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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2015

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 9
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13 - 23
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Authority's Proportionate Share of the Net Pension Liability	24
Schedule of Authority Contributions	25
SUPPLEMENTARY INFORMATION	
Financial Data Schedule	26 - 35
Reconciliation of Capital Funds Advanced with Cost - Excess or Deficient Advances - PHA Owned Housing	36
Statement of Certification of Actual Modernization Costs - Completed Projects NJ39P06250114	37
OTHER REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38 - 39

INDEPENDENT AUDITOR'S REPORT

June 20, 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Cape May, (the "Authority"), Cape May, New Jersey, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of Commissioners
Housing Authority of the City of Cape May

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

Opinion

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

Emphasis of Matter

As discussed in Notes 2 and 6 to the financial statements, the Authority has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68." These statements modify the accounting for the Authority's pensions. Also, as noted in Note 6 to the financial statements, beginning net position was restated to correct an error. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9; the schedule of the Authority's proportionate share of the net pension liability on page 24 and the schedule of Authority contributions on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information presented on pages 26 through 37, including the financial data schedule, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 basic financial statements.

Board of Commissioners
Housing Authority of the City of Cape May

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 June 20, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
SEPTEMBER 30, 2015

As management of the Housing Authority of the City of Cape May (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activity of the Authority for the year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources as of September 30, 2015 by \$1,054,695 (net position).
- The Authority's cash and cash equivalents balance as of September 30, 2015 was \$371,401, representing an increase of \$3,132 from September 30, 2014.
- The Authority had intergovernmental revenues of \$299,303 in HUD operating grants and \$112,738 of capital fund grants (used for operations) for the year ended September 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Implementation of GASB Statements No. 68 and 71

During the year, the Authority implemented Government Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments (e.g. school districts, authorities).

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

SEPTEMBER 30, 2015

The adoption of GASB Statements No. 68 and No. 71 have had, and will continue to have, a profound effect on the financial statements and net position of governments not only in New Jersey, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

More specifically, the Authority contributes to the Public Employees Retirement System ("PERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits. In cost-sharing multiple-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the pensions of the employees of any employer that provides pensions through the plan.

The new standards have shifted pension reporting from a funding-based approach, in which the Authority reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the Authority will report its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments.

While the net pension liability is significant to the Authority's financial statements, it is a liability the Authority has limited control over. Over the last five years, the PERS employer contribution rate has risen significantly. These increases are expected to improve the plan's funding level, which will reduce net position in future years.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE)

Comparison of 2015 to 2014

Total assets and deferred outflows of resources increased by \$110,769, or 6.83 percent, primarily due to an increase in deferred outflows of resources related to pension expense that is deferred under GASB Statements 68 and 71.

Other current assets decreased \$1,081, or 13.21 percent, due mainly to a decrease in tenant receivables.

Total liabilities and deferred inflows of resources increased by \$308,995 or 83.87 percent, primarily due to an increase in the Authority's proportionate share of the net pension liability.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

SEPTEMBER 30, 2015

HUD operating grants and capital grants increased in 2015 from 2014 by \$45,126 due to an increase in Capital Fund Program funds drawn down for operating costs and an increase in Low-income Public Housing Program subsidy provided by HUD.

Administrative expenses increased in 2015 from 2014 by \$35,649 due to additional pension expense recognized in the first year of GASB Statements 68 and 71 implementation, offset by the elimination of contributions to the CREW program.

Utilities expenses increased in 2015 from 2014 by \$7,543 primarily due to increases in electric and water rates.

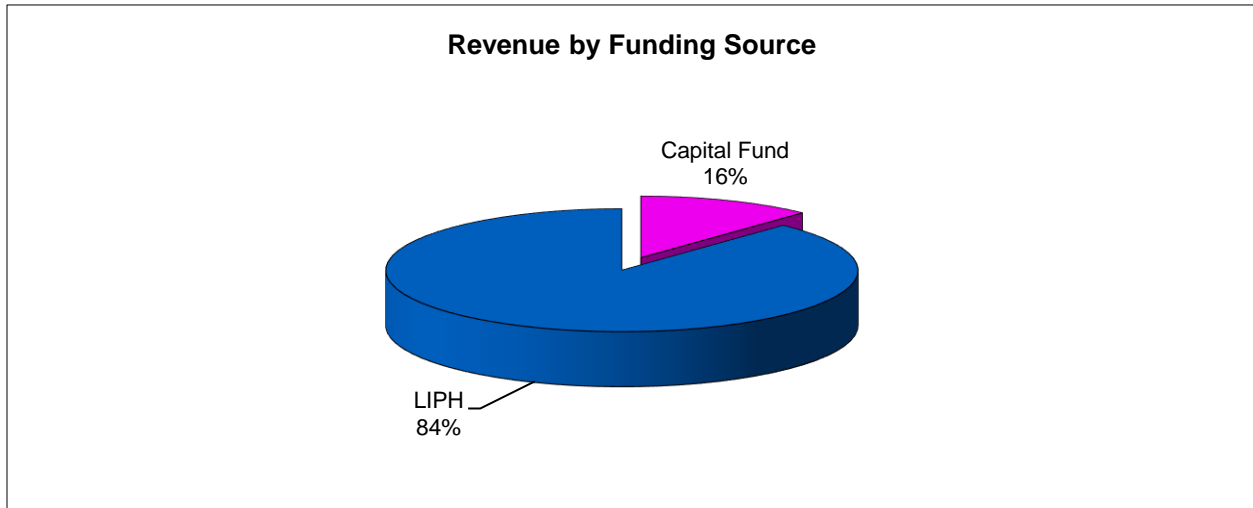
Depreciation expense increased in 2015 from 2014 by \$6,134 due to capitalization of the bathroom/vanity project.

Maintenance expenses increase in 2015 from 2014 by \$25,845 due to additional pension expense recognized in the first year of GASB Statements 68 and 71 implementation offset by the elimination of contributions to the CREW program.

The following table summarizes the condensed statements of net position between September 30, 2015 and 2014:

<u>ENTITY-WIDE</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 371,401	\$ 368,269
Other current assets	7,101	8,182
Capital assets	1,073,582	1,196,968
Deferred outflows	280,046	47,942
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>1,732,130</u>	<u>1,621,361</u>
Current liabilities	97,927	83,072
Noncurrent liabilities	570,474	269,658
Deferred inflows	9,034	15,710
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>677,435</u>	<u>368,440</u>
Net investment in capital assets	1,073,582	1,196,968
Unrestricted (deficit)	(18,887)	55,953
TOTAL NET POSITION	<u>\$ 1,054,695</u>	<u>\$ 1,252,921</u>

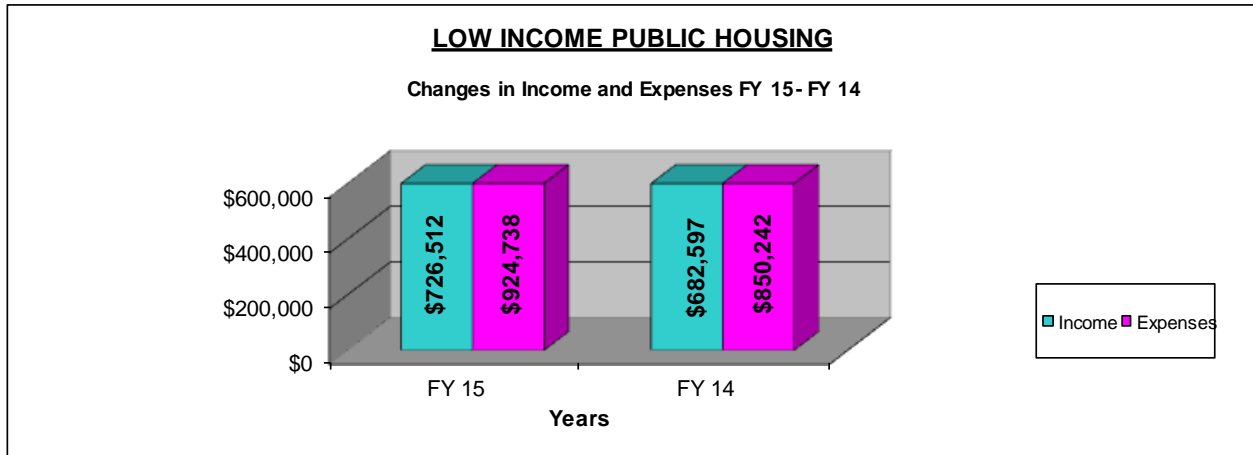
HOUSING AUTHORITY OF THE CITY OF CAPE MAY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
SEPTEMBER 30, 2015



