

**HOUSING AUTHORITY OF THE
CITY OF OCEAN CITY
Ocean City, New Jersey**

REPORT OF AUDIT

**FOR THE YEARS ENDED
SEPTEMBER 30, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members
of the Board of Commissioners -
Housing Authority of the City
of Ocean City
Ocean City, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Ocean City (the "Authority"), a component unit of the City of Ocean City in the County of Cape May, State of New Jersey, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents

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 the 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 and in compliance with the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the City of Ocean City as of September 30, 2020 and 2019 and the changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* identified in the table of contents 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of Ocean City's basic financial statements. The Other Supplementary Information, as listed in the table of contents, 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 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 the Financial Data Schedule as required by the U.S. Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the financial statements.

The Other Supplementary Information, the Schedule of Expenditures of Federal Awards 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 the Financial Data Schedule as required by the U.S. Department of Housing and Urban Development are the responsibility of management and were derived from and relates directly 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, the Schedule of Expenditures of Federal Awards and the Financial Data Schedule 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 June 30, 2022 on our consideration of the Housing Authority of the City of Ocean City'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.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

June 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 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 September 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 \$2,352,607 (net position) as opposed to \$1,993,355 for the prior fiscal year.
- 2 - As of the close of the current fiscal year, the Authority reported a deficit in Unrestricted Net Position of \$281,488. This deficit is attributable to the accrual of both the Net Pension Liability and OPEB.
- 3 - The Authority's cash and cash equivalent balances at September 30, 2020 were \$553,489 representing an increase of \$236,265 from the prior fiscal year.
- 4 - The Authority had Total Operating Revenues of \$1,113,440 and Total Operating Expenses of \$1,105,420 (Including depreciation \$146,458) for the year ended September 30, 2020.
- 5 - The Authority's capital outlays for the fiscal year were \$2,052,062.

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, Comparative Statements of Revenue, Expenses and Changes in Net Position and Comparative Statements of Cash Flows.

The Comparative Statements of Net Position present information on the Authority's assets and liabilities with the difference between the two reported as net position. Increases or decreases in net position serve as a useful indicator of whether the Authority's financial position 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.; net pension liability and earned but unused vacation leave).

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

The Comparative Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the year. The statements classify cash receipts and cash payments as resulting from operating, activities, capital and related financing activities and investing activities.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low Income and special needs populations.

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 following the financial statements.

4 - Supplemental Information and Required Supplementary Information

The Schedule of Expenditures of Federal Awards (SEFA) is presented for purpose of additional analysis. The Schedule of Proportionate Share of the Net pension liability of the Public Employees Retirement System (PERS) and Schedule of Authority Contributions to the Public Employees Retirement System (PERS) are also included.

C -The Authority as a Whole

The Authority's Net Position increased \$359,252 during the fiscal year as detailed below. The Authority's revenues are primarily tenant revenues and subsidies 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.

By far, the largest portion of the Authority's net position reflects Its net investment in capital assets (e.g., land, buildings, and equipment less accumulated depreciation). 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 September 30, 2020 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners.

E- Capital Assets and Debt Administration

1 - Capital Assets

As of September 30, 2020, the Authority's net investment in capital assets was \$4,569,228 (net of accumulated depreciation of \$5,941,727). This net investment in capital assets includes land, buildings and Improvements, furniture, equipment and machinery, and construction in progress.

Major capital assets purchased during the current fiscal year totaled \$2,052,062. These expenditures were made in accordance with the Authority's Capital Fund Programs.

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

2 - Long Term Debt

The Authority has entered a CDBG – PHA Mortgage Note with the New Jersey Housing and Mortgage Finance Agency in the amount of \$4,505,213. The terms of this note call for zero percent interest and provided there has been no Event of Default under the Loan Agreement, annual forgiveness in the amount of 20% of the Principal Sum for a term of five years until the Loan is forgiven in full. The proceeds of the CDBG Loan will be used to provide repairs to damaged public housing units, damaged federally-owned housing units and damaged HUD assisted multi-family units. The project consists of thirty -two rental units that will be occupied by duly qualified Low- and Moderate-Income families. As of September 30, 2020, the Authority has drawn down \$2,096,950 of these funds for project costs, leaving a balance of \$2,408,263 of funds committed to the project but that have not yet been drawn down.

F - Significant Changes from FYE September 30, 2020 to September 30, 2021

The Net Capital Assets and Mortgage Note Payable both increased due to the construction costs incurred and paid for the Speitel Commons at Bayview Manor project.

The Net Pension Liability and the Accrued OPEB Liability and associated Deferred Inflows and Outflows have decreased by a combined net amount of \$209,987 due to the change in actuarial assumptions and decrease in proportion of the Authority in relation to the PERS Pension System in total.

The deficit in Unrestricted net position decreased \$220,187 as compared to the prior year decrease of \$456,607.

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 September 30, 2020.

- 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 strain and Congressional Funding in general, and the possible cut-back on HUD subsidies and grants.

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

H- Net Position and Changes in Net Position

**SUMMARIZED STATEMENT OF NET POSITION
AS OF SEPTEMBER 30**

	2020	2019	2018
Cash & Other Current Assets	\$ 694,568	\$ 435,352	\$ 527,315
Net Capital Assets	4,569,228	2,663,625	2,583,565
Deferred Outflows of Resources	21,231	184,543	537,176
Total	5,285,027	3,283,520	3,648,056
Total Liabilities	\$ 2,626,397	\$ 721,316	\$ 1,180,040
Deferred Inflow of Resources	306,023	568,849	842,733
Net Position	2,352,607	1,993,355	1,625,283
Total	5,285,027	3,283,520	3,648,056
Net Investment in Capital Assets	\$ 2,472,278	\$ 2,495,030	\$ 2,583,565
Restricted Net Position	136,552	-	-
Unrestricted Net Position	(256,223)	(501,675)	(958,282)
Total Net Position	\$ 2,352,607	\$ 1,993,355	\$ 1,625,283

**SUMMARIZED STATEMENT OF CHANGES IN NET POSITION
FOR THE PERIOD ENDED SEPTEMBER 30**

	2020	2019	2018
Revenues:			
Tenant Revenues	\$ 555,229	\$ 589,584	\$ 579,885
HUD Subsidies & Other Grants	410,376	419,648	344,963
Other Revenue	147,835	24,560	57,225
Total Operating Revenues	1,113,440	1,033,792	982,073
Expenses:			
Operating Expenses	\$ 958,962	\$ 905,854	\$ 865,015
Depreciation	146,458	165,028	185,080
Total Operating Expenses	1,105,420	1,070,882	1,050,095
Deficiency of Operating Revenues Over Expenses	8,020	(37,090)	(68,022)
Non Operating Revenue & Expenses:			
Interest Income	192	130	195
Capital Grants	144,052	189,416	299,738
Actuarial Adjustment to Pension Liability	191,638	100,627	
Actuarial Adjustment to OPEB Liability	15,350	114,989	
Prior Period Adjustment			(52,459)
Total Increase / (Decrease)	359,252	368,072	179,452
Beginning Net Position	1,993,355	1,625,283	1,445,831
Ending Net Position	\$ 2,352,607	\$ 1,993,355	\$ 1,625,283

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

I - 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 Ocean City, 204 4th Street, Ocean City, New Jersey 08226, or call (609) 399-1062.

FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020 and 2019**

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash & Cash Equivalents	\$ 553,489	\$ 317,224
Accounts Receivable:		
HUD	321	712
NJHMFA	-	61,820
City of Ocean City	63,450	-
Tenants (net)	20,628	7,933
Other	4,962	500
Prepaid Expenses & Other Current Assets	51,718	47,163
Total Current Assets	694,568	435,352
Capital Assets		
Land	352,648	352,648
Buildings & Improvements	7,516,041	7,516,041
Furniture Equipment & Machinery	343,091	308,388
Construction in Progress	2,299,175	281,816
Total Capital Assets	10,510,955	8,458,893
Less: Accumulated Depreciation	(5,941,727)	(5,795,268)
Net Capital Assets	4,569,228	2,663,625
Total Assets	5,263,796	3,098,977
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	21,231	184,543
Total Assets & Deferred Outflows of Resources	\$ 5,285,027	\$ 3,283,520

The accompanying Notes to the Financial Statements are an integral part of this statement

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020 and 2019**

	2020	2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION		
Current Liabilities		
Accounts Payable:		
Vendors & Contractors	\$ 95,061	\$ 51,126
Accrued Payroll & Related Taxes	1,359	972
Due to Other Governments	70,232	36,312
Unearned Revenue	8,610	6,025
Compensated Absences	9,184	6,667
Total Current Liabilities	184,446	101,102
Noncurrent Liabilities		
Security Deposits	40,627	40,610
Compensated Absences	3,061	2,222
Mortgage Note Payable	2,096,950	168,595
Accrued OPEB Liability	222,441	237,791
Accrued Pension Liability	78,872	170,996
Total Noncurrent Liabilities	2,441,951	620,214
Total Liabilities	2,626,397	721,316
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	306,023	568,849
Net Position		
Net Invested in Capital Assets	2,472,278	2,495,030
Restricted	136,552	-
Unrestricted - (Deficit)	(256,223)	(501,675)
Total Net Position	2,352,607	1,993,355
Total Liabilities, Deferred Inflows & Net Position	\$ 5,285,027	\$ 3,283,520

The accompanying Notes to the Financial Statements are an integral part of this statement

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019**

	2020	2019
Operating Revenues		
Tenant Rental & Other Revenue	\$ 555,229	\$ 589,584
HUD Grants	410,376	357,828
CARES Funding	44,490	-
CDBG Grant Funds	14,805	
NJHMFA Grant	-	61,820
City of Ocean City - Fire Alarms	63,450	-
Other	25,090	24,560
Total Operating Revenues	1,113,440	1,033,792
Operating Expenses		
Administrative	354,275	279,657
Tenant Services	18,621	3,341
Utilities	209,518	213,895
Ordinary Maintenance & Operations	223,572	264,370
General Expense	152,976	144,591
Depreciation Expense	146,458	165,028
Total Operating Expenses	1,105,420	1,070,882
Excess (Deficit) of Operating Revenues Over Expenses	8,020	(37,090)
Nonoperating Revenues & (Expenses)		
Interest on Investments	192	130
Actuarial Adjustment to Pension Liability	191,638	100,627
Actuarial Adjustment to OPEB Liability	15,350	114,989
Capital Grants	144,052	189,416
Total Nonoperating Revenues & (Expenses)	351,232	405,162
Increase / (Decrease) in Net Position	359,252	368,072
Beginning Net Position	1,993,355	1,625,283
Ending Net Position	\$ 2,352,607	\$ 1,993,355

The accompanying Notes to the Financial Statements are an integral part of this statement

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019**

	2020	2019
Cash Flows From Operating Activities		
Cash Received from:		
Tenants & Rental Income	\$ 545,137	\$ 592,251
Operating Grants	531,882	539,595
Other Operating Revenues	20,628	24,060
Cash Paid to:		
Employees	(38,879)	(55,044)
Vendors & Suppliers	(1,050,028)	(1,402,204)
Net Cash Provided (Used) by Operating Activities	8,740	(301,342)
Cash Flows From Financing Activities		
Capital Grants Received	144,052	189,416
Actuarial Adjustment to Pension Liability	191,638	100,627
Actuarial Adjustment to OPEB Liability	15,350	114,989
Mortgage Note Proceeds	1,928,355	168,595
Acquisition of Property & Equipment	(34,703)	-
Expenditures for Construction in Process	(2,017,359)	(245,087)
Net Cash Flows Provided (Used) by Financing Activities	227,333	328,540
Cash Flows From Investing Activities		
Interest on Investments	192	130
Net Cash Provided (Used) by Investing Activities	192	130
Net Increase / (Decrease) in Cash & Cash Equivalents	236,265	27,328
Cash & Cash Equivalents at Beginning of Period	317,224	289,896
Cash & Cash Equivalents at End of Period	\$ 553,489	\$ 317,224
Reconciliation of Operating Income to Net Cash Provided (Used) by Operations		
Operating Income	8,020	(37,090)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	146,458	165,028
Net Deferred Inflows & Outflows	(99,513)	78,749
Changes in Assets:		
Accounts Receivable:		
Tenants (net)	(12,694)	3,694
Grants	(1,239)	119,947
Other	(4,462)	(500)
Prepaid Expenses & Other Current Assets	(4,555)	(3,850)
Changes in Liabilities:		
Accounts Payable & Accrued Expenses	44,321	8,193
Unearned Revenue - Prepaid Tenant Rents	2,585	2,255
Due to Other Governments	33,920	(322,621)
Security Deposits	17	(3,282)
Compensated Absences	3,356	(846)
Accrued OPEB Liability	(15,350)	(130,339)
Accrued Pension Liability	(92,124)	(180,680)
Net Cash Provided (Used) by Operations	\$ 8,740	\$ (301,342)

The accompanying Notes to the Financial Statements are an integral part of this statement

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 and 2019**

NOTE 1: Organization and Activities

The Housing Authority of The City of Ocean City (the Authority) is a governmental entity created under federal and state housing laws as defined by State statute (N.J.S.A. 40A:12A-1, et. seq., the "Housing Authority Act"). The Authority is governed by a board of seven commissioners (the Commissioners) who serve five year terms. Five of the Commissioners are appointed by the City Council of the City of Ocean City (the City). One Commissioner is appointed by the Mayor of the City of Ocean City and one Commissioner is appointed by the Governor of the State of New Jersey. The governing board is 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 Ocean City, New Jersey. Operating and modernization subsidies are provided to the Authority by the federal government.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units but is a component unit of the City of Ocean City. The Mayor and Council of the City of Ocean City appoint six of the seven Commissioners. These financial statements would be either blended or discreetly presented as a part of the City's financial statements if the City reported using generally accepted accounting principles applicable to governmental entities.

The combined financial statements include all 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.

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
OCEAN CITY, NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 and 2019**

NOTE 2: Significant Accounting Policies

Basis of Accounting - The financial statements of the Authority are prepared using the accrual basis of accounting to recognize the flow of economic resources. 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 position, 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 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.

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.

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 has implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No. 34). The Authority also adopted the provisions of Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures", which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that includes a statement of net assets, a statement of activities and a statement of cash flows. It requires the classification of net assets into three components - Invested in Capital Assets, Net of Related Debt; Restricted Net Assets and Unrestricted Net Assets. Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position" requires the re-naming of the Statement of Net Assets to the Statement of Net Position. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources and 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 Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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NOTE 2: Significant Accounting Policies - Continued

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 position that does not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

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.

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NOTE 2: Significant Accounting Policies - Continued

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.

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.

14 - Long-lived assets to be held and used are tested for recoverability whenever events of 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 September 30, 2020, the Authority has not recognized any reduction in the carrying value of its fixed assets.

Budgetary Policy and 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.

Recent Accounting Pronouncements Not Yet Effective -

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Cost Incurred before the end of a Construction Period". This statement is effective for fiscal periods beginning after December 15, 2020. It is anticipated that this statement will not have any effect on the Authority's financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61". This statement is effective for fiscal periods beginning after December 15, 2019. It is anticipated that this statement will not have any effect on the Authority's financial reporting.

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, "Conduit Debt Obligations". This statement is effective for fiscal periods beginning after December 15, 2020. It is anticipated that this statement will not have any effect on the Authority's financial reporting.

In January 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 92, "Omnibus 2020". This statement is effective for fiscal periods beginning after June 15, 2021. It is anticipated that this statement will not have any material effect on the Authority's financial reporting.

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NOTE 2: Significant Accounting Policies - Continued

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 93, "Replacement of Interbank Offered Rates". This statement, which is effective for periods ending December 31, 2021, will not have any effect on the Authority's financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any material effect on the Authority's financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the Authority's financial reporting.

In June 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". This statement, which is effective for periods beginning after June 15, 2021, and all reporting periods thereafter, will not have any material effect on the Authority's financial reporting.

In October 2021, the Governmental Accounting Standards Board (GASB) issued Statement No. 98, "The Annual Comprehensive Financial Report". This statement, which is effective for periods ending after December 15, 2021, and all reporting periods thereafter, will not have any material effect on the Authority's financial reporting.

In April 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 99, "Omnibus 2022". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any material effect on the Authority's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62". This statement, which is effective for periods beginning after June 15, 2023, and all reporting periods thereafter, will not have any effect on the Authority's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, "Compensated Absences". This statement, which is effective for periods beginning after December 15, 2023, and all reporting periods thereafter, will not have any material effect on the Authority's financial reporting.

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NOTE 3: Cash and Cash Equivalents

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Deposit Protection Act of the state of New Jersey, which requires the institutions to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

Cash and Cash Equivalents of \$553,489 and \$317,224 at September 30, 2020 and 2019, consisted of the following:

		September 30, 2020		September 30, 2019
Checking Accounts	\$	512,662	\$	276,414
Tenant Security Deposits		40,627		40,610
Petty Cash		200		200
Total	\$	553,489	\$	317,224

The carrying amount of the Authority's cash and cash equivalents on deposit at financial institutions as of September 30, 2020 was \$553,489 and the bank balances were \$550,852. \$277,391 of the bank balances were covered by FDIC insurance the balance of \$273,461 was covered by the Governmental Unit Deposit Protection Act. The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above the portion of the Authority's deposits that exceeded FDIC insurance and covered by a collateral pool maintained by the banks as required by New Jersey statutes.

NOTE 4: Tenant Accounts Receivable

Tenant accounts receivable are \$20,628 and \$7,933 at September 30, 2020 and 2019, respectively.

NOTE 5: Inter-Program Receivables and Payables

At September 30, 2020 and 2019, the Authority had no inter-program accounts receivable or payable.

NOTE 6 – Unearned Revenue

Unearned revenue of \$8,610 and \$6,025 at September 30, 2020 and 2019, respectively, represents prepaid tenant rents.

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NOTE 7 - 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, less accumulated depreciation. The following is a summary of the changes in fixed assets for the fiscal years ended September 30, 2020 and 2019:

	September 30, 2019	Additions	Deletions	September 30, 2020
Land	\$ 352,648	\$	\$	\$ 352,648
Buildings & Improvements	7,516,041			7,516,041
Furniture, Equipment & Machinery	308,388	34,703		343,091
Construction in Progress	281,816	2,017,359		2,299,175
Total Fixed Assets	8,458,893	2,052,062	-	10,510,955
Accumulated Depreciation	(5,795,269)	(146,458)		(5,941,727)
Net Fixed Assets	\$ 2,663,624	\$ 1,905,604	\$ -	\$ 4,569,228

	September 30, 2018	Additions	Deletions	September 30, 2019
Land	\$ 352,648	\$	\$	\$ 352,648
Buildings & Improvements	7,516,833		(792)	7,516,041
Furniture, Equipment & Machinery	300,351	8,037		308,388
Construction in Progress	44,766	237,050		281,816
Total Fixed Assets	8,214,598	245,087	(792)	8,458,893
Accumulated Depreciation	(5,631,033)	(165,028)	792	(5,795,269)
Net Fixed Assets	\$ 2,583,565	\$ 80,059	\$ -	\$ 2,663,624

Depreciation expense for the fiscal years ended September 30, 2020 and 2019 amounted to \$146,458 and \$165,028, respectively.

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

Buildings	40 Years
Improvements	15 Years
Furniture	5 Years
Equipment	5 Years
Vehicles	5 Years

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NOTE 8 – Due to Other Governments

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) in accordance with the provisions of its Cooperation Agreement with the City of Ocean City. Under the Cooperation Agreement, the Authority must pay the City the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended September 30, 2020 and 2019, PILOT expense was accrued in the amount of \$33,920 and \$36,312 respectively.

The total Due to Other Governments at September 30, 2020 and 2019 is \$70,232 and \$36,312, respectively.

NOTE 9 – Accrued Compensated Absences

Accrued compensated absences of \$12,245 and \$8,889 at September 30, 2020 and 2019, represent amounts of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at 100% of the time accumulated, to a maximum of thirty (30) days in addition to the amount accrued in the year of retirement or termination. Employees may be compensated for accumulated sick leave in the event of retirement at the rate of one day for every two days accumulated at the current rate of pay, with a maximum not to exceed \$12,000.

NOTE 10 – Other Post-Employment Benefits

Annual OPEB Cost & Net OPEB Liability –

The Authority's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 75. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

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

Actuarial Cost Method	Entry Age Normal as a Level % of Payroll
Investment Rate of Return	Not Applicable
Actuarial Value of Plan Assets	Not Applicable
Discount Rate	2.92%
Health Care Cost Trends	Year 1 Trend – 8.00%
	Ultimate Trend – 5.00%

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NOTE 10 – Other Post-Employment Benefits - Continued

In the October 1, 2019 actuarial valuation, the Actuarially Determined Contribution for the year ending September 30, 2020 was projected as follows:

		<u>9/30/2020</u>
Service Cost	\$	-
Interest on OPEB Liability		7,064.00
Actuarially Determined Contribution		<u>7,064.00</u>
Actual Contribution		22,414.00
Excess Contribution	\$	<u><u>15,350.00</u></u>
Covered Payroll	\$	42,622.00
Actuarially Determined Contribution as a % of Covered Payroll		16.57%

The following reflects the change in the Total OPEB Liability as of the October 1, 2019 valuation date for the Year ended September 30, 2020.

		<u>9/30/2020</u>
OPEB Liability, Beginning of Year	\$	237,791.00
Changes for the Year:		
Service Cost		-
Interest		7,064.00
Assumption Changes & Difference Between Actual & Expected Experience		
Benefit Payments		(22,414.00)
OPEB Liability, End of Year	\$	<u><u>222,441.00</u></u>
Covered payroll (for Covered Participants)	\$	42,622.00
Total OPEB liability as a percentage of covered payroll		521.90%

Sensitivity of the total OPEB liability to changes in the discount rate.

The October 1, 2019 valuation was prepared using a discount rate of 2.92%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$208,872 or 6.10%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$237,567 or 6.80%.

	Discount Rate		
	1% Decrease	Baseline 2.92%	1% Increase
Total OPEB Liability	\$ <u><u>237,567</u></u>	\$ <u><u>222,441</u></u>	\$ <u><u>208,872</u></u>

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NOTE 10 – Other Post-Employment Benefits - Continued

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The October 1, 2019 valuation was prepared using an initial trend rate of 8.00%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase to \$237,122 or by 6.60%. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to \$209,095 or by 6.00%.

		Healthcare Cost Trend Rates		
		1% Decrease	Baseline 0.00%	1% Increase
Total OPEB Liability	\$	209,095	\$	222,441
			\$	237,122

For the year ended September 30, 2020, the Actuarially determined OPEB expense was \$7,064. There were reported deferred outflows or inflows of resources related to OPEB.

NOTE 11 – 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 September 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 determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss 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 12 - Economic Dependency

For the year ended September 30, 2020 and 2019, a substantial portion of the Authority's revenues were received from the United States Department of Housing and Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

NOTE 13 - Other Revenue

Other revenue of \$25,090 at September 30, 2020, consists primarily Non-Dwelling Rent and Laundry Service. Other revenue of \$24,560 at September 30, 2019, consists primarily Non-Dwelling Rent and Laundry Service.

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NOTE 14 – Pension Plans

Description of Plans

Substantially all the entity's employees participate in the Public Employees' Retirement System (PERS) cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at:

<http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, Authority, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, 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 7.50% of employee's annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The entity's contributions to PERS for the years ended December 31, 2020, 2019, and 2018 were \$5,291, \$9,231 and \$18,765.

The total payroll for the year ended December 31, 2020, 2019, and 2018 was \$48,361, \$54,198 and \$68,081. Payroll covered by PERS was 48,361, \$54,198, and \$68,081.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the way the Public Employees' Retirement System (PERS) operates and to the benefit provisions of the system.

Chapter 78's provisions impacting employee pension and health benefits include:

New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.

The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.

Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to the current rate of 7.50% plus an additional 1%.

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NOTE 14 – Pension Plans- Continued

The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period

for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. The 4-year phase in period is now complete.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New

members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

NOTE 15: Pension Liabilities

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the authority's pension liabilities

The following represents the authority's pension liabilities as June 30, 2020:

Public Employees' Retirement System

The Authority has a liability of \$78,872 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 that was rolled forward to June 30, 2020. The Authority's proportion of the net pension liability was

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NOTE 15: Pension Liabilities - Continued

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. At June 30, 2020, the Authority's proportion was 0.00048366030%, which is a decrease of 49.03% from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the Authority recognized contra pension expense of - \$186,347. Deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 1,436	\$ 279
Changes of assumptions	2,559	33,025
Changes in proportion	14,540	272,720
Net difference between projected and actual earnings on pension plan investments	2,696	
Total	<u>\$ 21,231</u>	<u>\$ 306,024</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30,</u>	
2021	\$ 32,960
2022	106,923
2023	95,476
2024	44,831
2025	4,603
Total	<u>\$ 284,793</u>

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate:

Price	2.75%
Wage	3.25%

Salary increases:

Through 2026	2.00% – 6.00% (based on years of service)
Thereafter	3.00% - 7.00% (based on years of service)

Investment rate of return: 7.00%

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NOTE 15: Pension Liabilities - Continued

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 200 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 disable retirees were base 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 generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2019.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	3.40%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment grade credit	8.00%	2.67%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
US equity	27.00%	7.71%
Non-US developed markets equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private equity	13.00%	11.42%

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NOTE 15: Pension Liabilities - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 made based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for 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 all projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ 93,938	\$ 78,872	\$ 66,106

Pension plan fiduciary net position

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

NOTE 16: Mortgage Note Payable

The Authority has entered a CDBG – PHA Mortgage Note with the New Jersey Housing and Mortgage Finance Agency in the amount of \$4,505,213. The terms of this note call for zero percent interest and provided there has been no Event of Default under the Loan Agreement, annual forgiveness in the amount of 20% of the Principal Sum for a term of five years until the Loan is forgiven in full. The proceeds of the CDBG Loan will be used to provide repairs to damaged public housing units, damaged federally-owned housing units and damaged HUD assisted multi-family units. The project consists of thirty -two rental units that will be occupied by duly qualified Low- and Moderate-Income families. As of September 30, 2020, the Authority has drawn down \$2,096,950 of these funds for project costs, leaving a balance of \$2,408,263 of funds committed to the project but that have not yet been drawn down.

NOTE 17: Subsequent Events

The Authority has evaluated subsequent events through June 30, 2022, the date which the financial statements were available to be issued and identified no events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE RETIREMENT SYSTEM
YEARS ENDED SEPTEMBER 30,**

	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.0004836603%	0.0009490026%	0.0017861100%	0.0018105703%	0.0029798993%	0.0022650000%	0.0119170000%
Authority's proportionate of the net pension liability (asset)	\$ 78,872	\$ 170,996	\$ 351,676	\$ 421,472	\$ 882,561	\$ 508,341	\$ 2,231,256
Authority's covered payroll	\$ 42,622	\$ 54,198	\$ 68,081	\$ 119,932	\$ 150,816	\$ 220,506	\$ 216,050
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	185.05%	315.50%	516.56%	351.43%	585.19%	230.53%	1032.75%
Plan fiduciary net position as a percentage of the total pension liability	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%

Source: GASB 68 report on Public Employees' Retirement System; Authority records

Note: This schedule is required by GASB 68 to show information for a 10 year period. However, information is only currently available for the above listed years. Additional years will be presented as they become available.

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT SYSTEM
YEARS ENDED SEPTEMBER 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,291	\$ 9,231	\$ 18,765	\$ 21,884	\$ 20,560	\$ 21,190	\$ 21,150
Contributions in relation to the contractually required contribution	<u>5,291</u>	<u>9,231</u>	<u>18,765</u>	<u>21,884</u>	<u>20,560</u>	<u>21,190</u>	<u>21,150</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 42,622	\$ 54,198	\$ 68,081	\$ 119,932	\$ 150,816	\$ 220,506	\$ 216,050
Contributions as a percentage of covered-employee payroll	12.41%	17.03%	27.56%	18.25%	13.63%	9.61%	9.79%

Source: GASB 68 report on Public Employees' Retirement System; Authority records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for the above listed years. Additional years will be presented as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OCEAN CITY HOUSING AUTHORITY
OPEB SCHEDULE OF NET OPEB LIABILITY
YEARS ENDED SEPTEMBER 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net OPEB Liability	\$ 222,441	\$ 237,791	\$ 368,130
Covered Payroll	\$ 42,622	\$ 54,198	\$ 68,081
Net OPEB Liability as a Percentage of Covered Payroll	521.89%	438.74%	540.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-	-	-

CITY OF OCEAN CITY HOUSING AUTHORITY
OPEB SCHEDULE OF OPEB CONTRIBUTIONS
YEARS ENDED SEPTEMBER 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Required Contributions	\$ 7,064	\$ 7,064	\$ 50,010
Contribution in Relation to the Required Contribution	\$ 22,414	\$ 22,414	\$ 22,176
Excess (Deficiency) in Contribution	\$ 15,350	\$ 15,350	\$ (27,834)
Covered Payroll	\$ 42,622	\$ 54,198	\$ 68,081
Contributions as a Percentage of Covered Payroll	52.59%	41.36%	32.57%

CITY OF OCEAN CITY HOUSING AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30,

Changes in Benefits

- None

Changes in Assumptions

- The discount rate changed to 2.92% from 3.42% in the prior year.
- The cost trend rate remained the same at 8.00%.

OTHER SUPPLEMENTARY INFORMATION

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14,269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Subtotal
111 Cash - Unrestricted	\$325,320		\$50,990		\$376,310
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted			\$136,552		\$136,552
114 Cash - Tenant Security Deposits	\$15,362		\$25,265		\$40,627
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$340,682	\$0	\$212,807	\$0	\$553,489
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government	\$1,349		\$67,385		\$68,734
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$21,057		\$9,417		\$30,474
126.1 Allowance for Doubtful Accounts - Tenants	-\$7,157		-\$2,690		-\$9,847
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$15,249	\$0	\$74,112	\$0	\$89,361
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$20,961		\$30,757		\$51,718
143 Inventories					

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14,269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Subtotal
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From	\$0		\$57,523		\$57,523
145 Assets Held for Sale					
150 Total Current Assets	\$376,892	\$0	\$375,199	\$0	\$752,091
161 Land	\$106,818		\$245,830		\$352,648
162 Buildings	\$4,038,641		\$2,577,123		\$6,615,764
163 Furniture, Equipment & Machinery - Dwellings	\$152,650		\$74,505		\$227,155
164 Furniture, Equipment & Machinery - Administration	\$50,060		\$65,876		\$115,936
165 Leasehold Improvements	\$486,397		\$413,879		\$900,276
166 Accumulated Depreciation	-\$3,262,421		-\$2,679,306		-\$5,941,727
167 Construction in Progress			\$2,299,175		\$2,299,175
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,572,145	\$0	\$2,997,082	\$0	\$4,569,227
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$1,572,145	\$0	\$2,997,082	\$0	\$4,569,227
200 Deferred Outflow of Resources	\$7,006		\$14,225		\$21,231
290 Total Assets and Deferred Outflow of Resources	\$1,956,043	\$0	\$3,386,506	\$0	\$5,342,549

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14,269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Subtotal
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$8,863		\$62,868		\$71,731
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$448		\$911		\$1,359
322 Accrued Compensated Absences - Current Portion	\$3,031		\$6,153		\$9,184
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$60,875		\$9,357		\$70,232
341 Tenant Security Deposits	\$15,362		\$25,265		\$40,627
342 Unearned Revenue	\$7,754		\$856		\$8,610
343 Current Portion of Long-term Debt - Capital					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$12,654		\$10,675		\$23,329
347 Inter Program - Due To	\$57,523				\$57,523
348 Loan Liability - Current					
310 Total Current Liabilities	\$166,510	\$0	\$116,085	\$0	\$282,595
351 Long-term Debt, Net of Current - Capital Projects/Mortgage			\$2,096,950		\$2,096,950
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$1,010		\$2,051		\$3,061
355 Loan Liability - Non Current			\$0		\$0
356 FASB 5 Liabilities					

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14,269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Subtotal
357 Accrued Pension and OPEB Liabilities	\$99,433		\$201,880		\$301,313
350 Total Non-Current Liabilities	\$100,443	\$0	\$2,300,881	\$0	\$2,401,324
300 Total Liabilities	\$266,953	\$0	\$2,416,966	\$0	\$2,683,919
400 Deferred Inflow of Resources	\$100,988		\$205,036		\$306,024
508.4 Net Investment in Capital Assets	\$1,572,145	\$0	\$900,132	\$0	\$2,472,277
511.4 Restricted Net Position	\$0	\$0	\$136,552	\$0	\$136,552
512.4 Unrestricted Net Position	\$15,957	\$0	-\$272,180	\$0	-\$256,223
513 Total Equity - Net Assets / Position	\$1,588,102	\$0	\$764,504	\$0	\$2,352,606
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$1,956,043	\$0	\$3,386,506	\$0	\$5,342,549

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14,269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Subtotal
70300 Net Tenant Rental Revenue	\$414,817		\$133,331		\$548,148
70400 Tenant Revenue - Other	\$2,219		\$4,862		\$7,081
70500 Total Tenant Revenue	\$417,036	\$0	\$138,193	\$0	\$555,229
70600 HUD PHA Operating Grants	\$430,213	\$44,490			\$474,703
70610 Capital Grants					
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					\$0
70800 Other Government Grants			\$240,318	\$0	\$240,318
71100 Investment Income - Unrestricted	\$178		\$14		\$192
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$93,652		\$100,579		\$194,231
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$941,079	\$44,490	\$479,104	\$0	\$1,464,673
91100 Administrative Salaries					

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14,269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Subtotal
91200 Auditing Fees	\$6,488		\$2,512		\$9,000
91300 Management Fee	\$162,830		\$66,205		\$229,035
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$1,507		\$1,635		\$3,142
91500 Employee Benefit contributions - Administrative					
91600 Office Expenses	\$535		\$572		\$1,107
91700 Legal Expense	\$6,673		\$3,488		\$10,161
91800 Travel					
91810 Allocated Overhead					
91900 Other	\$41,791		\$29,851		\$71,642
91000 Total Operating - Administrative	\$219,824	\$0	\$104,263	\$0	\$324,087
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$11,523	\$3,680	\$7,097		\$22,300
92500 Total Tenant Services	\$11,523	\$3,680	\$7,097	\$0	\$22,300
93100 Water	\$56,493	\$12,891	\$11,010		\$80,394
93200 Electricity	\$65,671		\$26,832		\$92,503
93300 Gas	\$30,527	\$3,598	\$2,496		\$36,621
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14,269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Subtotal
93800 Other Utilities Expense					
93000 Total Utilities	\$152,691	\$16,489	\$40,338	\$0	\$209,518
94100 Ordinary Maintenance and Operations - Labor	\$24,337	\$6,087	\$12,198		\$42,622
94200 Ordinary Maintenance and Operations - Materials and	\$15,467		\$5,995		\$21,462
94300 Ordinary Maintenance and Operations Contracts	\$72,815		\$40,082		\$112,897
94500 Employee Benefit Contributions - Ordinary Maintenance	\$33,201	\$15,782	\$20,761		\$69,744
94000 Total Maintenance	\$145,820	\$21,869	\$79,036	\$0	\$246,725
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$24,829		\$11,329		\$36,158
96120 Liability Insurance	\$12,922		\$3,716		\$16,638
96130 Workmen's Compensation	\$2,257		\$532		\$2,789
96140 All Other Insurance	\$28,338	\$6,131	\$12,785		\$47,254
96100 Total insurance Premiums	\$68,346	\$6,131	\$28,362	\$0	\$102,839
96200 Other General Expenses					
96210 Compensated Absences	\$2,991		\$366		\$3,357
96300 Payments in Lieu of Taxes	\$24,563		\$9,357		\$33,920
96400 Bad debt - Tenant Rents	\$13,527		\$2,689		\$16,216
96500 Bad debt - Mortgages					

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14,269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Subtotal
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$41,081	\$0	\$12,412	\$0	\$53,493
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
96900 Total Operating Expenses	\$639,285	\$48,169	\$271,508	\$0	\$958,962
97000 Excess of Operating Revenue over Operating Expenses	\$301,794	-\$3,679	\$207,596	\$0	\$505,711
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments					
97350 HAP Portability-In					
97400 Depreciation Expense	\$117,502		\$28,956		\$146,458
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$756,787	\$48,169	\$300,464	\$0	\$1,105,420
10010 Operating Transfer In	\$144,052				\$144,052
10020 Operating transfer Out	-\$144,052				-\$144,052

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14,269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Subtotal
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	\$3,679	\$3,679			\$3,679
10094 Transfers between Project and Program - Out	-\$3,679				-\$3,679
10100 Total Other financing Sources (Uses)	-\$3,679	\$3,679	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$180,613	\$0	\$178,640	\$0	\$359,253
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$1,761,084	\$0	\$0	\$0	\$1,761,084
11040 Prior Period Adjustments, Equity Transfers and	-\$353,595		\$585,864	\$0	\$232,269
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					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					

**CITY OF OCEAN CITY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Period		Program or Award Amount	Receipts or Revenue Recognized	Budgetary Expenditures		(MEMO) Passed Through to Sub-Recipients
		From	To			Pass Through	Source Direct	
Housing and Urban Development								
Public and Indian Housing Program	14.850	10/1/19	9/30/20	410,376.00 \$	410,376.00 \$	410,376.00 \$	410,376.00 \$	-
CARES Funding	14.850	10/1/19	9/30/20	44,490.00	44,490.00	44,490.00	44,490.00	-
Public Housing - Capital Fund Program	14.872	10/1/19	9/30/20	144,052.00	144,052.00	144,052.00	144,052.00	-
CDBG Grant Funds	14.218	10/1/19	9/30/20	14,805.00	14,805.00	14,805.00	14,805.00	-
Hurricane Sandy Community Development Block Grant Disaster Recovery Loans	14.269	10/1/19	9/30/20	4,505,213.00	1,928,355.00	1,928,355.00	1,928,355.00	-
Total Housing and Urban Development					<u>2,542,078.00</u>	<u>1,943,160.00</u>	<u>2,542,078.00</u>	<u>-</u>
Total Federal Assistance					<u>\$ 2,542,078.00</u>	<u>\$ 1,943,160.00</u>	<u>\$ 2,542,078.00</u>	<u>\$ -</u>

OTHER REPORTS & COMMENTS



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members
of the Board of Commissioners -
Housing Authority of the City
of Ocean City
Ocean City, New Jersey

We have audited, in accordance with the 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 and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of Housing Authority of the City of Ocean City, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 30, 2022.

Internal Control over Financial Reporting

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

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 a 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.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

June 30, 2022



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Chairman and Members
of the Board of Commissioners -
Housing Authority of the City
of Ocean City
Ocean City, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Ocean City in the County of Cape May, State of New Jersey'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 Housing Authority of the City of Ocean City's major federal programs for the year ended September 30, 2020. The Housing Authority of the City of Ocean City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Ocean City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 OMB 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 the Housing Authority of the City of Ocean City'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 Ocean City's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Ocean City 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 September 30, 2020.

Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Ocean City 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 Ocean City'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 OMB 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 Housing Authority of the City of Ocean City's internal control over compliance.

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

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

June 30, 2022

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2020**

Note 1: General

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Housing Authority of the City of Ocean City (the "Authority") under programs of the federal government for the fiscal year ended September 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

Note 2: Basis of Accounting

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance

Note 3: Relationship to Basic Financial Statements

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's financial statements.

Note 4: Relationship to Federal Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING SEPTEMBER 30, 2020

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified Opinion**

Internal control over financial reporting:

- 1) Material Weakness identified? **No**
- 2) Significant Deficiency identified? **None Reported**

Non-Compliance material to Financial Statements noted? **No**

Federal Awards

Internal control over major programs:

- 1) Material weakness identified? **No**
- 2) Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major programs: **An Unmodified Opinion was issued**

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Uniform Guidance? **No**

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.269

Community Development Block Grant Disaster Recovery Loan

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as low-risk auditee? **No**

II. FINANCIAL STATEMENT FINDINGS

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that are required to be reported under this section.

III. FEDERAL AWARDS FINDINGS AND QUESTION COSTS

CURRENT YEAR FINDINGS:

Our audit disclosed no matters to be reported.

PRIOR YEAR FINDINGS:

There were no findings in the prior year.