Report On Audit

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

For the Year Ended December 31, 2016

Hymanson, Parnes and Giampaolo

Housing Authority of the County of Morris

Table of Contents

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the County of Morris (a governmental public corporation) in Morris County, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of December 31, 2016, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the County of Morris 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 Housing Authority of the County of Morris 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the County of Morris as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and PERS supplemental information budgetary comparison information on pages 4 through 18 and pages 61-62 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued reports dated June 12, 2017 on our consideration of the Housing Authority of the County of Morris internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the County of Morris's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo
Lincroft, New Jersey
Date: June 12, 2017

As Management of the Housing Authority of the County of Morris (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 19 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $18,326,729 a decrease in the financial position of $635,418 or 3% as compared to the prior year.

As noted above, the net position of the Authority was $18,326,729 as of December 31, 2016. Of this amount, the unrestricted net position is negative ($930,431) representing an increase in the deficit of $561,891 or 152% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 19 the financial statements, which is included in this report.

The net investment in capital assets decreased $78,955 or less than 1% percent for an ending balance of $18,530,465.

The restricted net position increased $5,428 or 1% percent from the prior year for and ending balance of $726,695. Additional information on the Authority's restricted net position can be found in Notes 18 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at December 31, 2016 is $1,178,290 representing an increase of $18,203 or 2% percent from the prior year. Total restricted cash increased $20,106 or 2% percent for an ending balance of $1,093,747. The full detail of these amounts can be found in the Statement of Cash Flow on pages 22-23 of this report.

The Authority's total assets and deferred outflows are $28,828,223 of which capital assets net book value is $21,988,617; deferred outflow amount is $1,546,761, which left total current assets at $5,292,845. Total current assets increased from the previous year by $144,738 or 3% percent. Unrestricted cash and cash equivalents increase by $18,203, restricted cash and cash equivalents increased $20,106, account's receivables decreased by $21,573 and investments increased $128,002.

FINANCIAL HIGHLIGHTS - CONTINUED

Capital assets reported a decrease in the net book value of the capital assets in the amount of $201,282 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of $1,073,727, less the recording of depreciation expense in the amount of $1,275,009. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 7 Fixed Assets.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of $1,063,375 for an ending balance of $1,546,761. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of $121,663 for an ending balance of $222,684. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements section Note – 8 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at $10,278,810, of which noncurrent liabilities are stated at $9,054,458. Total liabilities increased during the year as compared to the prior year in the amount of $1,763,912 or 21% percent. Total current liabilities increased during the year by $384,989, leaving non-current liabilities for an increase of $1,378,923 as compared to the previous year.

Total current liabilities increased from the previous year by $384,989 or 46% percent. Accounts payables increased by $16,401. Accrued liabilities increased by $512,641 mainly for accruing the employee health insurance cost which the Authority was not billed for by the end of the year. The tenant security deposit payable increased by $2,842, unearned revenue increased $1,078, current portion of long term debt increased by $10,303, and other current liabilities decreased $158,276 for an ending balance of $-0-.

Total noncurrent liabilities increased by $1,378,923 or 18% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of $224,727, with no offsetting assets, decreased $14,242 from the previous year. Long-term debt (mortgage payable) decreased $132,630 for an ending balance of $3,325,522, and other noncurrent liabilities increased $24,632 or 8% percent for an ending balance of $320,061.

Accrued pension and OPEB liabilities increased $1,501,163 or 41% percent for an ending balance of $5,184,148. Additional information on GASB 68's effect and the Authority's accrued pension and OPEB liabilities at December 31, 2016 can be found in Notes 17 to the financial statements, which is included in this report.

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had total operating revenue of $10,560,275 as compared to $10,652,245 from the prior year for a decrease of $91,970 or 1% percent. The Authority had total operating expenses of $11,399,430 as compared to $11,173,198 from the previous year for an increase of $226,232 or 2% percent, resulting in a deficiency of revenue from operations in the amount of $839,155 for the current year as compared to excess expenses over revenue from operations in the amount of $520,953 for an increase in expenses over revenue of $318,202 or 61% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of $185,635 as compared to $544,778 from the previous year for a decrease of $359,143 or 66% percent.

The Authority had capital outlays in the amount of $1,073,727 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of $185,635 with the excess coming from the Authority's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 7 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to $7,848,581 for the year 2016 as compared to $8,266,344 for the previous year 2015 for a decrease of $417,763 or 5% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program
4. Section 8 New Construction and Substantial Rehabilitation
5. Rural Development (RD) Programs
6. State - Congregate Housing Services Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

1) Statement of Net Position
2) Statement of Revenue, Expenses, and Changes in Net Position
3) Statement of Cash Flow
4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 19 through 23.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flow– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 24 through 58.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 59-60 of this report.

1. **Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

2. **Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the County of Morris are those which equal or exceeded $750,000 in expenditures for the fiscal year ended December 31, 2016. Type B programs for the Housing Authority of the County of Morris are those which are less than $750,000 in expenditures for the fiscal year ended December 31, 2016.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)
The following summarizes the computation of Net Position between December 31, 2016 and December 31, 2015:

Computations of Net Position are as follows:

	Year Ended		Increase
	December-16	December-15	(Decrease)
Cash	$ 2,272,037	$ 2,233,728	$ 38,309
Other Current Assets	3,020,808	2,914,379	106,429
Capital Assets - Net	21,988,617	22,189,899	(201,282)
Deferred Outflow of Resources	1,546,761	483,386	1,063,375
Total Assets	28,828,223	27,821,392	1,006,831
Less: Current Liabilities	(1,224,352)	(839,363)	(384,989)
Less: Non Current Liabilities	(9,054,458)	(7,675,535)	(1,378,923)
Less: Deferred Inflow of Resources	(222,684)	(344,347)	121,663
Net Position	$ 18,326,729	$ 18,962,147	$ (635,418)
Net Investment in Capital Assets	$ 18,530,465	$ 18,609,420	$ (78,955)
Restricted Net Position	726,695	721,267	5,428
Unrestricted Net Position	(930,431)	(368,540)	(561,891)
Net Position	$ 18,326,729	$ 18,962,147	$ (635,418)

Cash increased by $38,309 or 2% percent. Net cash provided by operating activities was $853,903, net cash used by capital and related financing activities was $717,238, and net cash used by investing activities was $98,356. The full detail of this amount can be found in the Statement of Cash Flow on page 22-23 of this audit report.

The changes in other current assets included account receivable decreasing $21,573, and investments increasing $128,002.

Capital assets reported a decrease in the net book value of the capital assets in the amount of $201,282 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of $1,073,727, less the recording of depreciation expense in the amount of $1,275,009. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 7 Fixed Assets.

The Authority reported an increase in the deferred outflow for the pension cost in the amount of $1,063,375 for an ending balance of $1,546,761. The Authority reported a decrease in the deferred inflow for the pension cost in the amount of $121,663 for an ending balance of $222,684.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities increased from the previous year by $384,989 or 46% percent. Accounts payables increased by $16,401. Accrued liabilities increased by $512,641 mainly for accruing the employee health insurance cost which the Authority was not billed for by the end of the year. The tenant security deposit payable increased by $2,842, unearned revenue increased $1,078, current portion of long term debt increased by $10,303, and other current liabilities decreased $158,276 for an ending balance of $-0-.

Total noncurrent liabilities increased by $1,378,923 or 18% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of $224,727, with no offsetting assets, decreased $14,242 from the previous year. Long-term debt (mortgage payable) decreased $132,630 for an ending balance of $3,325,522, and other noncurrent liabilities increased $24,632 or 8% percent for an ending balance of $320,061.

Accrued pension and OPEB liabilities increased $1,501,163 or 41% percent for an ending balance of $5,184,148. Additional information on GASB 68's effect and the Authority's accrued pension and OPEB liabilities at December 31, 2016 can be found in Notes 17 to the financial statements, which is included in this report.

The Authority's reported net position of $18,326,729 is made up of three categories. The net investment in capital assets in the amount of $18,530,465 represents 101% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current year:

Balance December 31, 2015	$ 18,609,420
Acquisition in Fixed Assets	1,073,727
Depreciation Expense	(1,275,009)
Payment of Debt	122,327
Balance December 31, 2016	$ 18,530,465

The Housing Authority of the County of Morris operating results for December 31, 2016 reported a decrease in unrestricted net position of $561,891 or 152% percent for an ending balance of deficit ($930,431). A full detail of this account can be found in the Notes to the Financial Statements section Note – 19.

The Authority reported restricted net position in the amount of $726,695 which increased $5,428 or 1% percent compared to the prior year. A full detail of this account can be found in the Notes to the Financial Statements section Note – 18.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between December 31, 2016 and December 31, 2015:

Computation of Changes in Net Position are as follows:

	Year Ended		Increase
	December-16	December-15	(Decrease)
Revenues			
Tenant Revenues	$ 2,136,385	$ 2,097,291	$ 39,094
HUD Subsidies	7,662,946	7,721,566	(58,620)
Other Revenues	760,944	833,388	(72,444)
Total Operating Income	10,560,275	10,652,245	(91,970)
Expenses			
Operating Expenses	10,124,421	10,010,108	114,313
Depreciation Expense	1,275,009	1,163,090	111,919
Total Operating Expenses	11,399,430	11,173,198	226,232
Operating Income before Non Operating Income	(839,155)	(520,953)	(318,202)
Investment Income	29,646	22,181	7,465
Extraordinary Maintenance	(11,544)	(37,321)	25,777
HUD Capital Grants	185,635	544,778	(359,143)
Change in Net Position	(635,418)	8,685	(644,103)
Net Position Prior Year	18,962,147	22,513,158	(3,551,011)
Prior Period Adjustment	-	(3,559,696)	3,559,696
Total Net Position	$ 18,326,729	$ 18,962,147	$ (635,418)

Approximately 73% percent of the Authority's total revenue was provided by HUD operating subsidy, while 20% percent resulted from tenant revenue. Charges for various services and fraud recovery provided for the remaining 7% percent of the total operating income.

The Housing Authority of the County of Morris received capital fund improvement grant money during the year in the amount of $185,635 as compared to $544,778 for the previous year. The Authority had capital expenditures of $1,073,727. The current year additions included replacement doors, floor replacements, sidewalks and curbing replacement, ranges and refrigerators, replacement of office furniture, replacement apartment flooring, and additional security lighting.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 50% percent of total operating expenses. Administrative expenses accounted for 17% percent, tenant services accounted for 1% percent, utilities expense accounted for 6% percent, maintenance expense accounted for 10% percent, other operating expenses accounted for 5% percent, and depreciation accounted for the remaining 11% of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of $839,155 from operations as compared to excess expenses over revenue from operations of $520,953 for the previous year. The key elements for the increase in deficit in comparison to the prior year are as follow:

- Overall the Authority's Operating Revenue decreased $91,970 or 1% percent as listed below:
    - The Authority experienced a decrease in HUD operating grants in the amount of $58,620, or 1% percent.
    - Tenant rental revenue increased $39,094 or 2% percent
    - Other revenue decreased $72,444 or 9% percent.

- Administrative expenses increased $246,286 or 14% percent.

- Utilities expense showed a decrease of $16,625 mainly for a mild winter.

- Maintenance expenses reported a decreased of $10,940.

- Other operating expenses decreased $14,835.

- Housing Assistance Payments reported a decrease of $88,855.

Total net cash provided by operating activities during the year was $853,903 as compared to $713,642 from the previous year. A full detail of this amount can be found on the Statement of Cash Flow on page 22-23 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four year period of time ending on December 31, 2016:

	December-16	December-15	December-14	December-13
Significant Income				
Total Tenant Revenue	$ 2,136,385	$ 2,097,291	$ 2,047,946	$ 1,932,725
HUD Operating Grants	7,662,946	7,721,566	7,636,276	7,364,983
HUD Capital Grants	185,635	544,778	258,241	189,577
Investment Income	29,646	22,181	14,527	13,030
Other Income	760,944	833,388	837,012	826,534
Total	$ 10,775,556	$ 11,219,204	$ 10,794,002	$ 10,326,849
Payroll Expense				
Administrative Salaries	$ 981,565	$ 1,095,242	$ 1,052,968	$ 1,017,766
Tenant Services Salaries	29,784	31,691	34,212	60,446
Utilities Labor	56,981	63,725	63,161	60,330
Maintenance Labor	250,720	290,696	258,307	256,776
Employee Benefits Expense	841,591	476,805	431,056	427,918
Total Payroll Expense	$ 2,160,641	$ 1,958,159	$ 1,839,704	$ 1,823,236
Other Significant Expenses				
Other Administrative Expenses	$ 338,458	$ 274,040	$ 265,742	$ 304,455
Utilities Expense	536,997	561,009	634,547	613,229
Maintenance Materials Cost	101,309	98,139	109,945	148,951
Maintenance Contract Cost	638,551	665,617	775,685	567,968
Insurance Premiums	146,182	146,531	138,416	161,565
Housing Assistance Payments	5,735,295	5,824,150	5,892,117	5,794,060
Total	$ 7,496,792	$ 7,569,486	$ 7,816,452	$ 7,590,228
Total Operating Expenses	$ 11,399,430	$ 11,173,198	$ 11,235,153	$ 10,984,972
Total of Federal Awards	$ 7,848,581	$ 8,266,344	$ 7,894,517	$ 7,554,560

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were sufficient to cover all expenses excluding depreciation expense.

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS

Public and Indian Housing Program

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a $50 minimum; it cannot exceed the greater of the following amounts: (a) 30% percent of the family's adjusted monthly income, (b) 10% percent of the family's monthly income, or (c) the Housing Authority of the County of Morris flat rent amount.

Section 8 Housing Choice Voucher Program and the N/C – S/R Section 8 Program

Under the Housing Choice Voucher Program and the N/C – S/R Section 8 program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% percent of household income subject to certain restrictions.

Public Housing Capital Fund Program

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments and homes to keep them clean, safe and in good condition.

Rural Development (RD) Programs

The RD programs consist of two projects. The Morris Mews project has 101 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy. HUD and RD provides annual funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% percent of household income subject to certain restrictions.

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS - CONTINUED

State - Congregate Housing Services Program

The Congregate Housing Services Program offers States grants to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. This program prevents premature and unnecessary institutionalization of frail elderly, non-elderly disabled, and temporarily disabled persons. It provides a variety of innovative approaches for the delivery of meals and non-medical supportive services while making use of existing service programs, fills gaps in existing service systems, and ensures availability of funding for meals and other programs necessary for independent living. Assistance is in the form of grants to provide at least one hot meal per day in a group setting, 7 days per week, plus other supportive services necessary for independent living.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2016, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

NEW INITIATIVES

For the year 2016 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 73% percent of its revenue from the Department of Housing and Urban Development, (2015 was 74% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the County of Morris all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2016 was $21,988,617 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was $201,282 or 1% percent.

Major capital expenditures of $1,073,727 were made during the year. Major capital assets events during the year included the following:

- Replacement Doors
- Sidewalks and Curbing Replacement
- Ranges and Refrigerators
- Replacement of Office Furniture
- Additional Security Lighting
- Floor Replacements

CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED

1 – Capital Assets

	December-16	December-15	Change
Land	$ 1,735,369	$ 1,735,369	$ -
Building	40,227,783	39,399,377	828,406
Furniture, Equipment - Dwelling	1,607,580	1,312,487	295,093
Furniture, Equipment - Administration	442,298	442,298	-
Construction in Process	499,736	549,508	(49,772)
Total Fixed Assets	44,512,766	43,439,039	1,073,727
Accumulated Depreciation	(22,524,149)	(21,249,140)	(1,275,009)
Net Book Value	$ 21,988,617	$ 22,189,899	$ (201,282)

Additional information on the Authority's capital assets can be found in Note 7 to the financial statements, which is included in this report.

2 - Debt Administration

Long Term Debt

a. The Authority has participated in the New Jersey pooled leveraging program. Restricted Cash relating to the bonded debt stood at $-0- at the end of the fiscal year, with Capital Project Bond payable of $150,000 in outstanding debt. A full disclosure of loans payable at December 31, 2016 can be found in Note-15.

b. RD provided mortgages of $3,716,803 and $701,974 for the Morris Mews and Congregate Housing Program respectively. The Morris Mews mortgage is for 50 years at 9% percent interest and monthly payments of $29,308. The balance outstanding at December 31, 2016 was $2,743,017. The Congregate Housing Program is for 40 years at 7.25% percent which is subsidized by Rural Development. The monthly payments are $1,778 and the balance outstanding at December 31, 2016 was $565,135.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of County of Morris is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2017 fiscal year have already been submitted to HUD for approval and no major changes are expected. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the year ending December 31, 2017.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

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 financial information should be addressed to Roberta L. Strater, Executive Director, Housing Authority of the County of Morris, 99 Ketch Road, Morristown, N.J. 07960, or call (973)540-0389.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET POSITION -1
AS OF DECEMBER 31, 2016

		2016
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	$	1,178,290
Cash and Cash Equivalents - Restricted		1,093,747
Accounts Receivables, Net of Allowances		38,936
Investments		2,981,872
Total Current Assets		5,292,845
Noncurrent Assets		
Capital Assets		
Land		1,735,369
Building		40,227,783
Furniture, Equipment - Dwelling		1,607,580
Furniture, Equipment - Administration		442,298
Construction in Process		499,736
Total Capital Assets		44,512,766
Less: Accumulated Depreciation		(22,524,149)
Net Book Value		21,988,617
Total Assets		27,281,462
Deferred Outflow of Resources		
State of New Jersey P.E.R.S.		1,546,761
Total Assets and Deferred Outflow of Resources	$	28,828,223

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET POSITION -2
AS OF DECEMBER 31, 2016

		2016
Liabilities		
Current Liabilities:		
Accounts Payable	$	301,158
Accrued Liabilities		589,165
Tenant Security Deposit Payable		198,781
Unearned Revenue		2,618
Mortgage Payable - Current Portion		132,630
Total Current Liabilities		1,224,352
Noncurrent Liabilities		
Mortgage Payable - Long Term		3,325,522
Other Noncurrent Liabilities		320,061
Accrued Compensated Absences - Long-Term		224,727
Accrued Pension Liability		5,184,148
Total Noncurrent Liabilities		9,054,458
Total Liabilities		10,278,810
Deferred Inflow of Resources		
State of New Jersey P.E.R.S.		222,684
Net Position:		
Net Investments in Capital Assets		18,530,465
Restricted Net Position		726,695
Unrestricted Net Position		(930,431)
Total Net Position		18,326,729
Total Liabilities, Deferred Inflow of Resources, and Net Position	$	28,828,223

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016

		2016
Revenue:		
Tenant Rental Revenue	$	2,136,385
HUD PHA Operating Grants		7,662,946
Other Governmental Grants		43,515
Fraud Recovery		92,092
Other Revenue		625,337
Total Revenue		10,560,275
Operating Expenses:		
Administrative Expense		1,976,445
Tenant Services		63,811
Utilities Expense		636,785
Maintenance Expense		1,119,521
Other Operating Expenses		592,564
Housing Assistance Payments		5,735,295
Depreciations Expense		1,275,009
Total Operating Expenses		11,399,430
Excess Expenses Over Revenue From Operations		(839,155)
Non Operating Income and (Expenses):		
Investment Income		29,646
Extraordinary Maintenance		(11,544)
Capital Grant Contributions		185,635
Total Non Operating Income		203,737
Change in Net Position		(635,418)
Beginning Net Position		18,962,147
Ending Net Position	$	18,326,729

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOW -1
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016

		2016
Cash Flow From Operating Activities		
Receipts from Tenants	$	2,135,419
Receipts from Federal Grants		7,662,946
Receipts from Other Grants		43,515
Receipts from Misc. Sources		717,429
Payments to Vendors and Suppliers		(1,072,897)
Payments for Housing Assistance Payments		(5,735,295)
Payments to Employees		(1,319,050)
Payment of Employee Benefits		(841,591)
Payments for Utilities		(736,573)
Net Cash Provided by Operating Activities		853,903
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants		185,635
Acquisitions and Construction of Capital Assets		(1,073,727)
Principal Paid on Debt		(122,327)
Payment of Extraordinary Expense		(11,544)
Change in Accrued Pension and OPEB Liabilities		1,501,163
Net Effect of Deferred Inflows and Outflows		(1,185,038)
Receipt from Tenant Security Deposit		2,842
Decrease in Compensated Absences		(14,242)
Net Cash (Used) by Capital and Related Financing Activities		(717,238)
Cash Flow From Investing Activities		
Interest Income		29,646
Purchase of Investments		(128,002)
Net Cash (Used) by Investing Activities		(98,356)
Net Increase in Cash and Cash Equivalents		38,309
Beginning Cash		2,233,728
Ending Cash	$	2,272,037
Reconciliation of Cash Balances:		
Cash and Cash Equivalents - Unrestricted	$	1,178,290
Tenant Security Deposit		198,781
HAP Reserve		36,614
Rural Housing Reserve		136,102
Morris Mews Reserves		402,189
FSS Participants		320,061
Total Ending Cash	$	2,272,037

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOW -2
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016

		2016
Reconciliation of Operating Income to Net Cash		
(Used) by Operating Activities		
Excess of Expense Over Revenue - Operations	$	(839,155)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense		1,275,009
(Increase) Decrease in:		
Accounts Receivables		21,573
Increase (Decrease) in:		
Accounts Payable		16,401
Accrued Liabilities		512,641
Other Current Liabilities		(158,276)
Unearned Revenue		1,078
Other Non Current Liabilities		24,632
Net Cash Provided by Operating Activities	$	853,903
Interest expense paid during the year	$	300,033

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 40A:12A-1 et al the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the County of Morris in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in the County of Morris. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Board of Chosen Freeholders of Morris County, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the County of Morris reporting entity.

Based on the following criteria, the Authority has not identified an entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

A. The organization is legally separate.
B. The organization is fiscal dependency on the primary government.
C. The organization has potential to impose a financial benefit or burden on the primary government.
D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
E. The primary government is able to impose its will on the organization.

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

On January 30, 2008, HUD issued *PIH Notice 2008-9* which among other things requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both administrative fees and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fees and HAP revenue in the reporting period as revenue for financial statement reporting.

Significant Accounting Policies -Continued
The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board *"Accounting and Financial Reporting for Pensions."* The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans of State and Local Governments. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

Basis of Accounting –
In Enterprise fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a $50 minimum; it cannot exceed the greater of the following amounts:

(a) 30% of the family's adjusted monthly income,
(b) 10% of the family's monthly income, or
(c) Housing Authority of the County of Morris flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

Basis of Accounting – Continued
HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Other revenue is income composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

Report Presentation -
The Authority's financial statements are prepared in accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

Report Presentation - Continued
Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

Net Investment in Capital Assets.
The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Restricted.
The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

Unrestricted.
The net position consists of net assets that do not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows
1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Other accounting policies - Continued

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

9 – The Authority does not have any infrastructure assets for its Enterprise Fund.

10 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

11- Advertising cost is charged to expense when incurred.

12- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

13- When expenses are incurred where both restricted and unrestricted net assets are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net assets will be used.

Other accounting policies - Continued
14- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

15- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

Budgetary and Policy Control –
The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Activities - The only programs or activities administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
Public Housing			
Public and Indian Housing Program	14.850	NJ92-1,2,3,5,7	304
Public Housing Capital Fund Program	14.872	NJ92	N/A
Resident Opportunity and Supportive Services	14.885	NJ92	N/A
Section 8			
Section 8 Housing Choice Vouchers	14.871	NJ39-VO92	634
Substantial Rehabilitation Program - Section 8 Program	14.182	NJ39-R000-003	100
RD Programs			
1- Morris Mews Development	10.427	35-14-080459974	101
2- Congregate Housing Development	10.427	35-14-080459974	19

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a $50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of County of Morris flat rent amount.

Public Housing Capital Fund Program:

Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. These programs are financed by HUD subsidies. The capital fund programs are now merged into the low rent public housing program.

Section 8 Housing Choice Voucher Program:

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants administered under an Annual Contribution Contract with HUD. The Authority also has a project based Housing Assistance Payment Contract with HUD for the Morris Mews Senior Complex. The tenant rent is 30 to 40 percent of income depending on program restrictions.

Activities – continued

Section 8 New construction and Substantial Rehabilitation Program:

The objective of the Section 8 New construction and Substantial Rehabilitation rental assistance programs is to help eligible low-income families or individuals obtain decent, safe, and sanitary housing through a system of rental subsidies.

Rural Development (RD) Programs:

The RD programs consist of two projects. The Morris Mews (N/C S/R) project has 100 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy. HUD and RD provides annual funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

1.) Project receives a HAP Subsidy from HUD. The project is referred to as Morris Mews.

2.) The Project receives a Rental Subsidy. The Project is referred to as the Congregate Housing Project since it includes space for a Congregate Housing Program.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

State - Congregate Housing Services Program

The Congregate Housing Services Program offers States grants to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. This program prevents premature and unnecessary institutionalization of frail elderly, non-elderly disabled, and temporarily disabled persons. It provides a variety of innovative approaches for the delivery of meals and non-medical supportive services while making use of existing service programs, fills gaps in existing service systems, and ensures availability of funding for meals and other programs necessary for independent living. Assistance is in the form of grants to provide at least one hot meal per day in a group setting, 7 days per week, plus other supportive services necessary for independent living.

Taxes - Under federal, state, and local law, the Authority's program are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes.

Grants - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1.) The ability of the Board to exercise supervision of a component unit's financial independence.
2.) The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3.) The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4.) The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5.) The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 – ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

NOTE 3 - PENSION PLAN
The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of N.J. S.A. 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web:
http://www.state.nj.us/treasury/pensions/pdf/financial/2016divisioncombined.pdf

Funding Policy
The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2016 amounted to $155,502.

Post Employment Retirement Benefits
The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects do to the adoption of GASB 68 can be found in Note 17– Accrued Pension Liability.

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS
The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

The book balances at December 31, 2016 for unrestricted cash were $1,178,290, restricted cash of $1,093,747, and investments of $2,981,872 as discussed below:

	December-16
The Provident Bank	$ 1,332,192
PNC Bank	536,312
Bank of America	402,190
Valley National	1,200
Wells Fargo	142
Union Center Bank	2,981,873
Total Cash, Cash Equivalents, and Investments	$ 5,253,909

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED
The Authority has total restricted cash at December 31, 2016 in the amount of $1,093,747 which consists of the following:

		December-16
Tenant Security Deposit	$	198,781
HAP Reserve		36,614
Rural Housing Reserve		136,102
Morris Mews Reserves		402,189
FSS Participants		320,061
Total Restricted Cash, Cash Equivalents	$	1,093,747

The tenant security deposit restricted cash at December 31, 2016 was in the amount of $198,781. These amounts were held as security deposits for tenants of the Low Income Housing program, Rural Housing Program, and Morris Mews in interest bearing accounts at Provident Bank.

Risk Disclosures
Collateral for Deposits
New Jersey Authorities 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 State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Interest Rate Risk
As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2016, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED
Risk Disclosures

Credit Risk
This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities. The Authority's checking accounts are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows:

Depository Accounts	December-16
Insured	$ 1,001,342
Collateralized held by pledging bank's trust department in the Authority's name	4,252,567
Total Cash, Cash Equivalents, and Investments	$ 5,253,909

NOTE 5 - ACCOUNTS RECEIVABLE

The Housing Authority of the County of Morris carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Accounts Receivable at December 31, 2016 consisted of the following:

		December-16
Tenants Accounts Receivable - Present	$	11,326
Less Allowance for Doubtful Accounts		(1,917)
Net Tenants Accounts Receivable		9,409
Accounts Receivable - Tenants Fraud Recovry		49,844
Less Allowance for Doubtful Accounts		(43,365)
Net Accounts Receivable - Fraud Recovery		6,479
Accounts Receivable - State of New Jersey		11,041
Accounts Receivable - Local Government Agencies		12,007
Total Other Receivables		23,048
Total Accounts Receivable	$	38,936

NOTE 6 – INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at December 31, 2016 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 7 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value. Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding $500 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The Housing Authority of the County of Morris has given consideration to the GASBS #42, Accounting for the Impairment or Disposal of Long-Lived Assets, in the preparation of these financial statements. The carrying value of long-live assets in accordance with GASBS #42, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at December 31, 2016.

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2016:

	December-15	Additions	Transfer	December-16
Land	$ 1,735,369	$ -	$ -	$ 1,735,369
Building	39,399,377	828,406		40,227,783
Furniture, Equipment - Dwelling	1,312,487	69,686	225,407	1,607,580
Furniture, Equipment - Administration	442,298	-	-	442,298
Construction in Process	549,508	175,635	(225,407)	499,736
Total Fixed Assets	43,439,039	1,073,727	-	44,512,766
Accumulated Depreciation	(21,249,140)	(1,275,009)	-	(22,524,149)
Net Book Value	$ 22,189,899	$ (201,282)	$ -	$ 21,988,617

NOTE 7 - FIXED ASSETS – CONTINUED
Below is a schedule of the net book value of the fixed assets for the Authority as of December 31, 2016:

Net Book Value	December-16
Land	$ 1,735,369
Building	19,045,765
Furniture, Equipment - Dwelling	707,747
Furniture, Equipment - Administration	-
Construction in Process	499,736
Net Book Value	$ 21,988,617

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The Pension Liability discussed in Note 17 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experiences	$ 96,409	$ -
Changes in Assumptions	1,073,879	-
Net Difference Between Projected and Actual Earning on Pension Plan Investments	197,676	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of	178,797	222,684
Contributions Subsequent to the Measurement Date	-	-
Total	$ 1,546,761	$ 222,684

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is $96,409.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is $1,073,879.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is $197,676.

Changes in Proportion

The change in employer proportionate share is the amount of difference between the employer proportionate share of net pension liability in the prior year compared to the current year. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a *five* year closed period, reflecting the average remaining service life of the plan members active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow or resources. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are $178,797 and $222,684.

NOTE 9 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of December 31, 2016. Accounts payable vendors are amount owing to creditors as a result of delivered goods and completed services. The Authority accounts payable at December 31, 2016 in the amount of $301,158 consist of the following:

	December-16
Accounts Payable Vendors	$ 182,312
Accounts Payable - P.I.L.O.T.	118,846
Total Accounts Payable	$ 301,158

NOTE 10 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the County of Morris. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. PILOT payable at December 31, 2016 consist of the following:

	December-16
Balance Beginning of Year	$ 112,442
P.I.L.O.T. Accrued	118,846
Less Payments Made	(112,442)
Total P.I.L.O.T. Payable	$ 118,846

NOTE 11 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before December 31. Accrued expenses at December 31, 2016 consisted of the following:

		December-16
Accrued Interest Payable	$	25,215
Accrued Wages / Payroll Taxes Payable		26,842
Compensated Absences - Current Portion		24,969
Accrued Expenses - Hospitalization Cost		508,103
Accrued Expenses - Other Administrative Expenses		4,036
Total Accrued Liabilities	$	589,165

The amount of $508,103 consisted of accrued amount owed to Horizon Insurance Co. which was not billed by the insurance company for employee health insurance thru December 31, 2016.

NOTE 12 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Employees may only accumulate vacation leave with the approval of the Executive Director. Unused sick leave may be carried to future periods and used in the event of extended illness. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service based on the current provisions outlined in the union contract.

The Authority has determined that the potential liability for accumulated vacation and sick time is as follows:

		December-16
Accumulated Sick Time	$	120,811
Accumulated Vacation Time		109,409
Accrued Payroll Taxes		19,476
Total		249,696
Compensated Absences - Current Portion		(24,969)
Total Compensated Absences - Noncurrent	$	224,727

NOTE 13 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unearned revenue account balance at December 31, 2016 is $2,618 which consisted of prepaid rents for January 2017.

NOTE 14 – NON CURRENT LIABILITY - FSS ESCROW PAYABLE

The Authority administers a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education.

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited. The bank account balance at December 31, 2016 is $320,061 which was accounted for in Note 4.

NOTE 15 – LONG TERM DEBT

The Authority has three (3) loans outstanding at December 31, 2016. The details are as follows:

	Non-Current Portion	Current Portion	Total Loan Outstanding
Morris Mews Project	$ 2,633,756	$ 109,261	$2,743,017
Congregate Housing Project	551,766	13,369	565,135
Capital Fund Bond Leveraging	140,000	10,000	150,000
Total Loans Outstanding	$ 3,325,522	$ 132,630	$3,458,152

NOTE 15– LONG TERM DEBT- CONTINUED

A – Morris Mews Project (N/C S/R Section 8 Programs)

Fixed liabilities on the Morris Mews Project represent a loan from RD in the original amount of $3,716,803, at an interest rate of nine percent (9%). The loan is to be repaid over fifty (50) years with monthly payments of $23,817, later revised to $29,308, which began October 1, 1981, and is collateralized, by the buildings and their contents, along with all accounts receivable and bank accounts of the Morris Mews Project. The balance outstanding at December 31, 2016 was $2,743,017 and is current.

