

HOUSING AUTHORITY OF THE
CITY OF BAYONNE
Bayonne, New Jersey

COMPARATIVE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

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Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2020

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, 2020. 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 \$31,032,713 (net position) as opposed to \$9,080,321 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 \$3,895,808.
- 3 – The Authority's cash and cash equivalent balances at June 30, 2020 were \$27,811,683, representing an increase of \$19,255,862 from the prior fiscal year.
- 4 – The Authority had Total Operating Revenues of \$38,178,288 and Total Operating Expenses of \$19,620,896 (including depreciation of \$2,699,894) for the year ended June 30, 2020.
- 5 – The Authority's total capital outlays for the fiscal year were \$2,449,034.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$11,276,662 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, 2020

2 – Financial Statements (Continued)

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

3 – Notes to Financial Statements

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

4 – Supplemental Information

The Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, The SEFA can be found on page 31 of this report.

C – The Authority as a Whole

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

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are not available for future spending.

D – Budgetary Highlights

For the year ended June 30, 2020 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. (Also, the Authority adopted a comprehensive annual budget for the General Fund.) The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

E – Capital Assets and Debt Administration

1 – Capital Assets

As of June 30, 2020, the Authority's net investment in capital assets for its Proprietary Fund was \$27,128,171 (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 \$2,419,529 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.

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, 2019 to June 30, 2020

Changes in the Statement of Net Position

Cash and other current assets increased \$20,870,917 primarily because the Authority' cash increased \$19,255,862. This significant increase in cash is due to the \$19,514,846 of proceeds received from the sale of Post Road Gardens.

Net fixed assets decreased \$250,861 during the current fiscal year. The Authority had \$2,449,034 of net fixed asset additions and incurred \$2,699,894 of depreciation expense.

Deferred Outflow of Resources decreased \$768,579 based on the most recent other post-retirement benefits (OPEB) liability and pension liability actuarial reports provided by the State of New Jersey.

Total liabilities decreased \$4,020,254 primarily because the other post-retirement benefits (OPEB) and pension liabilities decreased from the prior fiscal year. As previously indicated, these liabilities are based on actuarial valuations provided by the State of New Jersey.

Deferred Inflow of Resources increased \$1,919,339 based on the other post-retirement benefits (OPEB) and pension liability actuarial reports provided by the State of New Jersey.

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

Total operating revenue increased \$20,737,429.

- HUD operating grants increased \$880,220. Low rent public housing subsidy increased \$574,078, HCV HAP revenue increased \$161,045, HCV Administrative revenue increased \$4,670, and capital fund revenue used for operations decreased \$18,918. In addition, the Authority had \$113,321 of public housing CARES revenue and \$46,024 of HCV Cares revenue that they did not have in the prior fiscal year.
- Other revenue increased \$19,545,168 primarily because the Authority received \$19,514,846 from the sale of the Post Road Gardens Property.

Operating expenses (excluding depreciation expense) decreased \$806,104 when compared to the prior fiscal year. The primary reason for this decrease is a decrease in administrative and maintenance costs, specifically employee benefits.

Prior period adjustment increased \$458,834 due to the aforementioned other post-retirement benefits (OPEB) liability and pension liability actuarial adjustments provided by the State of New Jersey.

Housing Authority of the City of Bayonne
Management's Discussion and Analysis
June 30, 2020

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, 2021.

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.

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, 2020

Composition of Net Position is as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2020</u>	<u>June 30, 2019</u>		
Cash and Other Current Assets	\$ 35,379,813	\$ 14,508,896	\$ 20,870,917	143.8%
Net Fixed Assets	27,128,171	27,379,032	(250,861)	-0.9%
Notes Receivable	310,042	310,042	-	0.0%
Deferred Outflow of Resources	<u>2,634,430</u>	<u>3,403,009</u>	<u>(768,579)</u>	<u>-22.6%</u>
Total Assets and Def. Outflow of Resources	<u>65,452,456</u>	<u>45,600,979</u>	<u>19,851,477</u>	<u>43.5%</u>
Less: Total Liabilities	(21,048,381)	(25,068,635)	4,020,254	-16.0%
Less: Deferred Inflow of Resources	<u>(13,371,362)</u>	<u>(11,452,023)</u>	<u>(1,919,339)</u>	<u>16.8%</u>
Total Net Position	<u>\$ 31,032,713</u>	<u>\$ 9,080,321</u>	<u>\$ 21,952,392</u>	<u>241.8%</u>
Net Investment in Capital Assets	27,128,171	27,379,032	(250,861)	-0.9%
Restricted Net Position	8,734	-	8,734	0.0%
Unrestricted Net Position	<u>3,895,808</u>	<u>(18,298,711)</u>	<u>22,194,519</u>	<u>-121.3%</u>
Total Net Position	<u>\$ 31,032,713</u>	<u>\$ 9,080,321</u>	<u>\$ 21,952,392</u>	<u>241.8%</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>June 30, 2020</u>	<u>June 30, 2019</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 6,451,999	\$ 6,138,739	\$ 313,260	5.1%
HUD Operating Grants	8,857,133	7,976,913	880,220	11.0%
Other	<u>22,869,156</u>	<u>3,325,207</u>	<u>19,543,949</u>	<u>587.8%</u>
Total Operating Revenues	<u>38,178,288</u>	<u>17,440,859</u>	<u>20,737,429</u>	<u>118.9%</u>
<u>Expenses</u>				
Operating Expenses (Excl. Dep.)	16,921,002	17,727,106	(806,104)	-4.5%
Depreciation Expense	<u>2,699,894</u>	<u>2,627,759</u>	<u>72,135</u>	<u>2.7%</u>
Total Operating Expenses	<u>19,620,896</u>	<u>20,354,865</u>	<u>(733,969)</u>	<u>-3.6%</u>
Deficiency of Operating Revenues Over Expenses	18,557,392	(2,914,006)	21,471,398	-736.8%
<u>Non-Operating Revenues</u>				
Interest on Investments	<u>181,522</u>	<u>66,850</u>	<u>114,672</u>	<u>171.5%</u>
Deficiency of Revenues Over Expenses Before Capital Grants Received	18,738,914	(2,847,156)	21,586,070	-758.2%
<u>Capital Grants</u>				
HUD Capital Grants	<u>2,419,529</u>	<u>2,179,723</u>	<u>239,806</u>	<u>11.0%</u>
Excess Revenues/(Deficiency)	21,158,443	(667,433)	21,825,876	-3270.1%
Prior Period Adjustment	793,949	335,115	458,834	136.9%
Net Position - Beginning Balance	<u>9,080,321</u>	<u>9,412,639</u>	<u>(332,318)</u>	<u>-3.5%</u>
Net Position - Ending Balance	<u>\$ 31,032,713</u>	<u>\$ 9,080,321</u>	<u>\$ 21,952,392</u>	<u>241.8%</u>



