

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

**COMPARATIVE FINANCIAL STATEMENTS  
For the Years Ended  
September 30, 2014 and 2013**

Housing Authority of the City of Ocean City  
Management's Discussion and Analysis  
September 30, 2014

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A- Financial Highlights

- 1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,458,159 (net position) as opposed to \$3,812,914 for the prior fiscal year.
- 2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported ending Unrestricted Net Position of \$141,035.
- 3 – The Authority's cash and cash equivalent balances at September 30, 2014 were \$342,686 representing a decrease of \$1,202,636 from the prior fiscal year.
- 4 – The Authority had Total Operating Revenues of \$811,574 and Total Operating Expenses of \$1,280,427 (including depreciation \$231,125) for the year ended September 30, 2014.
- 5 – The Authority's capital outlays for the fiscal year were \$120,850.
- 6 – The Authority's Expenditures of Federal Awards amounted to \$409,458 for the fiscal year.

B – Using the Annual Report

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's Financial Statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

2 – Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Comparative Statements of Net Position, 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.; depreciation and earned but unused vacation leave).

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

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

2 – Financial Statements (Continued)

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

3 – Notes to Financial Statements

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

4 – Supplemental Information

The schedule of expenditures of Federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 20 of this report.

C – The Authority as a Whole

The Authority's Net Position decreased \$354,755 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 investment in capital assets (e.g., land, buildings, and equipment). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

D – Budgetary Highlights

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

E – Capital Assets and Debt Administration

1 – Capital Assets

As of September 30, 2014, the Authority's investment in capital assets for its Proprietary Fund was \$3,317,124 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased during the current fiscal year totaled \$120,850. \$113,350 of these expenditures were made in accordance with the Authority's Capital Fund Programs.

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

E – Capital Assets and Debt Administration (Continued)

Additional informational on the Authority's capital assets can be found in Note 6 to the Financial Statements which is included in this Report.

2 – Long Term Debt

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

F – Natural Disaster

On October 29, 2012, Hurricane Sandy made landfall on the New Jersey coast causing an estimated 30 billion dollars in damage to the State. The Authority's housing stock incurred flood damages that were in excess of one million dollars with as much as 50% of the housing stock badly damaged due to the storm. The Authority received FEMA insurance settlements of \$1,255,451. By February of 2013 much of the damaged units were brought back on-line with the help of an inter-local agreement with the City of Ocean City. The City procured contractors on an emergency basis as well as managed the rehabilitation of the Authority's housing stock.

G – Significant Changes from FYE September 30, 2013 to September 30, 2014

Other Revenue decreased - the prior year balance reflected \$656,720 for the donated cost of roofs the Authority received from the City.

Travel Costs- Travel costs increased in the current year due to the election of three new commissioners appointed to the board of the Authority who were required to take several classes. In addition, the new Executive Director was required to enroll in several classes as a condition of the position.

Electric costs increased – Electric Costs increased in the current fiscal primarily due to the relocation of tenants back into their units. During the last three months of 2012 Super Storm Sandy caused many of the Authority's tenants vacate their units due to flooding. Most of the tenants returned to their units during the current fiscal year and electric costs and consumption amounts returned to pre storm levels.

Gas costs increased – The cost of gas has increased and the Authority is disputing the amount of consumption charged by the local gas company. The matter remains unresolved as of June 18, 2015.

H – 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, 2015.

1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.

2 – The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.

3 – The potential use of the Authority's Unrestricted Net Position of \$141,035 to fund any shortfalls rising from a possible economic downturn and reduced subsidies and grants. The Authority's Unrestricted Net Position appear sufficient to cover any shortfall.

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

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 4<sup>th</sup> Street, Ocean City, New Jersey 08226, or call (609) 399-1062.

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

Composition of Net Position is as follows:

	<u>Year Ended</u>	
	<u>Sep. 30, 2014</u>	<u>Sep. 30, 2013</u>
Cash and Other Current Assets	\$ 414,504	\$ 1,627,807
Capital Assets - Net	3,317,124	3,427,399
Total Assets	<u>3,731,628</u>	<u>5,055,206</u>
Less: Total Liabilities	<u>(273,469)</u>	<u>(1,242,292)</u>
Net Position	<u>\$ 3,458,159</u>	<u>\$ 3,812,914</u>
Invested in Capital Assets	3,317,124	3,427,399
Unrestricted Net Position	<u>141,035</u>	<u>385,515</u>
Total Net Position	<u>\$ 3,458,159</u>	<u>\$ 3,812,914</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>	
	<u>Sep. 30, 2014</u>	<u>Sep. 30, 2013</u>
<u>Revenues</u>		
Tenant Revenues	\$ 497,551	\$ 437,369
HUD Subsidies and Other Government Grants	296,108	238,156
Other Revenue	<u>17,915</u>	<u>676,892</u>
Total Operating Revenues	<u>811,574</u>	<u>1,352,417</u>
<u>Expenses</u>		
Operating Expenses Excluding Depreciation	1,049,302	781,536
Depreciation Expense	<u>231,125</u>	<u>241,966</u>
Total Operating Expenses	<u>1,280,427</u>	<u>1,023,502</u>
Deficiency of Operating Revenues Over Expenses	(468,853)	328,915
<u>Non-Operating Revenues/(Expenses)</u>		
Gain or Loss on Sale of capital Assets	-	(46,226)
Investment Income	<u>748</u>	<u>1,644</u>
Deficiency of Revenues Over Expenses Before Capital Grants	(468,105)	284,333
HUD Capital Grants	<u>113,350</u>	<u>73,570</u>
Increase/(Decrease) in Net Position	(354,755)	357,903
Beginning Net Position	3,812,914	3,320,858
Prior Period Adjustment	<u>-</u>	<u>134,153</u>
Ending Net Position	<u>\$ 3,458,159</u>	<u>\$ 3,812,914</u>



**CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Other Matters

*Required Supplementary Information*

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

*Other Information*

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

  
POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
June 18, 2015



HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
Ocean City, New Jersey  
STATEMENT OF NET POSITION  
At September 30, 2014 and 2013

<u>ASSETS</u>	<u>Sep. 30, 2014</u>	<u>Sep. 30, 2013</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 342,686	\$ 1,545,322
Accounts Receivable - Tenants (Net)	4,098	1,188
Accounts Receivable - Other	1,553	29,617
Accounts Receivable - HUD	9,373	-
Maintenance Inventories (Net)	5,527	5,527
Prepaid Expenses and Other Current Assets	51,267	46,153
Total Current Assets	<u>414,504</u>	<u>1,627,807</u>
 <u>CAPITAL ASSETS</u>		
Land	352,648	352,648
Buildings and Improvements	7,233,346	7,225,846
Furniture, Equipment and Machinery	285,849	285,849
Construction in Progress	113,350	-
Total Capital Assets	7,985,193	7,864,343
Less: Accumulated Depreciation	<u>(4,668,069)</u>	<u>(4,436,944)</u>
Net Capital Assets	<u>3,317,124</u>	<u>3,427,399</u>
Total Assets	<u>\$ 3,731,628</u>	<u>\$ 5,055,206</u>
 <u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 26,616	\$ 20,205
Accrued Payroll and Related Taxes	1,876	823
Due to Tenants:		
Security Deposits	30,054	41,076
Prepaid Tenant Rents	2,099	3,467
Deferred Revenues	-	1,099,118
Due to Other Governments	149,728	19,914
Other Current Liabilities	1,461	-
Compensated Absences - Current Portion	12,361	3,771
Total Current Liabilities	224,195	1,188,374
Accrued Compensated Absences - Noncurrent	12,983	21,368
Other Post Employment Benefits	36,291	32,550
Total Liabilities	<u>273,469</u>	<u>1,242,292</u>
 <u>NET POSITION</u>		
Invested in Capital Assets Net of Related Debt	3,317,124	3,427,399
Unrestricted	141,035	385,515
Total Net Position	<u>\$ 3,458,159</u>	<u>\$ 3,812,914</u>

See Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
Ocean City, New Jersey  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
For the Years Ended September 30, 2014 and 2013

	<u>Sep. 30, 2014</u>	<u>Sep. 30, 2013</u>
<b><u>OPERATING REVENUES</u></b>		
Tenant Rental & Other Revenue	\$ 492,115	\$ 437,369
HUD Grants - Operating	296,108	238,156
Other Revenue	23,351	676,892
Total Revenues	<u>811,574</u>	<u>1,352,417</u>
<b><u>OPERATING EXPENSES</u></b>		
Administration	396,600	284,484
Tenant Services	5,768	-
Utilities	240,792	244,558
Ordinary Maintenance & Operations	225,344	168,403
Protective Services	43,181	
General Expense	113,204	82,721
Extraordinary Maintenance	24,413	1,370
Depreciation Expense	231,125	241,966
Total Operating Expenses	<u>1,280,427</u>	<u>1,023,502</u>
<b>EXCESS OF OPERATING REVENUE OVER EXPENSES</b>	(468,853)	328,915
Non Operating Revenues/(Expenses):		
Gain or Loss of Sale of Capital Assets	-	(46,226)
Investment Income	748	1,644
<b>Income / (Loss) Before Contributions and Transfers</b>	(468,105)	284,333
Capital Grants	<u>113,350</u>	<u>73,570</u>
<b>INCREASE IN NET POSITION</b>	(354,755)	357,903
Beginning Net Position	<u>3,812,914</u>	<u>3,320,858</u>
Prior Period Adjustment	<u>-</u>	<u>134,153</u>
<b>Ending Net Position</b>	<u>\$ 3,458,159</u>	<u>\$ 3,812,914</u>

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
Ocean City, New Jersey  
STATEMENT OF CASH FLOW  
For the Years Ended September 30, 2014 and 2013

	<u>Sep. 30, 2014</u>	<u>Sep. 30, 2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash Received:		
From Tenants for Rental Income	\$ 476,815	\$ 435,383
From HUD for Operating Grants	286,735	238,156
For Other Operating Revenues	(1,075,767)	1,119,290
Cash Paid:		
To Employees for Operations	(216,050)	(218,937)
To Suppliers for Operations	(667,617)	(599,936)
Net Cash Provided by Operating Activities	<u>(1,195,884)</u>	<u>973,956</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Capital Grants Received	113,350	73,570
Acquisition of Property and Equipment	(120,850)	(95,526)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(7,500)</u>	<u>(21,956)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Investment Income	748	1,644
Net Cash Provided by Investing Activities	<u>748</u>	<u>1,644</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,202,636)	953,644
Cash and Equivalents at Beginning of Period	<u>1,545,322</u>	<u>591,678</u>
Cash and Equivalents at End of Period	<u>\$ 342,686</u>	<u>\$ 1,545,322</u>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATIONS</u></b>		
Operating Income	(468,853)	328,915
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	231,125	241,966
In-Kind Donations		(656,720)
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants	(2,910)	(1,188)
Accounts Receivable - HUD	(9,373)	-
Accounts Receivable - Other	28,064	(24,591)
Prepaid Expenses and Other Current Assets	(5,114)	(10,162)
Increase/(Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	7,464	2,689
Security Deposits	(11,022)	(739)
Other Current Liabilities	1,461	
Compensated Absences	205	(5,948)
Deferred Revenues	(1,099,118)	1,099,118
Prepaid Tenant Rents	(1,368)	(59)
Due to Other Governments	129,814	(10,813)
Accrued OPEB Liability	3,741	11,488
Net Cash Provided by Operating Activities	<u>\$ (1,195,884)</u>	<u>\$ 973,956</u>

See Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014

**NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies:**

1. **Organization and Activities** – The Housing Authority of The City of Ocean City (the Authority) is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq., the "Housing Authority Act"). The Authority is governed by a board of seven members who serve five year terms. The governing board is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An executive director is appointed by the housing authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the City of Ocean City, New Jersey. Operating and modernization subsidies are provided to the Authority by the federal government.

The Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The Authority has concluded that it is excluded from the City's reporting entity since the City does not designate management, does not influence operations, does not have responsibility for fiscal matters and does not have a funding relationship with the Authority.

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. The federally funded programs administered by the Authority are detailed on the Financial Data Schedule and the Schedule of Expenditures of Federal Awards, both of which are included as Supplemental Information.

2. **Significant Accounting Policies**

- a. **Basis of Accounting** – The financial statements of the Authority are prepared using the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net 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.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014  
(Continued)

**NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies**  
**(Continued):**

Tenant Charges – Rental charges to tenants are determined and billed monthly and are recognized as revenue when billed since they are measurable and collectible within the current period. Amounts not collected at year-end are included in the balance sheet as accounts receivable, and amounts paid by tenants for the subsequent fiscal year are recorded as deferred revenue.

Miscellaneous Income – Miscellaneous revenue consists primarily of miscellaneous service fees. The revenue is recorded as earned since it is measurable and available.

**Report Presentation** – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” (Statement No. 34). The Authority also adopted the provisions of Statement No. 37 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus” and Statement NO. 38 “Certain Financial Statement Note Disclosures”, which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that includes a statement of net assets, a statement of activities and a statement of cash flows. It requires the classification of net assets into three components – Invested in Capital Assets, Net of Related Debt; Restricted Net Assets and Unrestricted Net Assets. 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:

Invested in Capital Assets, Net of Related Debt – This component consists of land, construction in progress and depreciable assets, net of accumulated depreciation and net of the related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of Invested in Capital Assets, Net of Related Debt. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Restricted Net Position – This component includes net position 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 do not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt. The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 have no significant effect on the basic financial statements, except for the classification of net position in accordance with Statement No. 34.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014  
(Continued)

**NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies**  
**(Continued):**

Significant accounting policies are as follows:

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis. Interest costs necessary to place a Capital Asset in its intended location and condition are capitalized.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

6 – Operating subsidies received from HUD are recorded as income when earned.

7 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

8 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower of first-in first-out, cost or market.

10 - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

11 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

12 – The Authority does not have any infrastructure assets for its Proprietary Fund.

13 – Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which the transactions are executed.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2014  
 (Continued)

**NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies (Continued):**

14 – Long-lived assets to be held and used are tested for recoverability whenever events 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, 2014, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering SFAS 144.

b. **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.

**NOTE 2 – 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 of governmental deposits and have the collateral held by an approved custodian in the institution's name.

Cash and Cash Equivalents of \$342,686 and \$1,545,322 at September 30, 2014 and 2013, consisted of the following:

	<u>Sep 30, 2014</u>	<u>Sep 30, 2013</u>
Checking Accounts	\$ 301,795	\$ 1,504,096
Tenant Security Deposit Accounts	40,741	41,076
Change & Petty Cash Fund	150	150
Total Cash and Equivalents	<u>\$ 342,686</u>	<u>\$ 1,545,322</u>

The carrying amount of the Authority's cash and cash equivalents on deposit at financial institutions as of September 30, 2014 was \$342,686 and the bank balances were \$357,798. Of the bank balances, \$357,798 was covered by FDIC insurance. 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, none of the Authority's deposits exceeded FDIC insurance and were not required to be covered by a collateral pool maintained by the banks as required by News Jersey statutes.

**NOTE 3 – Tenant Accounts Receivable**

Tenant accounts receivable are stated net of an allowance for doubtful accounts of \$591 and \$1 at September 30, 2014 and 2013, respectively.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014  
(Continued)

**NOTE 4 – Inter-program Receivables and Payables**

At September 30, 2014 and 2013, the Authority had no interprogram accounts receivable or payable.

**NOTE 5 – Deferred Revenue**

Deferred income of \$2,099 at September 30, 2014 represents prepaid tenant rents. Deferred income of \$1,102,585 at September 30, 2013 consisted of \$3,467 of prepaid rents and \$1,099,118 of FEMA Super Storm Sandy settlements.

**NOTE 6 - 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 general fixed assets for the fiscal years ended September 30, 2014 and 2013:

	<u>Sep. 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Sep. 30, 2014</u>
Land	\$ 352,648	\$ -	\$ -	\$ -	\$ 352,648
Buildings and Improvements	7,225,846	7,500	-	-	7,233,346
Dwelling Equipment	84,963	-	-	-	84,963
Furniture and Equipment	200,886	-	-	-	200,886
Construction in Progress	-	113,350	-	-	113,350
Total Fixed Assets	7,864,343	120,850	-	-	7,985,193
Accumulated Depreciation	(4,436,944)	(231,125)	-	-	(4,668,069)
Net Fixed Assets	<u>\$ 3,427,399</u>	<u>\$ (110,275)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,317,124</u>
	<u>Sep. 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Sep. 30, 2013</u>
Land	\$ 352,648	\$ -	\$ -	\$ -	\$ 352,648
Buildings and Improvements	6,777,297	656,719	(308,170)	100,000	7,225,846
Dwelling Equipment	84,963	-	-	-	84,963
Furniture and Equipment	112,342	23,796	(23,975)	88,723	200,886
Construction in Progress	116,993	73,570	(1,840)	(188,723)	-
Total Fixed Assets	7,444,243	754,085	(333,985)	-	7,864,343
Accumulated Depreciation	(4,615,051)	(107,813)	285,920	-	(4,436,944)
Net Fixed Assets	<u>\$ 2,829,192</u>	<u>\$ 646,272</u>	<u>\$ (48,065)</u>	<u>\$ -</u>	<u>\$ 3,427,399</u>

Depreciation expense for the fiscal years ended September 30, 2014 and 2013 amounted to \$231,125 and \$107,813, 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 expenses 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:



HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2014  
 (Continued)

**NOTE 6 - Fixed Assets (Continued)**

	<u>Years</u>
Buildings	40
Improvements	15
Furniture	5
Equipment	5
Vehicles	5
Computers and Related Equipment	5

**NOTE 7 - Payment in Lieu of Taxes (PILOT)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City. 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, 2014 and 2013, PILOT expense was accrued in the amount of \$22,527 and \$19,794, respectively.

**NOTE 8 - Accrued Compensated Absences**

Accrued compensated absences of \$25,344 and \$25,139 at September 30, 2014 and 2013, 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 9 - Pension Plan**

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system. Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority. The Authority made contributions of \$21,150 and \$14,065 to the retirement system during the fiscal years ended September 30, 2014 and 2013.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2014  
 (Continued)

**NOTE 9 – Pension Plan (Continued)**

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

**NOTE 10 – Other Post Employee Retirement Benefits**

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

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

Annual Required Contribution	\$26,954
Interest on net OPEB obligation	1,301
Adjustment to annual required contribution	1,448
Annual OPEB cost (expense)	29,703
Contributions made	25,962
Increase in net OPEB obligation	3,741
Net OPEB Obligation – beginning of year	32,550
Net OPEB Obligation – end of year	\$36,291

**FUNDED STATUS AND FUNDING PROGRESS**

As of October 1, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$259,165 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAL) of \$259,165. The covered payroll (annual payroll of active employees covered by the plan) was \$216,050 and the ratio of the UAL to covered payroll was not computed since benefit and retiree rates were not based on payroll.

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

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014  
(Continued)

**NOTE 10 – Other Post Employee Retirement Benefits (Continued):**

**ACTUARIAL METHODS AND ASSUMPTIONS**

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

Actuarial Cost Method	Projected Unit Credit
Investment Rate of Return	5.00% per annum
Actuarial Value of Assets:	Not Applicable
Amortization of UAAL:	Amortized as level dollar amount over 30 years at transition
Remaining Amortization Period:	27 years at October 1, 2013

There are no current active employees eligible to receive health benefits after retirement. All plan participants are retired former employees whose current average age is 76.0.

**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, 2014 and 2013, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount 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 – Construction Commitments**

At September 30, 2014 and 2013, the Authority's outstanding construction commitments pertaining to its Capital Fund Programs were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

**NOTE 13 – Economic Dependency**

For the year ended September 30, 2014 and 2013, 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.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014  
(Continued)

**NOTE 14 – Other Revenue**

\$23,351 of Other Revenue at September 30, 2014 primarily consisted of Laundry income and non- dwelling rent.

\$676,892 of Other Revenue at September 30, 2013 primarily consisted of the following:

The Authority received a donation from the City of Ocean City for the replacement of roofs at one of the Authority's projects. The amount of the donation was \$656,720.

The Authority received rental income from Atlantic Human Resources, Inc., (the tenant). The tenant leases space at the Authority's main office building under the terms of a ten month lease that ended on June 30, 2013. The lease stipulated rental payments of \$1,000 per month. The lease converted to a month to month lease until November 1, 2013 when the Authority entered into a 15 year lease with required monthly payments of \$1,000.

**NOTE 15 – Due to Other Government**

Due to Other Government consisted of the following at September 30, 2014:

PILOT	\$24,153
Reimbursement for Super-Storm Sandy Renovations	<u>125,575</u>
	<u>\$149,728</u>

All amounts due are payable to the City of Ocean City. The PILOT amount is detailed in Note 7 to the financial statements.

**NOTE 16 – Contingencies**

Subsequent to the year end, a former employee has asserted a claim for wrongful termination. The Authority is insured for employment claims and the defense of the matter has been assigned to an attorney by the insurance carrier. The matter is being defended and no lawsuit has been filed. These financial statements do not include an amount for contingent liability since at this point, it is impossible to determine the amount of damages if any.

**NOTE 17 – Subsequent Events**

The Authority has evaluated subsequent events June 18, 2015, the date on which the Financial Statements were available to be issued.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
 Ocean City, New Jersey  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended September 30, 2014

	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Ending Balance</u>
<u>LOW INCOME HOUSING PROGRAM</u>				
Operating Subsidy (CFDA # 14.850)	\$ -	\$ 202,562	\$ 202,562	\$ -
Capital Fund Program (CFDA# 14.872)	-	<u>206,896</u>	<u>206,896</u>	-
 Total Federal Financial Assistance	 \$ -	 \$ <u>409,458</u>	 \$ <u>409,458</u>	 \$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
2. There were no subrecipient activities during the audit period.

Ocean City Housing Authority (NJ053)  
OCEAN CITY, NJ  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2014

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$300,484	\$300,484		\$300,484
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$1,461	\$1,461		\$1,461
114 Cash - Tenant Security Deposits	\$40,741	\$40,741		\$40,741
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$342,686	\$342,686		\$342,686
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$9,373	\$9,373		\$9,373
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous	\$1,553	\$1,553		\$1,553
126 Accounts Receivable - Tenants	\$4,689	\$4,689		\$4,689
126.1 Allowance for Doubtful Accounts - Tenants	-\$591	-\$591		-\$591
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	\$15,024	\$15,024		\$15,024
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$51,267	\$51,267		\$51,267
143 Inventories	\$5,527	\$5,527		\$5,527
143.1 Allowance for Obsolete Inventories	\$0	\$0		\$0
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$414,504	\$414,504		\$414,504
161 Land	\$352,648	\$352,648		\$352,648
162 Buildings	\$6,615,764	\$6,615,764		\$6,615,764
163 Furniture, Equipment & Machinery - Dwellings	\$84,963	\$84,963		\$84,963
164 Furniture, Equipment & Machinery - Administration	\$200,886	\$200,886		\$200,886
165 Leasehold Improvements	\$617,582	\$617,582		\$617,582
166 Accumulated Depreciation	-\$4,668,069	-\$4,668,069		-\$4,668,069
167 Construction in Progress	\$113,350	\$113,350		\$113,350
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,317,124	\$3,317,124		\$3,317,124
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$3,317,124	\$3,317,124		\$3,317,124
200 Deferred Outflow of Resources				

Ocean City Housing Authority (NJ053)  
OCEAN CITY, NJ  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2014

	Project Total	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$3,731,628	\$3,731,628		\$3,731,628
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$15,249	\$15,249		\$15,249
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$1,876	\$1,876		\$1,876
322 Accrued Compensated Absences - Current Portion	\$12,361	\$12,361		\$12,361
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$149,728	\$149,728		\$149,728
341 Tenant Security Deposits	\$30,054	\$30,054		\$30,054
342 Unearned Revenue	\$2,099	\$2,099		\$2,099
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities	\$1,461	\$1,461		\$1,461
346 Accrued Liabilities - Other	\$11,367	\$11,367		\$11,367
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$224,195	\$224,195		\$224,195
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current	\$12,983	\$12,983		\$12,983
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$36,291	\$36,291		\$36,291
350 Total Non-Current Liabilities	\$49,274	\$49,274		\$49,274
300 Total Liabilities	\$273,469	\$273,469		\$273,469
400 Deferred Inflow of Resources				
508.4 Net Investment in Capital Assets	\$3,317,124	\$3,317,124		\$3,317,124
511.4 Restricted Net Position	\$0	\$0		\$0
512.4 Unrestricted Net Position	\$141,035	\$141,035		\$141,035
513 Total Equity - Net Assets / Position	\$3,458,159	\$3,458,159		\$3,458,159
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,731,628	\$3,731,628		\$3,731,628

Ocean City Housing Authority (NJ053)  
OCEAN CITY, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2014

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue				
70400 Tenant Revenue - Other	\$476,889	\$476,889		\$476,889
70500 Total Tenant Revenue	\$15,226	\$15,226		\$15,226
	\$492,115	\$492,115		\$492,115
70800 HUD PHA Operating Grants				
70610 Capital Grants	\$296,108	\$296,108		\$296,108
70710 Management Fee	\$113,350	\$113,350		\$113,350
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants	\$0	\$0		\$0
71100 Investment Income - Unrestricted	\$748	\$748		\$748
71200 Mortgage Interest Income	\$0	\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0		\$0
71310 Cost of Sale of Assets	\$0	\$0		\$0
71400 Fraud Recovery	\$0	\$0		\$0
71500 Other Revenue	\$23,351	\$23,351		\$23,351
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0		\$0
72000 Investment Income - Restricted	\$0	\$0		\$0
70000 Total Revenue	\$925,672	\$925,672		\$925,672
91100 Administrative Salaries	\$146,831	\$146,831		\$146,831
91200 Auditing Fees	\$6,146	\$6,146		\$6,146
91300 Management Fee	\$0	\$0		\$0
91310 Book-keeping Fee	\$0	\$0		\$0
91400 Advertising and Marketing	\$1,335	\$1,335		\$1,335
91500 Employee Benefit contributions - Administrative	\$112,200	\$112,200		\$112,200
91600 Office Expenses	\$51,463	\$51,463		\$51,463
91700 Legal Expense	\$21,310	\$21,310		\$21,310
91800 Travel	\$18,930	\$18,930		\$18,930
91810 Allocated Overhead	\$0	\$0		\$0
91900 Other	\$38,385	\$38,385		\$38,385
91000 Total Operating - Administrative	\$396,600	\$396,600		\$396,600
92000 Asset Management Fee	\$0	\$0		\$0
92100 Tenant Services - Salaries	\$0	\$0		\$0
92200 Relocation Costs	\$0	\$0		\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0		\$0
92400 Tenant Services - Other	\$5,768	\$5,768		\$5,768
92500 Total Tenant Services	\$5,768	\$5,768		\$5,768
93100 Water	\$72,972	\$72,972		\$72,972
93200 Electricity	\$96,865	\$96,865		\$96,865
93300 Gas	\$52,788	\$52,788		\$52,788
93400 Fuel	\$0	\$0		\$0
93500 Labor	\$10,383	\$10,383		\$10,383



Ocean City Housing Authority (NJ053)  
OCEAN CITY, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2014

	Project Total	Subtotal	ELIM	Total
93600 Sewer	\$0	\$0		\$0
93700 Employee Benefit Contributions - Utilities	\$7,784	\$7,784		\$7,784
93800 Other Utilities Expense	\$0	\$0		\$0
93000 Total Utilities	\$240,792	\$240,792		\$240,792
94100 Ordinary Maintenance and Operations - Labor	\$58,836	\$58,836		\$58,836
94200 Ordinary Maintenance and Operations - Materials and Other	\$67,266	\$67,266		\$67,266
94300 Ordinary Maintenance and Operations Contracts	\$54,088	\$54,088		\$54,088
94500 Employee Benefit Contributions - Ordinary Maintenance	\$45,154	\$45,154		\$45,154
94000 Total Maintenance	\$225,344	\$225,344		\$225,344
95100 Protective Services - Labor	\$23,290	\$23,290		\$23,290
95200 Protective Services - Other Contract Costs	\$0	\$0		\$0
95300 Protective Services - Other	\$2,431	\$2,431		\$2,431
95500 Employee Benefit Contributions - Protective Services	\$17,460	\$17,460		\$17,460
95000 Total Protective Services	\$43,181	\$43,181		\$43,181
96110 Property Insurance	\$54,309	\$54,309		\$54,309
96120 Liability Insurance	\$2,607	\$2,607		\$2,607
96130 Workmen's Compensation	\$12,327	\$12,327		\$12,327
96140 All Other Insurance	\$21,229	\$21,229		\$21,229
96100 Total Insurance Premiums	\$90,472	\$90,472		\$90,472
96200 Other General Expenses	\$0	\$0		\$0
96210 Compensated Absences	\$205	\$205		\$205
96300 Payments in Lieu of Taxes	\$22,527	\$22,527		\$22,527
96400 Bad debt - Tenant Rents	\$0	\$0		\$0
96500 Bad debt - Mortgages	\$0	\$0		\$0
96600 Bad debt - Other	\$0	\$0		\$0
96800 Severance Expense	\$0	\$0		\$0
96000 Total Other General Expenses	\$22,732	\$22,732		\$22,732
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0	\$0		\$0
96730 Amortization of Bond Issue Costs	\$0	\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0		\$0
96900 Total Operating Expenses	\$1,024,889	\$1,024,889		\$1,024,889
97000 Excess of Operating Revenue over Operating Expenses	-\$99,217	-\$99,217		-\$99,217
97100 Extraordinary Maintenance	\$24,413	\$24,413		\$24,413
97200 Casualty Losses - Non-capitalized	\$0	\$0		\$0
97300 Housing Assistance Payments	\$0	\$0		\$0
97350 HAP Portability-In	\$0	\$0		\$0
97400 Depreciation Expense	\$231,125	\$231,125		\$231,125
97500 Fraud Losses	\$0	\$0		\$0
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				

Ocean City Housing Authority (NJ053)  
OCEAN CITY, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2014

	Project Total	Subtotal	ELIM	Total
97800 Dwelling Units Rent Expense	\$0	\$0		\$0
90000 Total Expenses	\$1,280,427	\$1,280,427		\$1,280,427
10010 Operating Transfer In	\$74,794	\$74,794		\$74,794
10020 Operating transfer Out	-\$74,794	-\$74,794		-\$74,794
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit	\$0	\$0		\$0
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0	\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0	\$0		\$0
10093 Transfers between Program and Project - In	\$0	\$0		\$0
10094 Transfers between Project and Program - Out	\$0	\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$354,755	-\$354,755		-\$354,755
11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	\$3,812,914	\$3,812,914		\$3,812,914
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity				
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	1452	1452		1452
11210 Number of Unit Months Leased	1430	1430		1430
11270 Excess Cash	\$48,210	\$48,210		\$48,210
11610 Land Purchases	\$0	\$0		\$0
11620 Building Purchases	\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$113,350	\$113,350		\$113,350
11660 Infrastructure Purchases	\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0	\$0		\$0

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
 Ocean City, New Jersey  
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS  
 As of September 30, 2014

		<u>NJ39 P053501-12</u> <u>CFP 2012 Grant</u>
Funds Approved	\$	118,520
Funds Expended		<u>118,520</u>
Excess/(Deficiency) Approved	\$	<u>-</u>
Funds Advanced	\$	118,520
Funds Expended		<u>118,520</u>
Excess/(Deficiency) of Advances	\$	<u>-</u>

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



**CERTIFIED PUBLIC ACCOUNTANTS**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States, the financial statements of the Housing Authority of the City of Ocean City as of and for the year ended September 30, 2014 and 2013 and have issued our report thereon dated June 18, 2015.

Internal Control Over Financial Reporting

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

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

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

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

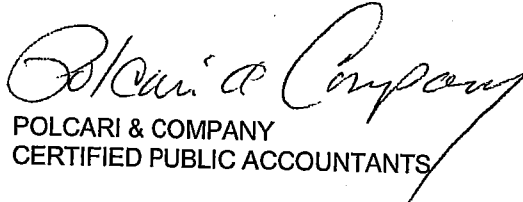
(Continued)

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Ocean City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance that are required to be reported under *Government Auditing Standards* described in the Schedule of Findings and Questioned Costs as Findings 2014-1-14.

Purpose of This Report

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

  
POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
June 18, 2015

Housing Authority of the City of Ocean City  
Schedule of Findings and Questioned Costs  
September 30, 2014

**The previous year did not contain any findings.**

**Finding 2014-1 Unallowable Costs**

Allowable Cost Principles  
Significant deficiency  
Low Rent Public Housing CFDA# 14.850

**Condition:**

During our audit, we discovered that the Authority purchased seventeen (17) visa gift cards to give to employees as year-end bonuses and as a thank you gift for participation in the Father's Day Program. Additionally, our review of petty cash revealed that funds were spent on meals for meetings without documentation of who was in attendance and the purpose of the meetings.

**Criteria:**

According to 24 CFR 85 and OMB Circular A-87, the Authority may not use public funds to purchase gift cards for employees. All costs charged to the program must be reasonable and necessary.

**Cause:**

The Authority's management was not familiar with the requirements of 24 CFR 85 and OMB Circular A-87.

**Effect:**

The effect of the expenditure caused public funds to be used for a purpose other than the intended purpose which in this case was to fund public housing.

Questioned Costs: \$425.

**Recommendation:**

We recommend that the Authority's management receive training in 24 CFR 85 and in the new OMNI Circular which replaced Circular A-87. The new Circular can be found at 2 CFR 200 Subpart E.

**Response:**

The policy manual should be amended to include the following:

The Authority shall not purchase gift cards for distribution to employees or for third parties for gifts, bonuses or for any other purpose.

The second part of Finding 2014-1 relates to the use of petty cash. Specifically, the auditor stated that certain steps must be followed if petty cash is to be used to purchase food for meetings with employees.

Housing Authority of the City of Ocean City  
Schedule of Findings and Questioned Costs  
September 30, 2014

Response: Continued

The policy manual should be amended to include the following:

Whenever petty cash is used for purchases of goods or services, including food, a memo shall be placed in the petty cash drawer stating with as much specificity as possible the purpose for which the petty cash was used. If possible, a receipt should be attached to the memo. When petty cash is used to purchase food or beverages for a meeting among employees, the memo shall state the name of each employee present, if persons other than employees are present, their names shall also be stated, and the purpose of the meeting. The receipt for the purchase of the food and beverages shall be attached to the memo.

In regard to all purchases using petty cash, the costs shall be reasonable and necessary.

Additionally, consistent with the recommendation of the auditor, the following language should be added to the policy manual:

All Authority employees shall receive training in 24 CFR 85 and in OMNI Circular A-87 which can be found in 2 CFR 200 Subpart E.

Housing Authority of the City of Ocean City  
Schedule of Findings and Questioned Costs  
September 30, 2014

**Finding 2014-2 Wait List**

Tenant Selection Policy  
Significant deficiency  
Low Rent Public Housing CFDA# 14.850

Condition:

During the course of our audit, we became aware of two instances in which applicants were placed in units ahead of other applicants on the waiting list with earlier application times.

Criteria:

In accordance with 24 CFR 960.202-206, the Authority must establish and adopt written policies for admissions of tenants. The tenant selection policies established by the Authority must include the requirements for applications and waiting lists, descriptions of the policies for selection of applicants from the waiting lists and policies for verification and documentation of information relevant to acceptance or rejection of an applicant.

Cause:

The Tenant Occupancy Specialist was not familiar with the Authority's Admission and Occupancy policy. The individual incorrectly applied a preference item which the Authority had not adopted. Additionally, there was not support in the tenants folders to support the preference applied.

Effect:

The effect of not being familiar with the Admission and Occupancy Policy caused two tenants to be housed ahead of two individuals already on the waiting list.

Questioned Cost:

-\$0-

Recommendation:

We recommend that the Authority immediately train its Occupancy Specialist in admission and occupancy policies of both HUD and the Authority.

Response:

The Authority shall establish written policies for admissions of tenants consistent with 24 CFR 960.202-206. Tenant selection policies established by the Authority shall include the requirements of formal written applications and maintaining waiting lists, descriptions of the policies for selection of applicants from the waiting lists and policies for verification and documentation of information relevant to acceptable or rejection of an applicant.



Housing Authority of the City of Ocean City  
Schedule of Findings and Questioned Costs  
September 30, 2014

Response: Continued

All Authority employees involved in the selection process shall be specifically trained with the Authority's Admissions and Occupancy Policy and with HUD's occupancy regulations. The Occupancy Specialist shall receive extensive and in-depth training in regard to both the Authority's Admissions and Occupancy Policies and all HUD regulations dealing with occupancy and the selection and priority of tenants. Additionally, the Occupancy Specialist shall be certified through The Nelrod Company as a certified specialist for public housing occupancy. The Occupancy Specialist shall continue his or her training through the PHA-Web Housing Software.

To the extent the Executive Director deems it necessary and appropriate to create priorities for applicants on the waiting list, those priorities shall be approved beforehand by the Board in writing and shall become part of the Occupancy Policy of the Authority. The Occupancy Policy and any priorities made part of the Occupancy Policy shall be followed by the Occupancy Specialist and by all other employees involved in the tenant selection process. All priorities established by the Board shall be consistent with HUD regulations. In every case where a tenant is given priority over another tenant who has been on the waiting list for a longer period of time, the reason or reasons for selecting a tenant prior to someone who has been on the list longer shall be specifically documented.

Housing Authority of the City of Ocean City  
Schedule of Findings and Questioned Costs  
September 30, 2014

**Finding 2014-3 – Cash Management/Budgeting**

Budget  
Significant deficiency  
Low Rent Public Housing CFDA# 14.850

**Condition:**

The Authority hired a security guard with a salary of \$35,000 for which it did not have a budget line item for.

**Criteria:**

In accordance with 24 CFR 990, The Authority must prepare a budget for the low rent housing program. While the budget does not have to be sent to HUD, it must be approved by the Board of Commissioners any changes to the budget must be described in an amended budget and approved by the Board.

**Cause:**

The Authority's management failed to update the budget and present an amended budget to the Board.

**Effect:**

The effect of not preparing a complete budget makes it difficult for management and the Board to properly manage, monitor, and compare budgeted amounts against actual results which can lead to costs exceeding revenues.

**Questioned Cost:**

-\$0-

**Recommendation:**

We recommend that management be trained in budget preparations and revisions in order to properly monitor and compare actual costs to budgeted amounts.

**Response:**

In the event during a fiscal year the Executive Director determines that additional staff should be hired and the staff position has not been included in the formal budget for the fiscal year in question, the Executive Director at a regular or special meeting of the Authority shall present to the Board the proposal for hiring of the additional staff person. At that meeting, the Board shall determine whether the financial position of the Authority would permit the additional hiring. If the Board so determines, then a formal amendment to the budget shall be approved by the Board amending the budget to include the salary and benefits which the Authority shall be required to pay as a result of the hiring. At no time shall any person be hired where the position and the salary and benefits to be paid to the person are not approved in the budget either in the initial form of the budget or by way of amendment.

Housing Authority of the City of Ocean City  
Schedule of Findings and Questioned Costs  
September 30, 2014

**Finding 2014-4**

EIV (Earned Income Verification)  
Significant deficiency  
Low Rent Public Housing CFDA# 14.850

**Condition:**

During the course of our audit, the Authority's management brought to our attention that an employee had transmitted EIV data to an employee at another housing Authority.

**Criteria:**

Information in EIV may only be used for limited official purposes. The personal information contained in EIV is covered by the Privacy Act.

PIH Notice 2010-19 specifies that EIV users must participate in annual security training and complete applicable online Security Awareness Training Questionnaires. Additionally, owner/agent staffers who do not have access to EIV, but who use EIV reports to perform their job functions, must also have security training annually.

**Cause:**

The employee was not familiar with the Privacy Act and the rules and regulations relating to EIV data;

**Effect:**

A tenants personal information was sent to an employee at another housing authority employee through a non-encrypted email.

**Questioned Costs:**

\$-0-

**Recommendation:**

We recommend that all employees be trained and familiarized with the requirements and regulations of the EIV system and responsibilities.

**Response:**

Each employee shall be trained that earned income verification information shall not be disclosed to any person or for any reason which is not permitted by HUD regulations. All such information shall be treated as strictly confidential and shall not be disclosed to any person for any reason unless permitted by HUD regulations. All employees who have access to EIV information shall be advised that all such information is strictly confidential and protected by Privacy Laws. Further, all employees who have access to EIV information must participate in annual security training and complete applicable online Security Awareness Training questionnaires. This requirement shall apply to all employees even those who do not have access to EIV but who use EIV reports to perform their job functions.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
Ocean City, New Jersey  
FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2014

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