

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

COMPARATIVE FINANCIAL STATEMENTS
For the Years Ended
September 30, 2015 and 2014

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Ocean City, New Jersey
FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

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Housing Authority of the City of Ocean City
Management's Discussion and Analysis
September 30, 2015

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, 2015. 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 \$2,368,365 (net position) as opposed to \$3,458,159 for the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported a deficit in Unrestricted Net Position of \$691,183.

3 – The Authority's cash and cash equivalent balances at September 30, 2015 were \$218,023, representing a decrease of \$124,663 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$940,329 and Total Operating Expenses of \$1,201,478 (including depreciation \$265,980) for the year ended September 30, 2015.

5 – The Authority's capital outlays for the fiscal year were \$8,404.

6 – The Authority's Expenditures of Federal Awards amounted to \$294,508 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
September 30, 2015
(Continued)

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 (SEFA) is presented for purpose of additional analysis and can be found on page 23 of this report. 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) can be found on pages 30 and 31, respectively.

C – The Authority as a Whole

The Authority's Net Position decreased \$1,089,794 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, 2015 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

E – Capital Assets and Debt Administration

1 – Capital Assets

As of September 30, 2015, the Authority's net investment in capital assets for its Proprietary Fund was \$3,059,548 (net of accumulated depreciation of \$4,934,049). This net investment in capital assets includes land, buildings and improvements, furniture, equipment and machinery, and construction in progress.

Housing Authority of the City of Ocean City
Management's Discussion and Analysis
September 30, 2015
(Continued)

E – Capital Assets and Debt Administration (Continued)

Major capital assets purchased during the current fiscal year totaled \$8,404. \$5,704 of these expenditures were made in accordance with the Authority's Capital Fund Programs. \$2,700 was purchased from operations.

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 – Significant Changes from FYE September 30, 2014 to September 30, 2015

Accounts Receivable Other increased \$105,668 primarily because the Authority recorded a receivable due from FEMA related to reimbursement for Super-storm Sandy damages. These funds were received in January 2016.

Net capital assets decreased \$257,576. The Authority purchased \$8,404 of capital assets and incurred \$265,980 of depreciation expense during the current fiscal year.

Accrued OPEB and Pension Liability increased by \$512,082. The increase is mostly attributable to the adjustment required by Government Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* as required by Generally Accepted Accounting Principles for government entities. Under the provisions of GASB 68, the Authority must include its proportionate share of the net pension liability of the Public Employees' Retirement System (PERS). The Authority was also required to report \$1,321,507 of Deferred Outflow of Resources and \$1,541,467 of Deferred Inflow of Resources per GASB 68. These amounts were not recorded in the prior fiscal year.

Unrestricted net position decreased \$832,218 primarily because of the prior period adjustment related to the required GASB 68 pension liability.

Maintenance expense decreased \$54,444 and Extraordinary Maintenance decreased 24,413. These decreases are because the Authority spent a more significant amount of money on Sandy related repairs during the prior fiscal year.

Protective Services decreased \$29,742 because the Authority terminated one of its security guards during the prior fiscal year.

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, 2016.

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.

Housing Authority of the City of Ocean City
Management's Discussion and Analysis
September 30, 2015
(Continued)

H – Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Ocean City, 204 4th 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, 2015

Composition of Net Position is as follows:

	<u>Year Ended</u>		<u>Var.</u>	<u>% Var</u>
	<u>Sep. 30, 2015</u>	<u>Sep. 30, 2014</u>		
Cash and Other Current Assets	\$ 374,459	\$ 414,504	\$ (40,045)	-9.7%
Net Capital Assets	3,059,548	3,317,124	(257,576)	-7.8%
Deferred Outflow of Resources	<u>1,321,507</u>	<u>-</u>	<u>1,321,507</u>	<u>100.0%</u>
Total Assets	4,755,514	3,731,628	1,023,886	27.4%
Total Liabilities	(845,682)	(273,469)	(572,213)	209.2%
Deferred Inflow of Resources	<u>(1,541,467)</u>	<u>-</u>	<u>(1,541,467)</u>	<u>100.0%</u>
Net Position	<u>\$ 2,368,365</u>	<u>\$ 3,458,159</u>	<u>(1,089,794)</u>	<u>-31.5%</u>
Net Investment in Capital Assets	3,059,548	3,317,124	(257,576)	-7.8%
Unrestricted Net Position	<u>(691,183)</u>	<u>141,035</u>	<u>(832,218)</u>	<u>-590.1%</u>
Total Net Position	<u>\$ 2,368,365</u>	<u>\$ 3,458,159</u>	<u>(1,089,794)</u>	<u>-31.5%</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Var.</u>	<u>% Var</u>
	<u>Sep. 30, 2015</u>	<u>Sep. 30, 2014</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 484,919	\$ 492,115	\$ (7,196)	-1.5%
HUD Subsidies and Other Government Grants	288,804	296,108	\$ (7,304)	-2.5%
Other Revenue	<u>166,606</u>	<u>23,351</u>	<u>\$ 143,255</u>	<u>613.5%</u>
Total Operating Revenues	<u>940,329</u>	<u>811,574</u>	<u>\$ 128,755</u>	<u>15.9%</u>
<u>Expenses</u>				
Operating Expenses Excluding Depreciation	935,498	1,049,302	\$ (113,804)	-10.8%
Depreciation Expense	<u>265,980</u>	<u>231,125</u>	<u>\$ 34,855</u>	<u>15.1%</u>
Total Operating Expenses	<u>1,201,478</u>	<u>1,280,427</u>	<u>\$ (78,949)</u>	<u>-6.2%</u>
Deficiency of Operating Revenues Over Expenses	(261,149)	(468,853)	\$ 207,704	-44.3%
<u>Non-Operating Revenues/(Expenses)</u>				
Investment Income	<u>455</u>	<u>748</u>	<u>\$ (293)</u>	<u>-39.2%</u>
Deficiency of Revenues Over Expenses Before Capital Grants	(260,694)	(468,105)	\$ 207,411	-44.3%
HUD Capital Grants	<u>5,704</u>	<u>113,350</u>	<u>\$ (107,646)</u>	<u>-95.0%</u>
Increase/(Decrease) in Net Position	(254,990)	(354,755)	\$ 99,765	-28.1%
Beginning Net Position	3,458,159	3,812,914	\$ (354,755)	-9.3%
Prior Period Adjustment	<u>(834,804)</u>	<u>-</u>	<u>\$ (834,804)</u>	<u>100.0%</u>
Ending Net Position	<u>\$ 2,368,365</u>	<u>\$ 3,458,159</u>	<u>\$ (1,089,794)</u>	<u>-31.5%</u>



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INDEPENDENT AUDITOR'S REPORT

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, 2015 and 2014 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Ocean City, as of September 30, 2015 and 2014, and the changes in net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5, the Schedule of Proportionate Share of Net Pension Liability of the Public Employees Retirement System (PERS) on page 30 and the Schedule of Authority Contributions to the PERS on page 31 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.

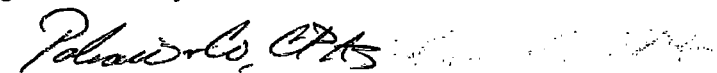
Other Information

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, the schedule of expenditures of federal awards and the Statement and Certification of Completed Modernization Grants are presented for purposes of additional analysis as required by U. S. Department of Housing and Urban Development and are not a required part of the basic financial statements.

The financial data schedule, schedule of expenditures of federal awards and the Statement and Certification of Completed Modernization Grants 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 14, 2016 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 14, 2016



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CERTIFIED PUBLIC ACCOUNTANTS

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY

Ocean City, New Jersey

STATEMENT OF NET POSITION

At September 30, 2015 and 2014

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

	<u>Sep. 30, 2015</u>	<u>Sep. 30, 2014</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 218,023	\$ 342,686
Accounts Receivable - Tenants (Net)	2,433	4,098
Accounts Receivable - Other	107,221	1,553
Accounts Receivable - HUD	-	9,373
Maintenance Inventories (Net)	5,527	5,527
Prepaid Expenses and Other Current Assets	41,255	51,267
Total Current Assets	<u>374,459</u>	<u>414,504</u>
<u>CAPITAL ASSETS</u>		
Land	352,648	352,648
Buildings and Improvements	7,345,928	7,233,346
Furniture, Equipment and Machinery	295,021	285,849
Construction in Progress	-	113,350
Total Capital Assets	7,993,597	7,985,193
Less: Accumulated Depreciation	<u>(4,934,049)</u>	<u>(4,668,069)</u>
Net Capital Assets	<u>3,059,548</u>	<u>3,317,124</u>
Deferred Outflow of Resources	<u>1,321,507</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 4,755,514</u>	<u>\$ 3,731,628</u>

LIABILITIES, NET POSITION AND DEFERRED INFLOW OF RESOURCESCURRENT LIABILITIES

Accounts Payable:		
Vendors and Contractors	\$ 64,388	\$ 26,616
Accrued Payroll and Related Taxes	2,381	1,876
Due to Tenants:		
Security Deposits	41,079	30,054
Prepaid Tenant Rents	586	2,099
Due to Other Governments	149,583	149,728
Other Current Liabilities	-	1,461
Compensated Absences - Current Portion	-	12,361
Total Current Liabilities	258,017	224,195
Accrued Compensated Absences - Noncurrent	39,292	12,983
Accrued OPEB and Pension Liability	548,373	36,291
Total Liabilities	<u>845,682</u>	<u>273,469</u>

Deferred Inflow of Resources	<u>1,541,467</u>	<u>-</u>
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NET POSITION

Net Investment in Capital Assets	3,059,548	3,317,124
Unrestricted	<u>(691,183)</u>	<u>141,035</u>
Total Net Position	<u>\$ 2,368,365</u>	<u>\$ 3,458,159</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, 2015 and 2014

	<u>Sep. 30, 2015</u>	<u>Sep. 30, 2014</u>
<u>OPERATING REVENUES</u>		
Tenant Rental & Other Revenue	\$ 484,919	\$ 492,115
HUD Grants - Operating	288,804	296,108
Other	<u>166,606</u>	<u>23,351</u>
Total Operating Revenues	<u>940,329</u>	<u>811,574</u>
<u>OPERATING EXPENSES</u>		
Administration	358,624	396,600
Tenant Services	34,130	5,768
Utilities	223,890	240,792
Ordinary Maintenance & Operations	170,900	225,344
Protective Services	13,439	43,181
General Expense	134,515	113,204
Extraordinary Maintenance	-	24,413
Depreciation Expense	<u>265,980</u>	<u>231,125</u>
Total Operating Expenses	<u>1,201,478</u>	<u>1,280,427</u>
EXCESS OF OPERATING REVENUE OVER EXPENSES	(261,149)	(468,853)
Non Operating Revenues/(Expenses):		
Investment Income	<u>455</u>	<u>748</u>
Income/(Loss) Before Capital Grants	(260,694)	(468,105)
Capital Grants	<u>5,704</u>	<u>113,350</u>
INCREASE/(DECREASE) IN NET POSITION	(254,990)	(354,755)
Beginning Net Position	<u>3,458,159</u>	<u>3,812,914</u>
Prior Period Adjustment	<u>(834,804)</u>	<u>-</u>
Ending Net Position	<u>\$ 2,368,365</u>	<u>\$ 3,458,159</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Ocean City, New Jersey
STATEMENT OF CASH FLOW
For the Years Ended September 30, 2015 and 2014

	<u>Sep. 30, 2015</u>	<u>Sep. 30, 2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental Income	\$ 496,096	\$ 476,815
From HUD for Operating Grants	298,177	286,735
For Other Operating Revenues	166,606	(1,075,767)
Cash Paid:		
To Employees for Operations	(225,891)	(216,050)
To Suppliers for Operations	(857,406)	(667,617)
Net Cash Provided by Operating Activities	<u>(122,418)</u>	<u>(1,195,884)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Capital Grants Received	5,704	113,350
Acquisition of Property and Equipment	(8,404)	(120,850)
Net Cash Provided/(Used) by Financing Activities	<u>(2,700)</u>	<u>(7,500)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment Income	455	748
Net Cash Provided by Investing Activities	<u>455</u>	<u>748</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(124,663)	(1,202,636)
Cash and Equivalents at Beginning of Period	<u>342,686</u>	<u>1,545,322</u>
Cash and Equivalents at End of Period	<u>\$ 218,023</u>	<u>\$ 342,686</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATIONS</u>		
Operating Income	(261,149)	(468,853)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Depreciation	265,980	231,125
Deferred Outflow of Resources	(1,321,507)	-
Deferred Inflow of Resources	1,541,467	-
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants	1,665	(2,910)
Accounts Receivable - HUD	9,373	(9,373)
Accounts Receivable - Other	(105,668)	28,064
Prepaid Expenses and Other Current Assets	10,012	(5,114)
Increase/(Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	38,277	7,464
Security Deposits	11,025	(11,022)
Other Current Liabilities	(1,461)	1,461
Compensated Absences	13,948	205
Deferred Revenues	-	(1,099,118)
Prepaid Tenant Rents	(1,513)	(1,368)
Due to Other Governments	(145)	129,814
Accrued OPEB and Pension Liability	(322,722)	3,741
Net Cash Provided by Operating Activities	<u>\$ (122,418)</u>	<u>\$ (1,195,884)</u>

See Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

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.

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.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

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:

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.

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.

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.

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.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

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.

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, 2015, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering SFAS 144.

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.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

New Accounting Pronouncements – During the current fiscal year, the Authority was required to adopt GASB Statement 68, Accounting and Financial Reporting for Pensions which requires employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. Additional information regarding the adoption of GASB 68 can be found in Note 15 to these financial statements.

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 \$218,023 and \$342,686 at September 30, 2015 and 2014, consisted of the following:

	<u>Sep 30, 2015</u>	<u>Sep 30, 2014</u>
Checking Accounts	\$ 176,794	\$ 301,795
Tenant Security Deposits	41,079	40,741
Petty Cash	<u>150</u>	<u>150</u>
Total Cash and Equivalents	<u>\$ 218,023</u>	<u>\$ 342,686</u>

The carrying amount of the Authority's cash and cash equivalents on deposit at financial institutions as of September 30, 2015 was \$218,023 and the bank balances were \$254,548. All of the \$254,548 bank balances were 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 New Jersey statutes.

NOTE 3 – Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance for doubtful accounts of \$1,533 and \$591 at September 30, 2015 and 2014, respectively.

NOTE 4 – Inter-program Receivables and Payables

At September 30, 2015 and 2014, the Authority had no interprogram accounts receivable or payable.

NOTE 5 – Deferred Revenue

Deferred revenue of \$586 and \$2,099 at September 30, 2015 and 2014, respectively, represents prepaid tenant rents.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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, 2015 and 2014:

	<u>Sep. 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Sep. 30, 2015</u>
Land	\$ 352,648	\$ -	\$ -	\$ -	\$ 352,648
Buildings and Improvements	7,233,346	-	-	112,582	7,345,928
Furniture, Equipment & Machinery	285,849	8,404	-	768	295,021
Construction in Progress	113,350	-	-	(113,350)	-
Total Fixed Assets	7,985,193	8,404	-	-	7,993,597
Accumulated Depreciation	(4,668,069)	(265,980)	-	-	(4,934,049)
Net Fixed Assets	<u>\$ 3,317,124</u>	<u>\$ (257,576)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,059,548</u>

	<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
Furniture, Equipment & Machinery	285,849	-	-	-	285,849
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>

Depreciation expense for the fiscal years ended September 30, 2015 and 2014 amounted to \$265,980 and \$231,125, 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:

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

NOTE 7 – 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) 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, 2015 and 2014, PILOT expense was accrued in the amount of \$24,008 and \$24,153 respectively.

In addition to the PILOT liability, the Authority also owes the City \$125,575 for renovation costs related to Super-storm Sandy. Therefore the total Due to Other Governments at September 30, 2015 and 2014 is \$149,583 and \$149,728, respectively.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE 8 – Accrued Compensated Absences

Accrued compensated absences of \$39,292 and \$25,344 at September 30, 2015 and 2014, 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 – 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	36,291
Net OPEB Obligation – end of year	\$40,032

The Authority's annual OPEB cost, percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2013	\$29,703	13%	\$32,550
9/30/2014	\$29,703	13%	\$36,291
9/30/2015	\$29,703	13%	\$40,032

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 \$220,506 and the ratio of the UAL to covered payroll was not computed since benefit and retiree rates were not based on payroll.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 9 – Other Post Employee Retirement Benefits (Continued)

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.

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

NOTE 10 – 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, 2015 and 2014, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has 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 11 – Construction Commitments

At September 30, 2015 and 2014, 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.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 12 – Economic Dependency

For the year ended September 30, 2015 and 2014, 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 \$166,606 at September 30, 2015, consists primarily of FEMA funds related to Super-storm Sandy damages. Other Revenue of \$23,351 at September 30, 2014 consists primarily of laundry income and non-dwelling rent.

NOTE 14 – 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 15 – Pension Plan

General Information about the Pension Plan

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

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and to tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2015
(Continued)

NOTE 16 – Pension Plan (Continued)

55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by state of New Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. The employee rate was increased from 6.5% to 7.0% of base salary effective July 1, 2012 plus an additional 1% phased in over 7 years beginning in fiscal year 2013. The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The actuarially determined contribution includes funding for cost of living adjustments and a noncontributory death benefit. The employer contribution rate was 6.78% - 6.92% and 6.64% - 6.78% in fiscal years 2015 and 2014, respectively. Chapter 9, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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

Pension Liability - At June 30, 2015 and June 30, 2014, the Authority reported \$508,341 and \$2,231,256 respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2015 and June 30, 2014 were 0.0022% and 0.0119%, respectively.

The components of the Authority's net pension liability as of June 30, 2015, the most recent evaluation date is as follows:

Total Pension Liability	\$ 976,235
Plan Fiduciary Net Position	<u>467,895</u>
Net Pension Liability	<u>\$ 508,341</u>

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

Actuarial Assumptions - The Authority's net pension liability for the fiscal year ended September 30, 2015 was determined at a measurement date of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial evaluation as of July 1, 2014, which was rolled forward to June 30, 2015. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2015
(Continued)

NOTE 16 – Pension Plan (Continued)

Inflation Rate	3.04%
Salary Increases	2.15% - 4.40%
2012-2021	based on age
Thereafter	3.15% - 5.40%
	based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements. In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer after consultation with the Director of the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	3.02%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	0.01%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015
 (Continued)

NOTE 16 – Pension Plan (Continued)

be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the net pension liability of the Authority as of June 30, 2015 and June 30, 2014, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>(3.9%)</u>	Current Assumption <u>(4.9%)</u>	1% Increase <u>(5.9%)</u>
2015	\$ 631,806	\$ 508,341	\$ 435,325
2014	\$ 2,806,996	\$ 2,231,256	\$ 1,747,781

For the year ended September 30, 2015, the Authority recognized pension expense credit of \$8,895. At September 30, 2015 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 54,592	\$ -
Differences between expected and actual experience	12,127	-
Net differences between projected and actual earnings on plan investments	-	8,173
Changes in proportion	1,254,788	1,533,294
Authority's contributions subsequent to the measurement date	-	-
TOTAL	<u>\$ 1,321,507</u>	<u>\$ 1,541,467</u>

\$1,254,788 reported as deferred outflows and \$1,533,294 reported as deferred inflows related to changes in the housing authority's proportion will be amortized over the average of the expected remaining service lives of all plan members, which is 5.72 and 6.44 years for the 2014 and 2015 amounts, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 11,709
2017	11,709
2018	11,709
2019	11,709
2020	<u>11,709</u>
Total	<u>\$ 58,546</u>

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2015
(Continued)

NOTE 16 – Prior Period Adjustments

During the fiscal year ended September 30, 2015 the Authority recorded an adjustment that decreased opening unrestricted net position by \$834,804. The adjustment was made to record the Authority's unfunded pension liability at September 30, 2014 as required by GASB Statement NO. 68 adopted during the current year. There were no prior period adjustments recorded during the prior fiscal year.

NOTE 17 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through June 14, 2016 the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
 Ocean City, New Jersey
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended September 30, 2015

	<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)	\$ -	\$ 223,618	\$ 223,618	\$ -
Capital Fund Program (CFDA# 14.872)	-	70,890	70,890	-
	<u>-</u>	<u>70,890</u>	<u>70,890</u>	<u>-</u>
Total Federal Financial Assistance	<u>\$ -</u>	<u>\$ 294,508</u>	<u>\$ 294,508</u>	<u>\$ -</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2015

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$176,944	\$176,944		\$176,944
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted				
114 Cash - Tenant Security Deposits	\$41,079	\$41,079		\$41,079
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$218,023	\$218,023	\$0	\$218,023
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous	\$107,221	\$107,221		\$107,221
126 Accounts Receivable - Tenants	\$3,966	\$3,966		\$3,966
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,533	-\$1,533		-\$1,533
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	\$109,654	\$109,654	\$0	\$109,654
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$41,255	\$41,255		\$41,255
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	\$374,459	\$374,459	\$0	\$374,459
161 Land	\$352,648	\$352,648		\$352,648
162 Buildings	\$6,615,764	\$6,615,764		\$6,615,764
163 Furniture, Equipment & Machinery - Dwellings	\$87,663	\$87,663		\$87,663
164 Furniture, Equipment & Machinery - Administration	\$207,358	\$207,358		\$207,358
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$4,934,049	-\$4,934,049		-\$4,934,049
167 Construction in Progress				
168 Infrastructure	\$730,164	\$730,164		\$730,164
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,059,548	\$3,059,548	\$0	\$3,059,548
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	\$3,059,548	\$3,059,548	\$0	\$3,059,548
200 Deferred Outflow of Resources	\$1,321,507	\$1,321,507		\$1,321,507
290 Total Assets and Deferred Outflow of Resources	\$4,755,514	\$4,755,514	\$0	\$4,755,514
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$64,388	\$64,388		\$64,388
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$2,381	\$2,381		\$2,381
322 Accrued Compensated Absences - Current Portion	\$0	\$0		\$0
324 Accrued Contingency Liability				

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

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2015

	Project Total	Subtotal	ELIM	Total
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$24,008	\$24,008		\$24,008
341 Tenant Security Deposits	\$41,079	\$41,079		\$41,079
342 Unearned Revenue	\$586	\$586		\$586
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$132,442	\$132,442	\$0	\$132,442
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	\$125,575	\$125,575		\$125,575
354 Accrued Compensated Absences - Non Current	\$39,292	\$39,292		\$39,292
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$548,373	\$548,373		\$548,373
350 Total Non-Current Liabilities	\$713,240	\$713,240	\$0	\$713,240
300 Total Liabilities	\$845,682	\$845,682	\$0	\$845,682
400 Deferred Inflow of Resources	\$1,541,467	\$1,541,467		\$1,541,467
508.4 Net Investment in Capital Assets	\$3,059,548	\$3,059,548		\$3,059,548
511.4 Restricted Net Position				
512.4 Unrestricted Net Position	-\$691,183	-\$691,183		-\$691,183
513 Total Equity - Net Assets / Position	\$2,368,365	\$2,368,365	\$0	\$2,368,365
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,755,514	\$4,755,514	\$0	\$4,755,514

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

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2015

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$463,965	\$463,965		\$463,965
70400 Tenant Revenue - Other	\$20,954	\$20,954		\$20,954
70500 Total Tenant Revenue	\$484,919	\$484,919	\$0	\$484,919
70600 HUD PHA Operating Grants	\$288,804	\$288,804		\$288,804
70610 Capital Grants	\$5,704	\$5,704		\$5,704
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue		\$0	\$0	\$0
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$455	\$455		\$455
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	\$166,606	\$166,606		\$166,606
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$946,488	\$946,488	\$0	\$946,488
91100 Administrative Salaries	\$150,226	\$150,226		\$150,226
91200 Auditing Fees	\$9,269	\$9,269		\$9,269
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing	\$59	\$59		\$59
91500 Employee Benefit contributions - Administrative	\$81,749	\$81,749		\$81,749
91600 Office Expenses	\$16,369	\$16,369		\$16,369
91700 Legal Expense	\$18,132	\$18,132		\$18,132
91800 Travel	\$4,521	\$4,521		\$4,521
91810 Allocated Overhead				
91900 Other	\$78,299	\$78,299		\$78,299
91000 Total Operating - Administrative	\$358,624	\$358,624	\$0	\$358,624
92000 Asset Management Fee				
92100 Tenant Services - Salaries	\$17,533	\$17,533		\$17,533
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services	\$12,266	\$12,266		\$12,266
92400 Tenant Services - Other	\$4,331	\$4,331		\$4,331
92500 Total Tenant Services	\$34,130	\$34,130	\$0	\$34,130
93100 Water	\$76,762	\$76,762		\$76,762
93200 Electricity	\$101,857	\$101,857		\$101,857
93300 Gas	\$45,271	\$45,271		\$45,271
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$223,890	\$223,890	\$0	\$223,890
94100 Ordinary Maintenance and Operations - Labor	\$52,747	\$52,747		\$52,747
94200 Ordinary Maintenance and Operations - Materials and Other	\$33,818	\$33,818		\$33,818
94300 Ordinary Maintenance and Operations Contracts	\$46,385	\$46,385		\$46,385

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

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2015

	Project Total	Subtotal	ELIM	Total
94500 Employee Benefit Contributions - Ordinary Maintenance	\$37,950	\$37,950		\$37,950
94000 Total Maintenance	\$170,900	\$170,900	\$0	\$170,900
95100 Protective Services - Labor	\$5,385	\$5,385		\$5,385
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other	\$4,287	\$4,287		\$4,287
95500 Employee Benefit Contributions - Protective Services	\$3,767	\$3,767		\$3,767
95000 Total Protective Services	\$13,439	\$13,439	\$0	\$13,439
96110 Property Insurance	\$19,569	\$19,569		\$19,569
96120 Liability Insurance	\$21,729	\$21,729		\$21,729
96130 Workmen's Compensation	\$8,549	\$8,549		\$8,549
96140 All Other Insurance	\$46,711	\$46,711		\$46,711
96100 Total Insurance Premiums	\$96,558	\$96,558	\$0	\$96,558
96200 Other General Expenses				
96210 Compensated Absences	\$13,949	\$13,949		\$13,949
96300 Payments in Lieu of Taxes	\$24,008	\$24,008		\$24,008
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$37,957	\$37,957	\$0	\$37,957
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
96900 Total Operating Expenses	\$935,498	\$935,498	\$0	\$935,498
97000 Excess of Operating Revenue over Operating Expenses	\$10,990	\$10,990	\$0	\$10,990
97100 Extraordinary Maintenance				
97200 Casually Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$265,980	\$265,980		\$265,980
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,201,478	\$1,201,478	\$0	\$1,201,478
10010 Operating Transfer In	\$65,186	\$65,186	-\$65,186	\$0
10020 Operating transfer Out	-\$65,186	-\$65,186	\$65,186	\$0
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2015

	Project Total	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$254,990	-\$254,990	\$0	-\$254,990
11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	\$3,458,159	\$3,458,159		\$3,458,159
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$834,804	-\$834,804		-\$834,804
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	1441	1441		1441
11270 Excess Cash	\$117,277	\$117,277		\$117,277
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	\$5,704	\$5,704		\$5,704
11650 Leasehold Improvements Purchases	\$0	\$0		\$0
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, 2015

	<u>NJ39 P053501-13</u> <u>CFP 2013 Grant</u>
Funds Approved	\$ 114,296
Funds Expended	<u>114,296</u>
Excess/(Deficiency) Approved	<u>\$ -</u>
Funds Advanced	\$ 114,296
Funds Expended	<u>114,296</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.

Housing Authority of the City of Ocean City
 Schedule of Proportionate Share of the Net Pension Liability
 of the Public Employees Retirement System (PERS)
 For the Year Ended September 30, 2015

	<u>2015</u>	<u>2014</u>
Housing Authority's Proportion of the Net Pension Liability	0.002265%	0.011917%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 508,341	\$ 2,231,256
Housing Authority's Covered Employee Payroll	\$ 220,506	\$ 216,050
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	230.53%	1032.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%

The amounts determined for each fiscal year were determined as of June 30.

Housing Authority of the City of Ocean City
 Schedule of Authority Contributions to the
 Public Employees Retirement System (PERS)
 For the Year Ended September 30, 2015

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 19,469	\$ 21,150
Contribution in Relation to the Contractually Required Contribution	\$ (19,469)	\$ (21,150)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$220,506	\$216,050
Contribution as a Percentage of Covered Employee Payroll	8.83%	9.79%

The amounts determined for each fiscal year were determined as of June 30.



CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Housing Authority of the
City of 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 Comptroller General of the United States, the financial statements of the Housing Authority of the City of Ocean City ("the Authority") as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Ocean City basic financial statements and have issued our report thereon dated June 14, 2016.

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

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

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

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

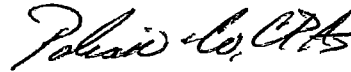
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
June 14, 2016

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2015

PRIOR AUDIT FINDINGS

Finding 2014-1 Unallowable Costs

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

Condition

During our audit, we discovered the Authority purchased 17 Visa gift cards for employees as year-end bonuses and as thank you gifts for participation in the Father's Day Program. Additionally, our review of petty cash revealed funds were spent on employee meeting meals without documentation of employee attendance or purpose.

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 of funding public housing.

Questioned Costs: \$425.

Status

Finding 2014-1 is closed.

The policy manual was amended to include the following:

If petty cash is used to purchase goods or services including food, a memo must be placed in the petty cash drawer that details the use of funds. When petty cash is used to purchase food or beverages for employee meetings, the memo must include employee names and the meeting purpose. Receipts must be attached to the petty cash memos. All petty cash purchases must be reasonable and necessary.

All Authority employees received training in the requirements of 24 CFR 85 and the Omni Circular.

Additionally, the questioned costs were repaid from non-federal funds.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
SEPTEMBER 30, 2015

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 identified two instances when 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 tenant admissions. The tenant selection policies established by the Authority must include the requirements for applications and waiting lists, descriptions of the policies for applicant selections from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejection of applicants.

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 tenant 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-

Status

Finding 2015-1 is closed.

The Authority established written policies for tenant admissions consistent with 24 CFR 960.202-206. Tenant selection policies established by the Authority include the requirements of formal written applications, waiting list maintenance, descriptions of policies for applicant selection from the waiting lists, and policies for verification and documentation of information relevant to applicant acceptance or rejection. All Authority employees involved in the selection process received training on HUD's Admission and Occupancy regulations. Additionally, the Occupancy Specialist received training from the Nelrod Company and PHA-Web Housing Software.

If the Executive Director deems it necessary and appropriate to create additional priorities for applicants on the waiting list, the priorities must be approved by the Board via resolution. The Occupancy Policy and any priorities made part of the Occupancy Policy must be followed by the Occupancy Specialist and all other employees involved in the tenant selection process. All priorities established by the Board must 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(s) for selection must be documented.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
SEPTEMBER 30, 2015

CURRENT AUDIT FINDINGS

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Housing Authority of the City of Ocean City.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Housing Authority of the City of Ocean City's financial statements for the year ended September 30, 2015.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the City of Ocean City were disclosed during the audit.
4. The Housing Authority of the City of Ocean City was determined not to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS .

None.