivable - Tenants (Net) | 582,330 | (1,246,512) |
| Accounts Receivable - HUD and Other Governments | (38,551) | (101,402) |
| Accounts Receivable - Miscellaneous | 223,069 | (248,017) |
| Inventory | (5,288) | 2,272 |
| Prepaid Expenses and Other Current Assets | 780 | (21,395) |
| Deferred Outflow of Resources | (1,861,089) | 768,579 |
| Increase/(Decrease) in Liabilities | | |
| Accounts Payable | 269,971 | (547,546) |
| Accrued Payroll | 1,419 | 45,700 |
| Unearned Revenue | 44,502 | (37,622) |
| Due to Other Governments | 304,529 | 40,020 |
| Other Current Liabilities | - | - |
| Compensated Absences | 30,214 | (3,629) |
| Accrued Pension and OPEB Liabilities | 1,908,198 | (2,723,390) |
| Deferred Inflow of Resources | (1,089,694) | 1,919,339 |
| Net Cash Provided by Operating Activities | <u>\$ 2,970,738</u> | <u>\$ 19,103,683</u> |

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021

**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 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, 2021

**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, 2021

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, 2021, 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 \$30,916,018 and \$27,811,683 at June 30, 2021 and 2020 respectively, consisted of the following:

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|-----------------------------|----------------------|----------------------|
| Checking Accounts | \$ 30,795,703 | \$ 27,799,054 |
| Restricted Cash | 117,478 | 8,734 |
| Tenant Pet Deposit Accounts | 2,512 | 3,570 |
| Petty Cash Fund | 325 | 325 |
| Total Cash and Equivalents | <u>\$ 30,916,018</u> | <u>\$ 27,811,683</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, 2021 was \$30,916,020 and the bank balances were \$30,951,348. Of the bank balances, \$250,000 was covered by FDIC insurance and \$30,701,348 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, 2021

NOTE 3 – Tenant Accounts Receivable

Tenant accounts receivable, stated net of an allowance for doubtful accounts, are \$699,912 and \$1,282,241 at June 30, 2021 and 2020, respectively. The COVID-19 pandemic is the primary cause of the significant increase in tenant accounts receivable during the previous few years. The authority expects to collect the vast majority of the balance in the upcoming months.

NOTE 4 – Accounts Receivable Miscellaneous

Accounts receivable miscellaneous of \$5,064,117 and \$5,287,186 at June 30, 2021 and 2020 represent fee and cost reimbursements due from not-for-profit corporations owning properties managed by the Housing Authority. At June 30, 2021, the Authority was owed \$3,813,340 from Post Road Gardens, \$112,675 from Bridgeview Manor, \$638,102 from Zito Towers and \$500,000 related to the business activities program. At June 30, 2020, the Authority was owed \$3,813,340 from Post Road Gardens, \$335,744 from Bridgeview Manor, \$638,102 from Zito Towers and \$500,000 related to the business activities program. 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, 2021 and 2020:

| | July 1, 2020 | Additions | Disposals | Transfers | June 30, 2021 |
|----------------------------|---------------|----------------|-----------|-------------|---------------|
| Land | \$ 1,506,843 | \$ - | \$ - | \$ - | \$ 1,506,843 |
| Buildings and Improvements | 88,182,394 | - | - | 1,738,175 | 89,920,569 |
| Furniture and Equipment | 584,574 | 74,101 | - | - | 658,675 |
| Construction in Progress | 6,020,816 | 503,527 | - | (1,738,175) | 4,786,167 |
| Total Fixed Assets | 96,294,627 | 577,628 | - | - | 96,872,254 |
| Accumulated Depreciation | (69,166,456) | (2,762,866) | - | - | (71,929,322) |
| Net Fixed Assets | \$ 27,128,171 | \$ (2,185,238) | \$ - | \$ - | \$ 24,942,932 |
| | July 1, 2019 | Additions | Disposals | Transfers | June 30, 2020 |
| Land | \$ 1,506,843 | \$ - | \$ - | \$ - | \$ 1,506,843 |
| Buildings and Improvements | 86,562,256 | - | - | 1,620,138 | 88,182,394 |
| Furniture and Equipment | 555,069 | 29,505 | - | - | 584,574 |
| Construction in Progress | 5,221,426 | 2,419,529 | - | (1,620,138) | 6,020,816 |
| Total Fixed Assets | 93,845,594 | 2,449,034 | - | - | 96,294,627 |
| Accumulated Depreciation | (66,466,562) | (2,699,894) | - | - | (69,166,456) |
| Net Fixed Assets | \$ 27,379,032 | \$ (250,860) | \$ - | \$ - | \$ 27,128,171 |

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:

| Years | |
|-------------------|----|
| Buildings | 40 |
| Site Improvements | 15 |
| Furniture | 10 |
| Vehicles | 7 |
| Equipment | 5 |

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021 and June 30, 2020, PILOT expense of \$304,529 and \$338,487 respectively, was accrued. The total PILOT liability at June 30, 2021 and 2020 was \$643,016 and \$338,487, respectively.

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, 2021 and 2020 totaled \$453,091 and \$422,877, 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, 2021 and 2020, 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, 2021 and 2020, 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 \$64,123 at June 30, 2021 and \$19,621 at June 30, 2019 represents the low rent public housing program tenant prepaid rent.

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 11 – Restricted and Unrestricted Net Position (Continued)

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, 2021 and 2020:

Administrative Fee Reserves

| | | |
|--------------------------------|----|--------------------|
| June 30, 2019 Balance | \$ | (695,253) |
| Administrative Fee Revenue | | 264,031 |
| Investment Income | | 10,716 |
| Fraud Recovery Revenue | | 12,074 |
| Port-In and Other Revenue | | 2,862,147 |
| Operating Expenses | | (500,343) |
| HAP Port-In and Other Expenses | | <u>(2,660,211)</u> |
| June 30, 2020 Balance | | <u>(706,839)</u> |
| Administrative Fee Revenue | | 286,970 |
| Investment Income | | 3,009 |
| Fraud Recovery Revenue | | 7,223 |
| Port-In and Other Revenue | | 2,780,881 |
| Operating Expenses | | (368,611) |
| HAP Port-In and Other Expenses | | <u>(2,460,543)</u> |
| June 30, 2021 Balance | \$ | <u>(457,910)</u> |

Housing Assistance Payments Reserves

| | | |
|----------------------------------|----|--------------------|
| June 30, 2019 Balance | \$ | - |
| Housing Assistance Payments Reve | | 2,765,400 |
| Fraud Recovery Revenue | | 12,074 |
| Housing Assistance Payments | | <u>(2,768,740)</u> |
| June 30, 2020 Balance | | <u>8,734</u> |
| Housing Assistance Payments Reve | | 2,876,416 |
| Fraud Recovery Revenue | | 7,223 |
| Housing Assistance Payments | | <u>(2,892,373)</u> |
| June 30, 2021 Balance | \$ | <u>-</u> |

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 12 – Post Employment Retirement Benefits (OPEB)

Plan Description

PLAN DESCRIPTION

The Authority administers a cost sharing multiple employer defined benefit postemployment health care benefit (OPEB) plan. The Authority was required to adopt a resolution to participate in the Plan. Coverage under the plan is available to employee spouses and benefits may continue to surviving spouses. For additional information about the plan, please refer to the State of New Jersey (the State), Division of Pension and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:
<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

BENEFITS PROVIDED

The Plan provides medical and prescription drugs to retirees and their covered dependents of the Authority. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, the Authority elects to provide postretirement medical coverage to its employees and must file a resolution with the Division. Under Chapter 88, the Authority has elected to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows the Authority to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the Authority may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L., 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

BASIS OF PRESENTATION

GASB Statement No. 75 requires the Authority to recognize its proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense.

The Authority's total other postemployment benefit ("OPEB") liability of \$14,812,058 and \$10,659,403 was measured as of June 30, 2020 and 2019, respectively, and was determined by an actuarial valuation as of that date. The components of the net OPEB liability are as of June 30, 2020 and 2019 are as follows:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 12 – Post Employment Retirement Benefits (OPEB)

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|----------------------|----------------------|
| Total OPEB Liability | \$ 14,948,125 | \$ 10,874,364 |
| Plan Fiduciary Net Position | <u>136,067</u> | <u>214,960</u> |
| Net OPEB Liability | <u>\$ 14,812,058</u> | <u>\$ 10,659,403</u> |

| | | |
|---|-------|-------|
| Plan Fiduciary Net Position as a % of Total OPEB Liability | 0.91% | 1.98% |
|---|-------|-------|

The total OPEB liability as of June 30, 2020 was determined by actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

| | |
|---|----------------|
| Inflation Rate | 2.50% |
| Salary Increases (Based on years of service within the respective plan) | |
| Public Employees Retirement System (PERS) | |
| Initial Fiscal Year Applied | |
| Rate Through 2026 | 2.00% to 6.00% |
| Rate Thereafter | 3.00% to 7.00% |

Mortality: Pub-2010 General classification headcount weighted mortality with fully generation al mortality improvement projections from the central year using Scale MP-2020

HEALTH CARE TREND ASSUMPTIONS

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term trend rate after eight years.

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of the PERS experience studies prepared for July 1, 2014 to June 30, 2019. 100% of active members are considered to participate in the Plan upon retirement.

DISCOUNT RATE

The discount rate for June 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State of New Jersey. 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, 2021

NOTE 12 – Post Employment Retirement Benefits (OPEB)

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, 2020, calculating the discount rate as disclosed above as well as what the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

| | 1% Decrease | Discount Rate | 1% Increase |
|----------------------|---------------|---------------|---------------|
| | <u>1.21%</u> | <u>2.21%</u> | <u>3.21%</u> |
| Total OPEB Liability | \$ 17,510,981 | \$ 14,812,058 | \$ 12,675,614 |

SENSITIVITY TO NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE TREND RATE

The following presents the total OPEB liability of the Authority as of June 30, 2020 calculated using the healthcare trend rate as disclosed above as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Trend Rates</u> | <u>1% Increase</u> |
|----------------------|--------------------|--------------------|--------------------|
| Total OPEB Liability | \$ 9,434,639 | \$ 14,812,058 | \$ 1,340,676 |

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

| | 2020 Deferred Outflows of Resources | 2020 Deferred Inflows of Resources | 2019 Deferred Outflows of Resources | 2019 Deferred Inflows of Resources |
|---|--|---|--|---|
| Changes of assumptions | \$ 2,215,418 | \$ 3,293,973 | \$ - | \$ 3,777,455 |
| Differences between expected and actual experience | 390,138 | 2,758,281 | - | 3,117,225 |
| Net differences between projected and actual earnings on plan investments | 9,406 | - | 8,780 | - |
| Changes in proportion | <u>1,591,066</u> | <u>2,222,349</u> | <u>1,006,871</u> | <u>2,656,636</u> |
| TOTAL | <u>\$ 4,206,028</u> | <u>\$ 8,274,603</u> | <u>\$ 1,015,651</u> | <u>\$ 9,551,316</u> |

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 12 – Post Employment Retirement Benefits (OPEB)

| | | |
|-------------|----|--------------------|
| Year Ending | | |
| June 30: | | |
| 2021 | \$ | (796,222) |
| 2022 | | (796,944) |
| 2023 | | (798,111) |
| 2024 | | (799,177) |
| 2025 | | (544,937) |
| Thereafter | | <u>298,099</u> |
| | \$ | <u>(3,437,292)</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.

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.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 13 – Pension Plan (continued)

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2021, the State's pension contribution was less than the actuarial determined amount.

The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, 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 State fiscal year 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. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the 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, 2021 and June 30, 2020 measurement dates, the Authority reported \$5,657,745 and \$8,052,046, 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, 2021 and June 30, 2020 were 0.04775% and 0.00197%, respectively.

The components of the Authority's net pension liability as of June 30, 2021 and 2020, the most recent evaluation dates, are as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|---------------------|---------------------|
| Total Pension Liability | \$ 19,275,243 | \$ 19,470,605 |
| Less: Plan Fiduciary Net Position | <u>(13,617,499)</u> | <u>(11,355,243)</u> |
| Net Pension Liability | <u>\$ 5,657,745</u> | <u>\$ 8,052,046</u> |

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

Actuarial Assumptions - The total pension liability as of June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 13 – Pension Plan (continued)

| | |
|---------------------------|-------------------------------|
| Inflation Rate | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases | |
| Through 2026 | 2.00% -6.00% based on age |
| Thereafter | 3.00% - 7.00% based on age |
| Investment Rate of Return | 7.00% |

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the bases year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target allocation as of June 30, 2021 are summarized in the following table:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 13 – Pension Plan (continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| US Equity | 27.00% | 7.71% |
| Non US Developed Markets Equity | 13.50% | 8.57% |
| Emerging Markets Equity | 5.50% | 10.23% |
| Private Equity | 13.00% | 11.42% |
| Real Assets | 3.00% | 9.73% |
| Real Estate | 8.00% | 9.56% |
| High Yield | 2.00% | 5.95% |
| Private Credit | 8.00% | 7.59% |
| Investment Grade Credit | 8.00% | 2.67% |
| Cash Equivalents | 4.00% | 0.50% |
| U.S. Treasuries | 5.00% | 1.94% |
| Risk Mitigation Strategies | 3.00% | 3.40% |

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine this discount rate assumed that contributions from plan members will be made as the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long term expected rate of return on plan investments was applied to all projected benefit payments 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, 2021 and June 30, 2020, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | <u>At 1% Decrease</u> | <u>At June 30 Discount Rate</u> | <u>At 1% Increase</u> |
|------|-----------------------|---------------------------------|-----------------------|
| 2021 | \$ 7,704,701 | \$ 5,657,745 | \$ 3,920,612 |
| 2020 | \$ 10,136,183 | \$ 8,052,046 | \$ 6,283,599 |

For the year ended December 31, 2021, the Authority recognized a reduction in pension expense of \$885,054. At December 31, 2021 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 13 – Pension Plan (continued)

| | 2021 Deferred Outflows of Resources | 2021 Deferred Inflows of Resources | 2020 Deferred Outflows of Resources | 2020 Deferred Inflows of Resources |
|---|--|---|--|---|
| Changes of assumptions | \$ 29,465 | \$ 2,014,194 | \$ 261,217 | \$ 761,176 |
| Differences between expected and actual experience | 89,230 | 40,503 | 146,615 | 6,429 |
| Net differences between projected and actual earnings on plan investments | - | 1,490,399 | 275,225 | - |
| Changes in proportion | <u>170,774</u> | <u>461,971</u> | <u>333,565</u> | <u>611,376</u> |
| TOTAL | <u>\$ 289,469</u> | <u>\$ 4,007,067</u> | <u>\$ 1,016,622</u> | <u>\$ 1,378,981</u> |

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

| | |
|-------|-----------------------|
| 2022 | \$ (1,334,981) |
| 2023 | (953,174) |
| 2024 | (649,902) |
| 2025 | (488,533) |
| 2026 | <u>190</u> |
| Total | <u>\$ (3,426,400)</u> |

NOTE 14 – Prior Period Adjustments

Prior period adjustments of \$1,116,159 and \$793,949 were recorded during the fiscal years ending June 30, 2021 and 2020 to adjust the Authority's OPEB and Pension liabilities per the most recent actuarial valuations. These adjustments increased unrestricted net position by \$1,116,159 and \$793,949, respectively.

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 September 8, 2022, the date on which the financial statements were available to be issued and concluded that one subsequent events has 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: 06/30/2021

| | Project Total | 14.PHC Public Housing CARES Act Funding | 1 Business Activities | 2 State/Local | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | 14.879 Mainstream Vouchers | COCC | Subtotal | ELIM | Total |
|---|---------------|---|-----------------------|---------------|--------------------------------|------------------------------|----------------------------|-------------|---------------|------|---------------|
| 111 Cash - Unrestricted | \$11,890,266 | | \$21,316,031 | | \$355,426 | | | \$0 | \$33,561,723 | | \$33,561,723 |
| 112 Cash - Restricted - Modernization and Development | | | | | | | | | | | |
| 113 Cash - Other Restricted | | | | | \$0 | | \$117,478 | | \$117,478 | | \$117,478 |
| 114 Cash - Tenant Security Deposits | \$2,512 | | | | | | | | \$2,512 | | \$2,512 |
| 115 Cash - Restricted for Payment of Current Liabilities | | | | | | | | | | | |
| 100 Total Cash | \$11,892,778 | \$0 | \$21,316,031 | \$0 | \$355,426 | \$0 | \$117,478 | \$0 | \$33,681,713 | \$0 | \$33,681,713 |
| 121 Accounts Receivable - PHA Projects | | | | | | | | | | | |
| 122 Accounts Receivable - HUD Other Projects | | | | | \$49,862 | | | | \$49,862 | | \$49,862 |
| 124 Accounts Receivable - Other Government | | | | | \$135,083 | | | | \$135,083 | | \$135,083 |
| 125 Accounts Receivable - Miscellaneous | | | \$500,000 | | | | | \$4,564,117 | \$5,064,117 | | \$5,064,117 |
| 126 Accounts Receivable - Tenants | \$705,767 | | | | | | | | \$705,767 | | \$705,767 |
| 126.1 Allowance for Doubtful Accounts - Tenants | -\$5,855 | | | | | | | | -\$5,855 | | -\$5,855 |
| 126.2 Allowance for Doubtful Accounts - Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | | | | | | | | |
| 128 Fraud Recovery | \$11,436 | | | | | | | | \$11,436 | | \$11,436 |
| 128.1 Allowance for Doubtful Accounts - Fraud | -\$5,718 | | | | | | | | -\$5,718 | | -\$5,718 |
| 129 Accrued Interest Receivable | | | | | | | | | | | |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$705,630 | \$0 | \$500,000 | \$0 | \$184,945 | \$0 | \$0 | \$4,564,117 | \$5,954,692 | \$0 | \$5,954,692 |
| 131 Investments - Unrestricted | | | | | | | | | | | |
| 132 Investments - Restricted | | | | | | | | | | | |
| 135 Investments - Restricted for Payment of Current Liability | | | | | | | | | | | |
| 142 Prepaid Expenses and Other Assets | \$267,875 | | | | | | | \$18,186 | \$286,061 | | \$286,061 |
| 143 Inventories | \$68,920 | | | | | | | | \$68,920 | | \$68,920 |
| 143.1 Allowance for Obsolete Inventories | -\$3 | | | | | | | | -\$3 | | -\$3 |
| 144 Inter Program Due From | | | | | | | | | | | |
| 145 Assets Held for Sale | | | \$496,121 | | | | | | \$496,121 | | \$496,121 |
| 150 Total Current Assets | \$12,935,200 | \$0 | \$22,312,152 | \$0 | \$540,371 | \$0 | \$117,478 | \$4,582,303 | \$40,487,504 | \$0 | \$40,487,504 |
| 161 Land | \$1,452,593 | | \$64,250 | | | | | | \$1,506,843 | | \$1,506,843 |
| 162 Buildings | \$85,729,223 | | | | | | | | \$85,729,223 | | \$85,729,223 |
| 163 Furniture, Equipment & Machinery - Dwellings | \$0 | | | | | | | | \$0 | | \$0 |
| 164 Furniture, Equipment & Machinery - Administration | \$629,367 | | | | | | \$29,308 | | \$658,675 | | \$658,675 |
| 165 Leasehold Improvements | \$3,667,346 | | | | | | \$524,000 | | \$4,191,346 | | \$4,191,346 |
| 166 Accumulated Depreciation | -\$71,389,214 | | | | | | -\$540,108 | | -\$71,929,322 | | -\$71,929,322 |
| 167 Construction In Progress | \$4,786,167 | | | | | | | | \$4,786,167 | | \$4,786,167 |
| 168 Infrastructure | | | | | | | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$24,875,482 | \$0 | \$64,250 | \$0 | \$0 | \$0 | \$0 | \$13,200 | \$24,942,932 | \$0 | \$24,942,932 |
| 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 | \$24,875,482 | \$0 | \$364,292 | \$0 | \$0 | \$0 | \$0 | \$13,200 | \$25,252,974 | \$0 | \$25,252,974 |
| 200 Deferred Outflow of Resources | \$3,118,444 | | | | \$176,864 | | | \$1,200,211 | \$4,495,519 | | \$4,495,519 |
| 290 Total Assets and Deferred Outflow of Resources | \$40,929,126 | \$0 | \$22,876,444 | \$0 | \$717,235 | \$0 | \$117,478 | \$5,795,714 | \$70,235,997 | \$0 | \$70,235,997 |
| 311 Bank Overdraft | | | | | | | | \$2,765,695 | \$2,765,695 | | \$2,765,695 |
| 312 Accounts Payable <= 90 Days | \$624,774 | | | | | | | \$3,935 | \$628,709 | | \$628,709 |
| 313 Accounts Payable >90 Days Past Due | | | | | | | | | | | |
| 321 Accrued Wage/Payroll Taxes Payable | \$31,996 | | | | \$3,176 | | | \$193,569 | \$228,743 | | \$228,743 |
| 322 Accrued Compensated Absences - Current Portion | \$27,292 | | | | \$2,383 | | | \$15,634 | \$45,309 | | \$45,309 |
| 324 Accrued Contingency Liability | | | | | | | | | | | |
| 325 Accrued Interest Payable | | | | | | | | | | | |
| 331 Accounts Payable - HUD PHA Programs | | | | | | | | | | | |
| 332 Account Payable - PHA Projects | | | | | | | | | | | |
| 333 Accounts Payable - Other Government | \$643,016 | | | | | | | | \$643,016 | | \$643,016 |
| 341 Tenant Security Deposits | \$2,512 | | | | | | | | \$2,512 | | \$2,512 |
| 342 Unearned Revenue | \$64,123 | | | | | | | | \$64,123 | | \$64,123 |
| 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 | | | | | | | | | | | |
| 348 Loan Liability - Current | | | | | | | | | | | |
| 310 Total Current Liabilities | \$1,393,713 | \$0 | \$0 | \$0 | \$5,561 | \$0 | \$0 | \$2,978,833 | \$4,378,107 | \$0 | \$4,378,107 |

Bayonne Housing Authority (NJ012)

BAYONNE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

| | Project Total | 14.PHC Public Housing CARES Act Funding | 1 Business Activities | 2 State/Local | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | 14.879 Mainstream Vouchers | COCC | Subtotal | ELIM | Total |
|--|---------------|---|-----------------------|---------------|--------------------------------|------------------------------|----------------------------|--------------|--------------|------|--------------|
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | | | | | | | | | |
| 352 Long-term Debt, Net of Current - Operating Borrowings | | | | | | | | | | | |
| 353 Non-current Liabilities - Other | | | | | | | | | | | |
| 354 Accrued Compensated Absences - Non Current | \$245,627 | | | | \$21,451 | | | \$140,704 | \$407,782 | | \$407,782 |
| 355 Loan Liability - Non Current | | | | | | | | | | | |
| 356 FASB 5 Liabilities | | | | | | | | | | | |
| 357 Accrued Pension and OPEB Liabilities | \$14,203,285 | | | | \$617,617 | | | \$5,648,901 | \$20,469,803 | | \$20,469,803 |
| 350 Total Non-Current Liabilities | \$14,448,912 | \$0 | \$0 | \$0 | \$639,068 | \$0 | \$0 | \$5,789,605 | \$20,877,585 | \$0 | \$20,877,585 |
| 300 Total Liabilities | \$15,842,625 | \$0 | \$0 | \$0 | \$644,629 | \$0 | \$0 | \$6,768,438 | \$25,255,692 | \$0 | \$25,255,692 |
| 400 Deferred Inflow of Resources | \$9,962,966 | | | | \$530,516 | | | \$2,788,166 | \$12,281,668 | | \$12,281,668 |
| 508.4 Net Investment in Capital Assets | \$24,875,482 | \$0 | \$54,250 | \$0 | \$0 | \$0 | | \$13,200 | \$24,942,932 | \$0 | \$24,942,932 |
| 511.4 Restricted Net Position | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$117,478 | \$0 | \$117,478 | \$0 | \$117,478 |
| 512.4 Unrestricted Net Position | -\$8,751,967 | \$0 | \$22,622,194 | \$0 | -\$457,910 | \$0 | \$0 | -\$5,774,090 | \$7,638,227 | \$0 | \$7,638,227 |
| 513 Total Equity - Net Assets / Position | \$16,123,515 | \$0 | \$22,676,444 | \$0 | -\$457,910 | \$0 | \$117,478 | -\$5,760,890 | \$32,698,637 | \$0 | \$32,698,637 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | \$40,929,126 | \$0 | \$22,676,444 | \$0 | \$717,235 | \$0 | \$117,478 | \$5,795,714 | \$70,235,997 | \$0 | \$70,235,997 |

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

| | Project Total | 14.PHC Public Housing CARES Act Funding | 1 Business Activities | 2 State/Local | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | 14.879 Mainstream Vouchers | COCC | Subtotal | ELIM | Total |
|---|---------------|---|-----------------------|---------------|--------------------------------|------------------------------|----------------------------|-------------|--------------|--------------|--------------|
| 70300 Net Tenant Rental Revenue | \$6,116,035 | | | | | | | | \$6,116,035 | | \$6,116,035 |
| 70400 Tenant Revenue - Other | \$123,796 | | | | | | | | \$123,796 | | \$123,796 |
| 70500 Total Tenant Revenue | \$6,239,831 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$6,239,831 | \$0 | \$6,239,831 |
| 70600 HUD PHA Operating Grants | \$5,634,817 | \$379,633 | | | \$3,163,386 | \$56,167 | \$117,478 | \$43,036 | \$9,394,517 | | \$9,394,517 |
| 70610 Capital Grants | \$503,526 | | | | | | | | \$503,526 | | \$503,526 |
| 70710 Management Fee | | | | | | | | \$998,403 | \$998,403 | -\$998,403 | \$0 |
| 70720 Asset Management Fee | | | | | | | | | | | |
| 70730 Book Keeping Fee | | | | | | | | \$133,611 | \$133,611 | -\$133,611 | \$0 |
| 70740 Front Line Service Fee | | | | | | | | | | | |
| 70750 Other Fees | | | | | | | | | | | |
| 70700 Total Fee Revenue | | | | | | | | \$1,132,014 | \$1,132,014 | -\$1,132,014 | \$0 |
| 70800 Other Government Grants | | | | \$54,351 | | | | | \$54,351 | | \$54,351 |
| 71100 Investment Income - Unrestricted | | | \$147,738 | \$202 | \$3,009 | | | \$57,808 | \$208,757 | | \$208,757 |
| 71200 Mortgage Interest Income | | | | | | | | | | | |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | | | | | | | |
| 71310 Cost of Sale of Assets | | | | | | | | | | | |
| 71400 Fraud Recovery | | | | | \$14,446 | | | | \$14,446 | | \$14,446 |
| 71500 Other Revenue | \$115,417 | | \$52,758 | \$3,392 | \$2,780,881 | | | \$3,181 | \$2,955,629 | | \$2,955,629 |
| 71600 Gain or Loss on Sale of Capital Assets | \$41,784 | | | | | | | | \$41,784 | | \$41,784 |
| 72000 Investment Income - Restricted | | | | | | | | | | | |
| 70000 Total Revenue | \$12,535,375 | \$379,633 | \$200,496 | \$57,945 | \$5,961,722 | \$56,167 | \$117,478 | \$1,236,039 | \$20,544,855 | -\$1,132,014 | \$19,412,841 |
| 91100 Administrative Salaries | \$107,432 | \$13,294 | | | \$165,222 | \$33,700 | | \$600,470 | \$920,118 | | \$920,118 |
| 91200 Auditing Fees | \$18,460 | | | | \$2,000 | | | | \$20,460 | | \$20,460 |
| 91300 Management Fee | \$962,307 | | | | \$36,096 | | | | \$998,403 | -\$998,403 | \$0 |
| 91310 Book-keeping Fee | \$111,051 | | | | \$22,560 | | | | \$133,611 | -\$133,611 | \$0 |
| 91400 Advertising and Marketing | | | | | | | | | | | |
| 91500 Employee Benefit contributions - Administrative | \$25,773 | \$1,994 | | | \$8,707 | \$22,467 | | \$130,516 | \$189,457 | | \$189,457 |
| 91600 Office Expenses | \$250,641 | | | | \$9,154 | | | \$39,690 | \$299,485 | | \$299,485 |
| 91700 Legal Expense | \$181,461 | | | | \$5,655 | | | \$34,810 | \$221,926 | | \$221,926 |
| 91800 Travel | \$12,901 | | | | \$2,392 | | | \$4,590 | \$19,883 | | \$19,883 |
| 91810 Allocated Overhead | | | | | | | | | | | |
| 91900 Other | \$9,123 | \$98,649 | | | \$26,280 | | | \$43,036 | \$177,088 | | \$177,088 |
| 91000 Total Operating - Administrative | \$1,679,149 | \$113,937 | \$0 | \$0 | \$278,066 | \$56,167 | \$0 | \$853,112 | \$2,980,431 | -\$1,132,014 | \$1,848,417 |
| 92000 Asset Management Fee | | | | | | | | | | | |
| 92100 Tenant Services - Salaries | \$309,486 | \$19,329 | | | \$64,960 | | | \$51,935 | \$445,710 | | \$445,710 |
| 92200 Relocation Costs | | | | | | | | | | | |
| 92300 Employee Benefit Contributions - Tenant Services | \$74,251 | \$2,899 | | | \$15,584 | | | \$1,378 | \$94,112 | | \$94,112 |
| 92400 Tenant Services - Other | \$3,004 | | | \$57,945 | | | | \$575 | \$61,524 | | \$61,524 |
| 92500 Total Tenant Services | \$386,741 | \$22,228 | \$0 | \$57,945 | \$80,544 | \$0 | \$0 | \$53,888 | \$601,346 | \$0 | \$601,346 |
| 93100 Water | \$940,550 | | | | | | | | \$940,550 | | \$940,550 |
| 93200 Electricity | \$1,013,419 | | | | | | | \$27,605 | \$1,041,024 | | \$1,041,024 |
| 93300 Gas | \$586,176 | | | | | | | \$3,985 | \$590,161 | | \$590,161 |
| 93400 Fuel | | | | | | | | | | | |
| 93500 Labor | \$100,144 | | | | | | | | \$100,144 | | \$100,144 |
| 93600 Sewer | \$460,000 | | | | | | | | \$460,000 | | \$460,000 |
| 93700 Employee Benefit Contributions - Utilities | \$49,929 | | | | | | | | \$49,929 | | \$49,929 |
| 93800 Other Utilities Expense | | | | | | | | | | | |
| 93000 Total Utilities | \$3,150,218 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$31,590 | \$3,181,808 | \$0 | \$3,181,808 |
| 94100 Ordinary Maintenance and Operations - Labor | \$1,899,511 | \$53,909 | | | | | | \$234,784 | \$2,188,204 | | \$2,188,204 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$509,667 | \$20,393 | | | | | | \$1,198 | \$531,258 | | \$531,258 |
| 94300 Ordinary Maintenance and Operations Contracts | \$603,233 | \$47,760 | | | | | | \$1,829 | \$652,822 | | \$652,822 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$429,816 | \$8,085 | | | | | | \$32,590 | \$470,491 | | \$470,491 |
| 94000 Total Maintenance | \$3,442,227 | \$130,147 | \$0 | \$0 | \$0 | \$0 | \$0 | \$270,401 | \$3,842,775 | \$0 | \$3,842,775 |
| 95100 Protective Services - Labor | \$23,467 | | | | | | | \$1,521 | \$24,988 | | \$24,988 |
| 95200 Protective Services - Other Contract Costs | \$200,000 | | | | | | | | \$200,000 | | \$200,000 |
| 95300 Protective Services - Other | | | | | | | | | | | |
| 95500 Employee Benefit Contributions - Protective Services | \$5,480 | | | | | | | \$365 | \$5,845 | | \$5,845 |
| 95000 Total Protective Services | \$228,947 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,886 | \$230,833 | \$0 | \$230,833 |
| 96110 Property Insurance | | | | | | | | | | | |
| 96120 Liability Insurance | | | | | | | | | | | |
| 96130 Workmen's Compensation | | | | | | | | | | | |
| 96140 All Other Insurance | \$525,047 | | | | \$6,548 | | | \$27,716 | \$559,311 | | \$559,311 |
| 96100 Total Insurance Premiums | \$525,047 | \$0 | \$0 | \$0 | \$6,548 | \$0 | \$0 | \$27,716 | \$559,311 | \$0 | \$559,311 |

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

| | Project Total | 14.PHC Public Housing CARES Act Funding | 1 Business Activities | 2 State/Local | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | 14.879 Mainstream Vouchers | COCC | Subtotal | ELIM | Total |
|---|---------------|---|-----------------------|---------------|--------------------------------|------------------------------|----------------------------|--------------|--------------|--------------|--------------|
| 96200 Other General Expenses | | | | | \$3,453 | | | | \$3,453 | | \$3,453 |
| 96210 Compensated Absences | \$33,769 | | | | | | | | \$33,769 | | \$33,769 |
| 96300 Payments In Lieu of Taxes | \$304,529 | | | | | | | | \$304,529 | | \$304,529 |
| 96400 Bad debt - Tenant Rents | \$50,747 | | | | | | | | \$50,747 | | \$50,747 |
| 96500 Bad debt - Mortgages | | | | | | | | | | | |
| 96600 Bad debt - Other | | | | | | | | | | | |
| 96800 Severance Expense | | | | | | | | | | | |
| 96000 Total Other General Expenses | \$389,045 | \$0 | \$0 | \$0 | \$3,453 | \$0 | \$0 | \$0 | \$392,498 | \$0 | \$392,498 |
| 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 | \$0 | \$0 | \$0 |
| 96900 Total Operating Expenses | \$9,801,374 | \$266,312 | \$0 | \$57,945 | \$368,611 | \$56,167 | \$0 | \$1,238,593 | \$11,789,002 | -\$1,132,014 | \$10,656,988 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$2,734,001 | \$113,321 | \$200,496 | \$0 | \$5,593,111 | \$0 | \$117,478 | -\$2,554 | \$8,755,853 | \$0 | \$8,755,853 |
| 97100 Extraordinary Maintenance | | | | | | | | | | | |
| 97200 Casualty Losses - Non-capitalized | | | | | | | | | | | |
| 97300 Housing Assistance Payments | | | | | \$2,892,373 | | | | \$2,892,373 | | \$2,892,373 |
| 97350 HAP Portability-In | | | | | \$2,550,849 | | | | \$2,550,849 | | \$2,550,849 |
| 97400 Depreciation Expense | \$2,727,928 | | | | | | | \$34,938 | \$2,762,866 | | \$2,762,866 |
| 97500 Fraud Losses | | | | | | | | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | | | | | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | | | | | | | | |
| 97800 Dwelling Units Rent Expense | | | | | | | | | | | |
| 90000 Total Expenses | \$12,528,302 | \$266,312 | \$0 | \$57,945 | \$5,811,833 | \$56,167 | \$0 | \$1,273,531 | \$19,995,090 | -\$1,132,014 | \$18,863,076 |
| 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 | \$0 | \$0 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | \$6,073 | \$113,321 | \$200,496 | \$0 | \$149,889 | \$0 | \$117,478 | -\$37,492 | \$549,765 | \$0 | \$549,765 |
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 11030 Beginning Equity | \$15,282,404 | \$0 | \$22,475,948 | \$0 | -\$698,105 | \$0 | \$0 | -\$8,027,534 | \$31,032,713 | | \$31,032,713 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | \$835,038 | -\$113,321 | | | \$90,306 | | | \$304,136 | \$1,116,159 | | \$1,116,159 |
| 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 | | | | | -\$457,910 | | | | -\$457,910 | | -\$457,910 |
| 11180 Housing Assistance Payments Equity | | | | | \$0 | | | | \$0 | | \$0 |
| 11190 Unit Months Available | 15264 | | | | 3024 | | 0 | 0 | 18288 | | 18288 |
| 11210 Number of Unit Months Leased | 14807 | | | | 3008 | | 0 | 0 | 17815 | | 17815 |
| 11270 Excess Cash | \$10,390,457 | | | | | | | | \$10,390,457 | | \$10,390,457 |
| 11610 Land Purchases | \$0 | | | | | | | \$0 | \$0 | | \$0 |
| 11620 Building Purchases | \$1,704,724 | | | | | | | \$0 | \$1,704,724 | | \$1,704,724 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$0 | | | | | | | \$0 | \$0 | | \$0 |
| 11640 Furniture & Equipment - Administrative Purchases | \$74,101 | | | | | | | \$0 | \$74,101 | | \$74,101 |
| 11650 Leasehold Improvements Purchases | \$536,977 | | | | | | | \$0 | \$536,977 | | \$536,977 |
| 11660 Infrastructure Purchases | \$0 | | | | | | | \$0 | \$0 | | \$0 |
| 13510 CFFP Debt Service Payments | \$0 | | | | | | | \$0 | \$0 | | \$0 |
| 13901 Replacement Housing Factor Funds | \$0 | | | | | | | \$0 | \$0 | | \$0 |

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2021

| | <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) | \$ - | \$ 5,625,694 | \$ 5,625,694 | \$ - |
| Public Housing CARES Act Funding (CFDA #14.PHC) | - | 379,633 | 379,633 | - |
| <u>CAPITAL FUND PROGRAM CLUSTER</u> | | | | |
| Capital Fund Program (CFDA# 14.872) | - | 555,685 | 555,685 | - |
| <u>HOUSING ASSISTANCE PAYMENTS PROGRAM</u> | | | | |
| Mainstream Vouchers (CFDA # 14.879) | - | 117,478 | 117,478 | - |
| Section 8 Voucher Program (CFDA # 14.871) | - | 3,163,386 | 3,163,386 | - |
| HCV CARES Act Funding (CFDA #14.HCC) | - | 56,167 | 56,167 | - |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | <u>\$ -</u> | <u>\$ 9,898,043</u> | <u>\$ 9,898,043</u> | <u>\$ -</u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS
 As of June 30, 2021

| | <u>NJ39PO12501-16</u> | <u>NJ39PO12501-17</u> | <u>NJ39PO12501-18</u> | <u>Total</u> |
|---------------------------------|-----------------------|-----------------------|-----------------------|------------------|
| Funds Approved | \$ 2,081,305 | \$ 1,931,793 | \$ 3,054,878 | \$ 7,067,976 |
| Funds Expended | <u>2,081,305</u> | <u>1,931,793</u> | <u>3,054,878</u> | <u>7,067,976</u> |
| Excess/(Deficiency) Approved | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| Funds Advanced | \$ 2,081,305 | \$ 1,931,793 | \$ 3,054,878 | \$ 7,067,976 |
| Funds Expended | <u>2,081,305</u> | <u>1,931,793</u> | <u>3,054,878</u> | <u>7,067,976</u> |
| Excess/(Deficiency) of Advances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTES TO STATEMENT OF CERTIFICATION AND COMPLETED MODERNIZATION GRANTS

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

Housing Authority of the City of Bayonne
Schedule of Proportionate Share of the Net Pension Liability
of the Public Employees Retirement System (PERS)
For the Year Ended June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Housing Authority's Proportion of the Net Pension Liability | 0.04776% | 0.04938% | 0.07869% | 0.04866% | 0.04809% | 0.05254% | 0.04984% |
| Housing Authority's Proportionate Share of the Net Pension Liability | \$5,657,745 | \$8,052,046 | \$9,018,361 | \$9,580,342 | \$11,195,124 | \$15,561,513 | \$10,915,793 |
| Housing Authority's Covered Employee Payroll | \$3,679,164 | \$3,679,164 | \$3,445,047 | \$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 | 153.78% | 218.86% | 261.78% | 289.63% | 334.59% | 480.55% | 332.02% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 70.33% | 58.32% | 56.57% | 53.60% | 48.10% | 40.14% | 47.93% |

The amounts determined for each fiscal year were determined as of June 30.

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

Housing Authority of the City of Bayonne
Schedule of Authority Contributions to the
Public Employees Retirement System (PERS)
For the Year Ended June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 559,311 | \$ 540,156 | \$ 486,845 | \$ 483,981 | \$ 445,524 | \$ 466,778 | \$ 418,062 |
| Contribution in Relation to the Contractually Required Contribution | \$ (559,311) | \$ (540,156) | \$ (486,845) | \$ (483,981) | \$ (445,524) | \$ (466,778) | \$ (418,062) |
| Contribution Deficiency/(Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's Covered Payroll | \$3,679,164 | \$3,679,164 | \$3,445,047 | \$3,307,766 | \$3,345,916 | \$3,238,300 | \$3,287,664 |
| Contribution as a Percentage of Covered Employee Payroll | 15.20% | 14.68% | 14.13% | 14.63% | 13.32% | 14.41% | 12.72% |

The amounts determined for each fiscal year were determined as of June 30.

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

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, 2021

| <u>Total OPEB Liability</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|--|----------------------|----------------------|
| Housing Authority's Proportion of the Net OPEB Liability | 0.082534% | 0.078690% |
| Housing Authority's Proportionate Share of the Net OPEB Liability | \$ 14,812,058 | \$ 10,659,403 |
| Housing Authority's Covered Employee Payroll | \$ 3,679,164 | \$ 3,445,047 |
| Housing Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll | 402.59% | 309.41% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 0.91% | 1.98% |

The amounts determined for each fiscal year were determined as of June 30.

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

Housing Authority of the City of Bayonne
 Schedule of Authority Contributions to the
 Other Post-Employment Benefits Plan (OPEB)
 For the Year Ended June 30, 2021

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|---|----------------------|----------------------|
| Contractually Required Contribution | \$ 1,573,548 | \$ 1,407,778 |
| Contribution in Relation to the Contractually Required Contribution | (1,573,548) | (1,407,778) |
| Contribution Deficiency/(Excess) | \$ - | \$ - |
| Authority's Covered Payroll | 3,679,164 | 3,445,047 |
| Contribution as a Percentage of Covered Employee Payroll | 42.77% | 40.86% |

The amounts determined for each fiscal year were determined as of June 30.

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



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 Comptroller General of the United States, the financial statements of Housing Authority of the City of Bayonne ("the Authority") as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Bayonne's basic financial statements and have issued our report thereon dated September 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. 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 internal control was for the limited purpose described in the first paragraph of this and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

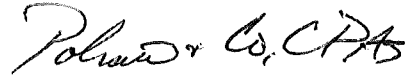
As part of obtaining reasonable assurance about whether Housing Authority of the City of Bayonne financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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 or other matters that are required to be reported under *Government Auditing Standards*.

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)

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. The 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
September 8, 2022



Polcari & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion on Each Major Federal Program

We have audited Housing Authority of the City of Bayonne's (the "Authority") 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 Authority's major federal programs for the year ended June 30, 2021. 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.

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 years ended June 30, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major program. Our audit does not provide a legal determination of the Authority's compliance with the compliance with the compliance requirements referred to above.

Responsibilities of Management on Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is

2035 HAMBURG TURNPIKE, UNBØH • WAYNE, NEW JERSEY 07470

TEL: (973) 831-6969 • FAX: (973) 831-6972 • EMAIL: 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

(Continued)

higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses internal over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
September 8, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Financial Statements

| | | |
|--|-------------------|-----------------------|
| Type of Auditor's Report Issued: | <u>Unmodified</u> | |
| Internal Control over Financial Reporting: | | |
| Material Weakness Identified? | _____ yes | ___X___ no |
| Significant Deficiencies identified that are not considered to be material weakness(es)? | _____ yes | ___X___ none reported |
| Noncompliance Material to Financial Statements Noted? | _____ yes | ___X___ no |

Federal Awards

| | | |
|--|-----------|-----------------------|
| Internal Control over Major Programs: | | |
| Material Weakness Identified? | _____ yes | ___X___ no |
| Significant Deficiencies identified that are not considered to be material weakness(es)? | _____ yes | ___X___ none reported |

| | | |
|---|-------------------|------------|
| Type of audit report issued on compliance for major programs: | <u>Unmodified</u> | |
| 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 | <u>\$750,000</u> |
| Auditee qualified as low-risk? | ___X___ yes _____ no |

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.