

HOUSING AUTHORITY OF THE
CITY OF BAYONNE
Bayonne, New Jersey

COMPARATIVE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

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Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2023

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, 2023. 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 \$32,815,200 (net position) as opposed to \$30,736,104 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 \$10,025,296.
- 3 – The Authority's cash and cash equivalent balances at June 30, 2023 were \$36,871,216, representing an increase of \$3,055,097 from the prior fiscal year.
- 4 – The Authority had Total Operating Revenues of \$21,135,143 and Total Operating Expenses of \$21,402,422 (including depreciation of \$2,027,532) for the year ended June 30, 2023.
- 5 – The Authority's total capital outlays for the fiscal year were \$904,833.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$12,291,548 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, 2023

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 9 through 11.

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 32-35 to supplement the basic financial statements.

C – The Authority as a Whole

The Authority's Net Position decreased during the fiscal year as detailed below. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were 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, 2023 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. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

E – Capital Assets and Debt Administration

1 – Capital Assets

As of June 30, 2023, the Authority's net investment in capital assets for its Proprietary Fund was \$22,789,904 (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 \$904,833 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, 2023

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, 2022 to June 30, 2023

Changes in the Statement of Net Position

Cash and Cash Equivalents increased by \$3,055,097 in the current fiscal year, because net cash provided by operating activities increased by \$2,549,214, and net cash provided by Investing Activities increased by \$505,884.

Net fixed assets decreased \$1,122,698 during the current fiscal year. The Authority had \$904,833 of net fixed asset additions and incurred \$2,027,532 of depreciation expense.

Deferred Outflow of Resources increased \$105,147 and Deferred Inflow of Resources decreased \$1,217,071 based on the most recent other post-retirement benefits (OPEB) liability and pension liability actuarial reports provided by the State of New Jersey.

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

Capital Grants decreased by \$374,748. Capital grant revenue varies year to year based on the amount of the grant awarded and timing material capital improvements.

Tenant Services expenses increased by \$309,853. Various housing authority programs and functions were not held in the prior fiscal year due to COVID restrictions. The Authority was able to resume most tenant related programs in the current fiscal year and therefore incurred more expenses.

The Authority filed a lawsuit against Post Road Gardens and Zito Towers during the fiscal year ended June 30, 2015. The lawsuit was resolved and the funds were collected in June 2022. This payment is the primary reason other general expenses decreased \$3,642,615.

Prior period adjustments increased \$985,911 due to the 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, 2024

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, 2023

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, 2023

Composition of Net Position is as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2023</u>	<u>June 30, 2022</u>		
Cash and Other Current Assets	\$ 38,832,917	\$ 36,489,851	\$ 2,343,066	6.4%
Net Fixed Assets	22,789,904	23,912,602	(1,122,698)	-4.7%
Notes Receivable	310,042	310,042	-	0.0%
Deferred Outflow of Resources	3,976,807	4,081,954	(105,147)	-2.6%
Total Assets and Def. Outflow of Resources	<u>65,909,670</u>	<u>64,794,449</u>	<u>1,115,221</u>	<u>1.7%</u>
Less: Total Liabilities	(22,769,169)	(22,515,973)	(253,196)	1.1%
Less: Deferred Inflow of Resources	(10,325,301)	(11,542,372)	1,217,071	-10.5%
Total Net Position	<u>\$ 32,815,200</u>	<u>\$ 30,736,104</u>	<u>\$ 2,079,096</u>	<u>6.8%</u>
Net Investment in Capital Assets	22,789,904	23,912,602	(1,122,698)	-4.7%
Restricted Net Position	-	29,986	(29,986)	-100.0%
Unrestricted Net Position	<u>10,025,296</u>	<u>6,793,516</u>	<u>3,231,780</u>	<u>47.6%</u>
Total Net Position	<u>\$ 32,815,200</u>	<u>\$ 30,736,104</u>	<u>\$ 2,079,096</u>	<u>6.8%</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2023</u>	<u>June 30, 2022</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 7,031,800	\$ 6,695,528	\$ 336,272	5.0%
HUD Operating Grants	11,386,715	10,023,694	1,363,021	13.6%
Other	2,716,628	4,676,575	(1,959,947)	-41.9%
Total Operating Revenues	<u>21,135,143</u>	<u>21,395,797</u>	<u>(260,654)</u>	<u>-1.2%</u>
<u>Expenses</u>				
Operating Expenses (Excl. Dep.)	19,374,890	22,355,710	(2,980,820)	-13.3%
Depreciation Expense	2,027,532	2,309,911	(282,379)	-12.2%
Total Operating Expenses	<u>21,402,422</u>	<u>24,665,621</u>	<u>(3,263,199)</u>	<u>-13.2%</u>
Excess of Operating Revenues Over Expenses	(267,279)	(3,269,824)	3,002,545	-91.8%
<u>Non-Operating Revenues</u>				
Interest on Investments	<u>505,493</u>	<u>77,572</u>	<u>427,921</u>	<u>551.6%</u>
Deficiency of Revenues Over Expenses Before Capital Grants Received	238,214	(3,192,252)	3,430,466	-107.5%
<u>Capital Grants</u>				
HUD Capital Grants	<u>904,833</u>	<u>1,279,581</u>	<u>(374,748)</u>	<u>-29.3%</u>
Excess Revenues/(Deficiency)	1,143,047	(1,912,671)	3,055,718	-159.8%
Prior Period Adjustment	936,049	(49,862)	985,911	-1977.3%
Net Position - Beginning Balance	<u>30,736,104</u>	<u>32,698,637</u>	<u>(1,962,533)</u>	<u>-6.0%</u>
Net Position - Ending Balance	<u>\$ 32,815,200</u>	<u>\$ 30,736,104</u>	<u>\$ 2,079,096</u>	<u>6.8%</u>



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, 2023 and 2022, 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, 2023 and 2022, 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 March 25, 2024 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
March 25, 2024

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
 At June 30, 2023 and 2022

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

	June 30, 2023	June 30, 2022
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 36,871,216	\$ 33,786,133
Cash and Cash Equivalents - Restricted	-	29,986
Accounts Receivable - Tenants (Net)	893,481	1,043,001
Accounts Receivable - HUD	31,802	-
Accounts Receivable - Other Government	92,598	71,390
Accounts Receivable Miscellaneous	86,808	672,279
Inventory	-	70,205
Prepaid Expenses and Other Current Assets	857,012	816,857
Total Current Assets	38,832,917	36,489,851
<u>FIXED ASSETS</u>		
Land	1,506,843	1,506,843
Buildings	89,693,890	87,007,264
Furniture, Equipment and Machinery	658,675	658,675
Leasehold Improvements	4,464,985	4,427,596
Construction in Progress	2,732,276	4,551,457
Total Fixed Assets	99,056,669	98,151,835
Less: Accumulated Depreciation	(76,266,765)	(74,239,233)
Net Fixed Assets	22,789,904	23,912,602
Notes, Loans, & Mortgages Receivable - Non-Current	310,042	310,042
Deferred Outflow of Resources	3,976,807	4,081,954
Total Assets and Deferred Outflow of Resources	\$ 65,909,670	\$ 64,794,449

LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable:		
Vendors and Contractors	\$ 620,078	\$ 624,459
Accrued Payroll and Related Taxes	278,824	251,939
Due to Tenants:		
Security Deposits	2,901	2,509
Unearned Revenue	616,879	90,627
Due to Other Governments	948,370	625,769
Compensated Absences - Current Portion	40,857	42,624
Total Current Liabilities	2,507,909	1,637,927
Accrued Compensated Absences - Noncurrent	367,719	383,622
Accrued Pension and OPEB Liabilities	19,893,541	20,494,424
Total Liabilities	22,769,169	22,515,973
Deferred Inflow of Resources	10,325,301	11,542,372

NET POSITION

Net Investment in Capital Assets	22,789,904	23,912,602
Restricted	-	29,986
Unrestricted	10,025,296	6,793,516
Total Net Position	\$ 32,815,200	\$ 30,736,104

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, 2023 and 2022

	For the Year Ended June 30, 2023	For the Year Ended June 30, 2022
<u>OPERATING REVENUES</u>		
Total Tenant Revenue	\$ 7,031,800	\$ 6,695,528
HUD Grants - Operating	11,386,715	10,023,694
Other Government Grants	94,426	99,581
Other	2,622,202	4,576,994
Total Operating Revenues	21,135,143	21,395,797
<u>OPERATING EXPENSES</u>		
Administration	2,343,679	2,169,963
Tenant Services	1,134,651	824,798
Utilities	3,789,117	3,461,644
Ordinary Maintenance & Operations	4,129,992	4,592,412
Protective Services	242,158	239,576
General Expense	1,796,902	5,439,517
Housing Assistance Payments	5,938,391	5,627,800
Depreciation Expense	2,027,532	2,309,911
Total Operating Expenses	21,402,422	24,665,621
Excess of Operating Revenues Over Expenses	(267,279)	(3,269,824)
<u>NON OPERATING REVENUES/(EXPENSES)</u>		
Interest Income	505,493	77,572
Income/(Loss) Before Contributions and Transfers	238,214	(3,192,252)
Capital Grants	904,833	1,279,581
Increase/(Decrease) In Net Position	1,143,047	(1,912,671)
Beginning Net Position	30,736,104	32,698,637
Prior Period Adjustments	936,049	(49,862)
Ending Net Position	\$ 32,815,200	\$ 30,736,104

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, 2023 and 2022

	<u>For the Year Ended June 30, 2023</u>	<u>For the Year Ended June 30, 2022</u>
<u>CASH FLOWS FORM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Revenue	\$ 7,707,573	\$ 6,378,944
From Government Agencies for Operating Grants	11,428,131	10,236,830
For Other Operating Revenues	3,207,673	8,968,832
Cash Paid:		
To Employees for Operations	(3,652,279)	(3,655,968)
To Suppliers for Operations	(10,203,493)	(13,478,305)
For Housing Assistance Payments	(5,938,391)	(5,627,800)
Net Cash Provided by Operating Activities	<u>2,549,214</u>	<u>2,822,533</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	904,833	1,279,581
Gain on Sale of Capital Assets	-	-
Loans, Notes and Mortgage Receivable - Noncurrent	-	-
Acquisition of Property and Equipment	(904,833)	(1,279,581)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Receipt/(Refund) of Security Deposits	390	(4)
Investment Income	505,493	77,572
Net Cash Provided by Investing Activities	<u>505,883</u>	<u>77,568</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	 3,055,097	 2,900,101
Cash and Equivalents at Beginning of Period	<u>33,816,119</u>	<u>30,916,018</u>
Cash and Equivalents at End of Period	<u>\$ 36,871,216</u>	<u>\$ 33,816,119</u>
 Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operations		
Operating Income/(Loss)	\$ (267,279)	\$ (3,269,824)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	2,027,532	2,309,911
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants (Net)	149,521	(343,088)
Accounts Receivable - HUD and Other Governments	(53,010)	113,555
Accounts Receivable - Miscellaneous	585,471	4,391,838
Inventory	70,205	(1,288)
Prepaid Expenses and Other Current Assets	(40,155)	(28,957)
Loans, Notes and Mortgage Receivable - Current	-	-
Deferred Outflow of Resources	105,147	413,565
+A28	-	
 Increase/(Decrease) in Liabilities		
Accounts Payable	(4,381)	(4,250)
Accrued Payroll	26,885	23,196
Unearned Revenue	526,252	26,504
Due to Other Governments	322,601	(17,247)
Compensated Absences	(17,670)	(26,845)
Accrued Pension and OPEB Liabilities	335,166	(25,241)
Deferred Inflow of Resources	(1,217,071)	(739,296)
Net Cash Provided by Operating Activities	<u>\$ 2,549,214</u>	<u>\$ 2,822,533</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

**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, 2023

**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, 2023

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, 2023, 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. On July 1, 2021, the Authority was required to adopt Governmental Accounting Standards Board No. 87, *Leases*. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, the lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources.

NOTE 2 – Cash and Cash Equivalents

Cash and Cash Equivalents of \$36,871,216 and \$33,816,119 at June 30, 2023 and 2022 respectively, consisted of the following:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Checking Accounts	\$ 36,867,990	\$ 33,783,299
Restricted Cash	-	29,986
Tenant Pet Deposit Accounts	2,901	2,509
Petty Cash Fund	325	325
Total Cash and Equivalents	<u>\$ 36,871,216</u>	<u>\$ 33,816,119</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, 2023 was \$36,871,216 and the bank balances were \$36,955,927. Of the bank balances, \$250,000 was covered by FDIC insurance

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – Cash and Cash Equivalents (Continued)

and \$36,705,927 was covered collateral agreements, which require the institutions to purchase securities as collateral for all of the Authority's deposits and have the collateral held by an approved custodian in the Authority's name. Cash and cash equivalents, except petty cash, are held in the Authority's name.

NOTE 3 – Tenant Accounts Receivable

Tenant accounts receivable, stated net of an allowance for doubtful accounts, are \$893,481 and \$1,043,001 at June 30, 2023 and 2022, 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 \$86,808 and \$672,279 at June 30, 2023 and 2022 represent fee and cost reimbursements due from not-for-profit corporations owning properties managed by the Housing Authority. At June 30, 2023, the Authority was owed \$86,808 from Bridgeview Manor. At June 30, 2022, the Authority was owed \$172,279 from Bridgeview Manor 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 was resolved and the funds were collected in June 2022.

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, 2023 and 2022:

	July 1, 2022	Additions	Disposals	Transfers	June 30, 2023
Land	\$ 1,506,843	\$ -	\$ -	\$ -	\$ 1,506,843
Buildings and Improvements	91,434,860	-	-	2,724,015	94,158,875
Furniture and Equipment	658,675	-	-	-	658,675
Construction in Progress	4,551,457	904,833	-	(2,724,015)	2,732,276
Total Fixed Assets	98,151,835	904,833	-	-	99,056,669
Accumulated Depreciation	(74,239,233)	(2,027,532)	-	-	(76,266,765)
Net Fixed Assets	<u>\$ 23,912,602</u>	<u>\$ (1,122,699)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,789,904</u>
	July 1, 2021	Additions	Disposals	Transfers	June 30, 2022
Land	\$ 1,506,843	\$ -	\$ -	\$ -	\$ 1,506,843
Buildings and Improvements	89,920,569	-	-	1,514,291	91,434,860
Furniture and Equipment	658,675	-	-	-	658,675
Construction in Progress	4,786,167	1,279,581	-	(1,514,291)	4,551,457
Total Fixed Assets	96,872,254	1,279,581	-	-	98,151,835
Accumulated Depreciation	(71,929,322)	(2,309,911)	-	-	(74,239,233)
Net Fixed Assets	<u>\$ 24,942,932</u>	<u>\$ (1,030,330)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,912,602</u>

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - Fixed Assets (Continued)

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:

Buildings	40
Site Improvements	15
Furniture	10
Vehicles	7
Equipment	5

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, 2023 and June 30, 2022, PILOT expense of \$322,601 and \$321,240 respectively, was accrued. The total PILOT liability at June 30, 2023 and 2022 was \$948,370 and \$625,769 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, 2023 and 2022 totaled \$408,576 and \$426,246, 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, 2023 and 2022, 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, 2023 and 2022, 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.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – Restricted and Unrestricted Net Position

Prior to January 1, 2005 excess funds advanced by HUD to the Authority for the payment of housing assistance payments were returned to HUD at the end of the Authority's fiscal year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of Housing Assistance Payments that are not so utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. As of November 2007, HUD is reverting to treating these funds as restricted in order to comply with generally accepted accounting principles. HUD has indicated that any HAP amounts received by the PHA and not expended should be reported as restricted cash and restricted net position. Administrative fees paid by HUD to the Authority in excess of administrative expenses are also part of the unrestricted fund balance and are considered to be "administrative fee reserves". Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR982.155 – i.e. "other housing purposes permitted by state or local law". Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities. In accordance with HUD requirements, the Agency's restricted and unrestricted fund balance consists of the following components as of June 30, 2023 and 2022:

<u>HCV Administrative Fee Reserves</u>		<u>MS Administrative Fee Reserves</u>	
June 30, 2021 Balance	\$ (457,910)	June 30, 2021 Balance	\$ -
Administrative Fee Revenue	289,470	Administrative Fee Revenue	7,411
Investment Income	1,473	Investment Income	-
Fraud Recovery Revenue	19,081	Fraud Recovery Revenue	-
Port-In and Other Revenue	2,348,036	Port-In and Other Revenue	-
Operating Expenses	(467,032)	Operating Expenses	(7,411)
HAP Port-In and Other Expenses	<u>(2,183,209)</u>	HAP Port-In and Other Expenses	-
June 30, 2022 Balance	<u>(450,091)</u>	June 30, 2022 Balance	<u>-</u>
Administrative Fee Revenue	316,200	Administrative Fee Revenue	89,836
Investment Income	9,563	Investment Income	-
Fraud Recovery Revenue	10,559	Fraud Recovery Revenue	-
Port-In and Other Revenue	2,491,281	Port-In and Other Revenue	-
Operating Expenses	(473,849)	Operating Expenses	(89,836)
HAP Port-In and Other Expenses	<u>(2,228,783)</u>	HAP Port-In and Other Expenses	-
June 30, 2022 Balance	<u>\$ (325,120)</u>	June 30, 2023 Balance	<u>\$ -</u>
 <u>HCV Housing Assistance Payments (HAP) Reserves</u>		 <u>MS Housing Assistance Payments (HAP) Reserves</u>	
June 30, 2021 Balance	\$ -	June 30, 2021 Balance	\$ 117,478
HAP Revenue	3,169,766	HAP Revenue	218,114
Fraud Recovery Revenue	19,081	Fraud Recovery Revenue	-
HAP Payments	<u>(3,160,977)</u>	HAP Payments	<u>(333,476)</u>
June 30, 2022 Balance	<u>27,870</u>	June 30, 2022 Balance	<u>2,116</u>
HAP Revenue	3,114,803	HAP Revenue	554,260
Fraud Recovery Revenue	10,559	Fraud Recovery Revenue	-
HAP Payments	<u>(3,153,232)</u>	HAP Payments	<u>(556,376)</u>
June 30, 2023 Balance	<u>\$ -</u>	June 30, 2023 Balance	<u>\$ -</u>

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 – Unearned Revenue

Total Unearned revenue was \$616,879 at June 30, 2023 and \$90,627 at June 30, 2022. \$82,612 and \$90,627 reflect prepaid rent from the low rent public housing program. \$534,267 represents an overpayment in operating subsidy from the low rent public housing program in the current year.

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.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 12 – Post Employment Retirement Benefits (OPEB)

The Authority’s total other postemployment benefit (“OPEB”) liability of \$12,615,095 and \$14,836,680 as of June 30, 2023 and 2022, respectively, and was determined by an actuarial valuation as of that date. The components of the net OPEB liability are as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Total OPEB Liability	\$ 12,569,265	\$ 14,878,117
Plan Fiduciary Net Position	<u>(45,830)</u>	<u>41,437</u>
Net OPEB Liability	<u>\$ 12,615,095</u>	<u>\$ 14,836,680</u>

Plan Fiduciary Net Position as a % of Total OPEB Liability	-0.36%	0.28%
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The total OPEB liability as of June 30, 2023 was determined by actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. 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:

Salary Increases (Based on years of service within the respective plan)	
Public Employees Retirement System (PERS)	
Rate for All Future Years	2.75% to 6.55%

Mortality: Pub-2010 General classification headcount weighted mortality with fully generation al mortality improvement projections from the central year using Scale MP-2021

HEALTH CARE TREND ASSUMPTIONS

Actuarial assumptions used in the July 1, 2021 valuation were based on the results of the PERS experience studies prepared for July 1, 2018 to June 30, 2021. 100% of active members are considered to participate in the Plan upon retirement.

DISCOUNT RATE

The discount rate for June 2022 was 3.54%. 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, 2023

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, 2023, 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>2.54%</u>	<u>3.54%</u>	<u>4.54%</u>
Total OPEB Liability	\$ 14,623,435	\$ 12,615,095	\$ 10,999,198

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, 2023 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	\$ 10,701,765	\$ 12,615,095	\$ 15,065,532

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	2023 Deferred Outflows of Resources	2023 Deferred Inflows of Resources	2022 Deferred Outflows of Resources	2022 Deferred Inflows of Resources
Changes of assumptions	\$ 1,683,537	\$ 4,305,289	\$ 2,134,301	\$ 2,622,557
Differences between expected and actual experience	651,457	2,338,302	332,917	3,104,052
Net differences between projected and actual earnings on plan investments	3,321	-	7,094	-
Changes in proportion	<u>1,102,880</u>	<u>2,266,711</u>	<u>1,318,174</u>	<u>1,808,696</u>
TOTAL	<u>\$ 3,441,195</u>	<u>\$ 8,910,302</u>	<u>\$ 3,792,486</u>	<u>\$ 7,535,305</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, 2023

NOTE 12 – Post Employment Retirement Benefits (OPEB)

Year Ending		
June 30:		
2023	\$	(1,143,105)
2024		(1,144,114)
2025		(903,490)
2026		(403,504)
2027		(90,464)
Thereafter		(620,599)
	\$	<u>(4,305,276)</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, 2023

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 2023, 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, 2022 measurement dates, the Authority reported \$7,278,446, 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 percentage as of June 30, 2022 was 0.048229%.

The components of the Authority's net pension liability as of June 30, 2022, the most recent evaluation dates, are as follows:

	<u>2023</u>	<u>2022</u>
Total Pension Liability	\$ 19,788,076	\$ 19,275,243
Less: Plan Fiduciary Net Position	<u>(12,509,630)</u>	<u>(13,617,499)</u>
Net Pension Liability	<u>\$ 7,278,446</u>	<u>\$ 5,657,745</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, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 – Pension Plan (continued)

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases	2.75% -6.55%
	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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long term expected rate of return on plan investments (7.00% at June 30, 2022) 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, 2022 are summarized in the following table:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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%	8.12%
Non US Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	5.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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, 2022 and June 30, 2021, 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>
2023	\$ 9,350,671	\$ 7,278,446	\$ 5,514,899

For the year ended June 30, 2023, the Authority recognized a reduction in pension benefit of \$609,314. At June 30, 2022 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, 2023

NOTE 13 – Pension Plan (continued)

	2023	2023	2022	2022
	Deferred	Deferred	Deferred	Deferred
	Outflows of	Inflows of	Outflows of	Inflows of
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Changes of assumptions	\$ 22,551	\$ 1,089,871	\$ 29,465	\$ 2,014,194
Differences between expected and actual experience	52,532	46,326	89,230	40,503
Net differences between projected and actual earnings on plan investments	301,248	-	-	1,490,399
Changes in proportion	<u>159,281</u>	<u>278,804</u>	<u>170,774</u>	<u>461,971</u>
TOTAL	<u>\$ 535,612</u>	<u>\$ 1,415,001</u>	<u>\$ 289,469</u>	<u>\$ 4,007,067</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:

2023	\$ (624,338)
2024	\$ (318,079)
2025	\$ (155,121)
2026	\$ 338,415
2027	\$ (743)
Total	<u>\$ (759,866)</u>

NOTE 14 – Prior Period Adjustments

A prior period adjustment of \$49,862 was recorded during the fiscal year ending June 30, 2022 to reduce beginning equity on the Housing Choice Voucher Program. A prior period adjustment of \$936,049 was recorded during the fiscal year ending June 30, 2023 to adjust the Authority's OPEB and Pension liabilities per the most recent actuarial valuations. This adjustment increased unrestricted net position.

NOTE 15 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through March 25, 2024, the date on which the financial statements were available to be issued and concluded that no subsequent event have occurred that would require 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: 06/30/2023

	Project Total	1 Business Activities	2 State/Local	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$15,039,946	\$19,655,842			\$430,194	\$1,742,333	\$36,868,315		\$36,868,315
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted									
114 Cash - Tenant Security Deposits	\$2,901						\$2,901		\$2,901
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$15,042,847	\$19,655,842	\$0	\$0	\$430,194	\$1,742,333	\$36,871,216	\$0	\$36,871,216
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects				\$12,360	\$19,442		\$31,802		\$31,802
124 Accounts Receivable - Other Government					\$92,598		\$92,598		\$92,598
125 Accounts Receivable - Miscellaneous		\$0				\$86,808	\$86,808		\$86,808
126 Accounts Receivable - Tenants	\$888,901						\$888,901		\$888,901
126.1 Allowance for Doubtful Accounts - Tenants	-\$30,782						-\$30,782		-\$30,782
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery	\$70,725						\$70,725		\$70,725
128.1 Allowance for Doubtful Accounts - Fraud	-\$35,363						-\$35,363		-\$35,363
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$893,481	\$0	\$0	\$12,360	\$112,040	\$86,808	\$1,104,689	\$0	\$1,104,689
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$346,368					\$14,523	\$360,891		\$360,891
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From					\$12,360		\$12,360	-\$12,360	\$0
145 Assets Held for Sale		\$496,121					\$496,121		\$496,121
150 Total Current Assets	\$16,282,696	\$20,151,963	\$0	\$12,360	\$554,594	\$1,843,664	\$38,845,277	-\$12,360	\$38,832,917
161 Land	\$1,452,593	\$54,250					\$1,506,843		\$1,506,843
162 Buildings	\$89,693,890						\$89,693,890		\$89,693,890
163 Furniture, Equipment & Machinery - Dwellings									
164 Furniture, Equipment & Machinery - Administration	\$629,367					\$29,308	\$658,675		\$658,675
165 Leasehold Improvements	\$3,940,985					\$524,000	\$4,464,985		\$4,464,985
166 Accumulated Depreciation	-\$75,713,457					-\$553,308	-\$76,266,765		-\$76,266,765
167 Construction in Progress	\$2,732,276						\$2,732,276		\$2,732,276
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$22,735,654	\$54,250	\$0	\$0	\$0	\$0	\$22,789,904	\$0	\$22,789,904
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	\$22,735,654	\$364,292	\$0	\$0	\$0	\$0	\$23,099,946	\$0	\$23,099,946
200 Deferred Outflow of Resources	\$2,749,416				\$158,228	\$1,069,163	\$3,976,807		\$3,976,807
290 Total Assets and Deferred Outflow of Resources	\$41,767,766	\$20,516,255	\$0	\$12,360	\$712,822	\$2,912,827	\$65,922,030	-\$12,360	\$65,909,670
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$582,975				\$3,000	\$34,103	\$620,078		\$620,078
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$59,335				\$6,992	\$212,497	\$278,824		\$278,824
322 Accrued Compensated Absences - Current Portion	\$23,788				\$2,708	\$14,361	\$40,857		\$40,857
324 Accrued Contingency Liability									
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government	\$948,370						\$948,370		\$948,370
341 Tenant Security Deposits	\$2,901						\$2,901		\$2,901
342 Unearned Revenue	\$616,879						\$616,879		\$616,879
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									
344 Current Portion of Long-term Debt - Operating Borrowings									

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	2 State/Local	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
345 Other Current Liabilities									
346 Accrued Liabilities - Other									
347 Inter Program - Due To				\$12,360			\$12,360	-\$12,360	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$2,234,248	\$0	\$0	\$12,360	\$12,700	\$260,961	\$2,520,269	-\$12,360	\$2,507,909
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	\$214,095				\$24,376	\$129,248	\$367,719		\$367,719
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities	\$15,188,434				\$531,143	\$4,175,954	\$19,893,541		\$19,893,541
350 Total Non-Current Liabilities	\$15,400,529	\$0	\$0	\$0	\$555,519	\$4,305,212	\$20,261,260	\$0	\$20,261,260
300 Total Liabilities	\$17,634,777	\$0	\$0	\$12,360	\$568,219	\$4,566,173	\$22,781,529	-\$12,360	\$22,769,169
400 Deferred Inflow of Resources	\$7,517,701				\$469,723	\$2,337,877	\$10,325,301		\$10,325,301
508.4 Net Investment in Capital Assets	\$22,735,654	\$54,250	\$0	\$0	\$0	\$0	\$22,789,904		\$22,789,904
511.4 Restricted Net Position	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
512.4 Unrestricted Net Position	-\$8,120,366	\$20,462,005	\$0	\$0	-\$325,120	-\$3,991,223	\$10,025,296		\$10,025,296
513 Total Equity - Net Assets / Position	\$16,615,288	\$20,516,255	\$0	\$0	-\$325,120	-\$3,991,223	\$32,815,200	\$0	\$32,815,200
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$41,767,766	\$20,516,255	\$0	\$12,360	\$712,822	\$2,912,827	\$65,922,030	-\$12,360	\$65,909,670

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	2 State/Local	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$6,900,797						\$6,900,797		\$6,900,797
70400 Tenant Revenue - Other	\$131,003						\$131,003		\$131,003
70500 Total Tenant Revenue	\$7,031,800	\$0	\$0	\$0	\$0	\$0	\$7,031,800	\$0	\$7,031,800
70600 HUD PHA Operating Grants	\$7,203,706			\$644,096	\$3,431,003	\$107,910	\$11,386,715		\$11,386,715
70610 Capital Grants	\$904,833						\$904,833		\$904,833
70710 Management Fee						\$1,145,953	\$1,145,953	-\$1,145,953	\$0
70720 Asset Management Fee									
70730 Book Keeping Fee						\$133,926	\$133,926	-\$133,926	\$0
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue						\$1,279,879	\$1,279,879	-\$1,279,879	\$0
70800 Other Government Grants			\$94,426				\$94,426		\$94,426
71100 Investment Income - Unrestricted		\$275,578	\$35		\$9,563	\$220,317	\$505,493		\$505,493
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery	\$75,314				\$21,118		\$96,432		\$96,432
71500 Other Revenue	\$110,654		\$6,831		\$2,394,916	\$13,369	\$2,525,770		\$2,525,770
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted									
70000 Total Revenue	\$15,326,307	\$275,578	\$101,292	\$644,096	\$5,856,600	\$1,621,475	\$23,825,348	-\$1,279,879	\$22,545,469
91100 Administrative Salaries	\$235,766			\$50,000	\$75,548	\$479,540	\$840,854		\$840,854
91200 Auditing Fees	\$19,460			\$500	\$2,500		\$22,460		\$22,460
91300 Management Fee	\$1,104,949				\$41,004		\$1,145,953	-\$1,145,953	\$0
91310 Book-keeping Fee	\$108,299			\$3,607	\$22,020		\$133,926	-\$133,926	\$0
91400 Advertising and Marketing									
91600 Employee Benefit contributions - Administrative	\$73,073			\$27,000	\$28,352	\$148,627	\$277,052		\$277,052
91600 Office Expenses	\$371,339				\$6,909	\$132,655	\$510,903		\$510,903
91700 Legal Expense	\$204,832				\$4,493	\$289,146	\$498,471		\$498,471
91800 Travel	\$27,471					\$1,767	\$29,238		\$29,238
91810 Allocated Overhead									
91900 Other	\$13,760			\$8,729	\$34,302	\$107,910	\$164,701		\$164,701
91000 Total Operating - Administrative	\$2,158,949	\$0	\$0	\$89,836	\$216,128	\$1,159,645	\$3,623,658	-\$1,279,879	\$2,343,679
92000 Asset Management Fee									
92100 Tenant Services - Salaries	\$374,002				\$162,326	\$29,230	\$555,558		\$555,558
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services	\$218,686				\$90,155	\$17,083	\$325,824		\$325,824
92400 Tenant Services - Other	\$151,977		\$101,292				\$253,269		\$253,269
92500 Total Tenant Services	\$744,665	\$0	\$101,292	\$0	\$242,481	\$46,313	\$1,134,651	\$0	\$1,134,651
93100 Water	\$881,040						\$881,040		\$881,040
93200 Electricity	\$1,210,779					\$21,908	\$1,232,687		\$1,232,687
93300 Gas	\$685,141					\$1,642	\$686,783		\$686,783
93400 Fuel	\$649,832						\$649,832		\$649,832
93500 Labor	\$213,812						\$213,812		\$213,812
93600 Sewer	\$0						\$0		\$0
93700 Employee Benefit Contributions - Utilities	\$124,963						\$124,963		\$124,963
93800 Other Utilities Expense									
93000 Total Utilities	\$3,765,567	\$0	\$0	\$0	\$0	\$23,550	\$3,789,117	\$0	\$3,789,117
94100 Ordinary Maintenance and Operations - Labor	\$1,924,301					\$114,435	\$2,038,736		\$2,038,736
94200 Ordinary Maintenance and Operations - Materials and Other	\$663,123						\$663,123		\$663,123
94300 Ordinary Maintenance and Operations Contracts	\$788,986					\$7,264	\$796,250		\$796,250
94500 Employee Benefit Contributions - Ordinary Maintenance	\$596,415					\$35,468	\$631,883		\$631,883
94000 Total Maintenance	\$3,972,825	\$0	\$0	\$0	\$0	\$157,167	\$4,129,992	\$0	\$4,129,992
95100 Protective Services - Labor	\$24,985					\$1,622	\$26,607		\$26,607
95200 Protective Services - Other Contract Costs	\$200,000						\$200,000		\$200,000
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services	\$14,603					\$948	\$15,551		\$15,551
95000 Total Protective Services	\$239,588	\$0	\$0	\$0	\$0	\$2,570	\$242,158	\$0	\$242,158
96110 Property Insurance									
96120 Liability Insurance									
96130 Workmen's Compensation									
96140 All Other Insurance	\$651,399				\$8,645	\$20,658	\$680,702		\$680,702
96100 Total Insurance Premiums	\$651,399	\$0	\$0	\$0	\$8,645	\$20,658	\$680,702	\$0	\$680,702
96200 Other General Expenses		\$148,602			\$4,288		\$152,900		\$152,900
96210 Compensated Absences	\$25,696				\$3,297		\$28,993		\$28,993
96300 Payments in Lieu of Taxes	\$322,601						\$322,601		\$322,601
96400 Bad debt - Tenant Rents	\$611,706						\$611,706		\$611,706
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$950,003	\$148,602	\$0	\$0	\$7,595	\$0	\$1,116,200	\$0	\$1,116,200

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

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	2 State/Local	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
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
96900 Total Operating Expenses	\$12,492,896	\$148,602	\$101,292	\$89,836	\$473,849	\$1,409,903	\$14,716,378	-\$1,279,879	\$13,436,499
97000 Excess of Operating Revenue over Operating Expenses	\$2,833,411	\$126,976	\$0	\$554,260	\$5,382,751	\$211,572	\$9,108,970	\$0	\$9,108,970
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments				\$556,376	\$3,153,232		\$3,709,608		\$3,709,608
97350 HAP Portability-In					\$2,228,783		\$2,228,783		\$2,228,783
97400 Depreciation Expense	\$2,020,932					\$6,600	\$2,027,532		\$2,027,532
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$14,513,828	\$148,602	\$101,292	\$646,212	\$5,855,864	\$1,416,503	\$22,682,301	-\$1,279,879	\$21,402,422
10010 Operating Transfer In	\$1,130,339						\$1,130,339	-\$1,130,339	\$0
10020 Operating transfer Out	-\$1,130,339						-\$1,130,339	\$1,130,339	\$0
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$812,479	\$126,976	\$0	-\$2,116	\$736	\$204,972	\$1,143,047	\$0	\$1,143,047
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$16,512,907	\$20,389,279	\$0	\$2,116	-\$422,221	-\$5,745,977	\$30,736,104		\$30,736,104
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$710,098				\$96,365	\$1,549,782	\$936,049		\$936,049
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					-\$325,120		-\$325,120		-\$325,120
11180 Housing Assistance Payments Equity					\$0		\$0		\$0
11190 Unit Months Available	15264			498	3012	0	18774		18774
11210 Number of Unit Months Leased	14440			481	2936	0	17857		17857
11270 Excess Cash	\$12,670,993						\$12,670,993		\$12,670,993
11610 Land Purchases	\$630,137					\$0	\$630,137		\$630,137
11620 Building Purchases	\$4,121,500					\$0	\$4,121,500		\$4,121,500
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$62,814					\$0	\$62,814		\$62,814
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, 2023

	<u>Funds Expended</u>
<u>LOW INCOME HOUSING PROGRAM</u>	
Low Rent Public Housing (CFDA # 14.850)	\$ 5,953,525
<u>CAPITAL FUND PROGRAM CLUSTER</u>	
Capital Fund Program (CFDA# 14.872)	2,262,924
<u>HOUSING ASSISTANCE PAYMENTS PROGRAM</u>	
Mainstream Vouchers (CFDA # 14.879)	644,096
Section 8 Voucher Program (CFDA # 14.871)	<u>3,431,003</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE	<u>\$ 12,291,548</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Housing Authority of the City of Bayonne
Schedule of Proportionate Share of the Net Pension Liability
of the Public Employees Retirement System (PERS)
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<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	0.04823%	0.04776%	0.04776%	0.04938%	0.07869%	0.04866%	0.04809%	0.05254%	0.04984%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 7,276,446	\$ 5,657,745	\$ 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	\$ 3,675,567	\$ 3,828,310	\$ 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	197.97%	147.79%	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	63.23%	70.33%	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, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 608,193	\$ 559,311	\$ 559,311	\$ 540,156	\$ 486,845	\$ 483,981	\$ 445,524	\$ 466,778	\$ 418,062
Contribution in Relation to the Contractually Required Contribution	\$ (608,193)	\$ (559,311)	\$ (559,311)	\$ (540,156)	\$ (486,845)	\$ (483,981)	\$ (445,524)	\$ (466,778)	\$ (418,062)
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 3,675,567	\$ 3,828,310	\$ 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	16.55%	14.61%	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, 2023

<u>Total OPEB Liability</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Housing Authority's Proportion of the Net OPEB Liability	0.078114%	0.082427%	0.082534%	0.078690%
Housing Authority's Proportionate Share of the Net OPEB Liability	\$ 12,615,095	\$ 14,836,680	\$ 14,812,058	\$ 10,659,403
Housing Authority's Covered Employee Payroll	\$ 3,675,567	\$ 3,828,310	\$ 3,679,164	\$ 3,445,047
Housing Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll	343.21%	387.55%	402.59%	309.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.36%	0.28%	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, 2023

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Contractually Required Contribution	\$ 1,504,572	\$ 1,368,782	\$ 1,573,548	\$ 1,407,778
Contribution in Relation to the Contractually Required Contribution	(1,504,572)	(1,368,782)	(1,573,548)	(1,407,778)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	3,675,567	3,828,310	3,679,164	3,445,047
Contribution as a Percentage of Covered Employee Payroll	40.93%	35.75%	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.



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CERTIFIED PUBLIC ACCOUNTANTS

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, 2023 and 2022, 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 March 25, 2024.

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
March 25, 2024



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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, 2023. 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, 2023.

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

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
March 25, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Programs

CFDA

Number Name of Federal Program or Cluster

14.872 Housing Choice Voucher Program

14.879 Mainstream Voucher Program

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

Auditee qualified as low-risk? _____ X yes _____ no

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.