

HOUSING AUTHORITY OF THE
CITY OF BAYONNE
Bayonne, New Jersey

COMPARATIVE FINANCIAL STATEMENTS
For the Two Years Ended June 30, 2014 and 2013

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
 COMPARATIVE FINANCIAL STATEMENTS
 For the Fiscal Years Ended June 30, 2014 and 2013

TABLE OF CONTENTS

	<u>PAGE</u>
Management's Discussion and Analysis	1-5
Independent Auditor's Report	6-7
 <u>FINANCIAL STATEMENTS</u>	
Comparative Statements of Net Position	8
Comparative Statements of Revenue, Expenses and Changes in Net Position	9
Comparative Statements of Cash Flows	10
Notes to Financial Statements	11-20
 <u>SUPPLEMENTAL INFORMATION</u>	
Financial Data Schedule	21-24
Schedule of Expenditures of Federal Awards	25
Schedule of Authority Redevelopment and Public Housing Activities for the Year Ended June 30, 2014	26
Schedule of Authority Redevelopment and Public Housing Activities for the Year Ended June 30, 2013	27
 <u>OTHER REPORTS AND COMMENTS</u>	
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	28-29
Report on Compliance with Requirements That Could Have A Direct And Material Effect On Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	30-31
Status of Prior Audit Findings	32
Schedule of Findings and Questioned Costs	32

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2014

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, 2014. 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 \$40,977,179 (net position) as opposed to \$43,009,888 for the prior fiscal year.
- 2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$9,200,883.
- 3 – The Authority's cash and cash equivalent balances at June 30, 2014 were \$8,097,935, representing a decrease of \$1,300,257 from the prior fiscal year.
- 4 – The Authority had Total Operating Revenues of \$14,384,728 and Total Operating Expenses of \$17,486,338 (including depreciation \$2,650,404) for the year ended June 30, 2014.
- 5 – The Authority's total capital outlays for the fiscal year were \$1,125,232.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$8,941,645 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).

Housing Authority of the City of Bayonne
Management's Discussion and Analysis (Continued)
June 30, 2014

2 – Financial Statements (Continued)

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.

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

3 – Notes To Financial Statements

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

4 – Supplemental Information

The schedule of expenditures of Federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 25 of this report.

C – The Authority as a Whole

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

By far, the largest portion of the Authority's net assets reflects its 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. The unrestricted net assets of the Authority are available for future use to provide program services.

D – Budgetary Highlights

For the year ended June 30, 2014 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. (Also, the Authority adopted a comprehensive annual budget for the General Fund.) The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

Housing Authority of the City of Bayonne
Management's Discussion and Analysis (Continued)
June 30, 2014

E – Capital Assets and Debt Administration

1 – Capital Assets

As of June 30, 2014, the Authority's investment in capital assets for its Proprietary Fund was \$31,774,394 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress. Major capital assets purchased from grants

1 – Capital Assets (Continued)

of \$1,046,487 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 4 to the Financial Statements which is included in this Report.

2 – Long Term Debt

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

F – Significant Changes from FYE June 30, 2013 to June 30, 2014

Changes in the Statement of Net Position

Tenant Accounts Receivable (net) decreased \$10,864 as the Authority continues to improve its collection efforts.

Accounts receivable from HUD increased \$46,308. The current balance represents money the Authority owes to Section Eight tenants that will be received from HUD and disbursed to tenants after June 30, 2014. This amount is offset by the corresponding \$49,021 of Other Current Liabilities.

The \$536,031 increase in Miscellaneous Accounts Receivable is attributable to the receivables from Bridgeview Manor, Post Road Gardens, and Zito Towers. These receivables represent fees and cost reimbursements due from not-for-profit corporations owning properties managed by the Housing Authority of the City of Bayonne. The Authority has filed a lawsuit against Post Road Gardens and Zito Towers, and fully expects to collect the receivables.

The \$103,180 decrease in Accounts Payable - Vendors and Contactors is the result of the Housing Authority settling their payables on a more timely basis.

The \$760,772 decrease in deferred revenues is because the Authority had \$756,047 of deferred operating subsidy at June 30, 2013 that was recognized as revenue in the current fiscal year.

The \$174,461 increase in Accounts Payable Other Government represents the current year increase in accrued PILOT.

The \$394,839 increase in OPEB liability represents the current year post employee benefits expense.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis (Continued)
June 30, 2014

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

Total operating revenue increased \$1,119,121, or 8%. Tenant rental revenue increased \$76,102 because of higher rents and 102 more unit months leased. Operating grants increased \$931,854 primarily because of HUD's revised subsidy methodology. Other revenue increased \$111,500 and other government grants related to Congregate Services decreased \$335.

Operating expenses (including depreciation expense) decreased \$78,918, or 0.4%, when compared to the prior fiscal year.

- Administrative expenses decreased \$138,787 primarily because administrative salaries decreased \$55,174 and related employee benefits decreasing \$40,608. Office expenses also decreased \$33,623 as the Authority continues to monitor its daily operating expenses.

3

Housing Authority of the City of Bayonne
Management's Discussion and Analysis (Continued)
June 30, 2014

Changes in the Statement of Revenues, Expenses and Changes in Net Position (Continued)

- HAP payments increased \$24,166 as the HCV unit months leased decreased by 20.
- Tenant services expense decreased \$317,634. During the fiscal year ended June 30, 2013, the Authority incurred \$358,174 of expenses related to an after school program. These expenses were not incurred during the fiscal year ended June 30, 2014.
- Significantly higher utility consumption combined with higher rates caused utilities expense to increase \$406,323, or 14%.

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, 2015.

- 1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.
- 2 – The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.
- 3 – The use of the Authority's Unrestricted Net Position of \$9,200,883 to fund any shortfalls rising from a possible economic downturn and reduced subsidies and grants. The Authority's Unrestricted Net Assets appear sufficient to cover any shortfall.