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Bayonne, which comprise the Comparative Statements of Net Position as of June 30, 2020 and 2019 and the related Comparative Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the years ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position the Housing Authority of the City of Bayonne, as of June 30, 2020 and 2019, and the respective changes in net position and cash flows thereof for the years then ended, in accordance with the accounting principles generally accepted in the United States of America

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Supplemental Schedules pertaining to the Public Employees Retirement System and Other Postemployment Benefits presented on pages 33-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The financial data schedule and the schedule of expenditures of federal awards for the year ended June 30, 2020 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 March 18, 2021 on our consideration of the Housing Authority of the City of Bayonne's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 18, 2021

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF NET POSITION
 At June 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

	June 30, 2020	June 30, 2019
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 27,802,949	\$ 8,555,821
Cash and Cash Equivalents - Restricted	8,734	-
Accounts Receivable - Tenants (Net)	1,282,241	35,728
Accounts Receivable - HUD	113,321	27,496
Accounts Receivable - Other Government	33,073	17,496
Accounts Receivable Miscellaneous	5,287,186	5,039,169
Inventory	63,629	65,901
Prepaid Expenses and Other Current Assets	788,680	767,285
Total Current Assets	35,379,813	14,508,896
<u>FIXED ASSETS</u>		
Land	1,506,843	1,506,843
Buildings	84,024,499	82,404,361
Furniture, Equipment and Machinery	584,574	555,069
Leasehold Improvements	4,157,895	4,157,895
Construction in Progress	6,020,816	5,221,426
Total Fixed Assets	96,294,627	93,845,594
Less: Accumulated Depreciation	(69,166,456)	(66,466,562)
Net Fixed Assets	27,128,171	27,379,032
Notes, Loans, & Mortgages Receivable - Non-Current	310,042	310,042
Deferred Outflow of Resources	2,634,430	3,403,009
Total Assets and Deferred Outflow of Resources	\$ 65,452,456	\$ 45,600,979

LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable:		
Vendors and Contractors	\$ 358,738	\$ 906,284
Accrued Payroll and Related Taxes	227,324	181,624
Due to Tenants:		
Security Deposits	3,570	3,408
Unearned Revenue	19,621	57,243
Due to Other Governments	338,487	298,467
Compensated Absences - Current Portion	42,288	42,650
Total Current Liabilities	990,028	1,489,676
Accrued Compensated Absences - Noncurrent	380,589	383,856
Accrued Pension and OPEB Liabilities	19,677,764	23,195,103
Total Liabilities	21,048,381	25,068,635
Deferred Inflow of Resources	13,371,362	11,452,023

NET POSITION

Net Investment in Capital Assets	27,128,171	27,379,032
Restricted	8,734	-
Unrestricted	3,895,808	(18,298,711)
Total Net Position	\$ 31,032,713	\$ 9,080,321

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, 2020 and 2019

	<u>For the Year Ended June 30, 2020</u>	<u>For the Year Ended June 30, 2019</u>
<u>OPERATING REVENUES</u>		
Total Tenant Revenue	\$ 6,451,999	\$ 6,138,739
HUD Grants - Operating	8,857,133	7,976,913
Other Government Grants	53,365	54,584
Other	<u>22,815,791</u>	<u>3,270,623</u>
Total Operating Revenues	<u>38,178,288</u>	<u>17,440,859</u>
<u>OPERATING EXPENSES</u>		
Administration	1,965,124	2,444,455
Tenant Services	1,030,109	978,301
Utilities	3,051,285	3,174,886
Ordinary Maintenance & Operations	4,199,113	4,776,690
Protective Services	224,549	76,516
General Expense	957,942	848,049
Housing Assistance Payments	5,492,880	5,428,209
Depreciation Expense	<u>2,699,894</u>	<u>2,627,759</u>
Total Operating Expenses	<u>19,620,896</u>	<u>20,354,865</u>
Excess of Operating Revenues Over Expenses	18,557,392	(2,914,006)
<u>NON OPERATING REVENUES/(EXPENSES)</u>		
Interest Income	<u>181,522</u>	<u>66,850</u>
Income/(Loss) Before Contributions and Transfers	18,738,914	(2,847,156)
Capital Grants	<u>2,419,529</u>	<u>2,179,723</u>
Increase/(Decrease) In Net Position	21,158,443	(667,433)
Beginning Net Position	<u>9,080,321</u>	<u>9,412,639</u>
Prior Period Adjustments	<u>793,949</u>	<u>335,115</u>
Ending Net Position	<u>\$ 31,032,713</u>	<u>\$ 9,080,321</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
COMPARATIVE STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2020 and 2019

	<u>For the Year Ended June 30, 2020</u>	<u>For the Year Ended June 30, 2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Revenue	\$ 5,167,865	\$ 6,111,695
From Government Agencies for Operating Grants	8,809,096	8,117,230
For Other Operating Revenues	22,567,774	3,364,474
Cash Paid:		
To Employees for Operations	(3,399,347)	(3,298,118)
To Suppliers for Operations	(8,548,825)	(8,314,007)
For Housing Assistance Payments	(5,492,880)	(5,428,209)
Net Cash Provided by Operating Activities	<u>19,103,683</u>	<u>553,065</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	2,419,529	2,179,723
Acquisition of Property and Equipment	(2,449,034)	(2,241,043)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(29,505)</u>	<u>(61,320)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Receipt/(Refund) of Security Deposits	162	(674)
Investment Income	181,522	66,850
Net Cash Provided by Investing Activities	<u>181,684</u>	<u>66,176</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	19,255,862	557,921
Cash and Equivalents at Beginning of Period	8,555,821	7,997,900
Cash and Equivalents at End of Period	<u>\$ 27,811,683</u>	<u>\$ 8,555,821</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operations		
Operating Income/(Loss)	\$ 18,557,392	\$ (2,914,006)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	2,699,894	2,627,759
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants (Net)	(1,246,512)	(19,005)
Accounts Receivable - HUD and Other Governments	(101,402)	85,733
Accounts Receivable - Miscellaneous	(248,017)	93,851
Inventory	2,272	(12,216)
Prepaid Expenses and Other Current Assets	(21,395)	(24,846)
Deferred Outflow of Resources	768,579	(309,305)
Increase/(Decrease) in Liabilities		
Accounts Payable	(547,546)	199,124
Accrued Payroll	45,700	9,648
Unearned Revenue	(37,622)	(8,039)
Due to Other Governments	40,020	(248,065)
Other Current Liabilities	-	(15,775)
Compensated Absences	(3,629)	(17,005)
Accrued Pension and OPEB Liabilities	(2,723,390)	(6,978,529)
Deferred Inflow of Resources	1,919,339	8,083,741
Net Cash Provided by Operating Activities	<u>\$ 19,103,683</u>	<u>\$ 553,065</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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, 2020

**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, 2020

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, 2020, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering AU 360.

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

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

NOTE 2 – Cash and Cash Equivalents

Cash and Cash Equivalents of \$27,811,683 and \$8,555,821 at June 30, 2020 and 2019 respectively, consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Checking Accounts	\$ 27,799,054	\$ 8,552,088
Restricted Cash	8,734	-
Tenant Pet Deposit Accounts	3,570	3,408
Petty Cash Fund	325	325
Total Cash and Equivalents	<u>\$ 27,811,683</u>	<u>\$ 8,555,821</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, 2020 was \$27,811,683 and the bank balances were \$28,265,630. Of the bank balances, \$250,000 was covered by FDIC insurance and \$28,015,630 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, 2020

NOTE 3 – Tenant Accounts Receivable

Tenant accounts receivable, stated net of an allowance for doubtful accounts, are \$1,282,241 and \$35,728 at June 30, 2020 and 2019, respectively. The COVID-19 pandemic is the primary cause of the significant increase in tenant accounts receivable when compared to the prior year. The authority expects to collect the vast majority of the balance in the upcoming months.

NOTE 4 – Accounts Receivable Miscellaneous

Accounts receivable miscellaneous of \$5,287,186 and \$5,039,169 at June 30, 2020 and 2019 represent fee and cost reimbursements due from not-for-profit corporations owning properties managed by the Housing Authority. At June 30, 2020, the Authority was owed \$3,813,340 from Post Road Gardens, \$335,744 from Bridgeview Manor, \$638,102 from Zito Towers and \$500,000 related to the business activities program. At June 30, 2019, the Authority was owed \$3,813,340, \$87,727, \$638,102, and \$500,000, respectively. The Authority filed a lawsuit against Post Road Gardens and Zito Towers during the fiscal year ended June 30, 2015 to collect the money owed. The lawsuit is still pending as of the date of this audit report.

NOTE 5 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost. The following is a summary of the changes in general fixed assets for the fiscal years ended June 30, 2020 and 2019:

	July 1, 2019	Additions	Disposals	Transfers	June 30, 2020
Land	\$ 1,506,843	\$ -	\$ -	\$ -	\$ 1,506,843
Buildings and Improvements	86,562,256	-	-	1,620,138	88,182,394
Furniture and Equipment	555,069	29,505	-	-	584,574
Construction in Progress	5,221,426	2,419,529	-	(1,620,138)	6,020,816
Total Fixed Assets	93,845,594	2,449,034	-	-	96,294,627
Accumulated Depreciation	(66,466,562)	(2,699,894)	-	-	(69,166,456)
Net Fixed Assets	\$ 27,379,032	\$ (250,860)	\$ -	\$ -	\$ 27,128,171
	July 1, 2018	Additions	Disposals	Transfers	June 30, 2019
Land	\$ 1,506,843	\$ -	\$ -	\$ -	\$ 1,506,843
Buildings and Improvements	84,309,484	-	-	2,252,772	86,562,256
Furniture and Equipment	489,749	65,320	-	-	555,069
Construction in Progress	5,298,475	2,175,723	-	(2,252,772)	5,221,426
Total Fixed Assets	92,100,672	2,241,043	-	-	93,845,594
Accumulated Depreciation	(63,838,803)	(2,627,759)	-	-	(66,466,562)
Net Fixed Assets	\$ 28,261,869	\$ (386,716)	\$ -	\$ -	\$ 27,379,032

Expenditures are capitalized when they meet the Authority's Capitalization Policy requirements. Under that policy, assets purchased or constructed at a cost not exceeding \$1,000 are expensed when incurred. Depreciation is calculated using the straight-line method based upon the following estimated useful lives:

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020 and June 30, 2019, PILOT expense of \$338,487 and \$298,467 respectively, was accrued.

NOTE 7 – Accrued Compensated Absences

Employees are entitled to unused sick days at retirement if employed by the Authority for a minimum of 25 years and have at least 100 unused sick days at the time of retirement. All eligible employees are entitled to receive one day's pay at the rate paid at retirement for every three days of unused sick leave up to a maximum of \$15,000. Vacation days may be carried forward for a maximum of two years and are then lost if not used. The Authority determined that the potential liability for accumulated vacation and sick time as of June 30, 2020 and 2019 totaled \$422,877 and \$426,506, 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, 2020 and 2019, 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, 2020 and 2019, the Authority's outstanding construction commitments pertaining to its Comprehensive Grant Programs were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 10 – Unearned Revenue

Unearned revenue of \$19,621 at June 30, 2020 and \$57,243 at June 30, 2019 represents the low rent public housing program tenant prepaid rent.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 – Restricted and Unrestricted Net Position

Prior to January 1, 2005 excess funds advanced by HUD to the Authority for the payment of housing assistance payments were returned to HUD at the end of the Authority's fiscal year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of Housing Assistance Payments that are not so utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. As of November 2007, HUD is reverting to treating these funds as restricted in order to comply with generally accepted accounting principles. HUD has indicated that any HAP amounts received by the PHA and not expended should be reported as restricted cash and restricted net position.

Administrative fees paid by HUD to the Authority in excess of administrative expenses are also part of the unrestricted fund balance and are considered to be "administrative fee reserves". Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR982.155 – i.e. "other housing purposes permitted by state or local law". Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

In accordance with HUD requirements, the Agency's restricted and unrestricted fund balance consists of the following components as of June 30, 2020 and 2019:

<u>Administrative Fee Reserves</u>	
June 30, 2018 Balance	\$ (780,921)
Revenues	3,255,851
Expenses	<u>(3,170,183)</u>
June 30, 2019 Balance	<u>(695,253)</u>
Revenues	3,148,968
Expenses	<u>(3,160,554)</u>
June 30, 2020 Balance	<u>\$ (706,839)</u>
<u>HAP Reserves</u>	
June 30, 2018 Balance	\$ -
Revenues	2,625,436
Expenses	<u>(2,625,436)</u>
June 30, 2019 Balance	<u>-</u>
Revenues	2,777,474
Expenses	<u>(2,768,740)</u>
June 30, 2020 Balance	<u>\$ 8,734</u>

NOTE 12 – Post Employment Retirement Benefits (OPEB)

Plan Description

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 – Post Employment Retirement Benefits (Continued)

Benefits Provided

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

Employees Covered Under the Plan

At June 30, 2019, the census date in the most recent plan valuation report, 88 employees were covered under the plan.

Plan Assets

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

Total OPEB Liability

The Authority's total other postemployment benefit ("OPEB") liability of \$10,659,403 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 actuarial evaluation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.50%
Healthcare Cost Trend Assumptions	For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.7% and decreased to a 4.5% long term trend rate after eight years.

The discount rate represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 – Post Employment Retirement Benefits (Continued)

Changes in the Total OPEB Liability are as follows:

OPEB Liability at June 30, 2019 (Adjusted)	\$ 10,758,754
Changes for the Year	
Service Cost	524,528
Interest	500,533
Expected Investment Return	(8,881)
Administrative Expense	7,459
Changes in benefit terms	(1,498)
Current period recognition/amortization of deferred inflows/outflows of resources:	
Differences between expected and actual experience	(487,410)
Changes of Assumptions	(636,899)
Differences between projected and actual investment earnings on OPEB plan investments	2,817
Total OPEB Expense	<u>(99,351)</u>
OPEB Liability at June 30, 2020	<u>\$ 10,659,403</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the Authority as of June 30, 2019, calculated using the discount rate disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease	Discount Rate	1% Increase
	<u>2.50%</u>	<u>3.50%</u>	<u>4.50%</u>
Total OPEB Liability	\$ 12,324,982	\$ 10,659,403	\$ 9,305,901

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

The following presents the net OPEB liability of the Authority as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1% lower or 1% higher than the current rate.

	Healthcare		
	1% Decrease	Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 8,995,223	\$ 10,659,403	\$ 12,782,346

At June 30, 2019 the Authority reported deferred outflows inflows of resources related to OPEB from the following sources:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 12 – Post Employment Retirement Benefits (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,117,225
Changes of Assumptions	-	3,777,455
Net differences between projected and actual investment on earnings in OPEB plan investments	8,780	-
Changes in proportion	1,006,871	2,656,636
TOTAL	\$ 1,015,651	\$ 9,551,316

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

Year ended June 30:	
2020	\$ (1,121,491)
2021	(1,121,491)
2022	(1,122,179)
2023	(1,123,292)
2024	(1,124,308)
Thereafter	(1,319,550)
Total	\$ (6,932,312)

NOTE 13 – Pension Plan

General Information about the Pension Plan

Plan Description - The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at the following website: www.state.nj.us/treasury/pensions/annrpts.shtml.

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

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 13 – Pension Plan (continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and to tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by state of New Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. The employee rate was increased from 7.0% to 7.5% of base salary effective July 1, 2018 plus an additional 1% phased in over 7 years beginning in fiscal year 2013. The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The actuarially determined contribution includes funding for cost of living adjustments and a noncontributory death benefit. Chapter 9, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At the June 30, 2019 and June 30, 2018 measurement dates, the Authority reported \$9,018,361 and \$9,580,342, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2019 and June 30, 2018 were 0.0501% and 0.0486%, respectively. The components of the Authority's net pension liability as of June 30, 2019 and 2018, the most recent evaluation dates, are as follows:

	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 20,766,731	\$ 20,645,977
Less: Plan Fiduciary Net Position	<u>(11,748,370)</u>	<u>(11,065,635)</u>
Net Pension Liability	<u>\$ 9,018,361</u>	<u>\$ 9,580,342</u>

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 13 – Pension Plan (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 13 – Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield Bonds	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.19%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Buyouts/Venture Capital	21.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2019, 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>Current Discount Rate</u>	<u>At 1% Increase</u>
2019 \$	11,470,903	\$ 9,018,361	\$ 7,067,350
2018 \$	12,046,177	\$ 9,580,342	\$ 7,511,665

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 13 – Pension Plan (Continued)

At June 30, 2019 and 2018, the Authority reported deferred outflows inflows of resources related to pensions from the following sources:

	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources	2018 Deferred Outflows of Resources	2018 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 161,868	\$ 39,839	\$ 182,699	\$ 49,399
Changes of Assumptions	900,516	3,130,244	1,578,682	3,063,284
Net differences between projected and actual investment on earnings in OPEB plan investments	-	142,358	-	89,864
Changes in proportion	<u>556,394</u>	<u>507,605</u>	<u>463,575</u>	<u>814,362</u>
TOTAL	<u>\$ 1,618,778</u>	<u>\$ 3,820,046</u>	<u>\$ 2,224,956</u>	<u>\$ 4,016,909</u>

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

2020	\$ 101,562
2021	(140,614)
2022	(1,008,317)
2023	(874,025)
2024	<u>(279,874)</u>
Total	<u>\$ (2,201,268)</u>

NOTE 14 – Prior Period Adjustments

Prior period adjustments of \$793,949 and \$335,115 were recorded during the fiscal year ending June 30, 2020 and 2019 to adjust the Authority's OPEB and Pension liabilities per the most recent actuarial valuations. These adjustments increased unrestricted net position by \$793,949 and \$335,155, respectively.

HOUSING AUTHORITY OF THE CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 18, 2021, the date on which the financial statements were available to be issued and concluded that one subsequent events has occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of office facilities, including the offices of the Authority, and shelter in place orders for all but those deemed essential services. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the Authority has changed the manner in which its services are performed. Those changes include tenant intake and recertification procedures, maintenance services and planning and completion of capital improvements. Additionally, the pandemic has impacted the housing authority's ability to collect rents due to the loss or reduction tenants' income. Although HUD has provided additional subsidies to assist the Authority in meeting these financial challenges, it is probable that this matter will result in a negative impact on the Authority's financial position and results of operations. However, the ultimate financial impact and duration cannot be estimated at this time.

Bayonne Housing Authority (NJ012)
BAYONNE, NJ

Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2020

Submission Type: Audited/Single Audit

	Project Total	14-PHC Public Housing CARES Act Funding	1 Business Activities	2 State/Local	14-871 Housing Choice Vouchers	14-HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$9,014,062		\$21,115,535		\$417,153			\$30,546,750		\$30,546,750
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted					\$8,734			\$8,734		\$8,734
114 Cash - Tenant Security Deposits	\$3,570							\$3,570		\$3,570
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$9,017,632	\$0	\$21,115,535	\$0	\$425,887	\$0	\$0	\$30,559,054		\$30,559,054
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	\$113,321				\$33,073			\$113,321		\$113,321
124 Accounts Receivable - Other Government			\$500,000					\$33,073		\$33,073
125 Accounts Receivable - Miscellaneous							\$4,787,186	\$5,287,186		\$5,287,186
126 Accounts Receivable - Tenants	\$1,290,884							\$1,290,884		\$1,290,884
126.1 Allowance for Doubtful Accounts - Tenants	-\$8,643							-\$8,643		-\$8,643
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery	\$31,335							\$31,335		\$31,335
128.1 Allowance for Doubtful Accounts - Fraud	-\$15,648							-\$15,648		-\$15,648
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,411,249	\$0	\$500,000	\$0	\$33,073	\$0	\$4,787,186	\$6,731,508		\$6,731,508
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$258,174						\$18,698	\$276,872		\$276,872
143 Inventories	\$53,632							\$53,632		\$53,632
143.1 Allowance for Obsolete Inventories	-\$3							-\$3		-\$3
144 Inter-Program Due From										
145 Assets Held for Sale			\$496,121					\$496,121		\$496,121
150 Total Current Assets	\$10,750,684	\$0	\$22,111,656	\$0	\$468,960	\$0	\$4,805,884	\$38,127,184		\$38,127,184
161 Land	\$1,452,593		\$54,250					\$1,506,843		\$1,506,843
162 Buildings	\$84,024,499							\$84,024,499		\$84,024,499
163 Furniture, Equipment & Machinery - Dwellings										
164 Furniture, Equipment & Machinery - Administration	\$555,266						\$29,308	\$584,574		\$584,574
165 Leasehold Improvements	\$3,633,895						\$524,000	\$4,157,895		\$4,157,895
166 Accumulated Depreciation	-\$68,661,286						-\$505,170	-\$69,166,456		-\$69,166,456
167 Construction in Progress	\$6,020,816							\$6,020,816		\$6,020,816
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$27,025,793	\$0	\$54,250	\$0	\$0	\$0	\$48,138	\$27,128,171		\$27,128,171
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										

Bayonne Housing Authority (NJ012)
BAYONNE, NJ

Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2020

Submission Type: Audited/Single Audit

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
200 Deferred Outflow of Resources	\$1,854,432				\$40,165		\$739,833	\$2,634,430		\$2,634,430
290 Total Assets and Deferred Outflow of Resources	\$39,630,899	\$0	\$22,475,948	\$0	\$499,125	\$0	\$5,593,855	\$68,199,827		\$68,199,827
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$348,375						\$2,747,371	\$2,747,371		\$2,747,371
313 Accounts Payable >90 Days Past Due							\$10,363	\$358,798		\$358,798
321 Accrued Wage/Payroll Taxes Payable	\$30,858				\$2,613		\$193,853	\$227,324		\$227,324
322 Accrued Compensated Absences - Current Portion	\$23,915				\$2,462		\$15,911	\$42,288		\$42,288
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$338,487							\$338,487		\$338,487
341 Tenant Security Deposits	\$3,570							\$3,570		\$3,570
342 Unearned Revenue	\$19,621							\$19,621		\$19,621
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue										
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities										
346 Accrued Liabilities - Other										
347 Inter Program - Due To										
348 Loan Liability - Current										
310 Total Current Liabilities	\$764,826	\$0	\$0	\$0	\$5,075	\$0	\$2,967,498	\$3,737,399		\$3,737,399
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	\$215,235				\$22,159		\$143,195	\$380,589		\$380,589
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	\$13,665,351				\$559,441		\$5,452,972	\$19,677,764		\$19,677,764
350 Total Non-Current Liabilities	\$13,880,586	\$0	\$0	\$0	\$581,600	\$0	\$5,596,167	\$20,058,353		\$20,058,353
300 Total Liabilities	\$14,645,412	\$0	\$0	\$0	\$586,675	\$0	\$8,563,665	\$23,795,752		\$23,795,752
400 Deferred Inflow of Resources	\$9,703,083				\$610,555		\$3,057,724	\$13,371,362		\$13,371,362
508.4 Net Investment in Capital Assets	\$27,025,783	\$0	\$54,250	\$0	\$0	\$0	\$48,138	\$27,128,171		\$27,128,171
511.4 Restricted Net Position	\$0	\$0		\$0	\$8,734	\$0	\$0	\$8,734		\$8,734
512.4 Unrestricted Net Position	-\$11,743,379	\$0	\$22,421,698	\$0	-\$706,839	\$0	-\$6,075,672	\$3,895,808		\$3,895,808
513 Total Equity - Net Assets / Position	\$15,282,404	\$0	\$22,475,948	\$0	-\$698,105	\$0	-\$6,027,534	\$31,032,713		\$31,032,713
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$39,630,899	\$0	\$22,475,948	\$0	\$499,125	\$0	\$5,593,855	\$68,199,827		\$68,199,827

Bayonne Housing Authority (NJ012)
BAYONNE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$6,330,141							\$6,330,141		\$6,330,141
70400 Tenant Revenue - Other	\$121,858							\$121,858		\$121,858
70500 Total Tenant Revenue	\$6,451,999	\$0	\$0	\$0	\$0	\$0	\$0	\$6,451,999	\$0	\$6,451,999
70600 HUD PHA Operating Grants	\$5,688,357	\$113,321			\$3,029,431	\$46,024	\$0	\$8,857,133		\$8,857,133
70610 Capital Grants	\$2,419,529							\$2,419,529		\$2,419,529
70710 Management Fee							\$1,016,619	\$1,016,619	-\$1,016,619	\$0
70720 Asset Management Fee										
70730 Book Keeping Fee							\$135,756	\$135,756	-\$135,756	\$0
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue							\$1,152,375	\$1,152,375	-\$1,152,375	\$0
70800 Other Government Grants			\$53,365					\$53,365		\$53,365
71100 Investment Income - Unrestricted			\$43,472	\$370	\$10,716		\$126,964	\$181,522		\$181,522
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery	\$397,755		\$19,514,846	\$2,614	\$24,148		\$14,281	\$24,148		\$24,148
71500 Other Revenue					\$2,862,147			\$22,791,643		\$22,791,643
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted										
70000 Total Revenue	\$14,937,640	\$113,321	\$19,558,318	\$56,349	\$5,926,442	\$46,024	\$1,293,620	\$41,931,714	-\$1,152,375	\$40,779,339
91100 Administrative Salaries	\$139,464				\$194,445	\$20,000	\$472,923	\$826,832		\$826,832
91200 Auditing Fees	\$17,129				\$1,792			\$18,921		\$18,921
91300 Management Fee	\$980,439				\$36,180			\$1,016,619	-\$1,016,619	\$0
91310 Book-keeping Fee	\$113,144				\$22,612			\$135,756	-\$135,756	\$0
91400 Advertising and Marketing										
91500 Employee Benefit contributions - Administrative	\$70,780				\$75,776	\$11,024	\$233,724	\$391,306		\$391,306
91600 Office Expenses	\$280,889				\$33,150		\$37,144	\$351,183		\$351,183
91700 Legal Expense	\$244,030				\$5,703		\$25,988	\$275,721		\$275,721
91800 Travel	\$10,929				\$849		\$6,330	\$18,108		\$18,108
91810 Allocated Overhead										
91900 Other	\$53,488				\$29,565		\$0	\$83,053		\$83,053
91000 Total Operating - Administrative	\$1,910,292	\$0	\$0	\$0	\$400,074	\$31,024	\$776,109	\$3,117,499	-\$1,152,375	\$1,965,124
92000 Asset Management Fee										
92100 Tenant Services - Salaries	\$385,717				\$52,951	\$10,000	\$57,306	\$505,974		\$505,974
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services	\$192,222				\$27,457	\$5,000	\$28,156	\$252,835		\$252,835
92400 Tenant Services - Other	\$214,951			\$56,349	\$80,408			\$271,300		\$271,300
92500 Total Tenant Services	\$792,890	\$0	\$0	\$56,349	\$80,408	\$15,000	\$85,462	\$1,030,109	\$0	\$1,030,109
93100 Water	\$815,414							\$815,414		\$815,414
93200 Electricity	\$1,063,889						\$18,546	\$1,082,435		\$1,082,435
93300 Gas	\$544,143						\$3,408	\$547,551		\$547,551

Bayonne Housing Authority (NJ012)
BAYONNE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
93400 Fuel										
93500 Labor	\$96,425							\$96,425		\$96,425
93600 Sewer	\$460,000							\$460,000		\$460,000
93700 Employee Benefit Contributions - Utilities	\$49,460							\$49,460		\$49,460
93800 Other Utilities Expense										
93000 Total Utilities	\$3,029,331	\$0	\$0	\$0	\$0	\$0	\$21,954	\$3,051,285	\$0	\$3,051,285
94100 Ordinary Maintenance and Operations - Labor	\$1,916,718	\$33,579					\$42,484	\$1,992,781		\$1,992,781
94200 Ordinary Maintenance and Operations - Materials and Other	\$554,891	\$79,742					\$7,285	\$641,918		\$641,918
94300 Ordinary Maintenance and Operations Contracts	\$576,606							\$576,606		\$576,606
94500 Employee Benefit Contributions - Ordinary Maintenance	\$968,470						\$19,338	\$987,808		\$987,808
94000 Total Maintenance	\$4,016,685	\$113,321	\$0	\$0	\$0	\$0	\$69,107	\$4,199,113	\$0	\$4,199,113
95100 Protective Services - Labor	\$21,322						\$1,713	\$23,035		\$23,035
95200 Protective Services - Other Contract Costs	\$0						\$0	\$0		\$0
95300 Protective Services - Other	\$200,000							\$200,000		\$200,000
95500 Employee Benefit Contributions - Protective Services	\$1,409						\$105	\$1,514		\$1,514
95000 Total Protective Services	\$222,731	\$0	\$0	\$0	\$0	\$0	\$1,818	\$224,549	\$0	\$224,549
96110 Property Insurance										
96120 Liability Insurance										
96130 Workmen's Compensation										
96140 All Other Insurance	\$502,549				\$6,559		\$28,037	\$537,145		\$537,145
96100 Total Insurance Premiums	\$502,549	\$0	\$0	\$0	\$6,559	\$0	\$28,037	\$537,145	\$0	\$537,145
96200 Other General Expenses					\$3,748			\$3,748		\$3,748
96210 Compensated Absences	\$9,427				\$9,554			\$18,981		\$18,981
96300 Payments in Lieu of Taxes	\$338,487							\$338,487		\$338,487
96400 Bad debt - Tenant Rents	\$59,581							\$59,581		\$59,581
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	\$407,495	\$0	\$0	\$0	\$13,302	\$0	\$0	\$420,797	\$0	\$420,797
96710 Interest of Mortgage (or Bonds) Payable										
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$10,881,973	\$113,321	\$0	\$56,349	\$500,343	\$46,024	\$982,487	\$12,580,497	-\$1,152,375	\$11,428,122
97000 Excess of Operating Revenue over Operating Expenses	\$4,055,667	\$0	\$19,558,318	\$0	\$5,426,099	\$0	\$311,133	\$29,351,217	\$0	\$29,351,217
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments					\$2,768,740			\$2,768,740		\$2,768,740
97350 HAP Portability-In					\$2,724,140			\$2,724,140		\$2,724,140

Bayonne Housing Authority (NJ012)
BAYONNE, NJ

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2020

Submission Type: Audited/Single Audit

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
97400 Depreciation Expense	\$2,659,101						\$40,793	\$2,699,894		\$2,699,894
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$13,541,074	\$113,321	\$0	\$56,349	\$5,993,223	\$46,024	\$1,023,280	\$20,773,271	-\$1,152,375	\$19,620,896
10010 Operating Transfer In										
10020 Operating transfer Out										
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit										
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)										
10091 Inter Project Excess Cash Transfer In										
10092 Inter Project Excess Cash Transfer Out										
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$1,396,566	\$0	\$19,556,318	\$0	-\$66,781	\$0	\$270,340	\$21,156,443	\$0	\$21,156,443
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$13,295,938	\$0	\$2,917,690	\$0	-\$695,253	\$0	-\$6,437,994	\$9,080,321		\$9,080,321
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$689,900		\$69,929				\$140,120	\$799,949		\$799,949
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			-\$706,839					-\$706,839		-\$706,839
11180 Housing Assistance Payments Equity					\$8,734			\$8,734		\$8,734
11190 Unit Months Available	15264				3024		0	18288		18288
11210 Number of Unit Months Leased	15066				3015		0	18101		18101
11270 Excess Cash	\$8,779,724							\$8,779,724		\$8,779,724
11610 Land Purchases	\$0						\$0	\$0		\$0
11620 Building Purchases	\$4,339,183						\$0	\$4,339,183		\$4,339,183
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, 2020

	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Ending Balance</u>
<u>LOW INCOME HOUSING PROGRAM</u>				
Operating Subsidy (CFDA # 14.850)	\$ -	\$ 5,398,369	\$ 5,398,369	\$ -
Public Housing CARES Act Funding (CFDA #14.PHC)	-	113,321	113,321	-
<u>CAPITAL FUND PROGRAM CLUSTER</u>				
Capital Fund Program (CFDA# 14.872)	-	2,689,517	2,689,517	-
<u>HOUSING ASSISTANCE PAYMENTS PROGRAM</u>				
Section 8 Voucher Program (CFDA # 14.871)	-	3,029,431	3,029,431	-
HCV CARES Act Funding (CFDA #14.HCC)	-	46,024	46,024	-
TOTAL FEDERAL FINANCIAL ASSISTANCE	<u>\$ -</u>	<u>\$ 11,276,662</u>	<u>\$ 11,276,662</u>	<u>\$ -</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

HOUSING AUTHORITY OF THE CITY OF BAYONNE
 Bayonne, New Jersey
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS
 As of June 30, 2020

	<u>NJ39PO12501-15</u>	<u>Total</u>
Funds Approved	\$ 1,897,860	\$ 1,897,860
Funds Expended	<u>1,897,860</u>	<u>1,897,860</u>
Excess/(Deficiency) Approved	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced	\$ 1,897,860	\$ 1,897,860
Funds Expended	<u>1,897,860</u>	<u>1,897,860</u>
Excess/(Deficiency) of Advances	<u>\$ -</u>	<u>\$ -</u>

NOTES TO STATEMENT OF CERTIFICATION AND COMPLETED MODERNIZATION GRANTS

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

Housing Authority of the City of Bayonne
 Schedule of Proportionate Share of the Net Pension Liability
 of the Public Employees Retirement System (PERS)
 For the Year Ended June 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Housing Authority's Proportion of the Net Pension Liability	0.07869%	0.04866%	0.04809%	0.05254%	0.04984%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 9,018,361	\$ 9,580,342	\$ 11,195,124	\$ 15,561,513	\$ 10,915,793
Housing Authority's Covered Employee Payroll	\$ 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	261.78%	289.63%	334.59%	480.55%	332.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.57%	53.60%	48.10%	40.14%	47.93%

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

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

Housing Authority of the City of Bayonne
 Schedule of Changes in the Housing Authority's
 Total OPEB Liability and Related Ratios
 For the Year Ended June 30, 2020

<u>Total OPEB Liability</u>	<u>June 30, 2020</u>
Housing Authority's Proportion of the Net OPEB Liability	0.078690%
Housing Authority's Proportionate Share of the Net OPEB Liability	\$ 10,659,403
Housing Authority's Covered Employee Payroll	\$ 3,445,047
Housing Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll	309.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%

Schedule is intended to show information for ten years. Additional years will be displayed as the date 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, 2020

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States, the financial statements of the Housing Authority of the City of Bayonne as of and for the year ended June 30, 2020 and have issued our report thereon dated March 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Bayonne's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weakness may exist that have not been identified.

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

(Continued)

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 18, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Bayonne's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the entity's major federal programs for the year ended June 30, 2020. The Housing Authority of the City of Bayonne's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance federal statutes, regulations, and the terms and conditions of grants of its federal awards applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Bayonne's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of Bayonne's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of Bayonne's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Bayonne complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

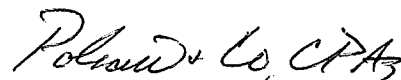
Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Bayonne is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Bayonne's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
March 18, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Programs

CFDA

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

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.