

**HOUSING AUTHORITY OF THE
CITY OF CAPE MAY**

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

CAPE MAY HOUSING AUTHORITY

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HOUSING AUTHORITY OF THE CITY OF CAPE MAY

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Cape May

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Cape May ("Authority"), a component unit of the City of Cape May, as of and for the fiscal years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of September 30, 2022 and 2021, and the changes in its financial position and the cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the City of Cape May, a component unit of the City of Cape May, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary 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 basic accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
December 18, 2023

**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**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Cape May

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Housing Authority of the City of Cape May ("Authority"), a component unit of the City of Cape May, as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated December 18, 2023.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Bowman & Company LLP
BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
December 18, 2023

HOUSING AUTHORITY OF THE CITY OF THE CAPE MAY
Management's Discussion and Analysis - Unaudited
For the Fiscal Years Ended September 30, 2022 and 2021

As management of the Cape May Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activity of the Authority for the fiscal year ended September 30, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

- The Authority's Total Net Position (equity) increased from 2021 to 2022 by \$70,461 due to an increase in Unrestricted Net Position of \$95,508 and a decrease in Net Investment in Capital Assets of \$(25,047). The Authority's Total Net Position (equity) increased from 2020 to 2021 by \$146,552 due to an increase in Unrestricted Net Position of \$189,334 offset by a decrease in Net Investment in Capital Assets of \$(42,782).
- The Authority's Current Assets balance including cash at the reporting year end was \$373,688 for 2022, \$345,217 for 2021 and \$335,637 for 2020. This includes amounts designated for current restricted use.

HOUSING AUTHORITY OF THE CITY OF THE CAPE MAY
Management's Discussion and Analysis - Unaudited (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

FINANCIAL HIGHLIGHTS (continued)

- The Authority had Total Revenues of \$890,092 in 2022, \$929,008 in 2021 and \$812,740 in 2020. The Authority had Total Expenses of \$819,631 in 2022, \$829,410 in 2021 and \$870,607 in 2020.

Since fiscal year 2014, the Authority has recorded the adjustment required by Government Accounting Standards Board (GASB) Statement No. 68 Accounting and Financial Reporting for Pensions as required by Generally Accepted Accounting Principles for government entities. Under the provisions of GASB 68, the Authority must include its proportionate share of the net pension liability of the Public Employees' Retirement System (PERS). The Authority was required to report \$40,909 of deferred outflows of resources, \$117,805 of deferred inflows of resources and the pension liability of \$313,365 for the fiscal year ended September 30, 2022.

Also since fiscal year 2018, the Authority has recorded the adjustment required by Government Accounting Standards Board (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) as required by Generally Accepted Accounting Principles for government entities. Under the provisions of GASB 75, the Authority must include its proportionate share of the net OPEB for health insurance. The Authority was required to report \$360,834 of deferred outflows of resources, \$576,041 of deferred inflows of resources and the OPEB liability of \$760,000 for the fiscal year ended September 30, 2022.

OTHER FINANCIAL INFORMATION

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

The major program of the Authority is the Public Housing Program.

HOUSING FACTS:

1. Over 85 Low-income families have been assisted throughout the City by the Housing Authority in 2022; affording them decent, safe, and sanitary housing based on their ability to pay.

BUDGETARY HIGHLIGHTS

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

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Management's Discussion and Analysis - Unaudited (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Net Position, may serve over time as a useful indicator of an agency's financial position. In the case of the Housing Authority of the City of Cape May, liabilities exceed assets by \$550,637 at the close of the most recent year. The following table shows a summary of changes from the prior years:

STATEMENTS OF NET POSITION			
	September 30, 2022	September 30, 2021	September 30, 2020
Current and Other Assets	\$ 373,688	\$ 345,217	\$ 335,637
Capital Assets, net	607,751	632,798	675,580
Total Assets	981,439	978,015	1,011,217
Deferred Outflows of Resources	401,743	196,612	54,118
Current Liabilities	154,302	115,467	112,202
Long-term Liabilities	1,085,671	935,320	820,611
Total Liabilities	1,239,973	1,050,787	932,813
Deferred Inflows of Resources	693,846	744,938	900,172
Net Investment in Capital Assets	607,751	632,798	675,580
Unrestricted Net Position	(1,158,388)	(1,253,896)	(1,443,230)
Net Position (Deficit)	\$ (550,637)	\$ (621,098)	\$ (767,650)

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

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION			
	September 30, 2022	September 30, 2021	September 30, 2020
Revenues:			
Federal grant awards	\$ 488,653	\$ 539,818	\$ 418,603
Tenant charges	390,602	388,727	392,564
Other Revenues	10,746	294	1,125
Total Revenues	890,001	928,839	812,292
Operating Expenses:			
Administrative and Other Expenses	742,490	759,168	798,157
Depreciation expense	77,141	70,242	72,450
Total Operating Expenses	819,631	829,410	870,607
Operating Income (Loss)	70,370	99,429	(58,315)
Non-Operating Revenues:			
Interest Income	91	169	448
Net non-operating revenue	91	169	448
Increase (decrease) in net position	70,461	99,598	(57,867)
Net position (deficit) at the beginning of the year	(621,098)	(767,650)	(709,783)
Prior Period Adjustment	-	46,954	-
Net position (deficit) at the beginning of the year, as restated	(621,098)	(720,696)	(709,783)
Net position (deficit) at the end of the year	\$ (550,637)	\$ (621,098)	\$ (767,650)

HOUSING AUTHORITY OF THE CITY OF THE CAPE MAY
Management's Discussion and Analysis - Unaudited (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

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

	September 30, 2022	September 30, 2021	September 30, 2020
Land	\$ 30,200	\$ 30,200	\$ 30,200
Building	3,560,366	3,560,366	3,560,366
Equipment	153,497	101,403	73,943
Total	3,744,063	3,691,969	3,664,509
Accumulated Depreciation	(3,136,312)	(3,059,171)	(2,988,929)
Net Capital Assets	\$ 607,751	\$ 632,798	\$ 675,580

Debt:

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2022.

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

CONTRACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Statements of Net Position
As of September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 318,393	\$ 282,701
Restricted cash - tenant security deposits	30,759	29,804
Accounts receivable, net	13,499	17,579
Prepaid expenses	<u>11,037</u>	<u>15,133</u>
Total current assets	<u>373,688</u>	<u>345,217</u>
Non-current assets		
Capital assets, net of accumulated depreciation	<u>607,751</u>	<u>632,798</u>
Total assets	<u>981,439</u>	<u>978,015</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	40,909	30,742
Related to OPEB	<u>360,834</u>	<u>165,870</u>
Total deferred outflows of resources	<u>401,743</u>	<u>196,612</u>
Total assets and deferred outflows of resources	<u>\$ 1,383,182</u>	<u>\$ 1,174,627</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 94,183	\$ 58,572
Accounts payable - pension	26,185	23,859
Accrued compensated absences	1,920	1,939
Tenant security deposits	30,759	29,804
Unearned revenue	<u>1,255</u>	<u>1,293</u>
Total current liabilities	<u>154,302</u>	<u>115,467</u>
Non-current liabilities		
Accrued compensated absences	5,760	5,816
Pension liability - contributions subsequent to measurement date	6,546	5,965
Pension liability	313,365	241,347
Other postemployment benefits	<u>760,000</u>	<u>682,192</u>
Total non-current liabilities	<u>1,085,671</u>	<u>935,320</u>
Total liabilities	<u>1,239,973</u>	<u>1,050,787</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	117,805	252,004
Related to OPEB	<u>576,041</u>	<u>492,934</u>
Total deferred inflows of resources	<u>693,846</u>	<u>744,938</u>
NET POSITION		
Net investment in capital assets	607,751	632,798
Unrestricted net assets (deficit)	<u>(1,158,388)</u>	<u>(1,253,896)</u>
Total net position (deficit)	<u>(550,637)</u>	<u>(621,098)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,383,182</u>	<u>\$ 1,174,627</u>

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Statements of Revenue, Expenses, and Changes in Net Position
For the Fiscal Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue		
Tenant revenue	\$ 390,602	\$ 388,727
Government operating grants	319,356	344,022
Capital grants (soft costs)	169,297	195,796
Other income	<u>10,746</u>	<u>294</u>
Total operating revenue	<u>890,001</u>	<u>928,839</u>
Operating expenses		
Administrative	184,476	226,637
Tenant services	16,688	2,741
Utilities	257,678	262,864
Maintenance	226,449	212,980
General expenses	14,469	16,049
Insurance expenses	42,730	37,897
Depreciation expense	<u>77,141</u>	<u>70,242</u>
Total operating expenses	<u>819,631</u>	<u>829,410</u>
Operating income	<u>70,370</u>	<u>99,429</u>
Non-operating revenue:		
Investment income	<u>91</u>	<u>169</u>
Change in net position	70,461	99,598
Net position (deficit) at the beginning of the fiscal year	<u>(621,098)</u>	<u>(720,696)</u>
Net position (deficit) at the end of the fiscal year	<u>\$ (550,637)</u>	<u>\$ (621,098)</u>

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Statements of Cash Flows
For the Fiscal Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from tenants	\$ 395,599	\$ 397,557
Cash receipts from HUD	488,653	539,818
Other operating cash receipts	10,746	294
Cash payments to employees for services	(229,291)	(300,232)
Cash payments to suppliers of goods and services	<u>(577,057)</u>	<u>(600,485)</u>
Net cash provided by operating activities	<u>88,650</u>	<u>36,952</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	<u>(52,094)</u>	<u>(27,460)</u>
Cash flows from investing activities		
Investment income	<u>91</u>	<u>169</u>
Net change in cash and cash equivalents	36,647	9,661
Cash and cash equivalents, beginning of year	<u>312,505</u>	<u>302,844</u>
Cash and cash equivalents, end of year	<u>\$ 349,152</u>	<u>\$ 312,505</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 70,370	\$ 99,429
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	77,141	70,242
Adjustment to actuarial pension expense	(71,767)	(52,759)
Adjustment to actuarial accounts payable amount	2,326	(2,270)
Adjustment to actuarial other postemployment benefits	(34,049)	(48,884)
(Increase) decrease in assets		
Accounts receivable	4,080	6,172
Prepaid expenses	4,096	(6,091)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	35,611	(20,488)
Accrued compensated absences	(75)	(11,057)
Tenant security deposits	955	1,365
Unearned revenue	<u>(38)</u>	<u>1,293</u>
Net cash provided by operating activities	<u>\$ 88,650</u>	<u>\$ 36,952</u>
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	\$ 318,393	\$ 282,701
Tenant security deposits	<u>30,759</u>	<u>29,804</u>
	<u>\$ 349,152</u>	<u>\$ 312,505</u>

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2022 and 2021

Note 1: ORGANIZATION AND ACTIVITY

Reporting entity

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 under federal and state housing laws as defined by state statute (N.J.S.A. 40A:12A-1, et seq., the "Housing Authority Act"). The Authority is governed by a Board of seven members who serve five-year terms and are appointed by the Mayor of Cape May, City Council and the Commissioner of the New Jersey State Department of Community Affairs. The governing Board is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development (HUD) and the New Jersey State Department of Community Affairs. An Executive Director is appointed by the Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of affordable housing for low and moderate income families residing in the City of Cape May, New Jersey.

As of September 30, 2022, the activities of the Authority include the ownership and/or management of 85 units of public housing in the City of Cape May.

Component unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

As of September 30, 2022, it has been determined by the Authority that no component units exist.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 1: ORGANIZATION AND ACTIVITY (continued)

Component unit (continued)

The Authority is a component unit of the City of Cape May (the "City") as described in Governmental Accounting Standards Board Statement described above because the Mayor of the City of Cape May, City Council and the Commissioner of the New Jersey State Department of Community Affairs appoints all of the commissioners to the Board of Commissioners of the Authority. These financial statements would be either blended or discreetly presented as part of the City's financial statements if the City reported using generally accepted accounting principles applicable to governmental entities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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

Basis of accounting

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

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting (continued)

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

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

Budgets and budgetary control

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

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

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

Cash and cash equivalents and investments

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents and investments (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 governmental units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of the school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services, Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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

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

Restricted assets

Certain cash of the Authority is restricted for tenant security deposits or for other specified purposes.

Prepaid expenses

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Land, buildings, and furniture and equipment are carried substantially at cost. All additions and betterments are charged to the capital asset accounts. The Authority has no infrastructure capital assets.

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

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

Buildings	40 years
Building improvements	10 to 20 years
Furniture and equipment	3 to 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.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the GASB standards. The Authority is required to report amounts related to the defined benefit pension plan and other postemployment benefits that are applicable to future periods as deferred outflows of resources and deferred inflows of resources. See notes 6 and 7 for more information regarding the pension plan and other postemployment benefits ("OPEB"), respectively.

Compensated absences

Employees earn vacation and sick leave in varying amounts based upon length of service in accordance with the Authority's Personnel Policy. Sick leave can accrue without limit, but accrued vacation leave cannot be accrued from year to year. In the event of retirement, employees may be compensated for accumulated vacation leave based on any accumulated and unpaid annual leave at the current rate of pay under the Personnel Policy. In the event of retirement, employees may be compensated for accumulated sick leave based on any accumulated and unpaid annual leave at the current rate of pay under the Personnel Policy up to 50% of the total accumulated sick leave, not to exceed \$15,000.

Amounts accrued are charged to expense with a corresponding liability.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension

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

Postemployment Benefits Other Than Pensions ("OPEB") - State Health Benefits Local Government Retired Employees Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, 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.

Net position

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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

Revenue

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

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

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

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

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

Use of estimates

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards adopted

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of this Statement had no impact on the Authority's financial statements.

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards adopted (continued)

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

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

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

New accounting pronouncements to be implemented in the future

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

Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Management does not expect this Statement will have an impact on the financial statements.

Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements ("APAs"). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The Statement will become effective for the Authority in the year ending September 30, 2023. Management does not expect this Statement will have an impact on the financial statements.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 3: CASH AND CASH EQUIVALENTS

Custodial credit risk related to deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority's formal policy regarding custodial credit risk is the same as described in Note 2 and included in its cash management plan. N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. As of September 30, 2022, the Authority's bank balances of \$250,000 were insured by Federal depository insurance and \$101,739 were insured by GUDPA. As of September 30, 2021, the Authority's bank balances of \$250,000 were insured by Federal Depository insurance and \$92,722 were insured by GUDPA.

Note 4: RESTRICTED ASSETS

The Authority established restricted cash accounts as required by HUD to report the cash associated with holding tenant security deposits (see note 2). As of September 30, 2022 and 2021, the Authority's restricted cash balances were \$30,759 and \$29,804, respectively.

Note 5: CAPITAL ASSETS

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

	Balance September 30, 2021	Additions	Reductions	Balance September 30, 2022
Capital assets not being depreciated				
Land	\$ 30,200	\$ -	\$ -	\$ 30,200
Capital assets being depreciated				
Buildings and improvements	3,560,365	-	-	3,560,365
Equipment – admin & dwelling	101,404	52,094	-	153,498
Total capital assets being depreciated	3,661,769	52,094	-	3,713,863
Total capital assets	3,691,969	52,094	-	3,744,063
Less: accumulated depreciation	3,059,171	77,141	-	3,136,312
Net capital assets	\$ 632,798	\$ (25,047)	\$ -	\$ 607,751

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 5: CAPITAL ASSETS (continued)

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

	Balance September 30, 2020	Additions	Reductions	Balance September 30, 2021
Capital assets not being depreciated				
Land	\$ 30,200	\$ -	\$ -	\$ 30,200
Capital assets being depreciated				
Buildings and improvements	3,560,365	-	-	3,560,365
Equipment – admin & dwelling	73,944	27,460	-	101,404
Total capital assets being depreciated	3,634,309	27,460	-	3,661,769
Total capital assets	3,664,509	27,460	-	3,691,969
Less: accumulated depreciation	2,988,929	70,242	-	3,059,171
Net capital assets	\$ 675,580	\$ (42,782)	\$ -	\$ 632,798

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: PENSION PLAN

Public Employees' Retirement System

A substantial number of the Authority employees participate in the 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, required supplementary information and detailed information about the PERS plan's fiduciary net position which can be obtained by writing to or at the following website:

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

General Information about the Pension Plan

Plan Description

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' 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 are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

Tier Definition

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: 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 are available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit are available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) is 10.00%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

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

The Authority's contractually required contribution rate for the fiscal years ended September 30, 2022 and 2021, was 21.26% and 18.68% of the Authority's covered payroll, respectively. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2022, the Authority's contractually required contribution to the pension plan for the fiscal year ended September 30, 2022, was \$26,185, and was payable by April 1, 2023. Based on the PERS measurement date of June 30, 2021, the Authority's contractually required contribution to the pension plan for the fiscal year ended September 30, 2021, was \$23,859, and was payable by April 1, 2022. Employee contributions to the pension plan during the fiscal years ended September 30, 2022 and 2021, were \$9,720 and \$9,578, respectively.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Authority, under Chapter 133, P.L. 2001, for the fiscal year ended September 30, 2022, was 0.53% of the Authority's covered payroll.

Based on the most recent PERS measurement date of June 30, 2022, the State's contractually required contribution, under Chapter 133, P.L. 2001, on behalf of the Authority, to the pension plan for the fiscal year ended September 30, 2022, was \$659, and is payable by April 1, 2023.

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

Pension Liability – As of September 30, 2022, there is no net pension liability associated with the special funding situation under Chapter 133, P.L. 2001, as there was no accumulated difference between the annual additional normal cost and the actual State contribution through the valuation date. The Authority's proportionate share of the PERS net pension liability was \$313,365. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2022 measurement date, the Authority's proportion was 0.0020764475%, which was an increase of 0.000391604% from its proportion measured as of June 30, 2021.

As of September 30, 2021, the Authority's proportionate share of the PERS net pension liability was \$241,347. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2021 measurement date, the Authority's proportion was 0.0020372871%, which was an increase of 0.0000629730% from its proportion measured as of June 30, 2020.

Pension (Benefit) Expense - For the fiscal years ended September 30, 2022 and 2021, the Authority recognized pension (benefit) expense of (\$45,582) and (\$55,029), respectively. These amounts were based on the plan's June 30, 2022 and 2021 measurement dates, respectively.

For the fiscal year ended September 30, 2022, the Authority has recognized as a revenue and an expenditure on-behalf payments made by the State for the State's proportionate share of the PERS pension expense, associated with the Authority, under Chapter 133, P.L. 2001, calculated by the Plan as of the June 30, 2022 measurement date. The amounts recognized as a revenue and an expenditure in the financial statements was \$659.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

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

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

	September 30, 2022		September 30, 2021	
	Measurement Date June 30, 2022		Measurement Date June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,262	\$ 1,995	\$ 3,806	\$ 1,728
Change of assumptions	971	46,923	1,257	85,921
Net difference between projected and actual earnings on pension plan investments	12,970	-	-	63,577
Changes in proportion and differences between Authority contributions and proportionate share of contributions	18,160	68,887	19,714	100,778
Authority contributions subsequent to the measurement date	6,546	-	5,965	-
	\$ 40,909	\$ 117,805	\$ 30,742	\$ 252,004

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: **PENSION PLAN (continued)**

Public Employees' Retirement System (continued)

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

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

The deferred outflows of resources related to pensions totaling \$6,546 and \$5,965 will be included as a reduction of the net pension liability in the fiscal years ended September 30, 2023 and 2022, respectively. These amounts are based on an estimated April 1, 2024 and April 1, 2023 contractually required contribution, prorated from the pension plans measurement date of June 30, 2022 and June 30, 2021, to the Authority's fiscal year-end of September 30, 2022 and 2021.

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

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

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

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
Year of pension plan deferral:		
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13
June 30, 2022	5.04	5.04

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

Fiscal Year Ending September 30,	
2023	\$ (44,232)
2024	(45,478)
2025	(10,154)
2026	16,382
2027	40
	\$ (83,442)

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions

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

	Measurement Date June 30, 2022	Measurement Date June 30, 2021
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases:		
Through 2026	2.75% - 6.55%	2.00% - 6.00%
Thereafter	Based on years of service	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 actuarial assumptions were based	July 1, 2018 – June 30, 2021	July 1, 2014 – June 30, 2018

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions (continued)

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

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

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022 and 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2022 and 2021, are summarized in the table on the following page.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions (continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.54% as of the June 30, 2022 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity would be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions (continued)

Discount Rate (continued) - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.16% as of the June 30, 2021 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity would be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ 402,582	\$ 313,365	\$ 237,437

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ 328,666	\$ 241,347	\$ 167,245

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 6: PENSION PLAN (continued)

Public Employees' Retirement System (continued)

Pension Plan Fiduciary Net Position

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

Note 7: OTHER POST-RETIREMENT BENEFITS

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 OPEB plan with a special funding situation. 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") annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement 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 post-retirement 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 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.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 7: OTHER POST-RETIREMENT BENEFITS (continued)

State Health Benefits Local Government Retired Employees Plan (continued)

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, 2022 and 2021, the Authority paid \$20,039 and \$4,391, respectively. These amounts represent 16.27% and 3.44% of the Authority's covered payroll. During the fiscal years ended September 30, 2022 and 2021, retirees were not required to contribute to the Plan.

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

OPEB Liability - At September 30, 2022, the Authority's proportionate share of the net OPEB liability was \$760,000. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022.

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, 2021 through June 30, 2022. For the June 30, 2022 measurement date, the Authority's proportion was 0.004706%, which was an increase of 0.000895% from its proportion measured as of the June 30, 2021 measurement date.

At September 30, 2021, the Authority's proportionate share of the net OPEB liability was \$682,192. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021.

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, 2020 through June 30, 2021. For the June 30, 2021 measurement date, the Authority's proportion was 0.003790%, which was a decrease of 0.000049% from its proportion measured as of the June 30, 2020 measurement date.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 7: OTHER POST-RETIREMENT BENEFITS (continued)

State Health Benefits Local Government Retired Employees Plan (continued)

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

OPEB (Benefit) Expense - At September 30, 2022, the Authority's proportionate share of the OPEB benefit, calculated by the Plan as of the June 30, 2022 measurement date is \$(8,406).

At September 30, 2021, the Authority's proportionate share of the OPEB benefit, calculated by the Plan as of the June 30, 2021 measurement date is (\$33,754).

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Measurement Date</u> <u>June 30, 2022</u>		<u>Measurement Date</u> <u>June 30, 2021</u>	
	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 39,247	\$ 140,872	\$ 15,308	\$ 142,725
Change of assumptions	101,425	259,373	98,135	120,585
Net difference between projected and actual earnings on OPEB plan investments	200	-	326	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	212,866	175,796	50,722	229,624
Authority contributions subsequent to the measurement date	<u>7,096</u>	<u>-</u>	<u>1,379</u>	<u>-</u>
	<u>\$ 360,834</u>	<u>\$ 576,041</u>	<u>\$ 165,870</u>	<u>\$ 492,934</u>

The deferred outflows of resources related to OPEB totaling \$7,096 and \$1,379 were the result of the Authority's contributions subsequent to the Plan's measurement date of June 30, 2022 and June 30, 2021, respectively. These amounts will be included as a reduction of the Authority's net OPEB liability during the fiscal year ending September 30, 2023 and 2022, respectively.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 7: OTHER POST-RETIREMENT BENEFITS (continued)

State Health Benefits Local Government Retired Employees Plan (continued)

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

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

The Authority will amortize the other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Year of OPEB plan deferral:		
June 30, 2018	-	8.14
June 30, 2019	-	8.05
June 30, 2020	7.87	-
June 30, 2021	-	7.82
June 30, 2022	7.82	-
Changes of assumptions		
Year of OPEB plan deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
June 30, 2020	7.87	-
June 30, 2021	7.82	-
June 30, 2022	-	7.82
Net difference between projected and actual earnings on OPEB plan investments		
Year of OPEB plan deferral:		
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-
June 30, 2022	5.00	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
Year of OPEB plan deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14
June 30, 2019	8.05	8.05
June 30, 2020	7.87	7.87
June 30, 2021	7.82	7.82
June 30, 2022	7.82	7.82

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 7: OTHER POST-RETIREMENT BENEFITS (continued)

State Health Benefits Local Government Retired Employees Plan (continued)

OPEB Liability, OPEB (Benefit) Expense, and 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 the OPEB liability will be recognized in future periods as follows:

<u>Fiscal Year Ending September 30,</u>	
2023	(84,465)
2024	(84,525)
2025	(57,037)
2026	(27,856)
2027	23,473
Thereafter	<u>8,107</u>
	<u>(222,303)</u>

Actuarial Assumptions

The actuarial valuation at June 30, 2022 and 2021 used the following actuarial assumptions, applied to all periods in the measurement:

	<u>Measurement Date June 30, 2022</u>	<u>Measurement Date June 30, 2021</u>
Salary increases*		
PERS		
Initial fiscal year applied:		
Rate through 2026		2.00% - 6.00%
Rate thereafter		3.00% - 7.00%
Rate for All Future Years	2.75% - 6.55%	

Mortality:

PERS – Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

* Salary increases are based on years of service within the respective plan

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 7: OTHER POST-RETIREMENT BENEFITS (continued)

State Health Benefits Local Government Retired Employees Plan (continued)

Actuarial Assumptions (continued)

Actuarial assumptions used in the valuation were based on the results of the PERS experience studies prepared for July 1, 2018 to June 30, 2021.

100% of active members in both the June 30, 2022 and June 30, 2021 measurement dates are considered to participate in the Plan upon retirement.

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pays interest to participants on a monthly basis.

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2022 and 2021, were 3.54% and 2.16%, respectively. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions – The health care trend assumptions used is as follows:

Fiscal Year Ending	Annual Rate of Increase			
	Medical Trend			Prescription Drug Trend
	Pre-65	PPO Post-65	HMP Post-65	
2023	6.25%	-1.89%	-1.99%	8.00%
2024	6.00%	-6.00%	-6.15%	7.50%
2025	5.75%	6.99%	7.02%	7.00%
2026	5.50%	15.04%	15.18%	6.50%
2027	5.25%	13.00%	13.11%	6.00%
2028	5.00%	11.47%	11.56%	5.50%
2029	4.75%	10.27%	10.35%	5.00%
2030	4.50%	9.29%	9.35%	4.50%
2031	4.50%	8.50%	8.55%	4.50%
2032	4.50%	6.25%	6.27%	4.50%
2033 and later	4.50%	4.50%	4.50%	4.50%

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 7: 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

The net OPEB liability as of June 30, 2022, the plans measurement date, for the Authority calculated using a discount rate of 3.54%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Proportionate share of the net OPEB liability	<u>\$ 880,993</u>	<u>\$ 760,000</u>	<u>\$ 662,650</u>

The net OPEB liability as of June 30, 2021, the plans measurement date, for the Authority calculated using a discount rate of 2.16%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Proportionate share of the net OPEB liability	<u>\$ 802,809</u>	<u>\$ 682,192</u>	<u>\$ 586,600</u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 7: OTHER POST-RETIREMENT BENEFITS (continued)

State Health Benefits Local Government Retired Employees Plan (continued)

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, 2022, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 644,731	\$ 760,000	\$ 907,627

The Authority's proportionate share of the net OPEB Liability as of June 30, 2021, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 569,178	\$ 682,192	\$ 829,661

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 (benefit) expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees 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.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 8: COMPENSATED ABSENCES

The following summarizes compensated absences at year end:

	September 30, 2022	September 30, 2021
Beginning balance	\$ 7,755	\$ 18,812
Increase	7,188	4,773
Decrease	7,263	15,830
Ending balance	\$ 7,680	\$ 7,755
Current portion	\$ 1,920	\$ 1,939

Note 9: MANAGEMENT AGREEMENT

The Housing Authority of the City of Cape May entered into an agreement to retain management services from the Housing Authority of the City of Vineland and has agreed to pay \$35,000 annually and to be invoiced monthly. The Housing Authority of the City of Vineland provides management services and additional services on an as-needed basis for the Housing Authority of the City of Cape May. The initial expiration date of the agreement was September 30, 2021, but includes a renewal of one additional five year term through September 30, 2026 unless written notice is received 30 days prior to expiration. The total management fees paid were \$35,004 and \$45,289 for the fiscal years ended September 30, 2022 and 2021, respectively.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Notes to Financial Statements (continued)
For the Fiscal Years Ended September 30, 2022 and 2021

Note 10: 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 16
Parsippany, New Jersey 07054-4412

Note 11: CONTINGENCIES

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

Note 12: SUBSEQUENT EVENTS

Management of the Housing Authority of the City of Cape May has evaluated subsequent events through December 18, 2023, the date the financial statements were available to be issued.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

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

	Measurement Date Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability	0.0020764475%	0.0020372871%	0.0019743141%	0.0027052383%	0.002684030%	0.0026148724%	0.0025605995%	0.002502989%	0.0014079577%	0.0011623407%
Proportionate share of the net pension liability	\$ 313,365	\$ 241,347	\$ 321,959	\$ 487,443	\$ 521,654	\$ 608,700	\$ 758,376	\$ 561,871	\$ 265,608	\$ 222,146
Covered payroll (plan measurement period)	\$ 127,704	\$ 149,288	\$ 142,864	\$ 192,244	\$ 186,060	\$ 181,156	\$ 176,156	\$ 138,988	\$ 97,376	\$ 80,180
Proportionate share of the net pension liability as a percentage of its covered payroll	245.38%	161.86%	225.36%	253.55%	280.37%	336.01%	430.51%	404.26%	270.71%	277.06%
Plan fiduciary net position as a percentage of the total pension liability	62.81%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 Required Supplementary Information
 Schedule of the Authority's Contributions
 Public Employees' Retirement System (PERS)
 Last Ten Fiscal Years

	Fiscal Year-Ended September 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 26,185	\$ 23,859	\$ 21,598	\$ 26,314	\$ 26,353	\$ 24,224	\$ 22,748	\$ 21,519	\$ 11,607	\$ 8,758
Contributions in relation to the contractually required contribution	(26,185)	(23,859)	(21,598)	(26,314)	(26,353)	(24,224)	(22,748)	(21,519)	(11,607)	(8,758)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 123,179	\$ 127,704	\$ 128,795	\$ 142,864	\$ 190,688	\$ 184,834	\$ 179,806	\$ 176,158	\$ 138,988	\$ 102,138
Contributions as a percentage of covered payroll	21.26%	18.66%	16.77%	18.42%	13.82%	13.11%	12.84%	12.22%	8.35%	8.57%

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Note to Required Supplementary Information
For the Fiscal Years Ended September 30, 2022 and 2021

Note to Required Supplementary Information

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

Changes in Assumptions:

The discount rate used as of June 30 measurement date is as follows:

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net OPEB Liability
 State Health Benefits Local Government Retired Employees Plan
 Last Six Plan Years

	<u>Measurement Date Ending June 30,</u>					
	<u>2022</u>	<u>2021 (a)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability	0.004706%	0.003811%	0.003839%	0.003577%	0.004828%	0.004766%
Authority's Proportionate Share of the Net OPEB Liability	\$ 760,000	\$ 685,972	\$ 688,970	\$ 484,543.00	\$ 756,384.00	\$ 973,016.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 112,134	\$ 146,703	\$ 126,252	\$ 155,209	\$ 189,152	\$ 183,608
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	677.76%	467.59%	545.71%	312.19%	399.88%	529.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.36%	0.28%	0.91%	1.98%	1.97%	1.03%

(a) The Proportionate Share of the June 30, 2021 Net OPEB Liability was adjusted within the June 30, 2022 Plan Audit.

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 Required Supplementary Information
 Schedule of the Authority's OPEB Contributions
 State Health Benefits Local Government Retired Employees Plan
 Last Six Fiscal Years

	<u>Fiscal Year Ended March 31,</u>					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Required Contributions	\$ 20,039	\$ 4,391	\$ 3,774	\$ 4,386	\$ 6,274	\$ 1,627
Authority's Contributions in Relation to the Required Contribution	\$ (20,039)	\$ (4,391)	\$ (3,774)	\$ (4,386)	\$ (6,274)	\$ (1,627)
Authority's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll (Fiscal Year)	\$ 123,179	\$ 127,704	\$ 128,795	\$ 142,864	\$ 190,698	\$ 184,834
Authority's Contributions as a Percentage of Covered Payroll	16.27%	3.44%	2.93%	3.07%	3.29%	0.88%

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Note to Required Supplementary Information
State Health Benefits Local Government Retired Employees Plan
For the Fiscal Years Ended September 30, 2022 and 2021

Note to Required Supplementary Information

Changes in Benefit Terms:

The actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022, included changes due to employers adopting and /or changing Chapter 48 provisions.

Changes in Assumptions:

The discount rate used as of the June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	3.54%	2019	3.50%
2021	2.16%	2018	3.87%
2020	2.21%	2017	3.58%

The expected investment rate of return is based on guidance provided by the State. These expected rates of return are the same as the discount rates listed above.

In addition to changes in the discount rate, other factors that affected the valuation of the net OPEB liability included changes in the trend and updated mortality improvement assumptions.

There were no changes to mortality projections.

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

<u>Federal Grantor Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Assistance Identification Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Direct Programs					
Public and Indian Housing Program	14.850	NJ06200000121D	N/A	-	\$ 319,356
Public Housing - Capital Fund Program	14.872	NJ39P06250121	N/A	-	<u>169,297</u>
Total expenditures of federal awards					<u>\$ 488,653</u>

This schedule of expenditures of federal awards is included as other supplementary information only. A federal single audit in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) was not required as total federal expenditures did not equal or exceed \$750,000.00.

The accompanying Notes to the Schedule of Expenditures of Federal Awards and Notes to Financial Statements are an integral part of this schedule.

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

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Housing Authority of the City of Cape May, New Jersey (the "Authority") under programs of the federal government for the fiscal year ended September 30, 2022. The Authority is defined in Note 1 to the financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, and changes in net position or cash flows of the Authority.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note 3: DE MINIMIS COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4: RELATIONSHIP TO FINANCIAL STATEMENTS

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

Note 5: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

Note 6: PHA'S STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

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

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

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

No Current Year Findings.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
Summary Schedule of Prior Year Audit Findings and Recommendations
As Prepared by Management

This section identifies the status of prior year findings that are required to be reported in accordance with *Government Auditing Standards* and with the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

No Prior Year Findings.

APPRECIATION

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants