



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2019 AND 2018

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

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WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Authority of the City of Cape May, Cape May, New Jersey (the "Authority"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the City of Cape May, Cape May, New Jersey as of September 30, 2019, and the respective changes in net position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note F to the financial statements, during the fiscal year ended September 30, 2019, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Prior Year Financial Statements

The financial statements of the Authority as of and for the year ended September 30, 2018 were audited by other auditors whose report June 27, 2019 expressed a modified opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 - 8, Schedule of the Authority's Proportionate Share of the Net OPEB liability on page 42, Schedule of the Authority's OPEB Contributions on page 43, Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 45, and Schedule of the Authority's Contribution on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedule on pages 49 - 58, Reconciliation of Capital Funds Advanced With Cost – Excess or Deficient Advances – PHA-Owned Housing on page 60, and Statement of Certification of Actual Modernization Costs – Completed Projects on page 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information (Continued)

The financial data schedule, reconciliation of capital funds advanced with cost – excess or deficient advances – PHA-owned housing, and statement of certification of actual modernization costs – completed projects are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule, reconciliation of capital funds advanced with cost – excess or deficient advances – PHA-owned housing, and statement of certification of actual modernization costs – completed projects are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Authority's internal control over financial reporting and compliance.

Whisman Giordano & Associates, LLC

Newark, Delaware
August 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
AS OF AND YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which being on page 10.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Authority exceeded its assets and deferred outflows as of September 30, 2019 by \$709,783 (net position).
- The Authority's cash and cash equivalents and security deposits balance as of September 30, 2019 was \$310,984, representing a decrease of \$23,492 from September 30, 2018.
- The Authority had intergovernmental revenues of \$321,054 in HUD operating grants and \$132,373 of capital find grants (used for operations) for the year ended September 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
 AS OF AND YEARS ENDED SEPTEMBER 30, 2019 AND 2018

FINANCIAL ANALYSIS OF THE AUTHORITY

Comparison of 2019 to 2018

Total assets and deferred outflows of resources decreased by \$78,803, or 6.62%, primarily due to a decrease in cash and decrease in deferred outflows of resources.

Total liabilities and deferred inflows of resources increased by \$1,104,240, or 136.95%, primarily due to the implementation of GASB 75.

HUD operating grants and capital grants increased by \$26,862 due to an increase in funding to both grants provide by HUD.

Administrative expenses decreased by \$31,440 due to a decrease in pension and OPEB expense.

Utilities expenses decreased by \$33,699 mostly attributable to a decrease in electricity expense.

Depreciation expense decreased by \$45,287 due to assets being fully depreciated in the prior year.

Maintenance expenses decreased by \$15,883 due to a decrease in salaries associated with maintenance.

Net Position, may serve over time as useful indicator of an agency's financial position. In the case of the Housing Authority of Cape May, New Jersey, liabilities exceed assets by \$710 thousand at the close of the most recent fiscal year. The following table shows a summary of changes from the prior years:

	2019	2018
Current and other assets	\$ 330,757	\$ 346,758
Capital assets, net of depreciation	748,030	732,829
Deferred outflows of resources	110,984	188,987
Total assets and deferred outflows of resources	<u>1,189,771</u>	<u>1,268,574</u>
Current liabilities	112,272	99,158
Noncurrent liabilities	987,694	532,782
Deferred inflows of resources	810,594	174,380
Total liabilities and deferred inflows of resources	<u>1,910,560</u>	<u>806,320</u>
Net investment in capital assets	748,030	732,829
Unrestricted (Deficit)	(1,457,813)	(270,575)
Net position	<u>\$ (709,783)</u>	<u>\$ 462,254</u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
 AS OF AND YEARS ENDED SEPTEMBER 30, 2019 AND 2018

STATEMENT OF NET POSITION

The statement of activities shows the sources of changes in net position as they arise through various programs and functions. A condensed statement of activities comparing fiscal year 2019 and 2018:

	2019	2018
Tenant rental revenue	\$ 397,512	\$ 367,927
HUD PHA Operating Grants	321,054	303,362
Capital grants, soft costs	132,373	123,203
Net investment income	538	585
Other income	3,352	9,506
Total revenues	854,829	804,583
Operating expenses		
Administrative	231,766	263,206
Tenant services	3,682	1,375
Utilities	228,080	261,779
Maintenance	260,986	276,869
General	23,899	28,636
Insurance expenses	33,847	13,548
Depreciation	73,777	119,064
Nonroutine maintenance	-	-
Total expenses	856,037	964,477
Change in net position	(1,208)	(159,894)
Net position, beginning as originally stated	462,254	622,148
Cumulative effect of change in accounting principle	(1,170,829)	-
Net position, beginning as restated	(708,575)	-
Net position, ending	\$ (709,783)	\$ 462,254

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
 AS OF AND YEARS ENDED SEPTEMBER 30, 2019 AND 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

The following table summarizes the changes in capital assets between fiscal years 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 30,200	\$ 30,200
Buildings and improvements	3,560,366	3,461,033
Equipment	77,560	78,690
Construction in progress	-	10,355
Total capital assets	<u>3,668,126</u>	<u>3,580,278</u>
Accumulated depreciation	<u>(2,920,096)</u>	<u>(2,847,449)</u>
Net capital assets	<u>\$ 748,030</u>	<u>\$ 732,829</u>

As of September 30, 2019, 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, 2020:

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 281,496	\$ 304,669
Tenant security deposits	29,488	29,807
Accounts receivable, net	9,506	4,625
Prepaid expenses	10,267	7,657
Total current assets	<u>330,757</u>	<u>346,758</u>
Noncurrent assets		
Capital assets, net of depreciation	<u>748,030</u>	<u>732,829</u>
Total noncurrent assets	<u>748,030</u>	<u>732,829</u>
Total Assets	<u>1,078,787</u>	<u>1,079,587</u>
Deferred outflows of resources		
Related to pensions	110,984	188,987
Related to OPEB	<u>11,006</u>	<u>-</u>
Total deferred outflows of resources	<u>121,990</u>	<u>188,987</u>
Total assets and deferred outflow of resources	<u>\$ 1,200,777</u>	<u>\$ 1,268,574</u>
Liabilities and Deferred Inflows of Resources, and Net Position		
Current liabilities		
Accounts payable and accrued expenses	\$ 77,548	\$ 65,642
Accrued compensated absences	5,236	3,709
Tenant security deposit	29,488	29,807
Total current liabilities	<u>112,272</u>	<u>99,158</u>
Noncurrent liabilities		
Accrued compensated absences	15,708	11,128
Net pension liability	487,443	521,654
Other postemployment benefits	<u>484,543</u>	<u>-</u>
Total noncurrent liabilities	<u>987,694</u>	<u>532,782</u>
Total liabilities	<u>1,099,966</u>	<u>631,940</u>
Deferred inflows of resources		
Related to pensions	179,037	174,380
Related to OPEB	<u>631,557</u>	<u>-</u>
Total deferred inflows of resources	<u>810,594</u>	<u>174,380</u>
Net position		
Net investments in capital assets	748,030	732,829
Unrestricted net assets (deficit)	<u>(1,457,813)</u>	<u>(270,575)</u>
Total net position	<u>(709,783)</u>	<u>462,254</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 1,200,777</u>	<u>\$ 1,268,574</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Tenant revenue	\$ 397,512	\$ 367,927
Government operating grants	321,054	303,362
Capital grants (soft costs)	132,373	123,203
Other income	3,352	9,506
Total operating revenues	<u>854,291</u>	<u>803,998</u>
Operating expenses		
Administrative	231,766	263,206
Tenant services	3,682	1,375
Utilities	228,080	261,779
Maintenance	260,986	276,869
General	23,899	28,636
Insurance expenses	33,847	13,548
Depreciation expense	73,777	119,064
Total operating expenses	<u>856,037</u>	<u>964,477</u>
Net operating income (loss)	<u>(1,746)</u>	<u>(160,479)</u>
Nonoperating revenues (expenses)		
Investment income	538	585
Total nonoperating revenues	<u>538</u>	<u>585</u>
Change in net position	<u>(1,208)</u>	<u>(159,894)</u>
Total net position - beginning, as originally stated	<u>462,254</u>	<u>622,148</u>
Cumulative effect of change in accounting principle	<u>(1,170,829)</u>	<u>-</u>
Total net position - beginning, as restated	<u>(708,575)</u>	<u>622,148</u>
Total net position - ending	<u>\$ (709,783)</u>	<u>\$ 462,254</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Cash receipts from tenants	\$ 397,512	\$ 370,653
Cash receipts from HUD	321,054	426,565
Other operating receipts	3,352	9,506
Cash payments to employees for services	(150,489)	(196,571)
Cash payments to suppliers of goods or services	(506,481)	(587,912)
Net cash provided by operating activities	64,948	22,241
Cash flows from capital and related financing activities		
Acquisition of capital assets	(88,978)	(33,938)
Net cash (used for) capital and related financing activities	(88,978)	(33,938)
Cash flows from investing activities		
Investment income	538	585
Net cash provided by investing activities	538	585
Net change in cash and cash equivalents	(23,492)	(11,112)
Cash and cash equivalents, beginning of year	334,476	345,588
Cash and cash equivalents, end of year	\$ 310,984	\$ 334,476
Cash and cash equivalents	\$ 281,496	\$ 304,669
Tenant security deposits	29,488	29,807
Total cash and cash equivalents	\$ 310,984	\$ 334,476

See accompanying notes to financial statements.

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

NOTE A – ORGANIZATION AND ACTIVITY

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

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

As of September 30, 2019, the activities of the Authority included the ownership and management of 85 units of public housing in the City of Cape May.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Presentation

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

Reporting Entity

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

Measurement Focus/Basis of Accounting

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

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

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

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

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

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

Cash and Cash Equivalents

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

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

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

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Authority provides for losses on accounts receivable using the allowance method. The allowance is based on experience and knowledge about the collectability of individual accounts. Receivables are considered impaired if full principal payments are not received in accordance with the repayment terms. It is the Authority's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of September 30, 2019, and 2018, the allowance for doubtful accounts was \$1,360 and \$356, respectively.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Control

The Authority prepares an annual comprehensive budget, as required by N.J.S.A. 40A: 5A-10, the Housing Authority Act, for submission to the New Jersey Department of Community Affairs. The budget includes all operations of the Authority. Unexpended appropriations for annually-budgeted funds lapse at fiscal year-end, original budgets and budget amendments must be approved by Board resolutions. There were no budget amendments during the year ended September 30, 2019.

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

Capital Assets

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

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

Buildings	40 years
Building Improvements	10 - 20 years
Furniture, equipment, and machinery	3 - 7 years

Deferred Outflows and Deferred Inflows of Resources

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources (Continued)

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

Compensated Absences

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

Pensions

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

Revenues and Expenses

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

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses (Continued)

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

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

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

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

Use of Restricted/Unrestricted Net Position

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

Income taxes

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

Use of Estimates in the Preparation of Financial Statements

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

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

NOTE C - DEPOSITS

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. At September 30, 2019 and 2018, the carrying amount of the Authority's deposits was \$310,984 and \$334,476, and the bank balance was \$318,013 and \$367,098. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$68,013 and \$117,098 was covered by the *Government Unit Depository Protection Act* of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by the approved custodian.

NOTE D - CAPITAL ASSETS

The changes in capital assets for the years ended September 30, 2019 and 2018 are as follows:

	10/1/2018	Additions	Deletions/ Adjustments	9/30/2019
<u>Non-depreciable assets:</u>				
Land	\$ 30,200	\$ -	\$ -	\$ 30,200
Construction in progress	10,355	-	(10,355)	-
Totals	<u>40,555</u>	<u>-</u>	<u>(10,355)</u>	<u>30,200</u>
<u>Depreciable capital assets:</u>				
Buildings and improvements	3,461,033	88,978	10,355	3,560,366
Equipment - admin & dwelling	78,690	-	(1,130)	77,560
Totals	<u>3,539,723</u>	<u>88,978</u>	<u>9,225</u>	<u>3,637,926</u>
Total capital assets	3,580,278	88,978	(1,130)	3,668,126
Accumulated depreciation:	<u>(2,847,449)</u>	<u>(73,777)</u>	<u>1,130</u>	<u>(2,920,096)</u>
Net capital assets	<u>\$ 732,829</u>	<u>\$ 15,201</u>	<u>\$ -</u>	<u>\$ 748,030</u>
	10/1/2017	Additions	Disposals	9/30/2018
<u>Non-depreciable assets:</u>				
Land	\$ 30,200	\$ -	\$ -	\$ 30,200
Construction in progress	-	10,355	-	10,355
Totals	<u>30,200</u>	<u>10,355</u>	<u>-</u>	<u>40,555</u>
<u>Depreciable capital assets:</u>				
Buildings and improvements	3,441,700	19,333	-	3,461,033
Equipment - admin & dwelling	99,099	4,250	(24,659)	78,690
Totals	<u>3,540,799</u>	<u>23,583</u>	<u>(24,659)</u>	<u>3,589,041</u>
Total capital assets	3,570,999	33,938	(24,659)	3,580,278
Accumulated depreciation:	<u>(2,753,044)</u>	<u>(119,064)</u>	<u>24,659</u>	<u>(2,847,449)</u>
Net capital assets	<u>\$ 817,955</u>	<u>\$ (85,126)</u>	<u>\$ -</u>	<u>\$ 732,829</u>

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

NOTE E - PENSION PLAN

Public Employees' Retirement System

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

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

General Information about the Pension Plan

Plan Description

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions

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

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

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

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Vesting and Benefit Provisions (Continued)

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

Contributions

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

The Authority's contractually required contribution rate for the fiscal years ended September 30, 2019 and 2018 were 17.49% and 13.37%, respectively, of the Authority's covered payroll. These amounts were actuarially determined as the amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2019, the Authority's contractually required contribution to the pension plan for the fiscal year ended September 30, 2019 was \$26,314, and was paid prior to the due date of April 1, 2019. Based on the PERS measurement date of June 30, 2018, the Authority's contractually required contribution to the pension plan for the fiscal year ended September 30, 2018 was \$26,353, which was paid prior to the due date of April 1, 2018. Employee contributions to the Plan during the fiscal years ended September 30, 2019 and 2018 were \$11,432 and \$14,966, respectively.

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

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

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

At September 30, 2019, the Authority's proportionate share of the net pension liability was \$487,443. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2019 measurement date, the Authority's proportion was 0.0027052383%, which was an increase of 0.0000558353% from its proportion measured as of June 30, 2018.

At September 30, 2018, the Authority's proportionate share of the net pension liability was \$521,654. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Authority's proportion was 0.0026494030%, which was a increase of 0.0000345306% from its proportion measured as of June 30, 2017.

For the fiscal years ended September 30, 2019 and 2018, the Authority recognized pension expense of \$74,764 and \$78,655, respectively. These amounts were based on the plan's June 30, 2019 and 2018 measurement dates, respectively.

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

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2019 and 2018, the Authority had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2019		September 30, 2018	
	Measurement Date June 30, 2019	Deferred inflows of resources	Measurement Date June 30, 2018	Deferred inflows of resources
Differences between projected and actual investment earnings	\$ 8,749	\$ 2,153	\$ 9,948	\$ 2,690
Changes in assumptions	48,673	169,190	85,960	166,797
Net difference between projected and actual earnings on pension plan investments	-	7,694	-	4,893
Changes in proportion and differences between Authority contributions and proportionate share of contributions	53,562	-	93,079	-
	<u>\$ 110,984</u>	<u>\$ 179,037</u>	<u>\$ 188,987</u>	<u>\$ 174,380</u>

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

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

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

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

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
Changes of assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	-	5.00
June 30, 2017	-	5.00
June 30, 2018	-	5.00
June 30, 2019	-	5.00
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
Year of pension plan deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21

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

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

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

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

Year ended September 30,	
2020	\$ (7,876)
2021	(25,550)
2022	(22,815)
2023	(10,712)
2024	(1,100)
	\$ (68,053)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019 and 2018. These actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date June 30, 2019	Measurement Date June 30, 2018
Inflation	2.75%	2.25%
Salary increases:		
Through 2026	2.00% - 6.00% Based on age	1.65% - 4.15% Based on age
Thereafter	3.00% - 7.00% Based on age	2.65% - 5.15% Based on age
Investment rate of return	7.00%	7.00%
Period of actuarial experience study upon which assumptions were based	July 1, 2014 - June 30, 2018	July 1, 2011 - June 30, 2014

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

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

For the June 30, 2019 measurement date, preretirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generation basis. Mortality improvement is based on Scale MP-2019.

For the June 30, 2018 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For Stateemployees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 and 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2019 and 2018 are summarized below.

Asset class	Measurement Date June 30, 2019		Measurement Date June 30, 2018	
	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Risk mitigation strategies	3.00%	4.67%	5.00%	5.51%
Cash equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment grade credit	10.00%	4.25%	10.00%	3.78%
High yield	2.00%	5.37%	2.50%	6.82%
Private credit	6.00%	7.92%	-	-
Global diversified credit	-	-	5.00%	7.10%
Credit oriented hedge funds	-	-	1.00%	6.60%
Debt related private equity	-	-	2.00%	10.63%
Debt related real estate	-	-	1.00%	6.60%
Real assets	2.50%	9.31%	2.50%	1.83%
Real estate	7.50%	8.33%	6.25%	9.23%
US equity	28.00%	8.26%	30.00%	8.19%
Non-U.S. Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging markets equity	6.50%	11.37%	6.50%	11.64%
Private equity	12.00%	10.85%	-	-
Buyouts/venture capital	-	-	8.25%	13.08%
	<u>100.00%</u>		<u>100.00%</u>	

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

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2019 was 6.28% . 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 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

NOTE E – PENSION PLAN (CONTINUED)

Public Employees' Retirement System (Continued)

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

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

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

The following represents the Authority's proportionate share of the net pension liability as of September 30, 2018 calculated using the discount rate of 5.66 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.66 percent) or 1 percentage point higher (6.66 percent) than the current rate:

	1% Decrease (4.66%)	Current Rate Discount Rate (5.66%)	1% Increase (6.66%)
Authority's proportionate share of the net pension liability	\$ 655,654	\$ 521,654	\$ 409,013

Pension Plan Fiduciary Net Position

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

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

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

NOTE F – OTHER POST-RETIREMENT BENEFITS

Issued June 2015, this Statement's objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement was effective for the Authority's fiscal year ended September 30, 2018, however the information was not available as of the filing deadline of the prior year audit report. The Authority adopted this statement effective October 1, 2018. The adoption of this statement had a material impact on the Authority's financial statements, see Note I.

State Health Benefits Local Government Retired Employees Plan

General Information about the OPEB Plan

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

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

NOTE F – 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, 2019 and 2018, the Authority paid \$55,872 and \$75,338, respectively. This amounts represents 37.13% and 38.22% for the fiscal years ended September 30, 2019 and 2018, respectively, of the Authority's covered payroll.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. Payments made by plan members or beneficiaries receiving benefits at September 30, 2019 and 2018 totaled \$8,374 and \$13,043, respectively.

The Authority contributions to the SHBP for post-retirement benefits for the fiscal years ended September 30, 2019 and 2018 were \$55,872 and \$75,338, respectively, which equaled the required contributions for that year. There were approximately 4 participants eligible at September 30, 2019, and approximately 5 participants eligible at September 30, 2018.

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

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

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

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

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

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

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

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

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

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

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

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

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

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

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

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

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

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

Actuarial Assumptions

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

Inflation rate	2.50%
Salary increases*:	
Initial fiscal year applied	
Through 2026	2.00% to 6.00%
Thereafter	3.00% to 7.00%

Mortality:

Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

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

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

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

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

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

NOTE F – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

State Health Benefits Local Government Retired Employees Plan (Continued)

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

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

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

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

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

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

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

NOTE F – OTHER POST-RETIREMENT BENEFITS

State Health Benefits Local Government Retired Employees Plan (Continued)

OPEB Plan Fiduciary Net Position

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

NOTE G – RISK MANAGEMENT

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

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

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

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

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

- New Jersey Public Housing Authorities Joint Insurance Fund
- 9 Campus Drive, Suite 216
- Parsippany, New Jersey 07054-4412

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

NOTE H – DEFICIT NET POSITION

The unrestricted net deficit of \$1,457,813 and \$270,575 as of September 30, 2019 and 2018, respectively, includes the effect of the recognition of the deferred outflows of resources related to differences between expected and actual experience, changes in assumptions, changes in proportion, and the net difference between projected and actual investment earnings offset by the Authority’s proportionate share of the net pension and OPEB liability and changes in assumptions.

NOTE I – ECONOMIC DEPENDENCY

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

NOTE J – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

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

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

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

NOTE K – RELATED PARTY TRANSACTIONS

Board president, board member, executive director, and one employee of the Authority hold the positions of chair person, board member, executive director, and secretary at a local non-profit, Cape May Cares. Cape May Cares holds its board meetings in the office of the Authority. Cape May Cares was organized with a commitment to fostering community spirit and involvement by establishing a volunteer platform whereby the tremendous talent and generosity of the local residents and businesses can be directed to encourage and empower their fellow neighbors in need. No monetary transactions have occurred during the years September 30, 2019 and 2018.

NOTE L – SUBSEQUENT EVENTS

The outbreak of a novel strain of coronavirus (COVID-19) has spread throughout the United States as of the middle of March 2020. Multiple jurisdictions in the U.S. have declared various levels of States of Emergency. The Authority received \$42,525 in additional funding due to the outbreak. There is no other immediate impact to the Authority's operations and any potential impact cannot be reasonably predicted as of August 10, 2020.

Management has reviewed and evaluated all subsequent events through August 10, 2020, the date the financial statements were available to be issued, and has determined there were no matters that require adjustment to or disclosure in the September 30, 2019, financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

Authority's proportion of the net OPEB liability	0.003577%
Authority's proportionate share of the net OPEB liability	\$ 484,543
Authority's covered payroll	\$ 150,489
Authority's proportionate share of the net OPEB liability as a percentage of covered payroll	321.98%
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%

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

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

Authority's required contributions	\$ 55,872.00
Authority's contributions in relation to the required contribution	\$ (55,872.00)
Authority's contribution deficiency (excess)	\$ -
Authority's covered payroll	\$ 150,489.00
Authority's contributions as a percentage of covered payroll	37.13%

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Note to Required Supplementary Information

Changes in benefit terms - None

Changes in assumptions – In 2018, the discount rate changed to 3.87% from 3.58%. In 2019 the discount rate changed to 3.50%, there were changes in the census, claims, and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Note to Required Supplementary Information

Changes in benefit terms - None

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

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

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

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

OTHER SUPPLEMENTARY INFORMATION

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Subtotal	Total
111 Cash - unrestricted	281,496	281,496	281,496
112 Cash - restricted - modernization and development	-	-	-
113 Cash - other restricted	-	-	-
114 Cash - tenant security deposits	29,488	29,488	29,488
115 Cash - restricted for payment of current liabilities	-	-	-
100 Total cash	310,984	310,984	310,984
121 Accounts receivable - PHA projects	-	-	-
122 Accounts receivable - HUD other projects	-	-	-
124 Accounts receivable - other government	-	-	-
125 Accounts receivable - miscellaneous	5,427	5,427	5,427
126 Accounts receivable - tenants	5,439	5,439	5,439
126.1 Allowance for doubtful accounts - tenants	(1,360)	(1,360)	(1,360)
126.2 Allowance for doubtful accounts - other	-	-	-
127 Notes, loans, & mortgages receivable - current	-	-	-
128 Fraud recovery	-	-	-
128.1 Allowance for doubtful accounts - fraud	-	-	-
129 Accrued interest receivable	-	-	-
120 Total receivables, net of allowances for doubtful accounts	9,506	9,506	9,506

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Subtotal	Total
131 Investments - unrestricted	-	-	-
132 Investments - restricted	-	-	-
135 Investments - restricted for payment of a current liability	-	10,267	10,267
142 Prepaid expenses and other assets	10,267	10,267	10,267
143 Inventories	-	-	-
143.1 Allowance for obsolete inventories	-	-	-
144 Inter-program due from	-	-	-
145 Assets held for sale	-	-	-
150 Total current assets	330,757	330,757	330,757
161 Land			
162 Buildings	30,200	30,200	30,200
163 Furniture, equipment & machinery - dwellings	3,560,365	3,560,365	3,560,365
164 Furniture, equipment & machinery - administration			
165 Leasehold improvements	77,560	77,560	77,560
166 Accumulated depreciation	-	-	-
167 Construction in progress	(2,920,095)	(2,920,095)	(2,920,095)
168 Infrastructure	-	-	-
160 Total capital assets, net of accumulated depreciation	748,030	748,030	748,030
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	748,030	748,030	748,030

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Subtotal	Total
200 Deferred outflow of resources	121,990	121,990	121,990
290 Total assets and deferred outflow of resources	1,200,777	1,200,777	1,200,777
311 Bank overdraft	-	-	-
312 Accounts payable <= 90 days	47,242	47,242	47,242
313 Accounts payable >90 days past due	-	-	-
321 Accrued wage/payroll taxes payable	4,151	4,151	4,151
322 Accrued compensated absences - current portion	5,236	5,236	5,236
324 Accrued contingency liability	-	-	-
325 Accrued interest payable	-	-	-
331 Accounts payable - HUD PHA programs	-	-	-
332 Accounts payable - PHA projects	-	-	-
333 Accounts payables - other government	-	-	-
341 Tenant security deposits	16,716	16,716	16,716
342 Unearned revenue	29,488	29,488	29,488
343 Current portion of long-term debt - capital projects/mortgage revenue	781	781	781
344 Current portion of long-term debt - operating borrowings	-	-	-
345 Other current liabilities	-	-	-
346 Accrued liabilities - other	-	-	-
347 Inter program - due to	8,658	8,658	8,658
348 Loan liability - current	-	-	-
310 Total current liabilities	112,272	112,272	112,272

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	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	15,708	15,708	15,708
355 Loan liability - non current	-	-	-
356 FASB 5 liabilities	-	-	-
357 Accrued pension and OPEB liabilities	971,986	971,986	971,986
350 Total non-current liabilities	987,694	987,694	987,694
300 Total liabilities	1,099,966	1,099,966	1,099,966
400 Deferred inflow of resources	810,594	810,594	810,594
508.4 Net investment in capital assets	748,030	748,030	748,030
511.4 Restricted net position	-	-	-
512.4 Unrestricted net position	(1,457,813)	(1,457,813)	(1,457,813)
513 Total equity - net assets/position	(709,783)	(709,783)	(709,783)
600 Total liabilities, deferred inflows of resources and equity - net	1,200,777	1,200,777	1,200,777

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Capital Fund	Project Total
70300 Net tenant rental revenue	391,934	-	391,934
70400 Tenant revenue - other	5,578	-	5,578
70500 Total tenant revenue	397,512	-	397,512
70600 HUD PHA operating grants	321,054	132,373	453,427
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	321,054	-	321,054
70800 Other government grants	-	-	-
71100 Investment income - unrestricted	538	-	538
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	3,352	-	3,352
71600 Gain or loss on sale of capital assets	-	-	-
72000 Investment income - restricted	-	-	-
70000 Total revenue	722,456	132,373	854,829

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Capital Fund	Project Total
91100 Administrative salaries	103,099	-	103,099
91200 Auditing fees	9,900	-	9,900
91300 Management fee	-	-	-
91310 Bookkeeping fee	-	-	-
91400 Advertising and marketing	886	-	886
91500 Employee benefit contributions - administrative	47,053	-	47,053
91600 Office expenses	6,516	-	6,516
91700 Legal expenses	17,611	-	17,611
91800 Travel	-	-	-
91810 Allocated overhead	-	-	-
91900 Other	-	-	-
91000 Total operating - administrative	46,701	-	46,701
	231,766	-	231,766
92000 Asset management fee	-	-	-
92100 Tenant services - salaries	-	-	-
92200 Relocation costs	-	-	-
92300 Employee benefit contributions - tenant services	-	-	-
92400 Tenant services - other	3,682	-	3,682
92500 Total tenant services	3,682	-	3,682

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Capital Fund	Project Total
93100 Water	84,554	-	84,554
93200 Electricity	143,526	-	143,526
93300 Gas	-	-	-
93400 Fuel	-	-	-
93500 Labor	-	-	-
93600 Sewer	-	-	-
93700 Employee benefit contributions - utilities	-	-	-
93800 Other utilities expense	-	-	-
93000 Total utilities	228,080	-	228,080
94100 Ordinary maintenance and operations - labor	47,390	-	47,390
94200 Ordinary maintenance and operations - materials and other	31,913	-	31,913
94300 Ordinary maintenance and operations contracts	152,109	-	152,109
94500 Employee benefit contributions - ordinary maintenance	29,574	-	29,574
94000 Total maintenance	260,986	-	260,986
95100 Protective services - labor	-	-	-
95200 Protective services - other contract costs	-	-	-
95300 Protective services - other	-	-	-
95500 Employee benefit contributions - protective services	-	-	-
95000 Total protective services	-	-	-

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Capital Fund	Project Total
96110 Property insurance	13,437	-	13,437
96120 Liability insurance	8,665	-	8,665
96130 Workmen's compensation	7,548	-	7,548
96140 All other insurance	4,197	-	4,197
96100 Total insurance premiums	33,847	-	33,847
96200 Other general expenses	-	-	-
96210 Compensated absences	6,107	-	6,107
96300 Payments in lieu of taxes	16,716	-	16,716
96400 Bad debt - tenant rents	1,076	-	1,076
96500 Bad debt - mortgages	-	-	-
96600 Bad debt - other	-	-	-
96800 Severance expense	-	-	-
96000 Total other general expenses	23,899	-	23,899
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	782,260	-	782,260
97000 Excess of operating revenue over operating expenses	(59,804)	132,373	72,569

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Capital Fund	Project Total
97100 Extraordinary maintenance	-	-	-
97200 Casualty losses - non-capitalized	-	-	-
97300 Housing assistance payments	-	-	-
97350 HAP portability-in	-	-	-
97400 Depreciation expense	73,777	-	73,777
97500 Fraud losses	-	-	-
97600 Capital outlays - governmental funds	-	-	-
97700 Debt principal payment - governmental funds	-	-	-
97800 Dwelling units rent expense	-	-	-
90000 Total expenses	856,037	-	856,037
10010 Operating transfer in	132,373	-	132,373
10020 Operating transfer out	-	(132,373)	(132,373)
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)	-	-	-
10000 Excess (deficiency) of total revenue over (under) total expenses	(1,208)	-	(1,208)

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

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2019

	Project Total	Capital Fund	Project Total
11020 Required annual debt principal payments	-	-	-
11030 Beginning equity	462,254	-	462,254
11040 Prior period adjustments, equity transfers and correction of errors	(1,170,829)	-	(1,170,829)
11050 Changes in compensated absence balance	-	-	-
11060 Changes in contingent liability balance	-	-	-
11070 Changes in unrecognized pension transition liability	-	-	-
11080 Changes in special term/severance benefits liability	-	-	-
11090 Changes in allowance for doubtful accounts - dwelling rents	-	-	-
11100 Changes in allowance for doubtful accounts - other	-	-	-
11170 Administrative fee equity	-	-	-
11180 Housing assistance payments equity	-	-	-
11190 Unit months available	1,020	-	1,020
11210 Number of unit months leased	998	-	998
11270 Excess cash	141,589	-	141,589
11610 Land purchases	-	-	-
11620 Building purchases	-	-	-
11630 Furniture & equipment - dwelling purchases	-	-	-
11640 Furniture & equipment - administrative purchases	-	-	-
11650 Leasehold improvements purchases	88,978	-	88,978
11660 Infrastructure purchases	-	-	-
13510 CFFP debt service payments	-	-	-
13901 Replacement housing factor funds	-	-	-

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 RECONCILIATION OF CAPITAL FUNDS ADVANCED WITH COST – EXCESS OR
 DEFICIT ADVANCES-PHA-OWNED HOUSING
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Capital Fund 2019</u>	<u>Capital Fund 2018</u>
Funds approved	\$ 161,537	\$ 155,346
Funds expended	<u>-</u>	<u>155,346</u>
Excess of funds approved	<u><u>\$ 161,537</u></u>	<u><u>\$ -</u></u>
Funds advanced	\$ -	\$ 155,346
Funds expended	<u>-</u>	<u>155,346</u>
Excess of funds advanced	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
 CAPE MAY, NEW JERSEY
 STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COSTS –
 COMPLETED PROJECTS
 SEPTEMBER 30, 2019

	Project No. NJ39P06250118		
	Approved Budget	Actual Costs	Overrun
Operations	\$ 155,346	\$ 155,346	\$ -
TOTAL COSTS	\$ 155,346	\$ 155,346	\$ -

1. The actual 2018 modernization costs are shown as above.
2. The distribution of costs by major cost accounts as shown on the Annual Statement/Performance and Evaluation Report dated May 14, 2019, accompanying the actual modernization cost certificate submitted to HUD for approval, is in agreement with the 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 REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of the City of Cape May, Cape May, New Jersey (the Authority), which comprise the statement of net position as of September 30, 2019 and the related statements of revenue, expenses and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Whisman Giordano & Associates, LLC

Newark, Delaware

August 10, 2020

HOUSING AUTHORITY OF THE CITY OF CAPE MAY
CAPE MAY, NEW JERSEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2019

Status of Prior Year Findings

None

Current Year Findings and Recommendations

None