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 (Continued)
June 30, 2014

Composition of Net Position is as follows:

	<u>Year Ended</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash and Other Assets	\$ 12,349,476	\$ 13,101,279
Capital Assets - Net	<u>31,774,394</u>	<u>33,299,566</u>
Total Assets	44,123,870	46,400,845
Less: Total Liabilities	<u>(3,146,691)</u>	<u>(3,390,957)</u>
Total Net Position	<u>\$ 40,977,179</u>	<u>\$ 43,009,888</u>
Invested in Capital Assets	31,774,394	33,299,566
Restricted Net Position	1,902	-
Unrestricted Net Position	<u>9,200,883</u>	<u>9,710,322</u>
Total Net Position	<u>\$ 40,977,179</u>	<u>\$ 43,009,888</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<u>Revenues</u>		
Tenant Revenues	\$ 5,001,540	\$ 4,925,438
HUD Subsidies and Other Government Grants	7,944,747	7,013,228
Other Income	<u>1,438,441</u>	<u>1,326,941</u>
Total Operating Revenues	<u>14,384,728</u>	<u>13,265,607</u>
<u>Expenses</u>		
Operating Expenses excluding depreciation	14,835,934	14,946,537
Depreciation Expense	<u>2,650,404</u>	<u>2,618,719</u>
Total Operating Expenses	<u>17,486,338</u>	<u>17,565,256</u>
Deficiency of Operating Revenues Over Expenses	(3,101,610)	(4,299,649)
<u>Non-Operating Revenues</u>		
Interest on Investments	<u>22,414</u>	<u>27,433</u>
Deficiency of Revenues Over Expenses Before Capital Grants Received	(3,079,196)	(4,272,216)
<u>Capital Grants</u>		
HUD Capital Grants	<u>1,046,487</u>	<u>2,271,185</u>
Excess Revenues/(Deficiency)	(2,032,709)	(2,001,031)
Net Assets at Beginning of Period	<u>43,009,888</u>	<u>45,010,919</u>
Total Net Position	<u>\$ 40,977,179</u>	<u>\$ 43,009,888</u>



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Bayonne, which comprise of the Comparative Statements of Net Position as of June 30, 2014 and 2013 and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Bayonne, as of June 30, 2014 and 2013, and the changes in net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Bayonne. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The financial data schedule, schedule of expenditures of federal awards and schedules of authority redevelopment and public housing activities for the years ended June 30, 2014 and 2013 are the responsibility of management and were derived from and directly relate to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated February 8, 2015 on our consideration of the Housing Authority of the City of Bayonne's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Polcari & Company

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
February 8, 2015



HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
 At June 30, 2014 and 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 8,091,598	\$ 9,393,779
Cash and Cash Equivalents - Restricted	6,337	4,413
Accounts Receivable - Tenants (Net)	24,244	35,108
Accounts Receivable - Fraud Recovery (Net)	-	11,629
Accounts Receivable - Other Government	6,993	8,094
Accounts Receivable - HUD	49,021	2,713
Accounts Receivable - Miscellaneous (Net)	3,528,582	2,992,551
Accrued Interest Receivable	-	4,231
Inventory	50,546	49,918
Prepaid Expenses and Other Current Assets	275,501	276,840
Notes, Loans, & Mortgages Receivable - Current	6,612	5,846
Total Current Assets	<u>12,039,434</u>	<u>12,785,122</u>
<u>FIXED ASSETS</u>		
Land	1,452,593	1,452,593
Buildings and Improvements	76,355,921	74,385,298
Site Improvements	3,613,738	3,613,738
Furniture, Equipment and Machinery	739,734	660,988
Construction in Progress	3,656,206	4,580,343
Total Fixed Assets	<u>85,818,192</u>	<u>84,692,960</u>
Less: Accumulated Depreciation	(54,043,798)	(51,393,394)
Net Fixed Assets	<u>31,774,394</u>	<u>33,299,566</u>
Notes, Loans, & Mortgages Receivable - Non-Current	310,042	316,157
Total Assets	<u>\$ 44,123,870</u>	<u>\$ 46,400,845</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 375,977	\$ 479,157
Accrued Payroll and Related Taxes	152,103	151,859
Due to Tenants:		
Security Deposits	4,435	4,413
Deferred Revenue	45,704	806,476
Due to Other Governments	546,859	372,398
Other Current Liabilities	49,021	-
Compensated Absences - Current Portion	315,421	316,477
Total Current Liabilities	<u>1,489,520</u>	<u>2,130,780</u>
Accrued Compensated Absences - Noncurrent	95,191	93,036
OPEB Liability	1,561,980	1,167,141
Total Liabilities	<u>3,146,691</u>	<u>3,390,957</u>
<u>NET POSITION</u>		
Invested in Net Fixed Assets Net of Related Debt	31,774,394	33,299,566
Restricted	1,902	-
Unrestricted:		
Designated by Governing Board for Capital Improvements	7,000,000	7,000,000
Undesignated	2,200,883	2,710,322
Total Unrestricted	<u>9,200,883</u>	<u>9,710,322</u>
Total Net Position	<u>\$ 40,977,179</u>	<u>\$ 43,009,888</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
 For the Years Ended June 30, 2014 and 2013

	For the Year Ended	
	June 30, 2014	June 30, 2013
<u>OPERATING REVENUES</u>		
Tenant Rental & Other Revenue	\$ 5,001,540	\$ 4,925,438
HUD Grants - Operating	7,895,158	6,963,304
Other Government Grants	49,589	49,924
Other Income	1,438,441	1,326,941
Total Operating Revenues	14,384,728	13,265,607
<u>OPERATING EXPENSES</u>		
Administration	1,816,460	1,955,247
Housing Assistance Payments	3,345,714	3,321,548
Tenant Services	897,586	1,215,220
Utilities	3,295,556	2,889,233
Ordinary Maintenance & Operations	4,298,224	4,335,649
Protective Services	465,592	509,676
General Expense	716,802	719,964
Depreciation Expense	2,650,404	2,618,719
Total Operating Expenses	17,486,338	17,565,256
Excess of Operating Revenues Over Expenses	(3,101,610)	(4,299,649)
<u>NON OPERATING REVENUES/(EXPENSES)</u>		
Interest Income	22,414	27,433
Income/(Loss) Before Contributions and Transfers	(3,079,196)	(4,272,216)
Capital Grants	1,046,487	2,271,185
Increase/(Decrease) In Net Position	(2,032,709)	(2,001,031)
Beginning Net Position	43,009,888	45,010,919
Ending Net Position	\$ 40,977,179	\$ 43,009,888

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, 2014 and 2013

	For the Year Ended	
	June 30, 2014	June 30, 2013
<u>CASH FLOWS FORM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Revenue	\$ 5,024,033	\$ 4,914,329
From Government Agencies for Operating Grants	7,899,540	7,850,681
For Other Operating Revenues	145,103	881,463
Cash Paid:		
To Employees for Operations	(2,763,124)	(3,323,002)
To Suppliers for Operations	(8,209,901)	(7,834,122)
For Housing Assistance Payments	(3,345,714)	(3,321,548)
Net Cash Provided by Operating Activities	(1,250,063)	(832,199)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	1,046,487	2,271,185
Loans, Notes and Mortgage Receivable - Noncurrent	6,115	5,846
Acquisition of Property and Equipment	(1,125,232)	(2,271,185)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(72,630)	5,846
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Receipt/(Refund) of Security Deposits	22	(458)
Investment Income	22,414	27,433
Net Cash Provided by Investing Activities	22,436	26,975
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,300,257)	(799,378)
Cash and Equivalents at Beginning of Period	9,398,192	10,197,570
Cash and Equivalents at End of Period	\$ 8,097,935	\$ 9,398,192
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operations		
Operating Income/(Loss)	\$ (3,101,610)	\$ (4,299,649)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	2,650,404	2,618,719
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants & Fraud Recovery	22,493	(11,110)
Accounts Receivable - HUD and Other Governments	(45,207)	76,989
Accounts Receivable - Miscellaneous	(536,031)	(468,513)
Accrued Interest Receivable	4,231	(1,921)
Inventory	(628)	(1,211)
Prepaid Expenses and Other Current Assets	1,339	26,167
Loans, Notes and Mortgage Receivable - Current	(766)	(257)
Increase/(Decrease) in Liabilities		
Accounts Payable	(103,180)	154,124
Accrued Payroll	244	5,050
Deferred Revenue	(760,772)	760,464
Due to Other Governments	174,461	(97,632)
Other Current Liabilities	49,021	-
Compensated Absences	1,099	11,744
OPEB Liability	394,839	394,837
Net Cash Provided by Operating Activities	\$ (1,250,063)	\$ (832,199)

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014
(Continued)

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 Income – 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 adopted the provisions of Statement No. 37 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus” and Statement NO. 38 “Certain Financial Statement Note Disclosures”, which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that includes a statement of net assets, a statement of activities and a statement of cash flows. It requires the classification of net assets into three components – Invested in Capital Assets, Net of Related Debt; Restricted Net Assets and Unrestricted Net Assets. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt – 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 Capital Assets, Net of Related Debt. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

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

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

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

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, 2014
 (Continued)

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, 2014, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering SFAS 144.

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.

NOTE 2 – Cash and Cash Equivalents

Cash and Cash Equivalents of \$8,097,935 and \$9,398,192 at June 30, 2014 and 2013, respectively, consisted of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Checking Accounts	\$ 8,093,175	\$ 4,934,072
Tenant Pet Deposit Accounts	4,435	4,871
Certificates of Deposit & Money Market Accounts	-	4,458,924
Petty Cash Fund	<u>325</u>	<u>325</u>
Total Cash and Equivalents	<u>\$ 8,097,935</u>	<u>\$ 9,398,192</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, 2014 was \$8,097,610 and the bank balances were \$8,177,965. Of the bank balances, \$250,000 was covered by FDIC insurance and \$7,927,965 was covered collateral agreements, which require the institutions to purchase securities as collateral for all of the Authority's deposits and have the collateral held by an approved custodian in the Authority's name. Cash and cash equivalents, except petty cash, are held in the Authority's name.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

NOTE 3 – Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance for doubtful accounts of \$24,423 and \$19,240 at June 30, 2014 and 2013, respectively. Accounts Receivable for fraud recovery are stated net of an allowance of \$20,779 and \$23,108 at June 30, 2014 and 2013, respectively.

NOTE 4 - 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, 2014 and 2013:

	Balance July 1, 2013	Additions	Disposals	Transfers/ Other	Balance June 30, 2014
Land	\$ 1,452,593	\$ -	\$ -	\$ -	\$ 1,452,593
Buildings and Improvements	77,999,036	-	-	1,970,623	79,969,659
Furniture and Equipment	660,988	78,746	-	-	739,734
Construction in Progress	4,580,343	1,046,486	-	(1,970,623)	3,656,206
Total Fixed Assets	84,692,960	1,125,232	-	-	85,818,192
Accumulated Depreciation	(51,393,394)	(2,650,404)	-	-	(54,043,798)
Net Fixed Assets	\$ 33,299,566	\$(1,525,172)	\$ -	\$ -	\$ 31,774,394

	Balance July 1, 2012	Additions	Disposals	Transfers/ Other	Balance June 30, 2013
Land	\$ 1,452,593	\$ -	\$ -	\$ -	\$ 1,452,593
Buildings and Improvements	72,624,893	-	-	5,374,143	77,999,036
Furniture and Equipment	660,988	-	-	-	660,988
Construction in Progress	7,683,300	2,271,186	-	(5,374,143)	4,580,343
Total Fixed Assets	82,421,773	2,271,186	-	-	84,692,960
Accumulated Depreciation	(48,774,675)	(2,618,719)	-	-	(51,393,394)
Net Fixed Assets	\$ 33,647,099	\$ (347,533)	\$ -	\$ -	\$ 33,299,566

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 of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

	<u>Years</u>
Buildings	40
Components	20
Site Improvements	15
Furniture	10
Equipment	5
Vehicles	7
Computers	3

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

NOTE 5 – 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, 2014 and June 30, 2013, PILOT expense of \$174,461 and \$199,720, respectively, was accrued. The total PILOT payable at June 30, 2014 was \$546,859.

NOTE 6 – Accrued Compensated Absences

Unused sick leave may be carried to future periods and used in the event of extended illness. In the event of termination, retirement or death an employee is compensated for one-half of his unused sick days up to a maximum of \$7,500 under the Authority's current personnel policy. Generally, unused vacation in excess vacation earned in one year may not be carried to future periods unless approved. The Authority determined that the potential liability for accumulated vacation and sick time as of June 30, 2014 and 2013 totaled \$410,612 and \$409,513 respectively. The significant decrease is the result of the Authority purchasing accrued compensated absences from employees during the current fiscal year.

NOTE 7 – Pension Plan

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system. Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority. The Authority was required to make a contribution of \$475,315 to the system during the audit period. The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

NOTE 8 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the year ended June 30, 2014, 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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

NOTE 8 – Risk Management (continued)

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, 2014, the Authority's outstanding construction commitments pertaining to its Comprehensive Grant Programs were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 10 – Deferred Revenue

Deferred revenue of \$45,704 at June 30, 2014 represents prepaid tenant rent. \$806,476 of deferred revenue at June 30, 2013 consisted primarily of \$756,046 of deferred operating subsidy as the Authority drew down funds available for July and August 2013 in June.

NOTE 11 – Restrictions and Limitations on Net Assets

During the fiscal year ended June 30, 2004, the Authority's Board of Commissioners chose to place limitations on unrestricted net assets for the purpose of funding future capital improvements. During the fiscal year ended June 30, 2005 the Board placed limitations on an additional \$2,000,000 to fund renovations for handicapped accessible units. Funds so designated are classified as "Unrestricted Net Assets - Designated by the Governing Board for Capital Improvements" in the Statement of Net Assets. The following is a summary of the changes in Board Designated Funds for the fiscal year ended June 30, 2014:

Balance at June 30, 2013	\$ 7,000,000
Transfer from Undesignated Funds	<u>-</u>
Balance at June 30, 2014	<u>\$ 7,000,000</u>

NOTE 12 – 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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014
 (Continued)

NOTE 12 – Restricted and Unrestricted Net Position (continued)

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, 2014:

Administrative Fee Reserves			
Balance @ June 30, 2013	\$	181,634	
FYE June 30, 2014 excess of admin fees and revenue over expense		8,634	190,268
Housing Assistance Payment Reserves			
Balance @ June 30, 2013		-	
FYE June 30, 2014 excess of HAP fees and revenue over expense		1,902	<u>1,902</u>
Total Restricted & Unrestricted Fund Balance			<u>\$ 192,170</u>

NOTE 13 – Post Employment Retirement Benefits

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

Annual Required Contribution	\$609,002
Interest on net OPEB obligation	\$38,615
Adjustment to annual required contribution	\$0
Annual OPEB cost (expense)	\$647,617
Contributions made	\$(252,778)
Increase in net OPEB obligation	\$394,839
Net OPEB Obligation – beginning of year	\$1,167,141
Net OPEB Obligation – end of year	\$1,561,980

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2014 fiscal year and the two preceding years were as follows:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014
 (Continued)

NOTE 13 – Post Employment Retirement Benefits (continued)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$597,419	35.36%	\$772,304
6/30/2013	\$647,617	39.03%	\$1,167,141
6/30/2014	\$647,617	39.03%	\$1,561,980

FUNDED STATUS AND FUNDING PROGRESS

As of January 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$12,113,181 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAL) of \$12,113,181. The covered payroll (annual payroll of active employees covered by the plan) was \$3,272,163 and the ratio of the UAL to covered payroll was not computed since benefit and retiree rates were not based on payroll.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

EFFECT OF 1% CHANGE IN HEALTHCARE TREND RATES

In the event that healthcare trend rates were 1% higher than forecast and employee contributions increased at the forecast rates, the Actuarial Accrued Liability would increase to \$13,605,541 or by 18.0% and the corresponding Normal Cost would increase to \$311,812.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

NOTE 13 – Post Employment Retirement Benefits (continued)

Actuarial Cost Method - Projected Unit Credit
Investment Rate of Return - 5.00% per annum
Healthcare Trend Rates

Year	Medical Including Prescription
FY 2011	Costs are Known
FY 2012	Costs are Known
FY 2013	Costs are Known
FY 2014	Costs are Known
FY 2015	6.0%
FY 2016	5.0%

Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
Remaining Amortization Period: 30 years at July 1, 2010

Reconciliation of Plan Participation

Active Employees	July 1, 2010	June 30, 2009
A. Average Age of Hire	N/A	N/A
B. Average Service	14.8	N/A
C. Average Current Age	49.1	N/A

NOTE 14 – Accounts Receivable Miscellaneous

\$3,528,582 of Accounts Receivable Miscellaneous represents fee and cost reimbursements due from not-for-profit corporations owning properties managed by the Housing Authority of the City of Bayonne. At June 30, 2014, the Authority was owed \$2,176,368 from Post Road Gardens, \$714,431 from Bridgeview Manor, and \$637,783 from Zito Towers. A \$2,814,151 lawsuit was filed after the June 30, 2014 in an attempt to collect the money owed from Post Road Gardens and Zito Towers. The total Accounts Receivable Miscellaneous balance at June 30, 2013 was \$2,992,551.

NOTE 15 – Prior Period Adjustments

There were no prior period adjustments in the fiscal years ended June 30, 2014 and 2013.

NOTE 16 – Subsequent Events

The Authority has evaluated subsequent events through February 8, 2015, the date on which the Financial Statements were available to be issued.

Bayonne Housing Authority (NJ012)

BAYONNE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$5,287,916	\$277,884	\$0	\$2,458,627	\$67,272	\$8,091,698		\$8,091,698
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted		\$1,902				\$1,902		\$1,902
114 Cash - Tenant Security Deposits	\$4,435					\$4,435		\$4,435
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$5,292,350	\$279,788	\$0	\$2,458,627	\$67,272	\$8,097,935	\$0	\$8,097,935
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects		\$49,021				\$49,021		\$49,021
124 Accounts Receivable - Other Government		\$6,993				\$6,993		\$6,993
125 Accounts Receivable - Miscellaneous		\$0		\$500,000	\$3,028,582	\$3,628,582		\$3,628,582
126 Accounts Receivable - Tenants	\$48,487					\$48,487		\$48,487
126.1 Allowance for Doubtful Accounts - Tenants	-\$24,243					-\$24,243		-\$24,243
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current				\$6,612		\$6,612		\$6,612
128 Fraud Recovery	\$20,779					\$20,779		\$20,779
128.1 Allowance for Doubtful Accounts - Fraud	-\$20,779					-\$20,779		-\$20,779
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$24,244	\$56,014	\$0	\$506,612	\$3,028,582	\$3,615,452	\$0	\$3,615,452
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$197,877				\$77,624	\$275,501		\$275,501
143 Inventories	\$50,549					\$50,549		\$50,549
143.1 Allowance for Obsolete Inventories	-\$3					-\$3		-\$3
144 Inter Program Due From		\$5,412		\$52,000	\$57,148	\$114,560	-\$114,560	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$5,565,017	\$341,212	\$0	\$3,017,139	\$3,230,628	\$12,153,994	-\$114,560	\$12,039,434
161 Land	\$1,452,693				\$0	\$1,452,693		\$1,452,693
162 Buildings	\$76,355,921				\$0	\$76,355,921		\$76,355,921
163 Furniture, Equipment & Machinery - Dwellings					\$0	\$0		\$0
164 Furniture, Equipment & Machinery - Administration	\$739,734				\$0	\$739,734		\$739,734
165 Leasehold Improvements	\$3,089,738				\$524,000	\$3,613,738		\$3,613,738
166 Accumulated Depreciation	-\$63,777,534				-\$266,264	-\$64,043,798		-\$64,043,798
167 Construction In Progress	\$3,656,206				\$0	\$3,656,206		\$3,656,206
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$31,516,658	\$0	\$0	\$0	\$257,736	\$31,774,394	\$0	\$31,774,394
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	\$31,516,658	\$0	\$0	\$310,042	\$257,736	\$32,084,436	\$0	\$32,084,436
200 Deferred Outflow of Resources								
290 Total Assets and Deferred Outflow of Resources	\$37,081,675	\$341,212	\$0	\$3,327,181	\$3,488,362	\$44,238,430	-\$114,560	\$44,123,870
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$353,072				\$22,905	\$375,977		\$375,977
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable					\$152,103	\$152,103		\$152,103
322 Accrued Compensated Absences - Current Portion	\$206,067				\$109,354	\$315,421		\$315,421
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government	\$546,859					\$546,859		\$546,859
341 Tenant Security Deposits	\$4,435					\$4,435		\$4,435
342 Unearned Revenue	\$40,415				\$5,289	\$45,704		\$45,704
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								

Bayonne Housing Authority (NJ012)

BAYONNE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities		\$49,021				\$49,021		\$49,021
346 Accrued Liabilities - Other								
347 Infr Program - Due To		\$57,148		\$5,412	\$52,000	\$114,660	-\$114,660	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$1,150,848	\$108,169	\$0	\$5,412	\$341,651	\$1,604,080	-\$114,660	\$1,489,620
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	\$51,762				\$43,439	\$95,191		\$95,191
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$1,301,205	\$42,873			\$217,902	\$1,561,980		\$1,561,980
350 Total Non-Current Liabilities	\$1,352,957	\$42,873	\$0	\$0	\$261,341	\$1,657,171	\$0	\$1,657,171
300 Total Liabilities	\$2,503,805	\$149,042	\$0	\$5,412	\$602,992	\$3,261,251	-\$114,660	\$3,146,691
400 Deferred Inflow of Resources								
508.4 Net Investment in Capital Assets	\$31,516,658	\$0	\$0	\$0	\$257,736	\$31,774,394		\$31,774,394
511.4 Restricted Net Position	\$0	\$1,902	\$0	\$0	\$0	\$1,902		\$1,902
512.4 Unrestricted Net Position	\$3,061,212	\$190,268	\$0	\$3,321,769	\$2,627,634	\$9,200,883		\$9,200,883
513 Total Equity - Net Assets / Position	\$34,577,870	\$192,170	\$0	\$3,321,769	\$2,885,370	\$40,977,179	\$0	\$40,977,179
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$37,081,675	\$341,212	\$0	\$3,327,181	\$3,488,362	\$44,238,430	-\$114,660	\$44,123,870

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

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$4,919,074					\$4,919,074		\$4,919,074
70400 Tenant Revenue - Other	\$82,466					\$82,466		\$82,466
70500 Total Tenant Revenue	\$5,001,540	\$0	\$0	\$0	\$0	\$5,001,540	\$0	\$5,001,540
70600 HUD PHA Operating Grants	\$5,449,178	\$2,445,980				\$7,895,158		\$7,895,158
70610 Capital Grants	\$1,046,487					\$1,046,487		\$1,046,487
70710 Management Fee					\$1,199,136	\$1,199,136	-\$1,199,136	\$0
70720 Asset Management Fee					\$133,620	\$133,620	-\$133,620	\$0
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees					\$1,332,756	\$1,332,756	-\$1,332,756	\$0
70700 Total Fee Revenue								
70800 Other Government Grants			\$49,589			\$49,589		\$49,589
71100 Investment Income - Unrestricted	\$5,505	\$237		\$14,835	\$1,837	\$22,414		\$22,414
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$2,477				\$2,477		\$2,477
71600 Other Revenue	\$166,753	\$1,178,493	\$6,311		\$84,407	\$1,435,964		\$1,435,964
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$11,669,463	\$3,627,187	\$56,900	\$14,835	\$1,419,000	\$16,786,385	-\$1,332,756	\$15,453,629
91100 Administrative Salaries	\$190,610	\$36,847			\$397,863	\$625,120		\$625,120
91200 Auditing Fees	\$14,636	\$1,626				\$16,262		\$16,262
91300 Management Fee	\$1,184,168	\$34,968				\$1,199,136	-\$1,199,136	\$0
91310 Book-keeping Fee	\$111,765	\$21,855				\$133,620	-\$133,620	\$0
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	\$209,107	\$30,914			\$284,200	\$524,221		\$524,221
91600 Office Expenses	\$151,675	\$23,795			\$124,629	\$299,999		\$299,999
91700 Legal Expense	\$144,985	\$560		\$563	\$73,950	\$220,058		\$220,058
91800 Travel	\$1,125	\$5,646			\$30,089	\$36,860		\$36,860
91810 Allocated Overhead								
91900 Other	\$24,605	\$16,330			\$54,005	\$93,940		\$93,940
91000 Total Operating - Administrative	\$2,012,576	\$171,341	\$0	\$563	\$964,736	\$3,149,216	-\$1,332,756	\$1,816,460
92000 Asset Management Fee								
92100 Tenant Services - Salaries	\$409,506	\$61,176			\$40,896	\$511,578		\$511,578
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services	\$246,537	\$30,441			\$32,327	\$309,305		\$309,305
92400 Tenant Services - Other	\$20,803		\$55,900			\$76,703		\$76,703
92500 Total Tenant Services	\$676,846	\$91,617	\$55,900	\$0	\$73,223	\$897,586	\$0	\$897,586
93100 Water	\$523,004					\$523,004		\$523,004
93200 Electricity	\$1,374,899				\$17,510	\$1,392,409		\$1,392,409
93300 Gas	\$750,237				\$3,973	\$754,210		\$754,210
93400 Fuel								
93500 Labor	\$142,213					\$142,213		\$142,213
93600 Sewer	\$386,172					\$386,172		\$386,172
93700 Employee Benefit Contributions - Utilities	\$97,548					\$97,548		\$97,548
93800 Other Utilities Expense								
93000 Total Utilities	\$3,274,073	\$0	\$0	\$0	\$21,483	\$3,295,556	\$0	\$3,295,556
94100 Ordinary Maintenance and Operations - Labor	\$1,961,954				\$31,298	\$1,993,252		\$1,993,252
94200 Ordinary Maintenance and Operations - Materials and Other	\$527,883				\$6,514	\$534,397		\$534,397
94300 Ordinary Maintenance and Operations Contracts	\$545,166				\$13,345	\$558,501		\$558,501
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,190,139				\$21,935	\$1,212,074		\$1,212,074
94000 Total Maintenance	\$4,225,132	\$0	\$0	\$0	\$73,092	\$4,298,224	\$0	\$4,298,224
95100 Protective Services - Labor	\$3,882					\$3,882		\$3,882
95200 Protective Services - Other Contract Costs	\$461,413					\$461,413		\$461,413
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services	\$297					\$297		\$297
95000 Total Protective Services	\$465,592	\$0	\$0	\$0	\$0	\$465,592	\$0	\$465,592
96110 Property Insurance	\$182,523				\$8,350	\$190,873		\$190,873
96120 Liability Insurance	\$85,674	\$1,000			\$3,919	\$90,593		\$90,593
96130 Workmen's Compensation	\$89,399	\$2,593			\$4,090	\$96,082		\$96,082
96140 All Other Insurance	\$14,902				\$681	\$15,583		\$15,583
96100 Total Insurance Premiums	\$372,498	\$3,593	\$0	\$0	\$17,040	\$393,131	\$0	\$393,131
96200 Other General Expenses	\$9,752	\$4,386			\$6,694	\$20,832		\$20,832
96210 Compensated Absences					\$84,712	\$84,712		\$84,712
96300 Payments in Lieu of Taxes	\$174,461					\$174,461		\$174,461
96400 Bad debt - Tenant Rents	\$43,666					\$43,666		\$43,666
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$227,879	\$4,386	\$0	\$0	\$91,406	\$323,671	\$0	\$323,671

Bayonne Housing Authority (NJ012)
BAYONNE, NJ

Entity Wide Revenue and Expense Summary

Fiscal Year End: 08/30/2014

Submission Type: Audited/A-133

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	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
96900 Total Operating Expenses	\$11,254,596	\$270,937	\$55,900	\$563	\$1,240,980	\$12,822,976	-\$1,332,766	\$11,490,220
97000 Excess of Operating Revenue over Operating Expenses	\$414,867	\$3,356,260	\$0	\$14,272	\$178,020	\$3,963,409	\$0	\$3,963,409
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$2,255,493				\$2,255,493		\$2,255,493
97350 HAP Portability-In		\$1,090,221				\$1,090,221		\$1,090,221
97400 Depreciation Expense	\$2,615,471				\$34,933	\$2,650,404		\$2,650,404
97600 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
98000 Total Expenses	\$13,870,067	\$3,616,651	\$55,900	\$563	\$1,275,913	\$18,819,094	-\$1,332,766	\$17,486,338
10010 Operating Transfer In	\$103,754					\$103,754		\$103,754
10020 Operating transfer Out	-\$103,754					-\$103,754		-\$103,754
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$2,200,604	\$10,636	\$0	\$14,272	\$143,087	-\$2,032,709	\$0	-\$2,032,709
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$36,778,474	\$181,634	\$0	\$3,307,497	\$2,742,283	\$43,009,888		\$43,009,888
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0					\$0		\$0
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity		\$190,268				\$190,268		\$190,268
11180 Housing Assistance Payments Equity		\$1,902				\$1,902		\$1,902
11190 Unit Months Available	18408	3024				18432		18432
11210 Number of Unit Months Leased	14943	2914				17857		17857
11270 Excess Cash	\$3,314,756					\$3,314,756		\$3,314,756
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$1,046,487				\$0	\$1,046,487		\$1,046,487
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0				\$0	\$0		\$0
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, 2014

	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Ending Balance</u>
<u>LOW INCOME HOUSING PROGRAM</u>				
Operating Subsidy (CFDA # 14.850)	\$ -	\$ 4,628,648	\$ 4,628,648	\$ -
<u>CAPITAL FUND PROGRAM CLUSTER</u>				
Capital Fund Program (CFDA# 14.872)	-	1,867,017	1,867,017	-
<u>HOUSING ASSISTANCE PAYMENTS PROGRAM</u>				
Section 8 Voucher Program (CFDA # 14.871)	-	2,445,980	2,445,980	-
TOTAL FEDERAL FINANCIAL ASSISTANCE	<u>\$ -</u>	<u>\$ 8,941,645</u>	<u>\$ 8,941,645</u>	<u>\$ -</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of OMB Circular A-133. 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.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 SCHEDULE OF AUTHORITY REDEVELOPMENT AND
 PUBLIC HOUSING ACTIVITIES
 FISCAL YEAR ENDED JUNE 30, 2014

	REDEVELOPMENT ACTIVITIES:				PUBLIC HOUSING ACTIVITIES:					TOTAL
	REDEVELOPMENT PROGRAM	SUBTOTAL RED. ACTIVITIES	PUBLIC HOUSING PROGRAM	CAPITAL GRANTS	HOUSING CHOICE VOUCHERS	CONGREGATE PROGRAM	SUBTOTAL PHA ACTIVITIES	TOTAL ACTIVITIES		
SCHEDULE OF NET ASSETS:										
TOTAL CURRENT ASSETS	\$3,275,181	\$3,275,181	\$8,738,495	\$0	\$335,800	-	\$9,074,295	\$12,349,476		
INTERFUND REC/(PAYABLE)	46,588	46,588	5,148	-	(51,736)	-	(46,588)			
NET FIXED ASSETS	-	-	28,118,188	3,656,206	-	-	31,774,394	31,774,394		
TOTAL ASSETS	3,321,769	3,321,769	36,861,831	3,656,206	284,064	-	40,802,101	44,123,870		
CURRENT LIABILITIES	-	-	1,440,499	-	49,021	-	1,489,520	1,489,520		
NON-CURRENT LIABILITIES	-	-	1,614,298	-	42,873	-	1,657,171	1,657,171		
TOTAL LIABILITIES	-	-	3,054,797	-	91,894	-	3,146,691	3,146,691		
INVESTED IN CAPITAL ASSETS	-	-	28,118,188	3,656,206	-	-	31,774,394	31,774,394		
RESTRICTED ASSETS	-	-	-	-	1,902	-	1,902	1,902		
UNRESTRICTED NET ASSETS	3,321,769	3,321,769	5,688,846	-	190,268	-	5,879,114	9,200,883		
NET ASSETS	3,321,769	3,321,769	33,807,034	3,656,206	192,170	-	37,655,410	40,977,179		
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,321,769	\$ 3,321,769	\$ 36,861,831	\$ 3,656,206	\$ 284,064	\$ -	\$ 40,802,101	\$ 44,123,870		
STATEMENT OF ACTIVITIES:										
TOTAL REVENUES	-	-	9,881,349	820,530	3,626,950	55,900	14,384,729	14,384,729		
TOTAL EXPENSES	563	563	12,992,694	820,530	3,616,651	55,900	17,486,775	17,486,338		
OPERATING INCOME(LOSS)	(563)	(563)	(3,111,345)	-	10,299	-	(3,101,046)	(3,101,609)		
NONOPERATING REVENUES(EXP)	14,835	14,835	7,342	-	237	-	7,579	22,414		
NET INCOME/(LOSS) BEFORE GRANTS	14,272	14,272	(3,104,003)	-	10,536	-	(3,093,467)	(3,079,195)		
CAPITAL GRANTS	-	-	-	1,046,486	-	-	1,046,486	1,046,486		
NET INCOME/(LOSS)	\$ 14,272	\$ 14,272	\$ (3,104,003)	\$ 1,046,486	\$ 10,536	\$ -	\$ (2,046,981)	\$ (2,032,709)		
STATEMENT OF CHANGES IN NET POSITION:										
BALANCE AT JUNE 30TH, 2013	\$3,307,497	\$3,307,497	\$4,940,414	\$4,580,343	\$181,634	\$0	\$39,702,391	\$43,009,888		
NET INCOME/(LOSS)	14,272	14,272	(4,150,489)	1,046,486	10,536	-	(3,093,467)	(3,079,195)		
TRANSFERS AND PRIOR PERIOD ADJ.	-	-	1,970,623	(1,970,623)	-	-	-	-		
BALANCE AT JUNE 30TH, 2014	\$3,321,769	\$3,321,769	\$32,760,547	\$3,656,206	\$192,170	\$0	\$36,608,924	\$39,930,693		
RESTRICTED	-	-	-	-	1,902	-	1,902	1,902		
UNRESTRICTED	3,321,769	3,321,769	5,688,846	-	190,268	-	5,879,114	9,200,883		
INVESTED IN CAPITAL ASSETS	-	-	28,118,188	3,656,206	-	-	31,774,394	31,774,394		
NET ASSETS	\$3,321,769	\$3,321,769	\$33,807,034	\$3,656,206	\$192,170	\$0	\$37,655,410	\$40,977,179		

SCHEDULE OF AUTHORITY REDEVELOPMENT AND
PUBLIC HOUSING ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013

	REDEVELOPMENT ACTIVITIES:			PUBLIC HOUSING ACTIVITIES:					TOTAL
	REDEVELOPMENT PROGRAM	SUBTOTAL RED. ACTIVITIES		PUBLIC HOUSING PROGRAM	CAPITAL GRANTS	HOUSING CHOICE VOUCHERS	CONGREGATE PROGRAM	SUBTOTAL PHA ACTIVITIES	TOTAL ACTIVITIES
SCHEDULE OF NET ASSETS:									
TOTAL CURRENT ASSETS	\$3,260,909	\$3,260,909		\$9,596,764	\$0	\$241,606	\$0	\$9,840,370	\$13,101,279
INTERFUND REC/(PAYABLE)	46,588	46,588		(17,699)	-	(28,889)	-	(46,588)	-
NET FIXED ASSETS	-	-		28,719,223	4,580,343	-	-	33,299,566	33,299,566
TOTAL ASSETS	3,307,497	3,307,497		38,300,288	4,580,343	212,717	-	43,093,348	46,400,845
CURRENT LIABILITIES	-	-		2,130,780	-	-	-	2,130,780	2,130,780
NON-CURRENT LIABILITIES	-	-		1,229,094	-	31,083	-	1,260,177	1,260,177
TOTAL LIABILITIES	-	-		3,359,874	-	31,083	-	3,390,957	3,390,957
INVESTED IN CAPITAL ASSETS	-	-		28,719,223	4,580,343	-	-	33,299,566	33,299,566
RESTRICTED ASSETS	-	-		-	-	-	-	-	-
UNRESTRICTED NET ASSETS	3,307,497	3,307,497		6,221,191	-	181,634	-	6,402,825	9,710,322
NET ASSETS	3,307,497	3,307,497		34,940,414	4,580,343	181,634	-	39,702,391	43,009,888
TOTAL LIABILITIES AND FUND EQUITY	\$3,307,497	\$3,307,497		\$38,300,288	\$4,580,343	\$212,717	\$0	\$43,093,348	\$46,400,845
STATEMENT OF ACTIVITIES:									
TOTAL REVENUES	\$0	\$0		\$8,518,613	\$1,225,003	\$3,467,326	\$54,665	\$13,265,607	\$13,265,607
TOTAL EXPENSES	-	-		12,691,526	1,225,003	3,594,062	54,665	17,565,256	17,565,256
OPERATING INCOME/(LOSS)	-	-		(4,172,913)	-	(126,736)	-	(4,299,649)	(4,299,649)
NONOPERATING REVENUES/(EXP)	14,632	14,632		12,792	-	9	-	12,801	27,433
NET INCOME/(LOSS) BEFORE GRANTS	14,632	14,632		(4,160,121)	-	(126,727)	-	(4,286,848)	(4,272,216)
CAPITAL GRANTS	-	-		-	2,271,185	-	-	2,271,185	2,271,185
NET INCOME/(LOSS)	\$14,632	\$14,632		(4,160,121)	2,271,185	(126,727)	-	(2,015,663)	-\$2,001,031
STATEMENT OF CHANGES IN NET ASSETS:									
BALANCE AT JUNE 30TH, 2012	\$3,292,865	\$3,292,865		\$33,726,394	\$7,683,299	\$308,361	-	\$41,718,054	\$45,010,919
NET INCOME/(LOSS)	14,632	14,632		(4,160,121)	2,271,185	(126,727)	-	(2,015,663)	(2,001,031)
TRANSFERS AND PRIOR PERIOD ADJ.	-	-		5,374,141	(5,374,141)	-	-	-	-
BALANCE AT JUNE 30TH, 2013	3,307,497	3,307,497		34,940,414	4,580,343	181,634	-	39,702,391	43,009,888
RESTRICTED	-	-		-	-	-	-	-	-
UNRESTRICTED	3,307,497	3,307,497		6,221,191	-	181,634	-	6,402,825	9,710,322
INVESTED IN CAPITAL ASSETS	-	-		28,719,223	4,580,343	-	-	33,299,566	33,299,566
NET ASSETS	\$3,307,497	\$3,307,497		\$34,940,414	\$4,580,343	\$181,634	\$-	\$39,702,391	\$43,009,888



CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON 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 the Housing Authority of the City of Bayonne's ("the Program") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Bayonne basic financial statements and have issued our report thereon dated February 8, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Bayonne's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the Housing Authority of the City of Bayonne's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program'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.

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. 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

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
February 8, 2015



CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Bayonne's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Bayonne's major federal programs for the year ended June 30, 2014. The Housing Authority of the City of Bayonne's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Bayonne's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Bayonne's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of Bayonne's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

(Continued)

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Bayonne complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

The management of the Housing Authority of the City of Bayonne is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Bayonne's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Bayonne's 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, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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 OMB Circular A-133. Accordingly, the report is not suitable for any other purpose.

Polcari & Company

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
February 8, 2015

POLCARI & CO.

CERTIFIED PUBLIC ACCOUNTANTS

HOUSING AUTHORITY OF THE CITY OF BAYONNE
Bayonne, New Jersey
June 30, 2014

STATUS OF PRIOR AUDIT FINDINGS

The prior audit contained no findings.

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:

Significant Deficiency(ies) Identified?	<u> </u> yes	<u> X </u> no
Significant Deficiency(ies) identified that are considered to be Material Weakness(es)?	<u> </u> yes	<u> X </u> none reported
Noncompliance Material to Financial Statements Noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal Control over Major Programs:

Significant Deficiency(ies) Identified?	<u> </u> yes	<u> X </u> no
Significant Deficiency(ies) identified that are considered to be Material Weakness(es)?	<u> </u> 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 section 510(a) of Circular A-133

<u> </u> yes	<u> X </u> no
-------------------	-----------------

Identification of Major Programs

CFDA

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
14.85	Low Rent Public Housing

Dollar Threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk? X yes no

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.