

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY

**REPORT OF AUDIT
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**



OCEAN CITY HOUSING AUTHORITY

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September 30, 2022

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HOUSING AUTHORITY OF THE CITY OF OCEAN CITY

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members
of the Board of Commissioners
Housing Authority of the City of Ocean City

Opinion

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 and its component unit, the Ocean City Community Development Corporation (the "component unit"), as of and for the fiscal years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 Authority and the component unit, as of September 30, 2022 and 2021, and its changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and the component unit, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. The financial statements of the Authority's component unit, the Ocean City Community Development Corporation, were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority and the component unit's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority the component unit's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority and the component unit's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability - Public Employees' Retirement System, schedule of the Authority's pension contributions - Public Employees' Retirement System, note to required supplementary information - Public Employees' Retirement System and schedule of changes in Authority's total Other Post-Employment Benefits liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 August 14, 2023, on our consideration of the Authority'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.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
August 14, 2023

**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**

The Honorable Chairman and Members
of the Board of Commissioners
Housing Authority of the City of Ocean City

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 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 the Housing Authority of the City of Ocean City (the "Authority"), and its component unit the Ocean City Community Development Corporation, as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 14, 2023. The component unit, Ocean City Community Development Corporation, issues its own audited financial statements which are not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not extend to the blended component unit.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority'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 of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 identify deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and federal awarding agencies, in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
August 14, 2023

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Management's Discussion and Analysis - Unaudited
September 30, 2022 and 2021

As management of the Housing Authority of the City of Ocean City (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activity of the Authority for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Management's Discussion and Analysis is intended to share management's analysis of the Authority's financial performance. The Authority's financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private businesses, such as real estate development and management. The financial statements included in this report were prepared in accordance with General Accepted Accounting Principles ("GAAP") applicable to governmental entities for Proprietary Fund types ("Business-Type" activities). The financial statements and accompanying data include the following:

- 1 Statements of Net Position** - reports information on all the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the difference reported as net position.
- 2 Statements of Revenue, Expenses, and Changes in Net Position** - reports the Authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions.
- 3 Statements of Cash Flows** - reports the Authority's net cash from operating, investing, non-capital financing, and capital and related financial activities.
- 4 Notes to Financial Statements** - provides disclosures essential to fully understanding the data provided in the financial statements.
- 5 Supplemental Information** - presents the schedule of expenditures of Federal Awards as required by the U.S. Office of Management and Budget (2 CFR 200 *Uniform Guidance*). Also included are the Financial Data Schedule and Capital Grant Schedule. Schedules for the Authority's post-retirement plan and the State-Administered pension plan are presented as Required Supplementary Information.

FINANCIAL HIGHLIGHTS

- The Authority's Total Net Position (equity) increased from 2021 to 2022 by \$2,887,174 due to an increase in Unrestricted Net Position of \$1,066,400, an increase in Restricted Net Position of \$33,271 and an increase in Net Investment in Capital Assets of \$1,787,503.
The Authority's Total Net Position (equity) increased from 2020 to 2021 by \$4,023,147 due to a decrease in Unrestricted Net Position of (\$3,221,165) offset by an increase in Restricted Net Position of \$129,325 and an increase in Net Investment in Capital Assets of \$7,114,987.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Management's Discussion and Analysis - Unaudited
September 30, 2022 and 2021

FINANCIAL HIGHLIGHTS (continued)

- The Authority's Current Assets balance including cash at the reporting year-end was \$1,252,699 for 2022, \$1,043,219 for 2021, and \$694,568 for 2020. This includes amounts designated for current restricted use.
- The Authority had Total Revenues of \$4,273,805 in 2022, \$5,229,549 in 2021, and \$1,464,672 in 2020. The Authority had Total Expenses of \$1,386,631 in 2022, \$1,206,402 in 2021, and \$1,105,420 in 2020.

Since fiscal year 2014, the Authority has recorded 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 required to report \$17,638 of deferred outflows of resources, \$101,847 of deferred inflows of resources, and pension liability of \$85,435 for the fiscal year ended September 30, 2022. The Authority was required to report \$16,408 of deferred inflows of resources, \$208,775 of deferred inflows of resources, and pension liability of \$64,244 for the fiscal year ended September 30, 2021.

- Also since fiscal year 2018, the Authority has recorded the adjustment required by Government Accounting Standards Board (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) as required by Generally Accepted Accounting Principles for government entities. Under the provisions of GASB 75, the Authority must include its proportionate share of the net OPEB for post-employment benefits (health insurance). The Authority was required to report the Other Post-Employment Benefits ("OPEB") of \$164,268 for the fiscal year ended September 30, 2022. The Authority was required to report the OPEB liability of \$201,156 for the fiscal year ended September 30, 2021. current fiscal year.

OTHER FINANCIAL INFORMATION

The Authority operates various programs involving the provisioning of affordable housing services. Some programs are federal and state instituted and others are management operations of affordable housing.

The major programs of the Authority are:

1. Public Housing Program.
2. Business Activities, consisting of General Management and Supplemental funds.
3. Blended Component Unit, which is legal separate corporations and instrumentalities of the Authority formed to carry out the mission of the Authority and expand affordable housing opportunities.

HOUSING FACTS:

1. Over 120 Low-income families have been assisted throughout the county by the Authority in 2022; affording them decent, safe, and sanitary housing based on their ability to pay.

BUDGETARY HIGHLIGHTS

As for the year ended September 30, 2022, a budget was prepared by the Authority and was approved by the Board of Commissioners. The budgets are used primarily as a management tool. However, for the Authority's annual entity-wide State budget, the total amount of appropriations constitutes the legal level of control. Expenditures may not exceed appropriations at this level without approval from the State of New Jersey Department of Community Affairs.

In some governmental programs, funding is derived by formula. The Authority experienced major funding changes in recent years, including recent increases.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Management's Discussion and Analysis - Unaudited (continued)
September 30, 2022 and 2021

Net Position, may serve over time as a useful indicator of an agency's financial position. In the case of the Authority, assets exceed liabilities by \$9,262,928 at the close of the most recent year. The following table shows a summary of changes from the prior years:

STATEMENTS OF NET POSITION			
	September 30, 2022	September 30, 2021	September 30, 2020
Current and Other Assets	\$ 1,252,699	\$ 1,043,219	\$ 694,568
Capital Assets, net	11,374,768	9,587,265	4,569,228
Total Assets	12,627,467	10,630,484	5,263,796
Deferred Outflows of Resources	17,638	16,408	21,231
Current Liabilities	1,184,536	1,048,416	184,446
Long-term Liabilities	2,095,794	3,013,947	2,441,951
Total Liabilities	3,280,330	4,062,363	2,626,397
Deferred Inflows of Resources	101,847	208,775	306,023
Net Investment in Capital Assets	11,374,768	9,587,265	2,472,278
Restricted Net Position	299,148	265,877	136,552
Unrestricted Net Position	(2,410,988)	(3,477,388)	(256,223)
Net Position	\$ 9,262,928	\$ 6,375,754	\$ 2,352,607

The statement of activities shows the sources of changes in net position as they arise through various programs and functions. A condensed statement of activities comparing fiscal years 2022, 2021, and 2020:

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION			
	September 30, 2022	September 30, 2021	September 30, 2020
Revenues:			
Federal grant awards	\$ 3,649,603	\$ 4,681,431	\$ 533,121
Tenant charges	581,797	523,110	555,229
Other Revenues	42,303	24,889	25,090
Total Revenues	4,273,703	5,229,430	1,113,440
Operating Expenses:			
Administrative and Other Expenses	1,012,825	875,742	958,962
Depreciation expense	373,806	330,660	146,458
Total Operating Expenses	1,386,631	1,206,402	1,105,420
Operating Income	2,887,072	4,023,028	8,020
Non-Operating Revenues:			
Investment Income	102	119	192
Actuarial adjustment to pension liability	-	-	191,638
Actuarial adjustment to OPEB liability	-	-	15,350
Capital grants	-	-	144,052
Net non-operating revenue	102	119	351,232
Increase in net position	2,887,174	4,023,147	359,252
Net position at the beginning of the year	6,375,754	2,352,607	1,993,355
Net position at the end of the year	\$ 9,262,928	\$ 6,375,754	\$ 2,352,607

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Management's Discussion and Analysis - Unaudited
September 30, 2022 and 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The following table summarizes the changes in capital assets between September 30, 2022, 2021, and 2020:

	September 30, 2022	September 30, 2021	September 30, 2020
Land	\$ 352,648	\$ 352,648	\$ 352,648
Building	16,375,070	15,099,471	7,516,041
Equipment	1,145,182	343,091	343,091
Construction-in-progress	<u>148,060</u>	<u>64,441</u>	<u>2,299,175</u>
Total	18,020,960	15,859,651	10,510,955
Accumulated Depreciation	<u>(6,646,192)</u>	<u>(6,272,386)</u>	<u>(5,941,727)</u>
Net Capital Assets	<u>\$ 11,374,768</u>	<u>\$ 9,587,265</u>	<u>\$ 4,569,228</u>

Debt:

As of September 30, 2022, 2021, and 2020, the Authority had no outstanding debt.

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, 2022.

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wages rates.
- Local inflationary, recession, and employment trends, which can affect resident incomes and, therefore, the amount of rental income.
- Inflationary pressure on utility rates, supplies, interest rates and other costs.

CONTRACTING 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 information should be addressed to the Executive Director, Ocean City Housing Authority, 204 4th Street, Ocean City, NJ 08226, 609-399-1062.

Housing Authority of the City of Ocean City
Statements of Net Position
For the Fiscal Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 793,203	\$ 557,980
Restricted cash	299,148	265,877
Restricted cash - tenant security deposits	42,209	37,342
Accounts receivable - HUD	-	323
Accounts receivable - other government	28,931	100,518
Accounts receivable - tenant	36,627	37,444
Prepaid expenses	52,581	43,735
Total current assets	<u>1,252,699</u>	<u>1,043,219</u>
Capital assets		
Construction-in-progress	148,060	64,441
Capital assets, net of accumulated depreciation	<u>11,226,708</u>	<u>9,522,824</u>
Total capital assets	<u>11,374,768</u>	<u>9,587,265</u>
Total assets	<u>12,627,467</u>	<u>10,630,484</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	<u>17,638</u>	<u>16,408</u>
Total assets and deferred outflows of resources	<u>\$ 12,645,105</u>	<u>\$ 10,646,892</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 196,925	\$ 66,702
Accrued PILOT	32,947	62,226
Accrued compensated absences	36	9,941
Unearned revenue	<u>954,628</u>	<u>909,547</u>
Total current liabilities	<u>1,184,536</u>	<u>1,048,416</u>
Non-current liabilities		
Accrued compensated absences	12	3,314
Tenant security deposits	42,209	37,342
Unearned revenue	1,802,085	2,703,128
Pension liability - contributions subsequent to measurement date	1,785	4,763
Pension liability	85,435	64,244
Other post-employment benefits	<u>164,268</u>	<u>201,156</u>
Total non-current liabilities	<u>2,095,794</u>	<u>3,013,947</u>
Total liabilities	<u>3,280,330</u>	<u>4,062,363</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	<u>101,847</u>	<u>208,775</u>
NET POSITION		
Net investment in capital assets	11,374,768	9,587,265
Restricted net position	299,148	265,877
Unrestricted net position (deficit)	<u>(2,410,988)</u>	<u>(3,477,388)</u>
Total net position	<u>9,262,928</u>	<u>6,375,754</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,645,105</u>	<u>\$ 10,646,892</u>

The accompanying notes are an integral part of the financial statements.

Housing Authority of the City of Ocean City
Statements of Revenue, Expenses, and Changes in Net Position
For the Fiscal Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue		
Tenant revenue	\$ 581,797	\$ 523,110
Government grants	706,274	759,527
Other income	42,303	24,889
	<u>1,330,374</u>	<u>1,307,526</u>
Total operating revenue		
Operating expenses		
Administrative	298,213	266,339
Tenant services	21,176	42,634
Utilities	237,922	236,653
Maintenance	286,577	190,615
General expenses	53,347	39,320
Insurance expenses	115,590	100,181
Depreciation expense	373,806	330,660
	<u>1,386,631</u>	<u>1,206,402</u>
Total operating expenses		
Operating income (loss)	<u>(56,257)</u>	<u>101,124</u>
Non-operating revenue:		
Investment income	102	119
Government grants	2,943,329	3,921,904
	<u>2,887,174</u>	<u>4,023,147</u>
Change in net position		
Net position at the beginning of the fiscal year	<u>6,375,754</u>	<u>2,352,607</u>
Net position at the end of the fiscal year	<u><u>\$ 9,262,928</u></u>	<u><u>\$ 6,375,754</u></u>

The accompanying notes are an integral part of the financial statements.

Housing Authority of the City of Ocean City
Statements of Cash Flows
For the Fiscal Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from federal and state assistance programs	\$ 751,679	\$ 759,420
Cash received from tenants	577,735	493,286
Other operating cash receipts	31,697	24,608
Cash payments for goods and services	(852,380)	(1,021,160)
Cash payments to employees	(116,449)	(28,991)
Net cash provided by operating activities	<u>392,282</u>	<u>227,163</u>
Cash flows from capital and related financing activities		
Proceeds from NJHMFA	-	2,408,263
Expenditures for capital assets	(2,161,309)	(5,348,697)
Cash received from federal and state assistance programs	<u>2,042,286</u>	<u>3,020,862</u>
Net cash provided by (used in) financing activities	<u>(119,023)</u>	<u>80,428</u>
Cash flows from investing activities		
Investment income	<u>102</u>	<u>119</u>
Net change in cash and cash equivalents	273,361	307,710
Cash and cash equivalents, beginning of year	<u>861,199</u>	<u>553,489</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,134,560</u></u>	<u><u>\$ 861,199</u></u>

(continued)

Housing Authority of the City of Ocean City
Statement of Cash Flows (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (56,257)	\$ 101,124
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	373,806	330,660
Adjustment to actuarial pension expense	(89,157)	(96,562)
Adjustment to actuarial accounts payable amount	(788)	(5,732)
Adjustment to actuarial other post-employment benefits	(36,888)	(21,281)
(Increase) decrease in assets		
Accounts receivable - HUD	323	(2)
Accounts receivable - other government	71,587	(32,106)
Accounts receivable - tenant	817	(16,816)
Prepaid expenses	(8,846)	7,983
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	130,223	(29,718)
Accrued PILOT	(29,279)	(8,006)
Accrued compensated absences	(13,207)	1,010
Tenant security deposits	4,867	(3,285)
Unearned revenue	45,081	(106)
Net cash provided by operating activities	<u>\$ 392,282</u>	<u>\$ 227,163</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents	\$ 793,203	\$ 557,980
Restricted cash	299,148	265,877
Tenant security deposits	42,209	37,342
	<u>\$ 1,134,560</u>	<u>\$ 861,199</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY

Notes to Financial Statements (continued)

Note 1: **ORGANIZATION AND ACTIVITY**

Reporting entity

The Housing Authority of the City of Ocean City (the "Authority") is a non-profit corporation which was organized under the laws of the State of New Jersey to provide housing for qualified individuals in accordance with the rules and regulations prescribed by Housing and Urban Development ("HUD"). It is not subject to federal or state income taxes, nor is it required to file federal and state income tax returns.

The Authority was 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 essentially autonomous but is responsible to the U.S. Department of HUD and the New Jersey State Department of Community Affairs. An Executive Director is appointed by the 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.

As of September 30, 2022, the activities of the Authority include the ownership and/or management the following programs in the City of Ocean City, New Jersey.

The Public Housing Program consists of 40 rental units constructed or purchased and operated by the Authority. The purpose of this program is to provide decent, safe, and sanitary housing to eligible low-income families and the elderly at rents they can afford. HUD provides assistance to the Authority in the form of operating subsidies.

The Rental Assistance Demonstration ("RAD") program was created to assist housing authorities with preserving and/or improving public housing properties. The RAD program allows housing authorities to leverage public housing stock and public and private debt to make these improvements in the absence of federal funding for this purpose. In addition, converting to RAD provides for a more stable funding stream. The RAD program consists of 81 rental units.

Component unit

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 Governmental Auditing Standards Board ("GASB") Statements No. 14, *The Financial Reporting Entity*, as amended. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 1: ORGANIZATION AND ACTIVITY (continued)

Component unit (continued)

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 is a component unit of the City of Ocean City (the "City") as described in Governmental Accounting Standards Board Statements described above because the Mayor of the City of Ocean City and the City Council appoint six of the seven Commissioners to the Board of Commissioners of the Authority. These financial statements would be either blended or discreetly presented as part of the City's financial statements if the City reported using generally accepted accounting principles applicable to governmental entities.

As of September 30, 2022, based upon the application of these criteria, the Authority considers the Ocean City Community Development Corporation ("OCCDC") to be a component unit because of the significance of its operational or financial relationship with the Authority.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activities; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

The principal operating revenues of the Authority are rental revenues received from residents and subsidies received from HUD for operations in the public housing program. Grants and similar items are recognized as operating revenue when all eligibility requirements have been met. Gains from sale of capital assets used in the core operations of the Authority are included in operating revenues – other. Operating expenses for the Authority include the costs of operating housing units, administrative expenses, depreciation, and loss from sale of capital assets. All other revenues and expenses not meeting the definition of operating revenues and expenses are reported as non-operating revenues and expenses.

Basis of accounting

Basis of accounting determines when transactions are being recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Tenant charges, and other income are recognized as revenue when services are provided.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and budgetary control

The Authority prepares an annual budget as required by N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt it not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The Authority's budget includes all operations of the Authority. Planned Capital Fund expenditures are included in a capital budget, which is part of the annual budget. The original budget and budget amendments must be approved by Board resolution. Budget amendments during the fiscal year ended September 30, 2022 were not significant.

Annual budgets are prepared on the modified accrual basis of accounting. This basis differs in certain respects from the full accrual basis of accounting that the Authority utilizes for financial reporting.

The Authority's annual budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by function and nature. The total amount of appropriations constitutes the legal level of control.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include petty cash, change funds, and cash in banks and all highly-liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States of America or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governmental units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, the bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services, Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks, or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Authority has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the GUDPA. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted assets

Certain cash of the Authority is restricted for use to fund future housing assistance payments, for construction, for tenant security deposits, for reserve accounts, or for other specified purposes.

Prepaid expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the Authority's fiscal year-end.

Capital assets

Land, buildings, furniture and equipment, and construction-in-progress are carried substantially at cost. All additions and betterments are charged to the capital asset accounts. When constructed assets are placed in service, they are transferred to the appropriate building or other account. The Authority has no infrastructure capital assets.

Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Interest has been capitalized during the construction period on buildings and equipment.

Capitalized assets generally have an original cost of \$2,000 or more and a useful life in excess of three years. Dwelling equipment (ranges and refrigerators) is capitalized irrespective of cost. Depreciation has been provided on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Building improvements	10 to 20 years
Furniture and equipment	5 years

Deferred outflows and deferred inflows of resources

The statements of net position report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represent a reduction of net position that applies to future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represent an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the GASB standards. The Authority is required to report amounts related to the defined benefit pension plan and other post-employment benefits that are applicable to future periods as deferred outflows of resources and deferred inflows of resources. See notes 7 and 8 for more information regarding the pension plan and other post-employment benefits ("OPEB"), respectively.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences

Employees earn vacation and sick leave in varying amounts based upon length of service in accordance with the Authority's Personnel Policy. Sick leave can accrue without limit, but accrued vacation leave cannot be accrued from year-to-year. In the event of retirement, employees may be compensated for accumulated vacation leave based on any accumulated and unpaid annual leave at the current rate of pay under the Personnel Policy. In the event of retirement, employees may be compensated for accumulated sick leave based on any accumulated and unpaid annual leave at the current rate of pay under the Personnel Policy up to 50% of the total accumulated sick leave, not to exceed \$12,000.

Amounts accrued are charged to expense with a corresponding liability.

Unearned revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB – Authority Retired Employees Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense of the Ocean City Housing Authority Other Post-employment Benefits Plan are reported based on an actuarial report prepared in accordance with GASB No. 75.

Net position

In accordance with the provisions of GASB Statement No. 34 of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net position (continued)

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted – This component of net position consists of net position that does not meet the definitions of “restricted” or “net investment in capital assets.” This component includes net position that may be allocated for specific purposes by the Board.

Income taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Revenue

The major sources of revenue are various subsidies from the U.S. Department of HUD, charges to tenants, and other income as discussed below.

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.

Tenant charges – Tenant charges consist of rental income and fees. Charges are determined and billed monthly and are recognized as revenues when assessed because they are measurable and collectible within the current period. Amounts not received by year-end are considered to be accounts receivable, and amounts paid for the subsequent year are recorded as unearned revenue.

Federal grant revenue – Operating subsidies and Capital Fund Program (“CFP”) grant revenue received from HUD are susceptible to accrual and are recognized during the fiscal year earned. The Authority generally is entitled to receive monies under an established payment schedule or, for the CFP grant, as expenditures are made.

Other income – Miscellaneous income is composed primarily of miscellaneous service fees. This income is recorded as earned since it is measurable and available.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets, deferred outflows of resources, liabilities, deferred inflows of resources, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results may differ from those estimates.

New accounting standards adopted

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of this Statement had no impact on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The adoption of this Statement had no impact on the financial statements.

Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. The requirements of this Statement are effective as follows:

1. The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
2. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74.
3. The requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities.
4. The requirements related to the measurement of liabilities (and assets, if any) associated with Asset Retirement Obligations ("AROs") in a government acquisition.

The adoption of this statement had no impact on the Authority's financial statements.

Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of interbank offered rates ("IBORs") with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The adoption of this Statement had no impact on the financial statements.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards adopted (continued)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code ("IRC") Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The adoption of this Statement had no impact on the financial statements.

Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The adoption of this Statement had no impact on the financial statements.

New accounting standards to be implemented in the future

The Authority plans to implement the following pronouncements by the required implementation dates or earlier, when deemed feasible:

Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement originally would have become effective for the Authority in the fiscal year ending September 30, 2022, but as a result of GASB Statement No. 95 will become effective in the fiscal year ending September 30, 2023. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements ("APAs"). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The Statement will become effective for the Authority in the year ending September 30, 2023. Management does not expect this Statement will have an impact on the financial statements.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards to be implemented in the future (continued)

Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right to use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Statement will become effective for the Authority in the fiscal year ending September 30, 2023. Management is currently evaluating the impact this Statement will have on the basic financial statements of the Authority.

Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to the extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program ("SNAP") distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective immediately. The requirements related to leases, PPPs, and SBITAs will become effective for the Authority in the fiscal year ending September 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will become effective for the Authority in the fiscal year ending September 30, 2024. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement will become effective for the Authority in the fiscal year ending September 30, 2024. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement will become effective for the Authority in the fiscal year ending September 30, 2025. Management is currently evaluating the impact this Statement will have on the basic financial statements of the Authority.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 3: CASH AND CASH EQUIVALENTS

Custodial credit risk related to deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority's formal policy regarding custodial credit risk is the same as described in Note 2 and included in its cash management plan. N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. As of September 30, 2022 and 2021, the Authority's bank balances of \$270,077 and \$270,084 were insured by Federal depository insurance and \$827,775 and \$632,862 were insured by GUDPA, respectively.

	September 30, 2022	September 30, 2021
Insured	\$ 270,077	\$ 270,084
Collateralized under GUDPA	827,775	632,862
	<u>\$ 1,097,852</u>	<u>\$ 903,737</u>

Note 4: RESTRICTED ASSETS

The Authority established restricted cash accounts as required by HUD to report the cash associated with holding tenant security deposits, funds in the repair and replacement reserve, and for capital leveraging purposes. The Authority's restricted cash is as follows:

Construction (Bayview/Speitel - RAD)	\$ 204,584
RAD reserves – replacement reserves	94,564
Tenant security deposits	<u>42,209</u>
	<u>\$ 341,357</u>

Note 5: UNEARNED REVENUE

The Authority's unearned revenue was \$2,756,713 and \$3,612,675, as of September 30, 2022 and 2021, respectively. The current portion of unearned revenue as of September 30, 2022 and 2021, was \$954,628 and \$909,547, respectively. The Authority received a contribution from the New Jersey Housing Mortgage Finance Agency in the form of a forgivable mortgage note. The total amount was \$4,505,213 to be used for the rehabilitation of affordable housing units. The note forgiveness will be granted over five years, equal to 20% of the total amount. As of September 30, 2022 and 2021, the Authority has drawn the entire amount and a total of \$1,802,085 was forgiven as of September 30, 2022. The forgiveness amount is included in the statement of revenue, expenses, and changes in net position as government grants.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 6: CAPITAL ASSETS

The Authority's capital asset activity for the fiscal year ended September 30, 2022, was as follows:

	Balance September 30, 2021	Additions	Reductions	Transfers	Balance September 30, 2022
Capital assets not being depreciated					
Land	\$ 352,648	\$ -	\$ -	\$ -	\$ 352,648
Construction-in-Progress	64,441	83,619	-	-	148,060
Capital assets being depreciated					
Buildings	15,099,472	2,077,690	-	-	17,177,162
Furniture, equipment & machinery - dwelling	227,155	-	-	-	227,155
Furniture, equipment & machinery - administration	115,936	-	-	-	115,936
	15,859,652	2,161,309	-	-	18,020,961
Less accumulated depreciation	6,272,387	373,806	-	-	6,646,193
Capital assets, net	\$ 9,587,265	\$ 1,787,503	\$ -	\$ -	\$ 11,374,768

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 6: CAPITAL ASSETS (continued)

The Authority's capital asset activity for the fiscal year ended September 30, 2021, was as follows:

	Balance September 30, 2020	Additions	Reductions	Transfers	Balance September 30, 2021
Capital assets not being depreciated					
Land	\$ 352,648	\$ -	\$ -	\$ -	\$ 352,648
Construction-in-Progress	2,299,175	-	-	2,234,734	64,441
Capital assets being depreciated					
Buildings	7,516,041	7,583,431	-	-	15,099,472
Furniture, equipment & machinery - dwelling	227,155	-	-	-	227,155
Furniture, equipment & machinery - administration	115,936	-	-	-	115,936
	10,510,955	7,583,431	-	2,234,734	15,859,652
Less accumulated depreciation	5,941,727	330,660	-	-	6,272,387
Capital assets, net	<u>\$ 4,569,228</u>	<u>\$ 7,252,771</u>	<u>\$ -</u>	<u>\$ 2,234,734</u>	<u>\$ 9,587,265</u>

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: PENSION PLAN

Public Employees' Retirement System

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). The plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the PERS pension plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>

General Information about the Pension Plan

Plan Description

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability, and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, 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. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions

The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

Tier Definition

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

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: **PENSION PLAN (continued)**

General Information about the Pension Plan (continued)

Vesting and Benefit Provisions (continued)

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

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) is 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Special Funding Situation Component - Under N.J.S.A. 43:15A, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. One of such legislations, which legally obligate the State, is Chapter 133, P.L. 2001. This legislation increased the accrual rate from 1/60 to 1/55. In addition, it lowered the age required for a veteran benefit equal to 1/55 of highest 12-month compensation for each year of service from 60 to 55. Chapter 133, P.L. 2001 also established the Benefit Enhancement Fund (BEF) to fund the additional annual employer normal contribution due to the State's increased benefits. If the assets in the BEF are insufficient to cover the normal contribution for the increased benefits for a valuation period, the State will pay such amount for both the State and local employers.

The Authority's contractually required contribution rate for the fiscal year ending September 30, 2022 and 2021, was 27.93% and 15.22% of the Authority's covered payroll. This amount was actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2022, the Authority's contractually required contribution to the pension plan for the fiscal year ended September 30, 2022, was \$7,139 and was payable by April 1, 2023. Employee contributions to the Plan for the fiscal year ended September 30, 2022, were \$1,917.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: PENSION PLAN (continued)

General Information about the Pension Plan (continued)

Contributions (continued)

Based on the PERS measurement date as of June 30, 2021, the Authority's contractually required contribution to the pension plan for the fiscal year ending September 30, 2021, was \$6,351, and paid by April 1, 2022. Employee contributions to the pension plan during the fiscal years ended September 30, 2021, were \$3,130.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Township, under Chapter 133, P.L. 2001, for the fiscal year ended September 30, 2022 was 0.0005683782 % of the Authority's covered payroll.

Based on the most recent PERS measurement date of June 30, 2022, the State's contractually required contribution, under Chapter 133, P.L. 2001, on-behalf of the Authority, to the pension plan for the fiscal year ended September 30, 2022 was \$180, and is payable by April 1, 2023.

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

Pension Liability – At September 30, 2022, there is no net pension liability associated with the special funding situation under Chapter 133, P.L. 2001, as there was no accumulated difference between the annual additional normal cost and the actual State contribution through the valuation date. The Authority's proportionate share of the net pension liability was \$85,435. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. 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. For the June 30, 2022 measurement date, the Authority's proportion was 0.0005661164%, which was an increase of 0.0000238133% from its proportion measured as of June 30, 2021.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: **PENSION PLAN (continued)**

General Information about the Pension Plan (continued)

Pension Liabilities, Pension Benefit, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At September 30, 2021 the Authority's proportionate share of the net pension liability was \$64,244. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. 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. For the June 30, 2021 measurement date, the Authority's proportion was 0.0005423031%, which was an increase of 0.0000586428% from its proportion measured as of June 30, 2020.

Pension (Benefit) Expense - For the fiscal year ending September 30, 2022 and 2021, the Authority recognized its proportionate share of the PERS pension (benefit) expense of \$82,805 and \$95,940 based on the plan's June 30, 2022 and 2021, measurement dates, respectively.

For the fiscal year ended September 30, 2022, the Authority has recognized as a revenue and an expenditure on-behalf payments made by the State for the State's proportionate share of the PERS pension expense, associated with the Authority, under Chapter 133, P.L. 2001, calculated by the Plan as of the June 30, 2022, measurement date. The amounts recognized as a revenue and an expenditure in the financial statements were \$180.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Pension Liabilities, Pension Benefit, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At September 30, 2022 and 2021, the Authority had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Measurement Date June 30, 2022</u>		<u>Measurement Date June 30, 2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 617	\$ 544	\$ 1,013	\$ 460
Change of assumptions	265	12,793	335	22,871
Net difference between projected and actual earnings on pension plan investments	3,536	-	-	16,924
Changes in proportion and differences between Authority contributions and proportionate share of contributions	11,435	88,510	10,297	168,520
Authority contributions subsequent to the measurement date	<u>1,785</u>	<u>-</u>	<u>1,588</u>	<u>-</u>
	<u>\$ 17,638</u>	<u>\$ 101,847</u>	<u>\$ 13,233</u>	<u>\$ 208,775</u>

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

Pension Liabilities, Pension Benefit, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The deferred outflows of resources related to pensions totaling \$1,785 and \$1,588 will be included as a reduction of the net pension liability in the fiscal years ending September 30, 2023 and 2022, respectively. This amount is based on an estimated April 1, 2024 and 2023, contractually required contribution, prorated from the pension plan measurement date of June 30, 2022 and 2021, to the Authority's fiscal year end of September 30, 2022 and 2021, respectively.

The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
June 30, 2020	5.16	-
June 30, 2021	-	5.13
June 30, 2022	-	5.04
Changes of assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
June 30, 2021	5.13	-
June 30, 2022	-	5.04
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	-	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-
June 30, 2022	5.00	-

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
Year of pension plan deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13
June 30, 2022	5.04	5.04

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Fiscal Year Ending September 30,</u>	
2023	\$ (61,252)
2024	(28,290)
2025	(1,680)
2026	5,198
2027	30
	<u>\$ (85,994)</u>

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 and 2020. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022 and 2021. These actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date June 30, 2022	Measurement Date June 30, 2021
Inflation rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases:		
Through 2026	2.75% - 6.55%	2.00% - 6.00%
	Based on years of service	Based on years of service
Thereafter	3.00% - 7.00%	3.00% - 7.00%
	Based on years of service	Based on years of service
Investment rate of return	7.00%	7.00%
Period of actuarial experience		
Study upon which actuarial assumptions were based on	July 1, 2018 – June 30, 2021	July 1, 2014 – June 30, 2018

For the June 30, 2022 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions (continued)

For the June 30, 2021 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

In accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2022 and 2021) 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 rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2022 and 2021 are summarized in the table below:

Asset Class	Measurement Date June 30, 2022		Measurement Date June 30, 2021	
	Target Allocation	Long- Term Expected Real Rate of Return	Target Allocation	Long- Term Expected Real Rate of Return
U.S. Equity	27.00%	8.12%	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.38%	13.50%	8.71%
Emerging Markets Equity	5.50%	10.33%	5.50%	10.96%
Private Equity	13.00%	11.80%	13.00%	11.30%
Real Estate	8.00%	11.19%	8.00%	9.15%
Real Assets	3.00%	7.60%	3.00%	7.40%
High Yield	4.00%	4.95%	2.00%	3.75%
Private Credit	8.00%	8.10%	8.00%	7.60%
Investment Grade Credit	7.00%	3.38%	8.00%	1.68%
Cash Equivalents	4.00%	1.75%	4.00%	0.50%
U.S. Treasuries	4.00%	1.75%	5.00%	0.95%
Risk Mitigation Strategies	3.00%	4.91%	3.00%	3.35%
	<u>100.00%</u>		<u>100.00%</u>	

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 3.54% as of the June 30, 2022 measurement date 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 and the nonemployer contributing entity would be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 2.16% as of the June 30, 2021 measurement date 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 and the nonemployer contributing entity would be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability at June 30, 2022, the pension plan's measurement date, calculated using a discount rate of 7.00% as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ 109,759	\$ 85,435	\$ 64,734

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 7: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

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

The following presents the Authority's proportionate share of the net pension liability at June 30, 2021, the pension plan's measurement date, calculated using a discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Proportionate share of the net pension liability	<u>\$ 87,487</u>	<u>\$ 64,244</u>	<u>\$ 44,519</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension benefit, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' respective fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description

The Housing Authority of Ocean City provides post-employment medical and pharmacy benefits as part of the medical plan, including Medicare Part B, to employees that have retired from the Authority through a single-employer defined benefit healthcare plan. Coverage is not provided for Part D, dental, vision, or life insurance.

Employees Covered by Benefit Terms

At September 30, 2022 and 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	2
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-
Active Employees	-
	<hr/>
	2
	<hr/>

Contributions

Contribution rates are assumed to be zero for current retirees, so the plan is currently non-contributory. The valuation is for a closed group of retirees with no future retirees to be valued. There were no retiree contributions to the Plan for the fiscal years ending September 30, 2022 and 2021.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

General Information about the OPEB Plan (continued)

Total OPEB Liability

The Authority's total OPEB liability of \$164,268 was measured as of September 30, 2022, and was determined by an actuarial valuation as of this same date.

The Authority's total OPEB liability of \$201,156 was measured as of September 30, 2021, and was determined by an actuarial valuation as of this same date.

Actuarial Assumptions and Other Inputs

The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>2022</u>	<u>2021</u>
Inflation	2.29% Annually	2.29% Annually
Salary Increases	3.00% Annually	3.00% Annually
Discount Rate	4.59%	2.29%
Retirees' Share of Benefit Related Costs	Pursuant to Chapter 78	Pursuant to Chapter 78

An experience study was not performed on the actuarial assumptions used in the September 30, 2021. valuation since the plan had insufficient data to produce a study with credible results. Mortality rates, termination rates, and retirement rates were based on standard tables either issued by the SOA or developed for the applicable State Pension system in which the Authority participates. The actuary has used his/her professional judgment in applying these assumptions to this plan.

Changes in the Total OPEB Liability

At September 30, 2022, changes in total OPEB liability are as follows:

Balance at September 30, 2021	\$ 201,156
Changes for Year:	
Interest cost	\$ 8,788
Benefit payments	(19,389)
Changes of assumptions	<u>(26,287)</u>
Net Changes	<u>(36,888)</u>
Balance at September 30, 2022	<u><u>\$ 164,268</u></u>

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

General Information about the OPEB Plan (continued)

Changes in the Total OPEB Liability (continued)

At September 30, 2021, changes in total OPEB liability are as follows:

Balance at September 30, 2020	\$	222,441
Changes for Year:		
Interest cost	\$	4,872
Benefit payments		(19,392)
Changes of assumptions		<u>(6,765)</u>
Net Changes		<u>(21,285)</u>
Balance at September 30, 2021	\$	<u>201,156</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, at September 30, 2022, as well as what the Authority's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (3.59%)	Current Discount Rate (4.59%)	1% Increase (5.59%)
Total OPEB liability	<u>\$ 173,128</u>	<u>\$ 164,268</u>	<u>\$ 156,278</u>

The following presents the total OPEB liability of the Authority, at September 30, 2021, as well as what the Authority's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (1.29%)	Current Discount Rate (2.29%)	1% Increase (3.29%)
Total OPEB liability	<u>\$ 214,266</u>	<u>\$ 201,156</u>	<u>\$ 189,449</u>

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

General Information about the OPEB Plan (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, at September 30, 2022, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Costs Trend Rate	1% Increase
Total OPEB liability	\$ 153,251	\$ 164,268	\$ 176,330

The following presents the total OPEB liability of the Authority, at September 30, 2021, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Costs Trend Rate	1% Increase
Total OPEB liability	\$ 187,830	\$ 201,156	\$ 215,806

OPEB (Benefit) Expense - For the year ended September 30, 2022, the Authority recognized OPEB (benefit) expense of (\$17,499). For the year ended September 30, 2021, the Authority recognized OPEB (benefit) expense of (\$1,893).

Note 9: COMPENSATED ABSENCES

Accrued compensated absences of \$48 and \$13,255 on September 30, 2022 and 2021, respectively, represent amounts of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. The current portion of accrued compensated absences as of September 30, 2022 and 2021, was \$36 and \$9,941, respectively.

Note 10: MANAGEMENT AGREEMENT

The Housing Authority of the City of Ocean City entered into an agreement to retain management services from the Housing Authority of the City of Vineland and has agreed to pay \$75,000 annually and to be invoiced monthly. The Housing Authority of the City of Vineland provides management services and additional services on an as-needed basis for the Housing Authority of the City of Ocean City. The current agreement became effective as of October 1, 2019, and was effective until September 30, 2021. This agreement will renew one additional five-year term through September 30, 2026, unless written notice is received 30 days prior to expiration. The total management fees paid were \$150,580 and \$255,709 for the fiscal years ended September 30, 2022 and 2021, respectively.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Financial Statements (continued)

Note 11: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through a joint insurance pool as described below. Settled claims from these risks have not exceeded coverage for the past several years.

The Authority is a member of the New Jersey Public Housing Authority Joint Insurance Fund (the "Fund"). The Fund provides its members with the following coverage:

Property and Physical Damage
General and Automobile Liability
Workers' Compensation
Public Official Liability/Employment Practices Liability

Contributions to the Fund are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment to the Fund's obligation.

The Fund publishes its own financial report, which can be obtained from:

New Jersey Public Housing Authorities Joint Insurance Fund
9 Campus Drive, Suite 16
Parsippany, New Jersey 07054-4412

Note 12: CONTINGENCIES

Litigation - The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 13: PAYMENT IN LIEU OF TAXES ("PILOT")

Under Federal, State, and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a 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. For the fiscal years ending September 30, 2022 and 2021, PILOT expenses were \$32,947 and \$28,306, respectively.

The total Accrued PILOT at September 30, 2022 and 2021, was \$32,947 and \$62,226, respectively.

Note 14: SUBSEQUENT EVENTS

Management of the Authority has evaluated subsequent events through August 14, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Ten Plan Years

	<u>Measurement Date Ending June 30,</u>									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the net pension liability	0.0005661164%	0.0005423031%	0.0004836603%	0.0009490026%	0.0017861076%	0.0018105703%	0.0029798993%	0.0022645434%	0.0119173604%	0.0023944909%
Proportionate share of the net pension liability	\$ 85,435	\$ 64,244	\$ 78,872	\$ 170,996	\$ 351,676	\$ 421,472	\$ 882,561	\$ 508,345	\$ 2,231,256	\$ 457,635
Covered payroll (plan measurement period)	\$ 41,728	\$ 39,740	\$ 35,000	\$ 67,440	\$ 125,428	\$ 125,428	\$ 204,996	\$ 156,212	\$ 168,672	\$ 156,632
Proportionate share of the net pension liability as a percentage of it's covered payroll	204.74%	161.66%	225.35%	253.55%	280.38%	336.03%	430.53%	325.42%	1322.84%	292.17%
Plan fiduciary net position as a percentage of the total pension liability	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Required Supplementary Information
Schedule of the Authority's Pension Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

	<u>Year Ended September 30,</u>									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 7,139	\$ 6,351	\$ 5,291	\$ 9,231	\$ 17,766	\$ 16,773	\$ 26,473	\$ 19,469	\$ 98,245	\$ 18,042
Contributions in relation to the contractually required contribution	<u>(7,139)</u>	<u>(6,351)</u>	<u>(5,291)</u>	<u>(9,231)</u>	<u>(17,766)</u>	<u>(16,773)</u>	<u>(26,473)</u>	<u>(19,469)</u>	<u>(98,245)</u>	<u>(18,042)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 25,559	\$ 41,728	\$ 49,675	\$ 58,750	\$ 66,830	\$ 119,932	\$ 150,816	\$ 193,127	\$ 133,270	\$ 154,508
Contributions as a percentage of covered payroll	27.93%	15.22%	10.65%	15.71%	26.58%	13.99%	17.55%	10.08%	73.72%	11.68%

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Note to Required Supplementary Information

Note to Required Supplementary Information

Public Employees' Retirement System

Change in Benefit Terms:

The June 30, 2022, measurement date included three changes to the plan provisions, only one of which had an impact on the Total Pension Liability ("TPL"). Chapter 226, P.L. 2021 reopened the Prosecutors Part of PERS and made membership in the Prosecutors Part of PERS mandatory for all prosecutors.

Change in Assumptions:

The Discount rate used as of June 30 measurement date is as follows

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2017	5.00%
2021	7.00%	2016	3.98%
2020	7.00%	2015	4.90%
2019	6.28%	2014	5.39%
2018	5.66%		

The long-term expected rate of return used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2017	7.00%
2021	7.00%	2016	7.65%
2020	7.00%	2015	7.90%
2019	7.00%	2014	7.90%
2018	7.00%		

The underlying demographic and economic assumptions were updated as a result of the Experience Study covering the period of July 1, 2018 - June 30, 2021.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Required Supplementary Information
Schedule of Changes in the Authority's
Total OPEB Liability and Related Ratios
For the Last Four Years

Total OPEB Liability	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019
Service cost	\$ -	\$ -	\$ -	\$ -
Interest cost	8,788	4,872	7,064	7,064
Benefit payments	(19,389)	(19,392)	(22,414)	(22,414)
Difference between actual and expected	-	-	-	(114,989)
Change in assumptions	(26,287)	(6,765)	-	-
Net change in total OPEB liability	(36,888)	(21,285)	(15,350)	(130,339)
Total OPEB liability - beginning of the year	201,156	222,441	237,791	368,130
Total OPEB liability - end of the year	<u>\$ 164,268</u>	<u>\$ 201,156</u>	<u>\$ 222,441</u>	<u>\$ 237,791</u>
Covered-employee payroll	\$ 41,728	\$ 39,740	\$ 42,621	\$ 54,197
Total OPEB liability as a percentage of covered-employee payroll	393.66%	506.18%	521.90%	438.75%

Note:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Note to Required Supplementary Information (OPEB):

Changes in benefit terms - None

Assumptions:

Inflation	2.29% Annually
Salary increases	3.00% Annually
Discount rate	4.59%
Healthcare cost trend rates	
Medical (pre-65)	7.00% & 4.50% (2031 & later for lower rate)
Medical (post-65)	7.00% & 4.50% (2031 & later for lower rate)
Prescription	7.00% & 4.50% (2031 & later for lower rate)
Medicare Part B	7.00% & 4.50% (2031 & later for lower rate)
Retirees' share of benefit-related costs	Pursuant to Chapter 78

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY

SUPPLEMENTARY INFORMATION

**(AS REQUIRED BY U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT)**

SEPTEMBER 30, 2022

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022

<u>Federal Grantor Program Title</u>	<u>Federal Assistant Listing Number</u>	<u>FAIN Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development					
Public and Indian Housing Program	14.850	NJ05300000120D	N/A	-	\$ 312,291
Passed through the City of Ocean City					
Community Development Block Grants	14.218	n/a	N/A	-	<u>17,964</u>
Total expenditures of federal awards					<u><u>\$ 330,255</u></u>

See accompanying notes to financial statements and notes to schedule of expenditures of federal awards.

These funds were not audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) since the total of all grant award expenditures was less than \$750,000.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2022

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the (the "Authority") under programs of the federal government for the fiscal year ended September 30, 2022. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note 3: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

All amounts in the accompanying schedule agree with, in all material respects, the amounts reported in the related federal financial reports.

Note 5: PUBLIC HOUSING AUTHORITY'S ("PHA") STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

There were no Modernization Cost Certificates filed by the Housing Authority in fiscal year 2022.

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended September 30, 2022

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to the financial statements for which *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, requires.

No Current Year Findings

HOUSING AUTHORITY OF THE CITY OF OCEAN CITY
Summary Schedule of Prior Year Findings and Questioned Costs As Prepared by Management
For the Fiscal Year Ended September 30, 2022

This section identifies the status of prior year findings related to the financial statements and federal awards that are required to be reported in accordance with *Government Auditing Standards* audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Governmental Services, Department of Community Affairs, State of New Jersey, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

FINANCIAL STATEMENT FINDINGS

Finding No. 2021-001

Condition

During the course of the audit, it was determined that a material adjusting journal entry was necessary in order to achieve proper presentation of the financial statements.

Current Status

This finding has been resolved.

FEDERAL AWARDS

None noted

APPRECIATION

We express our appreciation for the courtesies extended and assistance rendered to us during the course of this audit.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants