



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2020 AND 2019

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY

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WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Cape May
Cape May, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Authority of the City of Cape May, Cape May, New Jersey (the "Authority"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As discussed in Note F, effective October 1, 2018, the Housing Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. However, the information from the State of New Jersey was not available as of the date of this report. As a result, management has omitted this information in the financial statements as well as the required supplementary information related to the postretirement benefits for the year ended September 30, 2020.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the City of Cape May, Cape May, New Jersey as of September 30, 2020, and the respective changes in net position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 - 8, Schedule of the Authority's Proportionate Share of the Net OPEB liability on page 42, Schedule of the Authority's OPEB Contributions on page 43, Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 45, and Schedule of the Authority's Contribution on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider 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 response 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 Financial Data Schedule on pages 49 - 58, Reconciliation of Capital Funds Advanced With Cost – Excess or Deficient Advances – PHA-Owned Housing on page 60, and Statement of Certification of Actual Modernization Costs – Completed Projects on page 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedule, reconciliation of capital funds advanced with cost – excess or deficient advances – PHA-owned housing, and statement of certification of actual modernization costs – completed projects are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule, reconciliation of capital funds advanced with cost – excess or deficient advances – PHA-owned housing, and statement of certification of actual modernization costs – completed projects are 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 February 2, 2022 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* and in considering the Authority's internal control over financial reporting and compliance.

Whisman Giordano & Associates, LLC

Newark, Delaware
February 2, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
AS OF AND YEARS ENDED SEPTEMBER 30, 2020 AND 2019

As management of the Housing Authority of the City of Cape May (“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 year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements, which being on page 10.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Authority exceeded its assets and deferred outflows as of September 30, 2020 by \$767,650 (net position).
- The Authority’s cash and cash equivalents and security deposits balance as of September 30, 2020 was \$302,844, representing a decrease of \$8,140 from September 30, 2019.
- The Authority had intergovernmental revenues of \$291,424 in HUD operating grants and \$127,179 of capital fund grants (used for operations) for the year ended September 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- Statement of Net Position – reports the Authority’s current financial resources (short-term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Net Position – reports the Authority’s operating and non-operating revenues, by major source along with operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority’s cash flows from operating, investing, capital and non-capital related financing activities.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
 AS OF AND YEARS ENDED SEPTEMBER 30, 2020 AND 2019

FINANCIAL ANALYSIS OF THE AUTHORITY

Comparison of 2020 to 2019

Total assets and deferred outflows of resources decreased by \$135,442, or 11.28%, primarily due to a decrease in cash, decrease in capital assets net of depreciation and decrease in deferred outflows of resources.

Total liabilities and deferred inflows of resources decreased by \$77,575, or 0.41% primarily due to decrease in net pension liability.

HUD operating grants and capital grants decreased by \$34,824 due to an decrease in funding to both grants provided by HUD.

Administrative expenses increased by \$16,233 or 0.07% primarily due to an increase in benefits.

Utilities expenses increased by \$22,107 mostly attributable to an increase in water expense.

Depreciation expense decreased by \$1,327 due to assets being fully depreciated in the prior year.

Maintenance expenses decreased by \$16,943 due to a decrease in contract costs associated with maintenance.

Net Position, may serve over time as useful indicator of an agency's financial position. In the case of the Housing Authority of Cape May, New Jersey, liabilities exceed assets by \$776 thousand at the close of the most recent fiscal year. The following table shows a summary of changes from the prior years:

STATEMENT OF NET POSITION

	2020	2019
Current and other assets	\$ 335,637	\$ 330,757
Capital assets, net of depreciation	675,580	748,030
Deferred outflows of resources	54,118	121,990
Total assets and deferred outflows of resources	<u>1,065,335</u>	<u>1,200,777</u>
Current liabilities	112,202	112,272
Noncurrent liabilities	820,611	987,694
Deferred inflows of resources	900,172	810,594
Total liabilities and deferred inflows of resources	<u>1,832,985</u>	<u>1,910,560</u>
Net investment in capital assets	675,580	748,030
Unrestricted (Deficit)	<u>(1,443,230)</u>	<u>(1,457,813)</u>
Net position	<u>\$ (767,650)</u>	<u>\$ (709,783)</u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
AS OF AND YEARS ENDED SEPTEMBER 30, 2020 AND 2019

STATEMENT OF ACTIVITIES

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 year 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Tenant rental revenue	\$ 392,564	\$ 397,512
HUD PHA Operating Grants	291,424	321,054
Capital grants, soft costs	127,179	132,373
Net investment income	448	538
Other income	1,125	3,352
Total revenues	<u>812,740</u>	<u>854,829</u>
Operating expenses		
Administrative	247,999	231,766
Tenant services	2,125	3,682
Utilities	250,187	228,080
Maintenance	244,043	260,986
General	17,945	23,899
Insurance expenses	35,858	33,847
Depreciation	72,450	73,777
Nonroutine maintenance	-	-
Total expenses	<u>870,607</u>	<u>856,037</u>
Change in net position	(57,867)	(1,208)
Net position, beginning as originally stated	<u>(709,783)</u>	<u>462,254</u>
Cumulative effect of change in accounting principle	<u>-</u>	<u>(1,170,829)</u>
Net position, beginning as restated	<u>(709,783)</u>	<u>(708,575)</u>
Net position, ending	<u>\$ (767,650)</u>	<u>\$ (709,783)</u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
AS OF AND YEARS ENDED SEPTEMBER 30, 2020 AND 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

The following table summarizes the changes in capital assets between fiscal years 2020 and 2019:

	2020	2019
Land	\$ 30,200	\$ 30,200
Buildings and improvements	3,560,366	3,560,366
Equipment	73,943	77,560
Construction in progress	-	-
Total capital assets	3,664,509	3,668,126
Accumulated depreciation	(2,988,929)	(2,920,096)
Net capital assets	\$ 675,580	\$ 748,030

As of September 30, 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, 2021:

- The federal funding allocation from the U.S. Department of HUD.
- Local labor supplies and demand, which can affect salary and wage rates.
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and, therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies, and other costs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Cape May Housing Authority, 639 Lafayette Court, Cape May, New Jersey 08204-1518 or call (609) 884-8703.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	2019
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 274,405	\$ 281,496
Tenant security deposits	28,439	29,488
Accounts receivable, net	23,751	9,506
Prepaid expenses	9,042	10,267
Total current assets	335,637	330,757
Noncurrent assets		
Capital assets, net of depreciation	675,580	748,030
Total noncurrent assets	675,580	748,030
Total Assets	1,011,217	1,078,787
Deferred outflows of resources		
Related to pensions	43,112	110,984
Related to OPEB	11,006	11,006
Total deferred outflows of resources	54,118	121,990
Total assets and deferred outflow of resources	\$ 1,065,335	\$ 1,200,777
Liabilities and Deferred Inflows of Resources, and Net Position		
Current liabilities		
Accounts payable and accrued expenses	\$ 79,060	\$ 77,548
Accrued compensated absences	4,703	5,236
Tenant security deposit	28,439	29,488
Total current liabilities	112,202	112,272
Noncurrent liabilities		
Accrued compensated absences	14,109	15,708
Net pension liability	321,959	487,443
Other postemployment benefits	484,543	484,543
Total noncurrent liabilities	820,611	987,694
Total liabilities	932,813	1,099,966
Deferred inflows of resources		
Related to pensions	268,615	179,037
Related to OPEB	631,557	631,557
Total deferred outflows of resources	900,172	810,594
Net position		
Net investments in capital assets	675,580	748,030
Unrestricted net assets (deficit)	(1,443,230)	(1,457,813)
Total net position	(767,650)	(709,783)
Total liabilities, deferred inflow of resources, and net position	\$ 1,065,335	\$ 1,200,777

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Tenant revenue	\$ 392,564	\$ 397,512
Government operating grants	291,424	321,054
Capital grants (soft costs)	127,179	132,373
Other income	1,125	3,352
Total operating revenues	<u>812,292</u>	<u>854,291</u>
Operating expenses		
Administrative	247,999	231,766
Tenant services	2,125	3,682
Utilities	250,187	228,080
Maintenance	244,043	260,986
General	17,945	23,899
Insurance expenses	35,858	33,847
Depreciation expense	72,450	73,777
Total operating expenses	<u>870,607</u>	<u>856,037</u>
Net operating income (loss)	<u>(58,315)</u>	<u>(1,746)</u>
Nonoperating revenues (expenses)		
Investment income	448	538
Total nonoperating revenues	<u>448</u>	<u>538</u>
Change in net position	<u>(57,867)</u>	<u>(1,208)</u>
Total net position - beginning, as originally stated	<u>(709,783)</u>	<u>462,254</u>
Cumulative effect of change in accounting principle	<u>-</u>	<u>(1,170,829)</u>
Total net position - beginning, as restated	<u>(709,783)</u>	<u>(708,575)</u>
Total net position - ending	<u><u>\$ (767,650)</u></u>	<u><u>\$ (709,783)</u></u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Cash receipts from tenants	\$ 392,564	\$ 397,512
Cash receipts from HUD	291,424	321,054
Other operating receipts	1,125	3,352
Cash payments to employees for services	(157,136)	(150,489)
Cash payments to suppliers of goods or services	(536,565)	(506,481)
Net cash (used for) provided by operating activities	(8,588)	64,948
Cash flows from capital and related financing activities		
Acquisition of capital assets	-	(88,978)
Net cash (used for) capital and related financing activities	-	(88,978)
Cash flows from investing activities		
Investment income	448	538
Net cash provided by investing activities	448	538
Net change in cash and cash equivalents	(8,140)	(23,492)
Cash and cash equivalents, beginning of year	310,984	334,476
Cash and cash equivalents, end of year	\$ 302,844	\$ 310,984
Cash and cash equivalents	\$ 274,405	\$ 281,496
Tenant security deposits	28,439	29,488
Total cash and cash equivalents	\$ 302,844	\$ 310,984

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE A – ORGANIZATION AND ACTIVITY

The Housing Authority of the City of Cape May, New Jersey (the Authority) is a nonprofit 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 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 through a resolution of the Housing Authority of the City of Cape May in the County of Cape May, New Jersey in 1964. Organized as a public housing authority (“PHA”) as defined by state statute (N.J.S.A. 40A:12A-1, et seq., the Housing Authority Act), the Authority functions under the supervision of the U.S. Department of Housing and Urban Development (“HUD”) and the New Jersey State Department of Community Affairs. The Board of Commissioners of the Authority is a seven members board with members appointed by the Mayor of Cape May.

As of September 30, 2020, the activities of the Authority included the ownership and management of 85 units of public housing in the City of Cape May.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Presentation

The financial statements were prepared in accordance with generally accepted accounting principles (“GAAP”) as applicable to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accounting records are maintained on the accrual basis of accounting, under which revenues are recorded when they are earned and expenses are recorded when the corresponding liabilities are incurred. The Authority applies all relevant GASB pronouncements.

Reporting Entity

The Authority’s financial statements include the accounts of the Authority operations. The criteria for including organizations within the Authority’s reporting entity, and set forth in the Governmental Accounting Standards Board’s Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”), relate to financial accountability. On the basis of these criteria, the Authority has no other entities that are required to be included in its financial statements, nor is the Authority includable in the financial statements of any other reporting entity.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Authority's accounts are organized as an enterprise fund. The operations are accounted for with a set of self-balancing accounts that comprise its assets, deferred inflows of resources, liabilities, deferred outflows of resources, net position, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities financed by charges to users of that service and activities for which the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus/Basis of Accounting

The Authority's enterprise fund is accounted for on the flow of economic resources measurement focus. Accounting records are maintained on the accrual basis of accounting, under which revenues are recorded when they are earned and expenses are recorded when the corresponding liabilities are incurred.

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 on return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

The Authority adheres to the GASB Codification, which establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net position; a statement of revenues, expenses, and changes in net position into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- **Net Investment in capital assets** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds 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. Rather, that portion of the debt is included in the same net position component as the unspent proceeds in the absence of capital asset related debt, this component of the net position is called investment in capital assets.
- **Restricted** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. It is comprised of assets, net of related liabilities that are required to be set aside by revenue bond covenants for operations, maintenance, and renewal and replacements.
- **Unrestricted** – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”. Administrative expenses are paid with the use of unrestricted resources.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all securities, including certificates of deposits and short-term investments, with maturities of three months or less to be cash equivalents.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

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 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 municipal 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, 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.

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.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Authority provides for losses on accounts receivable using the allowance method. The allowance is based on experience and knowledge about the collectability of individual accounts. Receivables are considered impaired if full principal payments are not received in accordance with the repayment terms. It is the Authority's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of September 30, 2020, and 2019, the allowance for doubtful accounts was \$2,221 and \$1,360, respectively.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Control

The Authority prepares an annual comprehensive budget, as required by N.J.S.A. 40A: 5A-10, the Housing Authority Act, for submission to the New Jersey Department of Community Affairs. The budget includes all operations of the Authority. Unexpended appropriations for annually-budgeted funds lapse at fiscal year-end, original budgets and budget amendments must be approved by Board resolutions. There were no budget amendments during the year ended September 30, 2020.

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.

Capital Assets

Property and equipment are carried at historical cost. All additions and betterments are charged to the property and equipment accounts. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. The Authority has no infrastructure fixed assets.

Assets capitalized generally have an original cost of \$2,000 or more and a useful life of more than one year. 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 - 20 years
Furniture, equipment, and machinery	3 – 7 years

Deferred Outflows and Deferred Inflows of Resources

The statements of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents 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, represents 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.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources (Continued)

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report amounts related to the defined benefit pension plan that are applicable to future periods as deferred outflows of resources and deferred inflows of resources. See notes E and F for more information regarding the pension plan other postemployment benefits (OPEB), respectively.

Compensated Absences

Employees earn vacation and sick leave in varying amounts based upon length of service. The Authority's policy allows employees to accumulate unused sick leave on an unlimited basis to be taken as needed. Fifty percent of the value of an employee's accumulated sick leave is payable upon retirement, not to exceed \$17,500. A liability for accumulated sick leave for eligible employees is recorded in the financial statements. No accrual for vacation time has been recorded in the financial statements, as the policy states employees are not allowed to carry over unused vacation time earned from year to year.

Pensions

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.

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are tenant rentals and operating grants from HUD.

The major sources of revenue are various operating subsidies and grants received from HUD and rental charges to tenants.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses (Continued)

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.

Tenant charges – Tenant charges consist of rental income. Rents are recognized as revenue when assessed. Amounts not received by year end are considered to be accounts receivable, and amounts paid for the current year for the subsequent fiscal year (if any) are recorded as unearned revenue.

Other income – Other income is composed primarily of miscellaneous service fees and is recorded when earned.

Operating expenses include the costs associated with the day-to-day operations of the Authority and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority’s policy is to apply restricted net position first.

Income taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115. The for-profit component unit is recognized as partnerships for federal and state purposes. No provisions for income taxes are presented in the financial statements since taxable income or loss is reported by the partners on their individual income tax returns.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE C - DEPOSITS

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. At September 30, 2020 and 2019, the carrying amount of the Authority's deposits was \$302,844 and \$310,984, and the bank balance was \$337,002 and \$318,013. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$87,002 and \$68,013 was covered by the *Government Unit Depository Protection Act* of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by the approved custodian.

NOTE D - CAPITAL ASSETS

The changes in capital assets for the years ended September 30, 2020 and 2019 are as follows:

	10/1/2019	Additions	Deletions/ Adjustments	9/30/2020
<u>Non-depreciable assets:</u>				
Land	\$ 30,200	\$ -	\$ -	\$ 30,200
Construction in progress	-	-	-	-
Totals	<u>30,200</u>	<u>-</u>	<u>-</u>	<u>30,200</u>
<u>Depreciable capital assets:</u>				
Buildings and improvements	3,560,366	-	-	3,560,366
Equipment - admin & dwelling	77,560	-	(3,617)	73,943
Totals	<u>3,637,926</u>	<u>-</u>	<u>(3,617)</u>	<u>3,634,309</u>
Total capital assets	3,668,126	-	(3,617)	3,664,509
Accumulated depreciation:	<u>(2,920,096)</u>	<u>(72,450)</u>	<u>3,617</u>	<u>(2,988,929)</u>
Net capital assets	<u>\$ 748,030</u>	<u>\$ (72,450)</u>	<u>\$ -</u>	<u>\$ 675,580</u>
	10/1/2018	Additions	Disposals	9/30/2019
<u>Non-depreciable assets:</u>				
Land	\$ 30,200	\$ -	\$ -	\$ 30,200
Construction in progress	10,355	-	(10,355)	-
Totals	<u>40,555</u>	<u>-</u>	<u>(10,355)</u>	<u>30,200</u>
<u>Depreciable capital assets:</u>				
Buildings and improvements	3,461,033	88,978	10,355	3,560,366
Equipment - admin & dwelling	78,690	-	(1,130)	77,560
Totals	<u>3,539,723</u>	<u>88,978</u>	<u>9,225</u>	<u>3,619,476</u>
Total capital assets	3,580,278	88,978	(1,130)	3,668,126
Accumulated depreciation:	<u>(2,847,449)</u>	<u>(73,777)</u>	<u>1,130</u>	<u>(2,920,096)</u>
Net capital assets	<u>\$ 732,829</u>	<u>\$ 15,201</u>	<u>\$ -</u>	<u>\$ 748,030</u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E - 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"). This 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 and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://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' 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 pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions

The vesting and benefit provisions for the PERS are set by N.J.S.A. 43:15A and 43.3B. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of services, except for medical benefits that vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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 CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (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 one and two members upon reaching age 60 and to tier three 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 four members upon reaching age 62 with 25 years or more of service credit, and tier five with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age of which a member 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

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the fiscal years ended September 30, 2020 and 2019 were 17.55% and 17.49%, respectively, of the Authority's covered payroll. These amounts were actuarially determined as the amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2020, the Authority's contractually required contribution to the pension plan for the fiscal year ended September 30, 2020 was \$26,609, and was paid prior to the due date of April 1, 2020. Based on the PERS measurement date of June 30, 2019, the Authority's contractually required contribution to the pension plan for the fiscal year ended September 30, 2019 was \$26,314, which was paid prior to the due date of April 1, 2019. Employee contributions to the Plan during the fiscal years ended September 30, 2020 and 2019 were \$6,654 and \$11,432, respectively.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At September 30, 2020, the Authority's proportionate share of the net pension liability was \$321,959. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2020. 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, 2020 measurement date, the Authority's proportion was 0.0019743141%, which was a decrease of 0.0007309242% from its proportion measured as of June 30, 2019.

At September 30, 2019, the Authority's proportionate share of the net pension liability was \$487,443. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. 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, 2019 measurement date, the Authority's proportion was 0.0027052383%, which was an increase of 0.0000558353% from its proportion measured as of June 30, 2018.

For the fiscal years ended September 30, 2020 and 2019, the Authority recognized pension expense of \$13,564 and \$74,764, respectively. These amounts were based on the plan's June 30, 2020 and 2019 measurement dates, respectively.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2020 and 2019, the Authority had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>September 30, 2020</u>		<u>September 30, 2019</u>	
	<u>Measurement Date June 30, 2020</u>		<u>Measurement Date June 30, 2019</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 projected and actual investment earnings	\$ 11,005	\$ 1,139	\$ 8,749	\$ 2,153
Changes in assumptions	10,445	134,807	48,673	169,190
Net difference between projected and actual earnings on pension plan investments	5,862	-	-	7,694
Changes in proportion and differences between Authority contributions and proportionate share of contributions	15,800	132,669	53,562	-
	<u>\$ 43,112</u>	<u>\$ 268,615</u>	<u>\$ 110,984</u>	<u>\$ 179,037</u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

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

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

	Deferred outflows of resources	Deferred inflows of resources
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	-
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
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral:		
June 30, 2014	5.00	-
June 30, 2015	5.00	-
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	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
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	-

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

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

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

Year ended <u>September 30,</u>	
2021	\$ (83,842)
2022	(76,468)
2023	(43,702)
2024	(17,657)
2025	<u>(3,834)</u>
	<u>\$ (225,503)</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018. 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, 2020 and 2019. These actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date June 30, 2020	Measurement Date June 30, 2019
Inflation	2.75%	2.75%
Salary increases:		
Through 2026	2.00% - 6.00% Based on years of service	2.00% - 6.00% Based on years of service
Thereafter	3.00% - 7.00% Based on years of service	3.00% - 7.00% Based on years of service
Investment rate of return	7.00%	7.00%
Period of actuarial experience study upon which assumptions were based	July 1, 2014 - June 30, 2018	July 1, 2014 - June 30, 2018

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

For the June 30, 2020 measurement date, preretirement 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 127.7% adjustment for females, and with future improvement from the base year of 2010 on a generation basis. Mortality improvement is based on Scale MP-2020.

For the June 30, 2019 measurement date, preretirement 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 generation basis. Mortality improvement is based on Scale MP-2019.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020 and 2019) 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, 2020 and 2019 are summarized below.

	Measurement Date		Measurement Date	
	June 30, 2020		June 30, 2019	
		Long-term expected real rate of return		Long-term expected real rate of return
Asset class	Target allocation		Target allocation	
Risk mitigation strategies	3.00%	3.40%	3.00%	4.67%
Cash equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment grade credit	8.00%	2.67%	10.00%	4.25%
High yield	2.00%	5.95%	2.00%	5.37%
Private credit	8.00%	7.59%	6.00%	7.92%
Real assets	3.00%	9.73%	2.50%	9.31%
Real estate	8.00%	9.56%	7.50%	8.33%
US equity	27.00%	7.71%	28.00%	8.26%
Non-U.S. Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging markets equity	5.50%	10.23%	6.50%	11.37%
Private equity	13.00%	11.42%	12.00%	10.85%
	<u>100.00%</u>		<u>100.00%</u>	

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 was 7.00% . The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% 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 projected benefit payments in determining the total pension liability.

The discount rate used to measure the total pension liability at June 30, 2019 was 6.28%. The 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 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% 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 through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

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

The following represents the Authority's proportionate share of the net pension liability as of September 30, 2020 calculated using the discount rate of 7.0 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease (5.28%)	Current Rate Discount Rate (6.28%)	1% Increase (7.28%)
Authority's proportionate share of the net pension liability	\$ 405,293	\$ 321,959	\$ 251,248

The following represents the Authority's proportionate share of the net pension liability as of September 30, 2019 calculated using the discount rate of 6.28 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.28 percent) or 1 percentage point higher (7.28 percent) than the current rate:

	1% Decrease (5.28%)	Current Rate Discount Rate (6.28%)	1% Increase (7.28%)
Authority's proportionate share of the net pension liability	\$ 615,720	\$ 487,443	\$ 379,352

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 expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS 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. For additional information about PERS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at:

<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER POST-RETIREMENT BENEFITS

Issued June 2015, this Statement’s objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement was effective for the Authority’s fiscal year ended September 30, 2018, however the information was not available as of the filing deadline of the fiscal year 2018 audit report. The Authority adopted this statement effective October 1, 2018. The adoption of this statement had a material impact on the Authority’s financial statements, see Note J for the year ended September 30, 2019. However, for the year ended September 30, 2020, the information from the State of New Jersey was not available as of the date of this report. As a result, management has omitted the information in Note F as well as the required supplementary information related to the postretirement benefits for the year ended September 30, 2020.

State Health Benefits Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided - The Authority contributes to the State Health Benefits Local Government Retired Employees Plan (the “Plan”), which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits’ (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug benefit coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

Plan Description and Benefits Provided (Continued)

retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

General Information about the OPEB Plan (Continued)

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Contributions - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The Authority was billed monthly by the Plan and for the fiscal years ended September 30, 2019, the Authority paid \$55,872, respectively. This amounts represents 37.13% for the fiscal year ended September 30, 2019, of the Authority's covered payroll.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. Payments made by plan members or beneficiaries receiving benefits at September 30, 2019 totaled \$8,374.

The Authority contributions to the SHBP for post-retirement benefits for the fiscal years ended September 30, 2019 was \$52,872, respectively, which equaled the required contributions for that year. There were approximately 4 participants eligible at September 30, at September 30, 2019.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

OPEB Liability, OPEB Expense(Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - At September 30, 2019 the Authority's proportionate share of the net OPEB liability was \$484,543.

The net OPEB liability was measured as of June 30,2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 which was rolled forward to June 30, 2019.

The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1,2018 through June 30, 2019. For the June 30, 2019 measurement date, the Authority's proportion was 0.003577%.

OPEB Expense(Benefit) - At September 30, 2019 the Authority's proportionate share of the OPEB expense(benefit), calculated by the Plan as of the June 30, 2019 measurement date is \$(51,774). As previously mentioned, for the year ended September 30,2019, the Authority made contributions to the Plan totaling \$55,872.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

OPEB Liability, OPEB Expense(Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30,2019, the Authority had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	September 30, 2019	
	Measurement Date June 30, 2019	
	Deferred outflows of resources	Deferred inflows of resources
Differences between projected and actual investment earnings	\$ -	\$ 141,699
Changes in assumptions	-	171,711
Net difference between projected and actual earnings on OPEB plan investments	399	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	10,607	318,147
Authority contributions subsequent to the measurement date	<u>\$ 11,006</u>	<u>\$ 631,557</u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

OPEB Liability, OPEB Expense(Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions		
June 30, 2019	-	8.05
Net difference between projected and actual earnings on OPEB plan investments		
June 30, 2019	5.00	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
June 30, 2019	8.05	8.05

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

Year ended September 30,	
2020	\$ 101,068
2021	101,068
2022	101,130
2023	101,230
2024	101,322
Thereafter	114,733
	\$ 620,551

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

OPEB Liability, OPEB Expense(Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

Actuarial Assumptions

The actuarial valuation at June 30, 2018 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate		2.50%			
Salary increases*:					
Initial fiscal year applied					
Through 2026		2.00% to 6.00%			
Thereafter		3.00% to 7.00%			
Mortality:					
		Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019			
*Salary increases are based on years of service within the plan.					

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions – For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Continued)

The net OPEB liability as of June 30, 2019, the plans measurement date, for the Authority calculated using a discount rate of 3.50%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

		Current Rate	
	1% Decrease	Discount Rate	1% Increase
	(2.50%)	(3.50%)	(4.50%)
Authority's proportionate share of the net pension liability	\$ 560,255	\$ 484,543	\$ 423,017

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

The Authority's proportionate share of the net OPEB Liability as of June 30, 2019, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

		Healthcare	
	1% Decrease	Cost Trend	1% Increase
		Rates	
Authority's proportionate share of the net pension liability	\$ 408,895	\$ 484,543	\$ 581,045

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE F – OTHER POST-RETIREMENT BENEFITS

State Health Benefits Local Government Retired Employees Plan (Continued)

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (the Plan) and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE G – 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 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 216
Parsippany, New Jersey 07054-4412

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE H – DEFICIT NET POSITION

The unrestricted net deficit of \$1,443,230 and \$1,457,813 as of September 30, 2020 and 2019, respectively, includes the effect of the recognition of the deferred outflows of resources related to differences between expected and actual experience, changes in assumptions, changes in proportion, and the net difference between projected and actual investment earnings offset by the Authority’s proportionate share of the net pension and OPEB liability and changes in assumptions.

NOTE I – ECONOMIC DEPENDENCY

The Authority is economically dependent upon the subsidies received from HUD.

NOTE J – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

As indicated in Note F to the financial statements, in 2019, the Authority adopted GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result of implementing this new GASB statement, it was necessary to adjust unrestricted (deficit) net position in the financial statements, for the Authority’s Other Post-Employment Benefits (OPEB) liability. This affects only the primary government statements. The cumulative effect on the financial statements as reported for September 30, 2018 is as follows:

As reported - September 30, 2018		
Net position (deficit), as originally stated		\$ 462,254
Effects of accounting for adotion of GASB Statement No. 75:		
Deferred outflows		12,734
OPEB liability as of September 30, 2018		(756,384)
Deferred inflows		(427,179)
Restatement of net position		(1,170,829)
Restated - September 30, 2018		
Net position (deficit), as restated		\$ (708,575)

HOUSING AUTHORITY OF THE CITY OF CAPE MAY, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS

NOTE K – RELATED PARTY TRANSACTIONS

Board president, board member, executive director, and one employee of the Authority hold the positions of chair person, board member, executive director, and secretary at a local non-profit, Cape May Cares. Cape May Cares holds its board meetings in the office of the Authority. Cape May Cares was organized with a commitment to fostering community spirit and involvement by establishing a volunteer platform whereby the tremendous talent and generosity of the local residents and businesses can be directed to encourage and empower their fellow neighbors in need. No monetary transactions have occurred during the years September 30, 2020 and 2019.

NOTE L – COVID-19 IMPACT

The outbreak of a novel strain of coronavirus (COVID-19) has spread throughout the United States as of the middle of March 2020. Multiple jurisdictions in the U.S. declared various levels of States of Emergency. The Authority received CaresAct funds from HUD to assist during this pandemic. Any potential impact to the Authority's operations cannot be reasonably predicted as of February 2, 2022.

NOTE M – SUBSEQUENT EVENTS

On May 17, 2021, the Authority passed Resolution No. 2021-21 recognizing its intent to enter into a long-term managerial relationship with the Vineland Housing Authority, wherein the day-to-day job functions and responsibilities of the Authority's Executive Director will be fulfilled by the Vineland Housing Authority. As such, effective June 18, 2021, the Authority entered into a separation agreement in the amount of \$28,348 with the former Executive Director.

Management has reviewed and evaluated all subsequent events through February 2, 2022, the date the financial statements were available to be issued, and has determined there were no matters that require adjustment to or disclosure in the September 30, 2020, financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB
 LIABILITY
 STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Authority's proportion of the net OPEB liability	N/A	0.003577%
Authority's proportionate share of the net OPEB liability	N/A	\$ 484,543
Authority's covered payroll	\$ 151,617	\$ 150,489
Authority's proportionate share of the net OPEB liability as a percentage of covered payroll	N/A	321.98%
Plan fiduciary net position as a percentage of the total OPEB liability	N/A	1.98%

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the Authority will present information for those years for which information is available.

N/A= Information Not Available.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 SCHEDULE OF THE AUTHORITY'S OPEB CONTRIBUTIONS
 STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
Authority's required contributions	N/A	55,872
Authority's contributions in relation to the required contribution	N/A	(55,872)
Authority's contribution deficiency (excess)	N/A	-
Authority's covered payroll	151,617	150,489
Authority's contributions as a percentage of covered payroll	N/A	37.13%

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the Authority will present information for those years for which information is available.

N/A= Information Not Available.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Note to Required Supplementary Information

Changes in benefit terms - None

Changes in assumptions – In 2018 the discount rate changed to 3.50% from 3.87%. In 2019 the discount rate changed to 3.50%, there were changes in the census, claims, and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
YEARS ENDED SEPTEMBER 30, 2020, 2019, 2018, 2017, 2016, AND 2015

	Measurement Date					
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Authority's proportions of the net pension liability (asset)	0.0020%	0.0027%	0.0026%	0.0026%	0.0026%	0.0025%
Authority's proportionate share of the net pension liability	\$ 321,959	\$ 487,443	\$ 521,654	\$ 608,700	\$ 758,376	\$ 561,871
Authority's covered-employee payroll	\$ 151,617	\$ 150,489	\$ 197,105	\$ 181,182	\$ 176,204	\$ 172,705
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212.35%	323.91%	264.66%	335.96%	430.40%	325.34%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	56.27%	52.36%	48.10%	40.14%	47.93%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the Authority will present information for those years for which information is available.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
 YEARS ENDED SEPTEMBER 30, 2020, 2019, 2018, 2017, 2016, AND 2015

	Measurement Date					
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Statutorily required contributions	\$ 26,609	\$ 26,314	\$ 26,353	\$ 24,224	\$ 22,748	\$ 21,519
Contributions in relation to the statutorily required contributions	26,609	26,314	26,353	24,224	22,748	21,519
Contributions deficiency (excess)	-	-	-	-	-	-
Authority's covered-employee payroll	151,617	150,489	197,105	181,182	176,204	172,705
Contributions as a percentage of covered-employee payroll	17.55%	17.49%	13.37%	13.37%	12.91%	12.46%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Note to Required Supplementary Information

Changes in benefit terms - None

Changes in assumptions – The discount rate changed at June 30th over the following years. 3.98% in 2016, 5.00% in 2017 and 2018, 5.28% in 2019, and 6.28% in 2020.

The long-term expected rate of return changed at June 30th over the following years, 7.65% in 2016, 7.00% in 2017, 2018, 2019, and 2020.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

For 2015, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually.

OTHER SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE BALANCE SHEET SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Subtotal	Total
111 Cash - unrestricted	274,405	274,405	274,405
112 Cash - restricted - modernization and development	-	-	-
113 Cash - other restricted	-	-	-
114 Cash - tenant security deposits	28,439	28,439	28,439
115 Cash - restricted for payment of current liabilities	-	-	-
100 Total cash	302,844	302,844	302,844
121 Accounts receivable - PHA projects	-	-	-
122 Accounts receivable - HUD other projects	-	-	-
124 Accounts receivable - other government	-	-	-
125 Accounts receivable - miscellaneous	17,089	17,089	17,089
126 Accounts receivable - tenants	8,883	8,883	8,883
126.1 Allowance for doubtful accounts - tenants	(2,221)	(2,221)	(2,221)
126.2 Allowance for doubtful accounts - other	-	-	-
127 Notes, loans, & mortgages receivable - current	-	-	-
128 Fraud recovery	-	-	-
128.1 Allowance for doubtful accounts - fraud	-	-	-
129 Accrued interest receivable	-	-	-
120 Total receivables, net of allowances for doubtful accounts	23,751	23,751	23,751

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE BALANCE SHEET SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Subtotal	Total
131 Investments - unrestricted	-	-	-
132 Investments - restricted	-	-	-
135 Investments - restricted for payment of a current liability	-	-	-
142 Prepaid expenses and other assets	9,042	9,042	9,042
143 Inventories	-	-	-
143.1 Allowance for obsolete inventories	-	-	-
144 Inter-program due from	-	-	-
145 Assets held for sale	-	-	-
150 Total current assets	335,637	335,637	335,637
161 Land	30,200	30,200	30,200
162 Buildings	3,560,365	3,560,365	3,560,365
163 Furniture, equipment & machinery - dwellings	-	-	-
164 Furniture, equipment & machinery - administration	73,943	73,943	73,943
165 Leasehold improvements	-	-	-
166 Accumulated depreciation	(2,988,928)	(2,988,928)	(2,988,928)
167 Construction in progress	-	-	-
168 Infrastructure	-	-	-
160 Total capital assets, net of accumulated depreciation	675,580	675,580	675,580
171 Notes, loans and mortgages receivable - non-current	-	-	-
172 Notes, loans and mortgages receivable - non-current - past due	-	-	-
173 Grants receivable - non-current	-	-	-
174 Other assets	-	-	-
176 Investments in joint ventures	-	-	-
180 Total non-current assets	675,580	675,580	675,580

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE BALANCE SHEET SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Subtotal	Total
200 Deferred outflow of resources	54,118	54,118	54,118
290 Total assets and deferred outflow of resources	1,065,335	1,065,335	1,065,335
311 Bank overdraft	-	-	-
312 Accounts payable <= 90 days	50,821	50,821	50,821
313 Accounts payable >90 days past due	-	-	-
321 Accrued wage/payroll taxes payable	3,779	3,779	3,779
322 Accrued compensated absences - current portion	4,703	4,703	4,703
324 Accrued contingency liability	-	-	-
325 Accrued interest payable	-	-	-
331 Accounts payable - HUD PHA programs	-	-	-
332 Accounts payable - PHA projects	-	-	-
333 Accounts payables - other government	13,699	13,699	13,699
341 Tenant security deposits	28,439	28,439	28,439
342 Unearned revenue	1,954	1,954	1,954
343 Current portion of long-term debt - capital projects/mortgage revenue	-	-	-
344 Current portion of long-term debt - operating borrowings	-	-	-
345 Other current liabilities	-	-	-
346 Accrued liabilities - other	8,807	8,807	8,807
347 Inter program - due to	-	-	-
348 Loan liability - current	-	-	-
310 Total current liabilities	112,202	112,202	112,202

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE BALANCE SHEET SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Subtotal	Total
351 Long-term debt, net of current - capital projects/mortgage revenue	-	-	-
352 Long-term debt, net of current - operating borrowings	-	-	-
353 Non-current liabilities - other	-	-	-
354 Accrued compensated absences - non-current	14,109	14,109	14,109
355 Loan liability - non current	-	-	-
356 FASB 5 liabilities	-	-	-
357 Accrued pension and OPEB liabilities	806,502	806,502	806,502
350 Total non-current liabilities	820,611	820,611	820,611
300 Total liabilities	932,813	932,813	932,813
400 Deferred inflow of resources	900,172	900,172	900,172
508.4 Net investment in capital assets	675,580	675,580	675,580
511.4 Restricted net position	-	-	-
512.4 Unrestricted net position	(1,443,230)	(1,443,230)	(1,443,230)
513 Total equity - net assets/position	(767,650)	(767,650)	(767,650)
600 Total liabilities, deferred inflows of resources and equity - net	1,065,335	1,065,335	1,065,335

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE REVENUES AND EXPENSES SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Capital Fund	CARES Act	Project Total
703 Net tenant rental revenue	387,173	-	-	387,173
704 Tenant revenue - other	5,391	-	-	5,391
705 Total tenant revenue	392,564	-	-	392,564
				-
706 HUD PHA operating grants	277,249	127,179	14,175	418,603
706.1 Capital grants	-	-	-	-
707.1 Management fee	-	-	-	-
707.2 Asset management fee	-	-	-	-
707.3 Bookkeeping fee	-	-	-	-
707.4 Front line service fee	-	-	-	-
707.5 Other fees	-	-	-	-
707 Total fee revenue	277,249	-	-	277,249
				-
708 Other government grants	-	-	-	-
711 Investment income - unrestricted	448	-	-	448
712 Mortgage interest income	-	-	-	-
713 Proceeds from disposition of assets held for sale	-	-	-	-
713.1 Cost of sale of assets	-	-	-	-
714 Fraud recovery	-	-	-	-
715 Other revenue	1,125	-	-	1,125
716 Gain or loss on sale of capital assets	-	-	-	-
720 Investment income - restricted	-	-	-	-
700 Total revenue	671,386	127,179	14,175	812,740

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE REVENUES AND EXPENSES SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Capital Fund	CARES Act	Project Total
911 Administrative salaries	104,950	-	2,270	107,220
912 Auditing fees	9,000	-	-	9,000
913 Management fee	-	-	-	-
913.1 Bookkeeping fee	-	-	-	-
914 Advertising and marketing	1,950	-	-	1,950
915 Employee benefit contributions - administrative	54,150	-	-	54,150
916 Office expenses	7,435	-	-	7,435
917 Legal expenses	24,380	-	-	24,380
918 Travel	38	-	-	38
918.1 Allocated overhead	-	-	-	-
919 Other	40,483	-	3,343	43,826
910 Total operating - administrative	242,386	-	5,613	247,999
920 Asset management fee	-	-	-	-
921 Tenant services - salaries	-	-	-	-
922 Relocation costs	-	-	-	-
923 Employee benefit contributions - tenant services	-	-	-	-
924 Tenant services - other	2,125	-	-	2,125
925 Total tenant services	2,125	-	-	2,125

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE REVENUES AND EXPENSES SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Capital Fund	CARES Act	Project Total
931 Water	97,180	-	-	97,180
932 Electricity	153,007	-	-	153,007
933 Gas	-	-	-	-
934 Fuel	-	-	-	-
935 Labor	-	-	-	-
936 Sewer	-	-	-	-
937 Employee benefit contributions - utilities	-	-	-	-
938 Other utilities expense	-	-	-	-
930 Total utilities	250,187	-	-	250,187
				-
941 Ordinary maintenance and operations - labor	46,667	-	3,249	49,916
942 Ordinary maintenance and operations - materials and other	34,868	-	4,823	39,691
943 Ordinary maintenance and operations contracts	124,991	-	490	125,481
945 Employee benefit contributions - ordinary maintenance	28,955	-	-	28,955
940 Total maintenance	235,481	-	8,562	244,043
				-
951 Protective services - labor	-	-	-	-
952 Protective services - other contract costs	-	-	-	-
953 Protective services - other	-	-	-	-
955 Employee benefit contributions - protective services	-	-	-	-
950 Total protective services	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE REVENUES AND EXPENSES SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Capital Fund	CARES Act	Project Total
961.1 Property insurance	14,709	-	-	14,709
961.2 Liability insurance	10,453	-	-	10,453
961.3 Workmen's compensation	5,006	-	-	5,006
961.4 All other insurance	5,690	-	-	5,690
961 Total insurance premiums	35,858	-	-	35,858
962 Other general expenses	-	-	-	-
962.1 Compensated absences	-	-	-	-
963 Payments in lieu of taxes	13,699	-	-	13,699
964 Bad debt - tenant rents	4,246	-	-	4,246
965 Bad debt - mortgages	-	-	-	-
966 Bad debt - other	-	-	-	-
968 Severance expense	-	-	-	-
960 Total other general expenses	17,945	-	-	17,945
				-
967.1 Interest of mortgage (or bonds) payable	-	-	-	-
967.2 Interest on notes payable (short and long term)	-	-	-	-
967.3 Amortization of bond issue costs	-	-	-	-
967 Total interest expense and amortization cost	-	-	-	-
				-
969 Total operating expenses	783,982	-	14,175	798,157
				-
970 Excess of operating revenue over operating expenses	(112,596)	127,179	-	14,583

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE REVENUES AND EXPENSES SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Capital Fund	CARES Act	Project Total
971 Extraordinary maintenance	-	-	-	-
972 Casualty losses - non-capitalized	-	-	-	-
973 Housing assistance payments	-	-	-	-
973.5 HAP portability-in	-	-	-	-
974 Depreciation expense	72,450	-	-	72,450
975 Fraud losses	-	-	-	-
976 Capital outlays - governmental funds	-	-	-	-
977 Debt principal payment - governmental funds	-	-	-	-
978 Dwelling units rent expense	-	-	-	-
900 Total expenses	856,432	-	14,175	870,607
				-
10010 Operating transfer in	127,179	-	-	127,179
10020 Operating transfer out	-	(127,179)	-	(127,179)
10030 Operating transfers from/to primary government	-	-	-	-
10040 Operating transfers from/to component unit	-	-	-	-
10050 Proceeds from notes, loans, and bonds	-	-	-	-
10060 Proceeds from property sales	-	-	-	-
10070 Extraordinary items, net gain/loss	-	-	-	-
10080 Sepcial items, net gain/loss	-	-	-	-
10091 Inter project excess cash transfer in	-	-	-	-
10092 Inter project excess cash transfer out	-	-	-	-
10093 Transfers between program and project - in	-	-	-	-
10094 Transfers between project and program - out	-	-	-	-
10100 Total other financing sources (uses)	-	-	-	-
				-
1000 Excess (deficiency) of total revenue over (under) total expenses	(57,867)	-	-	(57,867)

HOUSING AUTHORITY OF THE CITY OF CAPE MAY(NJ) (NJ062)
 CAPE MAY, NJ
 ENTITY WIDE REVENUES AND EXPENSES SUMMARY

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2020

	Project Total	Capital Fund	CARES Act	Project Total
11020 Required annual debt principal payments	-	-	-	-
11030 Beginning equity	(709,783)	-	-	(709,783)
11040 Prior period adjustments, equity transfers and correction of errors	-	-	-	-
11050 Changes in compensated absence balance	-	-	-	-
11060 Changes in contingent liability balance	-	-	-	-
11070 Changes in unrecognized pension transition liability	-	-	-	-
11080 Changes in special term/severance benefits liability	-	-	-	-
11090 Changes in allowance for doubtful accounts - dwelling rents	-	-	-	-
11100 Changes in allowance for doubtful accounts - other	-	-	-	-
11170 Administrative fee equity	-	-	-	-
11180 Housing assistance payments equity	-	-	-	-
11190 Unit months available	1,020	-	-	1,020
11210 Number of unit months leased	998	-	-	998
11270 Excess cash	141,589	-	-	141,589
11610 Land purchases	-	-	-	-
11620 Building purchases	-	-	-	-
11630 Furniture & equipment - dwelling purchases	-	-	-	-
11640 Furniture & equipment - administrative purchases	-	-	-	-
11650 Leasehold improvements purchases	-	-	-	-
11660 Infrastructure purchases	-	-	-	-
13510 CFFP debt service payments	-	-	-	-
13901 Replacement housing factor funds	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 RECONCILIATION OF CAPITAL FUNDS ADVANCED WITH COST – EXCESS OR
 DEFICIT ADVANCES-PHA-OWNED HOUSING
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Capital Fund 2020	Capital Fund 2019
Funds approved	\$ 160,545	\$ 161,537
Funds expended	-	127,179
Excess of funds approved	\$ 160,545	\$ 34,358
Funds advanced	\$ -	\$ 127,179
Funds expended	-	127,179
Excess of funds advanced	\$ -	\$ -

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 RECONCILIATION OF CARES ACT FUNDS ADVANCED WITH COST – EXCESS OR
 DEFICIT ADVANCES-PHC-OWNED HOUSING
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Cares Act 14.PHC 2020
Funds approved		\$ 42,525
Funds expended		14,175
Excess of funds approved		\$ 28,350
Funds advanced		\$ 14,175
Funds expended		14,175
Excess of funds advanced		\$ 28,350

OTHER REPORTS



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

Board of Commissioners
Housing Authority of the City of Cape May
Cape May, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of the City of Cape May, Cape May, New Jersey (the Authority), which comprise the statement of net position as of September 30, 2020 and the related statements of revenue, expenses and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Whisman Giordano & Associates, LLC

Newark, Delaware
February 2, 2022

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2020

Status of Prior Year Findings

None

Current Year Findings and Recommendations

None