

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

**REPORT OF AUDIT**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2017 and 2018**



## TABLE OF CONTENTS

Page No.

### FINANCIAL SECTION

Independent Auditor's Report	1 - 3
Required Supplemental Information: Management's Discussion and Analysis	4 - 8

### BASIC FINANCIAL STATEMENTS

Statement of Net Position	9 - 10
Statement of Revenues, Expenses, and Changes in Fund Net Position	11
Statement of Cash Flows	12
NOTES TO FINANCIAL STATEMENTS	13 - 26

### OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Authority's Proportionate Share of the Net Pension Liability - PERS	27
Schedule of Authority Contributions - PERS	28
OPEB Schedule of Funding Progress	29

### OTHER SUPPLEMENTARY INFORMATION

Financial Data Schedule - As Required by HUD	30 - 39
Schedule of Expenditures of Federal Awards	40

### OTHER REPORTS & COMMENTS

Independent Auditor's Report - Government Auditing Standards	41 - 42
Summary of Auditor's Results	43
Findings and Recommendations	43
Status of Prior Year's Audit Recommendations	43





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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Ocean City (the "Authority"), a component unit of the City of Ocean City in the County of Cape May, State of New Jersey, as of and for the years ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and in compliance with the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the City of Ocean City as of September 30, 2018 and the changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of Ocean City's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Financial Data Schedule as required by the U.S. Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the financial statements.

The Other Supplementary Information, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Financial Data Schedule as required by the U.S. Department of Housing and Urban Development are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, the Schedule of Expenditures of Federal Awards and the Financial Data Schedule are fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019 on our consideration of the Housing Authority of the City of Ocean City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

*Leon P. Costello*

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

**June 26, 2019**





## **REQUIRED SUPPLEMENTARY INFORMATION**



**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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, 2018. 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 \$1,625,283 (net position) as opposed to \$1,445,831 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 \$958,282.
- 3 – The Authority's cash and cash equivalent balances at September 30, 2018 were \$289,896 representing an increase of \$106,335 from the prior fiscal year.
- 4 - The Authority had Total Operating Revenues of \$982,073 and Total Operating Expenses of \$1,050,095 (Including depreciation \$185,080) for the year ended September 30, 2018.
- 5 - The Authority's capital outlays for the fiscal year were \$74,212.
- 6 -The Authority's Expenditures of Federal Awards amounted to \$606,661 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

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g.; net pension liability and earned but unused vacation leave).

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, capital and related financing activities and investing activities.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 8 through 11.

**3 - Notes to Financial Statements**

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

**4 - Supplemental Information and Required Supplementary Information**

The Schedule of Expenditures of Federal Awards (SEFA) is presented for purpose of additional analysis and can be found on page 37 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 27 and 28, respectively.

**C -The Authority as a Whole**

The Authority's Net Position increased \$179,452 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, 2018 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners.

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**E- Capital Assets and Debt Administration**

1 - Capital Assets

As of September 30, 2018, the Authority's net investment in capital assets was \$2,583,565 (net of accumulated depreciation of \$5,631,032). This net investment in capital assets includes land, buildings and Improvements, furniture, equipment and machinery, and construction in progress.

Major capital assets purchased during the current fiscal year totaled \$74,212. These expenditures were made in accordance with the Authority's Capital Fund Programs.

Additional informational on the Authority's capital assets can be found in Note 7 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, 2018 to September 30, 2017**

Net capital assets decreased \$110,867. The Authority purchased \$74,212 of capital assets and incurred \$185,080 of depreciation expense during the current fiscal year.

Due to Other Governments increased by \$34,038 due to PILOT Fees not yet being remitted to the City of Ocean City.

Unrestricted net position decreased \$290,319 as compared to the prior year decrease of \$79,752.

**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, 2018.

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

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

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**H- Net Position and Changes in Net Position**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash & Other Current Assets	\$ 527,315	\$ 231,050	\$ 297,124
Net Capital Assets	2,583,565	2,694,432	2,844,718
Deferred Outflows of Resources	537,176	878,344	1,321,643
<b>Total</b>	<b><u>3,648,056</u></b>	<b><u>3,803,826</u></b>	<b><u>4,463,485</u></b>
Total Liabilities	\$ 1,180,040	\$ 1,181,387	\$ 1,310,484
Deferred Inflow of Resources	842,733	1,176,608	1,208,443
Net Position	1,625,283	1,445,831	1,944,558
<b>Total</b>	<b><u>3,648,056</u></b>	<b><u>3,803,826</u></b>	<b><u>4,463,485</u></b>
Net Investment in Capital Assets	\$ 2,583,565	\$ 2,694,432	\$ 2,844,718
Unrestricted Net Position	(958,282)	(979,912)	(900,160)
<b>Total Net Position</b>	<b><u>1,625,283</u></b>	<b><u>1,714,520</u></b>	<b><u>1,944,558</u></b>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues:			
Tenant Revenues	\$ 579,885	\$ 440,435	\$ 479,905
HUD Subsidies & Other Grants	344,963	257,167	245,442
Other Revenue	57,225	33,730	70,398
<b>Total Operating Revenues</b>	<b><u>982,073</u></b>	<b><u>731,332</u></b>	<b><u>795,745</u></b>
Expenses:			
Operating Expenses	\$ 865,015	\$ 923,284	\$ 1,111,463
Depreciation	185,080	245,001	266,903
<b>Total Operating Expenses</b>	<b><u>1,050,095</u></b>	<b><u>1,168,285</u></b>	<b><u>1,378,366</u></b>
Deficiency of Operating Revenues Over Expenses	<u>(68,022)</u>	<u>(436,953)</u>	<u>(582,621)</u>
Non Operating Revenue & Expenses:			
Interest Income	195	327	327
Capital Grants	299,738	137,176	65,631
Prior Period Adjustment	(52,459)	-	(106,421)
<b>Total Increase / (Decrease)</b>	<b><u>179,452</u></b>	<b><u>(299,450)</u></b>	<b><u>(623,084)</u></b>
Beginning Net Position	1,445,831	1,745,281	2,368,365
<b>Ending Net Position</b>	<b><u>\$ 1,625,283</u></b>	<b><u>\$ 1,445,831</u></b>	<b><u>\$ 1,745,281</u></b>

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**I - Contacting the Authority's Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the Information provided in this report or requests for additional financial Information should be addressed to the Executive Director, Housing Authority of the City of Ocean City, 204 4th Street, Ocean City, New Jersey 08226, or call (609) 399-1062.





## **FINANCIAL STATEMENTS**



**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018 and 2017**

	<b>2018</b>	<b>As Restated 2017</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash & Cash Equivalents	\$ 289,896	\$ 183,561
Accounts Receivable:		
HUD	182,479	-
Tenants (net)	11,627	1,094
Other	-	2,873
Prepaid Expenses & Other Current Assets	43,313	43,522
<b>Total Current Assets</b>	<b>527,315</b>	<b>231,050</b>
<b>Capital Assets</b>		
Land	352,648	352,648
Construction in Progress	44,765	-
Buildings & Improvements	7,516,833	7,487,386
Furniture Equipment & Machinery	300,351	300,351
<b>Total Capital Assets</b>	<b>8,214,597</b>	<b>8,140,385</b>
Less: Accumulated Depreciation	(5,631,032)	(5,445,953)
<b>Net Capital Assets</b>	<b>2,583,565</b>	<b>2,694,432</b>
<b>Total Assets</b>	<b>3,110,880</b>	<b>2,925,482</b>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Related to Pensions	537,176	878,344
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 3,648,056</b>	<b>\$ 3,803,826</b>

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018 and 2017**

	<b>2018</b>	<b>As Restated 2017</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts Payable:		
Vendors & Contractors	\$ 42,393	\$ 46,192
Accrued Payroll & Related Taxes	1,511	823
Unearned Revenue - Prepaid Tenant Rents	3,770	911
Compensated Absences	7,301	5,070
<b>Total Current Liabilities</b>	<b>54,975</b>	<b>52,996</b>
<b>Noncurrent Liabilities</b>		
Security Deposits	43,892	40,038
Due to Other Governments	358,933	324,895
Compensated Absences	2,434	1,690
Accrued OPEB Liability	368,130	340,296
Accrued Pension Liability	351,676	421,472
<b>Total Noncurrent Liabilities</b>	<b>1,125,065</b>	<b>1,128,391</b>
<b>Total Liabilities</b>	<b>1,180,040</b>	<b>1,181,387</b>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Related to Pensions	842,733	1,176,608
<b>Net Position</b>		
Net Invested in Capital Assets	2,583,565	2,694,432
Unrestricted - As Restated	(958,282)	(1,248,601)
<b>Total Net Position</b>	<b>1,625,283</b>	<b>1,445,831</b>
<b>Total Liabilities, Deferred Inflows &amp; Net Position</b>	<b>\$ 3,648,056</b>	<b>\$ 3,803,826</b>

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017**

	<b>2018</b>	<b>As Restated 2017</b>
<b>Operating Revenues</b>		
Tenant Rental & Other Revenue	\$ 579,885	\$ 440,435
HUD Grants	306,923	257,167
NJHMFA Grant	38,040	-
Fraud Recovery	8,646	-
Insurance Recovery	8,050	
Other	40,529	33,730
<b>Total Operating Revenues</b>	<b>982,073</b>	<b>731,332</b>
<b>Operating Expenses</b>		
Administrative	230,785	338,808
Tenant Services	2,775	5,776
Utilities	246,210	214,381
Ordinary Maintenance & Operations	242,101	222,214
Protective Services	-	4,339
General Expense	143,144	137,766
Depreciation Expense	185,080	245,001
<b>Total Operating Expenses</b>	<b>1,050,095</b>	<b>1,168,285</b>
<b>Excess (Deficit) of Operating Revenues Over Expenses</b>	<b>(68,022)</b>	<b>(436,953)</b>
<b>Nonoperating Revenues &amp; (Expenses)</b>		
Interest on Investments	195	327
Prior Year FEMA Grant - Refund to FEMA	(52,459)	-
Capital Grants	299,738	137,176
<b>Total Nonoperating Revenues &amp; (Expenses)</b>	<b>247,474</b>	<b>137,503</b>
Increase / (Decrease) in Net Position	<b>179,452</b>	<b>(299,450)</b>
Beginning Net Position, As Restated	<b>1,445,831</b>	<b>1,745,281</b>
Ending Net Position	<b>\$ 1,625,283</b>	<b>\$ 1,445,831</b>

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017**

	<b>2018</b>	<b>As Restated 2017</b>
<b>Cash Flows From Operating Activities</b>		
Cash Received from:		
Tenants & Rental Income	\$ 576,064	\$ 445,488
Operating Grants	344,963	257,167
Other Operating Revenues	60,098	30,857
Cash Paid to:		
Employees	(68,081)	(126,752)
Vendors & Suppliers	(797,492)	(709,629)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>115,552</b>	<b>(102,869)</b>
<b>Cash Flows From Financing Activities</b>		
Capital Grants Received	117,259	137,176
Prior Year FEMA Grant	(52,459)	-
Acquisition of Property & Equipment	(74,212)	(94,715)
<b>Net Cash Flows Provided (Used) by Financing Activities</b>	<b>(9,412)</b>	<b>42,461</b>
<b>Cash Flows From Investing Activities</b>		
Interest on Investments	195	327
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>195</b>	<b>327</b>
Net Increase / (Decrease) in Cash & Cash Equivalents	106,335	(60,081)
Cash & Cash Equivalents at Beginning of Period	183,561	243,642
Cash & Cash Equivalents at End of Period	<b>\$ 289,896</b>	<b>\$ 183,561</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operations</b>		
Operating Income	(68,022)	(436,953)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	185,080	245,001
Net Deferred Inflows & Outflows	7,293	411,464
Changes in Assets:		
Accounts Receivable:		
Tenants (net)	(10,534)	4,909
Other	2,873	(2,873)
Prepaid Expenses & Other Current Assets	209	3,957
Changes in Liabilities:		
Accounts Payable & Accrued Expenses	(3,111)	14,672
Unearned Revenue - Prepaid Tenant Rents	2,859	(189)
Due to Other Governments	34,038	22,605
Security Deposits	3,854	333
Compensated Absences	2,975	(1,952)
Accrued OPEB Liability	27,834	97,246
Accrued Pension Liability	(69,796)	(461,089)
<b>Net Cash Provided (Used) by Operations</b>	<b>\$ 115,552</b>	<b>\$ (102,869)</b>

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 1: Organization and Activities**

The Housing Authority of The City of Ocean City (the Authority) is a governmental entity created under federal and state housing laws as defined by State statute (N.J.S.A. 40A:12A-1, et. seq., the "Housing Authority Act"). The Authority is governed by a board of seven commissioners (the Commissioners) who serve five year terms. Five of the Commissioners are appointed by the City Council of the City of Ocean City (the City). One Commissioner is appointed by the Mayor of the City of Ocean City and one Commissioner is appointed by the Governor of the State of New Jersey. The governing board is autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An executive director is appointed by the housing authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the City of Ocean City, New Jersey. Operating and modernization subsidies are provided to the Authority by the federal government.

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

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

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

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

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

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

The combined financial statements include all accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility.

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 2: Significant Accounting Policies**

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

**Revenue** - The major sources of revenue are various subsidies and grants received from the United States Department of Housing and Urban Development, charges to tenants and other miscellaneous revenues discussed below.

**Federal Grant Revenue** - Operating Subsidies and Capital Fund Program revenue received from HUD are recorded under the accrual method of accounting and are recognized in the period earned in accordance with applicable HUD guidelines. The Authority is generally entitled to receive funds from HUD under an established payment schedule or as expenditures are made under the Capital Fund Program or Comprehensive Improvements Assistance Program.

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

**Report Presentation** - The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority has implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No. 34). The Authority also adopted the provisions of Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures", which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that includes a statement of net assets, a statement of activities and a statement of cash flows. It requires the classification of net assets into three components - Invested in Capital Assets, Net of Related Debt; Restricted Net Assets and Unrestricted Net Assets. Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position" requires the re-naming of the Statement of Net Assets to the Statement of Net Position. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position. These classifications are defined as follows:

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



**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 2: Significant Accounting Policies - Continued**

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

**Unrestricted Net Position** - This component consists of net position that does not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

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.

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.

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 2: Significant Accounting Policies - Continued**

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

12 - The Authority does not have any infrastructure assets.

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

14 - Long-lived assets to be held and used are tested for recoverability whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of September 30, 2018, the Authority has not recognized any reduction in the carrying value of its fixed assets.

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

**Recent Accounting Pronouncements Not Yet Effective -**

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Cost Incurred before the end of a Construction Period". This statement is effective for fiscal periods beginning after December 15, 2019. It is anticipated that this statement will not have any effect on the Authority's financial reporting.

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

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

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 3: Cash and Cash Equivalents**

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

Cash and Cash Equivalents of \$289,896 and \$183,561 at September 30, 2018 and 2017, consisted of the following:

		<u>September 30, 2018</u>		<u>September 30, 2017</u>
Checking Accounts	\$	245,804	\$	143,346
Tenant Security Deposits		43,892		40,038
Petty Cash		200		177
Total	\$	<u>289,896</u>	\$	<u>183,561</u>

The carrying amount of the Authority's cash and cash equivalents on deposit at financial institutions as of September 30, 2018 was \$289,896 and the bank balances were \$296,000. All the \$296,000 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 4: Tenant Accounts Receivable**

Tenant accounts receivable are stated net of an allowance for doubtful accounts of \$11,627 and \$1,094 at September 30, 2018 and 2017, respectively.

**NOTE 5: Inter-Program Receivables and Payables**

At September 30, 2018 and 2017, the Authority had no inter-program accounts receivable or payable.

**NOTE 6 - Deferred Revenue**

Deferred revenue of \$3,770 and \$911 at September 30, 2018 and 2017, respectively, represents prepaid tenant rents.

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 7 - Fixed Assets**

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost, less accumulated depreciation. The following is a summary of the changes in fixed assets for the fiscal years ended September 30, 2018 and 2017:

	<u>September 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2017</u>
Land	\$ 352,648	\$	\$	\$ 352,648
Buildings & Improvements	7,398,001	89,385		7,487,386
Furniture, Equipment & Machinery	295,021	5,330		300,351
Total Fixed Assets	<u>8,045,670</u>	<u>94,715</u>	-	<u>8,140,385</u>
Accumulated Depreciation	(5,200,952)	(245,001)		(5,445,953)
Net Fixed Assets	<u>\$ 2,844,718</u>	<u>\$ (150,286)</u>	-	<u>\$ 2,694,432</u>

	<u>September 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2018</u>
Land	\$ 352,648	\$	\$	\$ 352,648
Buildings & Improvements	7,487,386	29,447		7,516,833
Furniture, Equipment & Machinery	300,351			300,351
Construction in Progress	-	44,766		44,766
Total Fixed Assets	<u>8,140,385</u>	<u>74,213</u>	-	<u>8,214,598</u>
Accumulated Depreciation	(5,445,953)	(185,080)		(5,631,033)
Net Fixed Assets	<u>\$ 2,694,432</u>	<u>\$ (110,867)</u>	-	<u>\$ 2,583,565</u>

Depreciation expense for the fiscal years ended September 30, 2018 and 2017 amounted to \$185,080 and \$245,001, respectively.

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

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

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 8 – Due to Other Governments**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) in accordance with the provisions of its Cooperation Agreement with the City of Ocean City. Under the Cooperation Agreement, the Authority must pay the City the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal years ended September 30, 2018 and 2017, PILOT expense was accrued in the amount of \$34,038 and \$22,605 respectively, neither of which have yet been paid to the City.

**NOTE 8 – Due to Other Governments**

In addition to the PILOT liability, the Authority also owes the City \$252,434 for renovation costs related to Super-storm Sandy. Therefore, the total Due to Other Governments at September 30, 2018 and 2017 is \$358,933 and \$324,895, respectively.

**NOTE 9 – Accrued Compensated Absences**

Accrued compensated absences of \$9,735 and \$6,760 at September 30, 2018 and 2017, represent amounts of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at 100% of the time accumulated, to a maximum of thirty (30) days in addition to the amount accrued in the year of retirement or termination. Employees may be compensated for accumulated sick leave in the event of retirement at the rate of one day for every two days accumulated at the current rate of pay, with a maximum not to exceed \$12,000.

**NOTE 10 – Other Post Employment Benefits**

**Annual OPEB Cost & Net OPEB 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 contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

Annual Required Contribution "ARC"	\$	36,285
Interest on Net OPEB Obligation		1,497
Adjustment to ARC		12,228
Annual OPEB Cost		<u>50,010</u>
Contributions Made		(22,176)
Increase in Net OPEB Obligation		27,834
Net OPEB Obligation - Beginning of Year		43,773
Net OPEB Obligation - End of Year	\$	<u><u>71,607</u></u>

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

The Authority's annual OPEB cost, percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 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
9/30/2017	\$ 50,010	44.34%	\$ 71,607
9/30/2016	29,703	87.41%	43,773
9/30/2015	29,703	87.41%	40,032

**Funded Status & Funding Progress** - As of October 1, 2016, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$350,852 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAL) of \$350,852. The covered payroll (annual payroll of active employees covered by the plan) was \$124,811 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.

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

Actuarial Cost Method	Projected Unit Credit
Investment Rate of Return	Not Applicable
Actuarial Value of Plan Assets	Not Applicable
Amortization of UAAL	Level Dollar Amount over 10 Years
Remaining Amortization Period	3 Years at September 30, 2017

**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, 2018 and 2017, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical Inspection of its Projects for determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 11 – Risk Management- Continued**

commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

**NOTE 12 – Construction Commitments**

At September 30, 2018 and 2017, 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, 2018 and 2017, 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 14 - Other Revenue**

Other revenue of \$40,529 at September 30, 2018, consists primarily Non-Dwelling Rent, Laundry Service and the Proceeds of the Shared Services Agreement with the Brick Township Housing Authority. Other Revenue of \$33,730 at September 30, 2017 consists primarily of Insurance Reimbursements and the Proceeds of the Shared Services Agreement with the Brick Township Housing Authority.

**NOTE 15 – Pension Plans**

**Description of Plans**

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

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

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

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 15 – Pension Plans- Continued**

**Funding Policy**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.34% through June 30, 2018 and 7.50% thereafter of employee's annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The entity's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$18,765, \$21,884 and \$20,560.

The total payroll for the year ended December 31, 2018, 2017, and 2016 was \$68,081, \$124,811 and \$198,909. Payroll covered by PERS was \$68,081, \$119,932 and \$150,816.

**Significant Legislation**

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

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

New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65.

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

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

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

New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. The 4-year phase in period is now complete.

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

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

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



**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 15 – Pension Plans- Continued**

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

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

**NOTE 16: Pension Liabilities**

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the Authority's pension liabilities. However, due to the fact that the Authority reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the Authority's pension liabilities as June 30, 2018:

**Public Employees' Retirement System**

The Authority has a liability of \$351,676 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018. The Authority's proportion 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. At June 30, 2018, the Authority's proportion would be 0.00001786110%, which would be a decrease of 1.35% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Authority would have recognized pension expense of \$44,737. At December 31, 2018, the Authority would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 6,707	\$ (1,813)
Changes of assumptions	57,950	(112,447)
Changes in proportion	472,519	(725,174)
Net difference between projected and actual earnings on pension plan investments		(3,299)
<b>Total</b>	<b>\$ 537,176</b>	<b>\$ (842,733)</b>

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 16: Pension Liabilities - Continued**

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

Year ended June 30,			
2019	\$	12,329	
2020		(21,130)	
2021		(135,527)	
2022		(121,423)	
2023		(39,805)	
Total	<u>\$</u>	<u>(305,557)</u>	

**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 16: Pension Liabilities – Continued**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

*Discount Rate*

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2043 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.*



## **REQUIRED SUPPLEMENTARY INFORMATION**



**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY  
OCEAN CITY, NEW JERSEY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2018**

**NOTE 16: Pension Liabilities - Continued**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 5.66%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.66%) or 1-percentage point higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's proportionate share of the net pension liability	\$ 422,804	\$ 351,676	\$ 292,040

*Pension plan fiduciary net position.*

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

**NOTE 17: Subsequent Events**

The Authority has evaluated subsequent events through June 26, 2019, the date which the financial statements were available to be issued and identified no events requiring disclosure.

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

	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.0017861100%	0.0018105703%	0.0029798993%	0.0022650000%	0.0119170000%
Authority's proportionate of the net pension liability (asset)	\$ 351,676	\$ 421,472	\$ 882,561	\$ 508,341	\$ 2,231,256
Authority's covered payroll	\$ 68,081	\$ 119,932	\$ 150,816	\$ 220,506	\$ 216,050
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	516.56%	351.43%	585.19%	230.53%	1032.75%
Plan fiduciary net position as a percentage of the total pension liability	36.78%	36.78%	40.14%	47.93%	52.08%

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

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



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

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

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

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

**CITY OF OCEAN CITY HOUSING AUTHORITY**  
**OPEB SCHEDULE OF FUNDING PROGRESS AND**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**YEARS ENDED SEPTEMBER 30,**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ([b-a]/c)
10/1/2011	\$ -	\$ 224,293	\$ 224,293	0.0%	\$ 198,433	113.0%
10/1/2014	\$ -	\$ 259,165	\$ 259,165	0.0%	\$ 216,050	120.0%
10/1/2016	\$ -	\$ 350,852	\$ 350,852	0.0%	\$ 124,811	281.1%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended September, 30	Annual OPEB Cost	Contributions From Employer**	Percentage Contributed	Net OPEB Obligation
2014	29,703	25,962	87.41%	36,291
2015	29,703	25,962	87.41%	43,773
2016	50,010	22,176	44.34%	71,607

\*\* Employer contributions are adjusted for implicit rate subsidies.

## **OTHER SUPPLEMENTARY INFORMATION**

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$246,005	\$246,005	\$246,005
112 Cash - Restricted - Modernization and Development	\$0	\$0	\$0
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	\$43,891	\$43,891	\$43,891
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$289,896	\$289,896	\$289,896
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	\$182,479	\$182,479	\$182,479
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$11,627	\$11,627	\$11,627
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0	\$0
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	\$194,106	\$194,106	\$194,106
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$43,313	\$43,313	\$43,313
143 Inventories			

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$527,315	\$527,315	\$527,315
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	\$215,388	\$215,388	\$215,388
165 Leasehold Improvements	\$901,069	\$901,069	\$901,069
166 Accumulated Depreciation	-\$5,631,032	-\$5,631,032	-\$5,631,032
167 Construction in Progress	\$44,765	\$44,765	\$44,765
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,583,565	\$2,583,565	\$2,583,565
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$2,583,565	\$2,583,565	\$2,583,565
200 Deferred Outflow of Resources	\$537,176	\$537,176	\$537,176
290 Total Assets and Deferred Outflow of Resources	\$3,648,056	\$3,648,056	\$3,648,056

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$26,819	\$26,819	\$26,819
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$1,511	\$1,511	\$1,511
322 Accrued Compensated Absences - Current Portion	\$7,301	\$7,301	\$7,301
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$166,499	\$166,499	\$166,499
341 Tenant Security Deposits	\$43,892	\$43,892	\$43,892
342 Unearned Revenue	\$3,770	\$3,770	\$3,770
343 Current Portion of Long-term Debt - Capital			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other	\$15,574	\$15,574	\$15,574
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$265,366	\$265,366	\$265,366
351 Long-term Debt, Net of Current - Capital Projects/Mortgage			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other	\$192,434	\$192,434	\$192,434
354 Accrued Compensated Absences - Non Current	\$2,434	\$2,434	\$2,434
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
357 Accrued Pension and OPEB Liabilities	\$719,806	\$719,806	\$719,806
350 Total Non-Current Liabilities	\$914,674	\$914,674	\$914,674
300 Total Liabilities	\$1,180,040	\$1,180,040	\$1,180,040
400 Deferred Inflow of Resources	\$842,733	\$842,733	\$842,733
508.4 Net Investment in Capital Assets	\$2,583,565	\$2,583,565	\$2,583,565
511.4 Restricted Net Position			
512.4 Unrestricted Net Position	-\$958,282	-\$958,282	-\$958,282
513 Total Equity - Net Assets / Position	\$1,625,283	\$1,625,283	\$1,625,283
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$3,648,056	\$3,648,056	\$3,648,056

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$579,885	\$579,885	\$579,885
70400 Tenant Revenue - Other	\$0	\$0	\$0
70500 Total Tenant Revenue	\$579,885	\$579,885	\$579,885
70600 HUD PHA Operating Grants	\$606,661	\$606,661	\$606,661
70610 Capital Grants	\$0	\$0	\$0
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants	\$38,040	\$38,040	\$38,040
71100 Investment Income - Unrestricted	\$195	\$195	\$195
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	\$8,646	\$8,646	\$8,646
71500 Other Revenue	\$48,579	\$48,579	\$48,579
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0
72000 Investment Income - Restricted	\$0	\$0	\$0
70000 Total Revenue	\$1,282,006	\$1,282,006	\$1,282,006
91100 Administrative Salaries	\$31,046	\$31,046	\$31,046



Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
91200 Auditing Fees	\$9,000	\$9,000	\$9,000
91300 Management Fee	\$90,121	\$90,121	\$90,121
91310 Book-keeping Fee	\$15,000	\$15,000	\$15,000
91400 Advertising and Marketing	\$0	\$0	\$0
91500 Employee Benefit contributions - Administrative	\$28,357	\$28,357	\$28,357
91600 Office Expenses	\$17,613	\$17,613	\$17,613
91700 Legal Expense	\$0	\$0	\$0
91800 Travel	\$0	\$0	\$0
91810 Allocated Overhead	\$0	\$0	\$0
91900 Other	\$39,648	\$39,648	\$39,648
91000 Total Operating - Administrative	\$230,785	\$230,785	\$230,785
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	\$2,775	\$2,775	\$2,775
92500 Total Tenant Services	\$2,775	\$2,775	\$2,775
93100 Water	\$101,954	\$101,954	\$101,954
93200 Electricity	\$99,427	\$99,427	\$99,427
93300 Gas	\$44,829	\$44,829	\$44,829
93400 Fuel	\$0	\$0	\$0
93500 Labor	\$0	\$0	\$0
93600 Sewer	\$0	\$0	\$0
93700 Employee Benefit Contributions - Utilities	\$0	\$0	\$0

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
93800 Other Utilities Expense	\$0	\$0	\$0
93000 Total Utilities	\$246,210	\$246,210	\$246,210
94100 Ordinary Maintenance and Operations - Labor	\$37,035	\$37,035	\$37,035
94200 Ordinary Maintenance and Operations - Materials and	\$50,111	\$50,111	\$50,111
94300 Ordinary Maintenance and Operations Contracts	\$123,338	\$123,338	\$123,338
94500 Employee Benefit Contributions - Ordinary Maintenance	\$31,617	\$31,617	\$31,617
94000 Total Maintenance	\$242,101	\$242,101	\$242,101
95100 Protective Services - Labor	\$0	\$0	\$0
95200 Protective Services - Other Contract Costs	\$0	\$0	\$0
95300 Protective Services - Other	\$0	\$0	\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0	\$0
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance	\$28,021	\$28,021	\$28,021
96120 Liability Insurance	\$22,229	\$22,229	\$22,229
96130 Workmen's Compensation	\$4,714	\$4,714	\$4,714
96140 All Other Insurance	\$41,080	\$41,080	\$41,080
96100 Total insurance Premiums	\$96,044	\$96,044	\$96,044
96200 Other General Expenses	\$30	\$30	\$30
96210 Compensated Absences	\$2,975	\$2,975	\$2,975
96300 Payments in Lieu of Taxes	\$34,039	\$34,039	\$34,039
96400 Bad debt - Tenant Rents	\$10,056	\$10,056	\$10,056
96500 Bad debt - Mortgages	\$0	\$0	\$0

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
96600 Bad debt - Other	\$0	\$0	\$0
96800 Severance Expense	\$0	\$0	\$0
96000 Total Other General Expenses	\$47,100	\$47,100	\$47,100
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	\$865,015	\$865,015	\$865,015
97000 Excess of Operating Revenue over Operating Expenses	\$416,991	\$416,991	\$416,991
97100 Extraordinary Maintenance	\$0	\$0	\$0
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	\$185,080	\$185,080	\$185,080
97500 Fraud Losses	\$0	\$0	\$0
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense	\$0	\$0	\$0
90000 Total Expenses	\$1,050,095	\$1,050,095	\$1,050,095
10010 Operating Transfer In	\$299,738	\$299,738	\$299,738
10020 Operating transfer Out	-\$299,738	-\$299,738	-\$299,738

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
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	-\$52,459	-\$52,459	-\$52,459
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)	-\$52,459	-\$52,459	-\$52,459
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$179,452	\$179,452	\$179,452
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$1,714,520	\$1,714,520	\$1,714,520
11040 Prior Period Adjustments, Equity Transfers and Correction	-\$268,689	-\$268,689	-\$268,689
11050 Changes in Compensated Absence Balance			
11060 Changes in Contingent Liability Balance			
11070 Changes in Unrecognized Pension Transition Liability			
11080 Changes in Special Term/Severance Benefits Liability			
11090 Changes in Allowance for Doubtful Accounts - Dwelling			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity			
11180 Housing Assistance Payments Equity			

Ocean City Housing Authority (NJ053)

OCEAN CITY, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	Project Total	Subtotal	Total
11190 Unit Months Available	1452	1452	1452
11210 Number of Unit Months Leased	1427	1427	1427
11270 Excess Cash	\$146,552	\$146,552	\$146,552
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	\$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

**CITY OF OCEAN CITY HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Period		Program or Award Amount	Receipts or Revenue Recognized	Budgetary Expenditures			(MEMO) Passed Through to Sub-Recipients
		From	To			Pass Through	Source	Total	
<b>Housing and Urban Development</b>									
Public and Indian Housing Program	14.850	10/1/17	9/30/18	306,923.00 \$	306,923.00 \$	\$	306,923.00 \$	306,923.00 \$	-
Public Housing - Capital Fund Program	14.872	10/1/17	9/30/18	299,738.00	299,738.00		299,738.00	299,738.00	-
<b>Total Housing and Urban Development</b>					606,661.00	-	606,661.00	606,661.00	-
<b>Total Federal Assistance</b>					606,661.00 \$	- \$	606,661.00 \$	606,661.00 \$	-

## **OTHER REPORTS & COMMENTS**







# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of Housing Authority of the City of Ocean City, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 26, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

*Leon P. Costello*

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

**June 26, 2019**

**HOUSING AUTHORITY OF THE CITY OF OCEAN CITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDING SEPTEMBER 30, 2018**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

1) Material Weakness identified? **NO**

2) Significant Deficiency identified? **NO**

Non-Compliance material to Financial Statements – Statutory Basis noted? **NO**

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS – REGULATORY BASIS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

None

**STATUS OF PRIOR YEAR FINDINGS**

None