The table below summarizes the condensed statement of revenues, expenses, and changes in net position for the years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
REVENUE:		
Tenant rental revenue	\$ 309,073	\$ 306,377
HUD PHA operating grants	299,303	282,853
Capital grants - soft costs	112,738	84,062
Investment income	614	1,423
Other revenue	4,784	7,882
TOTAL REVENUE	<u>726,512</u>	<u>682,597</u>
EXPENSES:		
Administrative	242,196	206,547
Utilities	260,631	253,088
Tenant services	1,375	1,620
Maintenance	254,409	228,564
General expenses	10,885	12,311
Insurance expenses	22,959	21,963
Depreciation expense	132,283	126,149
TOTAL EXPENSES	<u>924,738</u>	<u>850,242</u>
CHANGE IN NET POSITION	(198,226)	(167,645)
NET POSITION, BEGINNING	<u>1,252,921</u>	<u>1,420,566</u>
NET POSITION, ENDING	<u>\$ 1,054,695</u>	<u>\$ 1,252,921</u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
SEPTEMBER 30, 2015



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The following table summarizes the changes in capital assets between September 30, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Land	\$ 30,200	\$ 30,200
Buildings and building improvements	3,685,654	3,610,855
Furniture, equipment, and machinery- administration	88,338	88,338
Construction-in-progress	-	65,902
TOTAL CAPITAL ASSETS	3,804,192	3,795,295
Accumulated depreciation	<u>2,730,610</u>	<u>2,598,327</u>
CAPITAL ASSETS, NET	<u>\$ 1,073,582</u>	<u>\$ 1,196,968</u>

Debt:

As of September 30, 2015 and 2014, the Authority had no outstanding debt.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
SEPTEMBER 30, 2015

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2016:

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

**HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 344,433
Tenant security deposits	26,968
Accounts receivable, net	1,253
Prepaid expenses	5,848
Total Current Assets	<u>378,502</u>
NONCURRENT ASSETS:	
Land	30,200
Capital assets, net	1,043,382
Total Noncurrent Assets	<u>1,073,582</u>
TOTAL ASSETS	<u>1,452,084</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension expense	<u>280,046</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,732,130</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 68,091
Accrued compensated absences	2,868
Tenant security deposits	26,968
Total Current Liabilities	<u>97,927</u>
NONCURRENT LIABILITIES:	
Accrued compensated absences	8,603
Net pension liability	561,871
Total Noncurrent Liabilities	<u>570,474</u>
TOTAL LIABILITIES	<u>668,401</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred pension expense	<u>9,034</u>
NET POSITION:	
Net investment in capital assets	1,073,582
Unrestricted (Deficit)	(18,887)
TOTAL NET POSITION	<u>1,054,695</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,732,130</u>

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

**HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

OPERATING INCOME	
Tenant revenue	\$ 309,073
Government operating grants and capital grants (soft costs)	412,041
Other income	4,784
TOTAL OPERATING INCOME	<u>725,898</u>
OPERATING EXPENSES	
Administration	242,196
Utilities	260,631
Tenant services	1,375
Maintenance	254,409
Insurance expense	22,959
General expense	10,885
Depreciation expense	132,283
TOTAL OPERATING EXPENSES	<u>924,738</u>
NET OPERATING LOSS	<u>(198,840)</u>
NONOPERATING INCOME	
Interest on investments	614
TOTAL NONOPERATING INCOME	<u>614</u>
CHANGE IN NET POSITION	(198,226)
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>1,252,921</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,054,695</u></u>

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

**HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from tenants	\$ 310,582
Cash receipts from HUD	412,041
Other operating cash receipts	4,784
Cash payments to employees for services	(189,074)
Cash payments to suppliers of goods or services	(526,918)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>11,415</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(8,897)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,897)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	614
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>614</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 3,132
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>368,269</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 371,401</u>
 CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	\$ (198,840)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	132,283
Changes in assets and liabilities:	
Decrease in accounts receivable	1,509
Increase in prepaid expenses	(428)
Increase in deferred outflow of resources - deferred pension expense	(232,104)
Increase in accounts payable and accrued expenses	13,179
Increase in tenant security deposits	824
Increase in compensated absences	3,405
Decrease in deferred inflow of resources - deferred pension expense	(6,676)
Increase in net pension liability	298,263
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 11,415</u>
 SUMMARY OF CASH:	
Cash and cash equivalents	\$ 344,433
Tenant security deposits	26,968
Total cash and cash equivalents	<u>\$ 371,401</u>

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND ACTIVITY

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

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

As of September 30, 2015, the activities of the Authority included the ownership and management of 85 units of public housing in the City of Cape May.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Presentation

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

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations.

The criteria for including organizations within the Authority's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 61, relate to financial accountability. On the basis of these criteria, the Authority has no other entities that are required to be included in its financial statements, nor is the Authority includable in the financial statements of any other reporting entity.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation

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

Measurement Focus/Basis of Accounting

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

The Authority adheres to the provisions of GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures." Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- **Unrestricted** – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." Administrative expenses are paid with the use of unrestricted resources.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all deposit and certificate of deposit accounts with an original maturity of three months or less to be cash equivalents.

Revenue

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

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

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

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

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Authority provides for losses on accounts receivable using the allowance method. The allowance is based on experience and knowledge about the collectability of individual accounts. Receivables are considered impaired if full principal payments are not received in accordance with the repayment terms. It is the Authority's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of September 30, 2015, the allowance for doubtful accounts was \$418.

Budgets and Budgetary Control

The Authority prepares an annual comprehensive budget, as required by N.J.S.A. 40A: 5A-10, the Housing Authority Act, for submission to the New Jersey Department of Community Affairs. The budget includes all operations of the Authority. Unexpended appropriations for annually-

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

budgeted funds lapse at fiscal year end. Original budgets and budget amendments must be approved by Board resolutions. There were no budget amendments during the year ended September 30, 2015.

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. Annual budgets lapse at fiscal year end.

Capital Assets

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

Assets capitalized generally have an original cost of \$2,000 or more and a useful life of more than one year. Depreciation has been provided on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Building improvements	10 - 20 years
Furniture, equipment, and machinery	5 - 7 years

Compensated Absences

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

Revenues and Expenses

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Use of Restricted/Unrestricted Net Position

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

Implementation of New Accounting Pronouncements

During the current year, the Authority implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability or, for multi-employer cost sharing plans, the entity's share of the net pension liability in the entity's financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

Use of Estimates in the Preparation of Financial Statements

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

NOTE 3 DEPOSITS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. At September 30, 2015, the carrying amount of the Authority's deposits was \$371,401, and the bank balance was \$371,535. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$121,535 was covered by the Governmental Unit

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS (cont'd)

Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

NOTE 4 CAPITAL ASSETS

The changes in capital assets for the year ended September 30, 2015 are as follows:

	Beginning Balance 10/01/14	Additions	Deletions/ Adjustments	Ending Balance 09/30/15
Capital assets not being depreciated:				
Land	\$ 30,200	\$ -	\$ -	\$ 30,200
Construction-in-progress	65,902	-	(65,902)	-
Total Capital Assets Not Being Depreciated	<u>96,102</u>	<u>-</u>	<u>(65,902)</u>	<u>30,200</u>
Capital assets being depreciated:				
Buildings and building improvements	3,610,855	74,799	-	3,685,654
Furniture, equipment, and machinery - administration	88,338	-	-	88,338
Total Capital Assets Being Depreciated	<u>3,699,193</u>	<u>74,799</u>	<u>-</u>	<u>3,773,992</u>
Accumulated depreciation	<u>2,598,327</u>	<u>132,283</u>	<u>-</u>	<u>2,730,610</u>
Total Capital Assets Being Depreciated, Net	<u>1,100,866</u>	<u>(57,484)</u>	<u>-</u>	<u>1,043,382</u>
CAPITAL ASSETS, NET	<u>\$1,196,968</u>	<u>\$ (57,484)</u>	<u>\$ (65,902)</u>	<u>\$1,073,582</u>

NOTE 5 PENSION PLAN

Plan Description

The Authority contributes to Public Employees Retirement System ("PERS"), a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits ("the Division"). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report ("CAFR"), which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by all active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. The local employers' contribution amounts are based on the actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50 percent of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with full payment, and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets. For the year ended June 30, 2015, the rate of the Authority contribution was 12.46 percent of covered payroll. The Authority's contribution to PERS for the years ended September 30, 2015, 2014, and 2013 was \$21,519, \$11,607, and \$8,795, respectively.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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

At September 30, 2015, the Authority reported a liability of \$561,871 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2014 to June 30, 2015. The Authority's proportion of the net pension liability was calculated utilizing the employer's contributions to total employer contributions for the year ended June 30, 2015.

At June 30, 2015, the Authority's proportion was 0.0025 percent, which was an increase of 0.0013 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the Authority recognized pension expense of \$81,002. At September 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 9,034
Changes in proportions	206,302	-
Changes in assumptions	60,340	-
Difference between expected and actual experience	13,404	-
	<u>\$ 280,046</u>	<u>\$ 9,034</u>

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

Year Ended September 30,

2016	\$ 46,165
2017	46,165
2018	46,165
2019	53,147
2020	44,998
2021	34,382
	<u>\$ 271,012</u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the system's total pension liability as of the July 1, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Investment return – 7.90 percent
- Salary increases 2012 to 2021 – 2.15% - 4.40%, based on age
- Salary increases thereafter – 3.15% - 5.40% based on age
- Inflation rate – 3.04%
- Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.90 percent at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Divisions 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	-0.40%
REIT	4.25%	5.12%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 4.90 percent as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90 percent and a municipal bond rate of 3.80 percent as of June 30, 2015 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 4.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.90 percent) or one percentage point higher (5.90 percent) than the current rate.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY

SEPTEMBER 30, 2015

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

	1% Decrease 3.90%	Current Rate Discount Rate 4.90%	1% Increase 5.90%
Authority's proportionate share of the net pension liability	\$ 698,337	\$ 561,871	\$ 447,459

NOTE 6 PRIOR PERIOD RESTATEMENTS

The Authority has restated its October 1, 2014 net position to record the net pension liability, deferred outflows of resources, and deferred inflows of resources at September 30, 2014 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71, as discussed in Note 2. The net result of this change is a decrease of \$231,376 in net position.

The Authority has restated its October 1, 2014 net position to correct an error with the prior year accounts payable balance. The result of this adjustment was a decrease of \$11,607 in net position.

NOTE 7 DEFICIT NET POSITION

The unrestricted net deficit of \$18,887 as of September 30, 2015 includes the effect of the recognition of the deferred outflows of resources related to differences between expected and actual experience, changes in assumptions, and changes in proportion. This is offset by the Authority's proportionate share of the net pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 8 ECONOMIC DEPENDENCY

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

NOTE 9 SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through June 20, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

	<u>June 30, 2015</u>
Authority's proportion of the net pension liability	0.0025%
Authority's proportion of the net pension liability - dollar value	\$ 561,871
Authority's covered employee payroll	\$ 172,705
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	325.34%
Plan fiduciary net position as a percentage of the total pension liability	47.93%

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

**HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY CONTRIBUTIONS**

	June 30, 2015
Contractually required contribution	\$ 21,519
Contributions in relation to the contractually required contribution	21,519
Contribution excess	\$ -
Authority's covered employee payroll	\$ 172,705
Contributions as a percentage of covered employee payroll	12.46%

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

SUPPLEMENTARY INFORMATION

Cape May Housing Authority (NJ062)
CAPE MAY, NJ
Entity-wide Balance Sheet Summary

Fiscal Year End: 09/30/2015

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$ 344,433	\$ 344,433	\$ 344,433
112 Cash - Restricted - Modernization and Development	-	-	-
113 Cash - Other Restricted	-	-	-
114 Cash - Tenant Security Deposits	26,968	26,968	26,968
115 Cash - Restricted for Payment of Current Liabilities	-	-	-
100 Total Cash	371,401	371,401	371,401
121 Accounts Receivable - PHA Projects	-	-	-
122 Accounts Receivable - HUD Other Projects	-	-	-
124 Accounts Receivable - Other Government	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	-
126 Accounts Receivable - Tenants	1,671	1,671	1,671
126.1 Allowance for Doubtful Accounts - Tenants	(418)	(418)	(418)
126.2 Allowance for Doubtful Accounts - Other	-	-	-
127 Notes, Loans, and Mortgages Receivable - Current	-	-	-
128 Fraud Recovery	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-
129 Accrued Interest Receivable	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	1,253	1,253	1,253
131 Investments - Unrestricted	-	-	-
132 Investments - Restricted	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-

Cape May Housing Authority (NJ062)
CAPE MAY, NJ

Entity-wide Balance Sheet Summary

Fiscal Year End: 09/30/2015

	Project Total	Subtotal	Total
142 Prepaid Expenses and Other Assets	5,848	5,848	5,848
143 Inventories	-	-	-
143.1 Allowance for Obsolete Inventories	-	-	-
144 Inter Program Due From	-	-	-
145 Assets Held for Sale	-	-	-
150 Total Current Assets	378,502	378,502	378,502
161 Land	30,200	30,200	30,200
162 Buildings	3,685,654	3,685,654	3,685,654
163 Furniture, Equipment, and Machinery - Dwellings	-	-	-
164 Furniture, Equipment, and Machinery - Administration	88,338	88,338	88,338
165 Leasehold Improvements	-	-	-
166 Accumulated Depreciation	(2,730,610)	(2,730,610)	(2,730,610)
167 Construction-in-progress	-	-	-
168 Infrastructure	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	1,073,582	1,073,582	1,073,582
171 Notes, Loans, and Mortgages Receivable - Non-current	-	-	-
172 Notes, Loans, and Mortgages Receivable - Non-current - Past Due	-	-	-
173 Grants Receivable - Non-current	-	-	-
174 Other Assets	-	-	-
176 Investments in Joint Ventures	-	-	-
180 Total Non-current Assets	1,073,582	1,073,582	1,073,582

Cape May Housing Authority (NJ062)
 CAPE MAY, NJ
Entity-wide Balance Sheet Summary

Fiscal Year End: 09/30/2015

	Project Total	Subtotal	Total
200 Deferred Outflow of Resources	280,046	280,046	280,046
190 Total Assets and Outflow of Resources	1,732,130	1,452,084	1,732,130
311 Bank Overdraft	-	-	-
312 Accounts Payable <= 90 Days	42,968	42,968	42,968
313 Accounts Payable >90 Days Past Due	-	-	-
321 Accrued Wage/Payroll Taxes Payable	9,089	9,089	9,089
322 Accrued Compensated Absences - Current Portion	2,868	2,868	2,868
324 Accrued Contingency Liability	-	-	-
325 Accrued Interest Payable	-	-	-
331 Accounts Payable - HUD PHA Programs	-	-	-
332 Account Payable - PHA Projects	-	-	-
333 Accounts Payable - Other Government	10,173	10,173	10,173
341 Tenant Security Deposits	26,968	26,968	26,968
342 Deferred Revenues	-	-	-
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-
345 Other Current Liabilities	-	-	-
346 Accrued Liabilities - Other	5,861	5,861	5,861
347 Inter Program - Due To	-	-	-
348 Loan Liability - Current	-	-	-
310 Total Current Liabilities	97,927	97,927	97,927

Cape May Housing Authority (NJ062)
CAPE MAY, NJ
Entity-wide Balance Sheet Summary

Fiscal Year End: 09/30/2015

	Project Total	Subtotal	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-
353 Non-current Liabilities - Other	-	-	-
354 Accrued Compensated Absences - Non-current	8,603	8,603	8,603
355 Loan Liability - Non-current	-	-	-
356 FASB 5 Liabilities	-	-	-
357 Accrued Pension and OPEB Liabilities	561,871	561,871	561,871
350 Total Non-current Liabilities	570,474	570,474	570,474
300 Total Liabilities	668,401	668,401	668,401
400 Deferred Inflows of Resources	9,034	9,034	9,034
508.1 Net Investment in Capital Assets	1,073,582	1,073,582	1,073,582
509.2 Fund Balance Reserved	-	-	-
511.2 Unreserved, Designated Fund Balance	-	-	-
511.1 Restricted Net Position	-	-	-
512.1 Unrestricted Net Position	(18,887)	(18,887)	(18,887)
512.2 Unreserved, Undesignated Fund Balance	-	-	-
513 Total Equity/Net Position	1,054,695	1,054,695	1,054,695
600 Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position	\$ 1,732,130	\$ 1,452,084	\$ 1,732,130

Cape May Housing Authority (NJ062)
CAPE MAY, NJ

Single Project Revenue and Expense

Fiscal Year End: 09/30/2015

Project Name: NJ062000001

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$ 303,421	\$ -	\$ 303,421
70400 Tenant Revenue - Other	5,652	-	5,652
70500 Total Tenant Revenue	309,073	-	309,073
70600 HUD PHA Operating Grants	299,303	112,738	412,041
70610 Capital Grants	-	-	-
70710 Management Fee	-	-	-
70720 Asset Management Fee	-	-	-
70730 Bookkeeping Fee	-	-	-
70740 Front Line Service Fee	-	-	-
70750 Other Fees	-	-	-
70700 Total Fee Revenue	-	-	-
70800 Other Government Grants	-	-	-
71100 Investment Income - Unrestricted	614	-	614
71200 Mortgage Interest Income	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-
71310 Cost of Sale of Assets	-	-	-
71400 Fraud Recovery	-	-	-
71500 Other Revenue	4,784	-	4,784
71600 Gain or Loss on Sale of Capital Assets	-	-	-
72000 Investment Income - Restricted	-	-	-
70000 Total Revenue	\$ 613,774	\$ 112,738	\$ 726,512

Cape May Housing Authority (NJ062)

CAPE MAY, NJ

Single Project Revenue and Expense

Fiscal Year End: 09/30/2015

Project Name: NJ062000001

	Low Rent	Capital Fund	Total Project
91100 Administrative Salaries	\$ 88,320	\$ -	\$ 88,320
91200 Auditing Fees	9,000	-	9,000
91300 Management Fee	-	-	-
91310 Bookkeeping Fee	-	-	-
91400 Advertising and Marketing	412	-	412
91500 Employee Benefit Contributions - Administrative	76,058	-	76,058
91600 Office Expenses	5,395	-	5,395
91700 Legal Expense	16,132	-	16,132
91800 Travel	-	-	-
91810 Allocated Overhead	-	-	-
91900 Other	46,879	-	46,879
91000 Total Operating - Administrative	242,196	-	242,196
92000 Asset Management Fee	-	-	-
92100 Tenant Services - Salaries	-	-	-
92200 Relocation Costs	-	-	-
92300 Employee Benefit Contributions - Tenant Services	-	-	-
92400 Tenant Services - Other	1,375	-	1,375
92500 Total Tenant Services	1,375	-	1,375
93100 Water	85,746	-	85,746
93200 Electricity	174,885	-	174,885
93300 Gas	-	-	-
93400 Fuel	-	-	-

Cape May Housing Authority (NJ062)
CAPE MAY, NJ

Single Project Revenue and Expense

Fiscal Year End: 09/30/2015

Project Name: NJ062000001

	Low Rent	Capital Fund	Total Project
93500 Labor	-	-	-
93600 Sewer	-	-	-
93700 Employee Benefit Contributions - Utilities	-	-	-
93800 Other Utilities Expense	-	-	-
93000 Total Utilities	260,631	-	260,631
94100 Ordinary Maintenance and Operations - Labor	104,159	-	104,159
94200 Ordinary Maintenance and Operations - Materials and Other	26,228	-	26,228
94300 Ordinary Maintenance and Operations Contracts	34,737	-	34,737
94500 Employee Benefit Contributions - Ordinary Maintenance	89,285	-	89,285
94000 Total Maintenance	254,409	-	254,409
95100 Protective Services - Labor	-	-	-
95200 Protective Services - Other Contract Costs	-	-	-
95300 Protective Services - Other	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-
95000 Total Protective Services	-	-	-
96110 Property Insurance	10,102	-	10,102
96120 Liability Insurance	7,806	-	7,806
96130 Workmen's Compensation	2,985	-	2,985
96140 All Other Insurance	2,066	-	2,066
96100 Total Insurance Premiums	22,959	-	22,959

Cape May Housing Authority (NJ062)
CAPE MAY, NJ

Single Project Revenue and Expense

Fiscal Year End: 09/30/2015

Project Name: NJ062000001

	Low Rent	Capital Fund	Total Project
96200 Other General Expenses	-	-	-
96210 Compensated Absences	3,832	-	3,832
96300 Payments in Lieu of Taxes	4,844	-	4,844
96400 Bad Debt - Tenant Rents	2,209	-	2,209
96500 Bad Debt - Mortgages	-	-	-
96600 Bad Debt - Other	-	-	-
96800 Severance Expense	-	-	-
96000 Total Other General Expenses	10,885	-	10,885
96710 Interest of Mortgage (or Bonds) Payable	-	-	-
96720 Interest on Notes Payable (Short and Long-term)	-	-	-
96730 Amortization of Bond Issue Costs	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	-
96900 Total Operating Expenses	792,455	-	792,455
97000 Excess of Operating Revenue Over Operating Expenses	(178,681)	112,738	(65,943)
97100 Extraordinary Maintenance	-	-	-
97200 Casualty Losses - Non-capitalized	-	-	-
97300 Housing Assistance Payments	-	-	-
97350 HAP Portability - In	-	-	-
97400 Depreciation Expense	132,283	-	132,283
97500 Fraud Losses	-	-	-

Cape May Housing Authority (NJ062)

CAPE MAY, NJ

Single Project Revenue and Expense

Fiscal Year End: 09/30/2015

Project Name: NJ062000001

	Low Rent	Capital Fund	Total Project
97600 Capital Outlays - Governmental Funds	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-
97800 Dwelling Units Rent Expense	924,738	-	924,738
90000 Total Expenses	924,738	-	924,738
10010 Operating Transfer In	112,738	-	112,738
10020 Operating Transfer Out	-	(112,738)	(112,738)
10030 Operating Transfers from/to Primary Government	-	-	-
10040 Operating Transfers from/to Component Unit	-	-	-
10050 Proceeds from Notes, Loans, and Bonds	-	-	-
10060 Proceeds from Property Sales	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	-
10091 Inter Project Excess Cash Transfer In	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-
10093 Transfers Between Program and Project - In	-	-	-
10094 Transfers Between Project and Program - Out	-	-	-
10100 Total Other Financing Sources (Uses)	112,738	(112,738)	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(198,226)	-	(198,226)
11020 Required Annual Debt Principal Payments	-	-	-
11030 Beginning Equity	1,495,904	-	1,495,904
11040 Prior Period Adjustments, Equity Transfers, and Correction of Errors	(242,983)	-	(242,983)

Cape May Housing Authority (NJ062)
CAPE MAY, NJ

Single Project Revenue and Expense

Fiscal Year End: 09/30/2015

Project Name: NJ062000001

	Low Rent	Capital Fund	Total Project
11050 Changes in Compensated Absence Balance	-	-	-
11060 Changes in Contingent Liability Balance	-	-	-
11070 Changes in Unrecognized Pension Transition Liability	-	-	-
11080 Changes in Special Term/Severance Benefits Liability	-	-	-
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-
11100 Changes in Allowance for Doubtful Accounts - Other	-	-	-
11170 Administrative Fee Equity	-	-	-
11180 Housing Assistance Payments Equity	-	-	-
11190 Unit Months Available	1,020	-	1,020
11210 Number of Unit Months Leased	997	-	997
11270 Excess Cash	-	-	-
11610 Land Purchases	-	-	-
11620 Building Purchases	-	-	-
11630 Furniture and Equipment - Dwelling Purchases	-	-	-
11640 Furniture and Equipment - Administrative Purchases	-	-	-
11650 Leasehold Improvements Purchases	-	-	-
11660 Infrastructure Purchases	-	-	-
13510 CFFP Debt Service Payments	-	-	-
13901 Replacement Housing Factor Funds	-	-	-

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
RECONCILIATION OF CAPITAL FUNDS ADVANCED WITH COST - EXCESS OR DEFICIENT
ADVANCES - PHA OWNED HOUSING
SEPTEMBER 30, 2015

	Capital Fund 2015
Funds Approved	\$ 92,657
Funds Expended	-
Excess of Funds Approved	\$ 92,657
Funds Advanced	\$ -
Funds Expended	-
Excess of Funds Advanced	\$ -

**HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION
COSTS - COMPLETED PROJECTS
SEPTEMBER 30, 2015**

	Project No. NJ39P06250114		
	Approved Budget	Actual Costs	Overrun
Operations	\$ 91,089	\$ 91,089	\$ -
TOTAL COSTS	\$ 91,089	\$ 91,089	\$ -

1. The actual 2014 modernization costs are as shown above.
2. The distribution of costs by major cost accounts as shown on the Annual Statement/Performance and Evaluation Report dated May 19, 2015, accompanying the actual modernization cost certificate submitted to HUD for approval, is in agreement with the Housing Authority's records.
3. All costs have been paid, and all related liabilities have been discharged through payment.
4. There were no budget overruns noted.

OTHER REPORT

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

June 20, 2016

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Cape May (the "Authority"), Cape May, New Jersey as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2016.

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 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 may exist that have not been identified.

Board of Commissioners
Housing Authority of the City of Cape May

Compliance and Other Matters

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

Purpose of this Report

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP