

HOUSING AUTHORITY OF THE
CITY OF BAYONNE
Bayonne, New Jersey

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

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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-

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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.

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**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.