The debt service requirement, as to principal reduction of the mortgage, is a follows:

Year	Principal	Interest	Total Payment
2017	$ 109,261	$ 242,437	$ 351,698
2018	119,510	232,188	351,698
2019	130,721	220,977	351,698
2020	142,983	208,715	351,698
2021	156,396	195,302	351,698
Subtotal	658,871	1,099,619	1,758,490
2022-2026	1,031,582	726,909	1,758,491
2027-2030	1,052,564	178,377	1,230,941
Total	$ 2,743,017	$ 2,004,905	$ 4,747,922

NOTE 15– LONG TERM DEBT- CONTINUED

B- Congregate Housing Program (Rural Rental Assistance Payments)

Fixed Liabilities in the Congregate Housing Program represent a loan from RD in the original amount of $700,000 and capitalized interest of $1,974 for a total mortgage of $701,974, at an interest of 7.25% for 40 years. RD provides an interest subsidy and the Authority's monthly payment is $1,778, and is collateralized by the buildings and their contents, along with all accounts receivable and bank accounts of the Congregate Housing Program.

The balance at December 31, 2016 was $565,135 and is current. The debt service requirement, as to principal reduction of the mortgage, is a follows:

Year	Principal	Interest	Total Payment
2017	$ 13,370	$ 40,534	$ 53,904
2018	14,372	39,531	53,903
2019	15,449	38,454	53,903
2020	16,607	37,296	53,903
2021	17,851	36,052	53,903
Subtotal	77,649	191,867	269,516
2022-2026	111,451	158,064	269,515
2027-2030	159,971	109,544	269,515
2031- 2036	216,064	39,982	256,046
Total	$ 565,135	$ 499,457	$ 1,064,592

C- State Leveraging Capital Project Bond

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of $18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is $500,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of $5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2027.

The faith and credit of the Housing Authority of the County of Morris was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

NOTE 15 – LONG TERM DEBT- CONTINUED

C- State Leveraging Capital Project Bond - Continued

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2008. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Wells Fargo Bank, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

Year	Principal	Interest	Total Payment
2017	$ 10,000	$ 7,155	$ 17,155
2018	10,000	6,690	16,690
2019	10,000	6,190	16,190
2020	10,000	5,690	15,690
2021	15,000	5,065	20,065
Subtotal	55,000	30,790	85,790
2022-2026	75,000	14,142	89,142
2027	20,000	493	20,493
Total	$ 150,000	$ 45,425	$ 195,425

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority does not have annual other postemployment benefit ("OPEB") cost. The Authority elected not to pay for any future retiree benefits other than current pension cost resulting in a zero amount to be reported for the GASB Statement No. 45 obligations.

NOTE 17 – ACCRUED PENSION LIABILITY
The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PER provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

Contributions
The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law.

Measurement Date
The net pension liability for fiscal year ending December 31, 2016 is determined at a measurement date of June 30, 2016. The total pension liability as of June 30, 2016 was determined by rolling forward the Plan's total pension liability as of July 1, 2015 to June 30, 2016. The plan fiduciary net position is the market value of plan assets as of June 30, 2016.

Net Pension Liability Information
The Authority as of December 31, 2016 reported a net pension liability in the amount of $5,184,148 due to the adoption of GASB 68.

The component of the current year net pension liability of the Authority as of June 30, 2016, the last evaluation date, is as follows:

	PERS
Employer Total Pension Liability	$ 8,659,993
Plan Net Position	(3,475,845)
Employer Net Pension Liability	$ 5,184,148

The Authority allocation percentage is 0.01750388% as of June 30, 2016.

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2016 and 2015 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2016 and 2015, respectively. For this first year implementation there was a change in allocation percentage from June 30, 2015 to June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal year. The State employer contributed 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Long-Term Expected Rate of Return

The arithmetic mean return on the portfolio 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 the pension plan's target asset allocation as of June 30, 2016. The capital market assumptions are per Buck's investment consulting practice for 2016.

The determination of each employer's projected long term contribution effort is accomplished by computing the actuarially determined indexed present value of future compensation using census data as of June 30, 2016. The indexed present value of future compensation for each employer is calculated by multiplying the present value of future projected compensation for current employees (that is, on a closed basis) by the applicable cost index for each participant. The present value of future compensation for a participant incorporates:

1) Current employee demographics, including age, years of service, and salary,
2) Projected salary increases, and
3) Decrements (probabilities of retirement, death, and withdrawal).

The cost indexes are designed to reflect the relative cost of benefits for groups of employees with a common benefit in relation to other groups within each GASB plan. These cost indexes are also used in the determination of annual required contributions. The cost indexes are based on a new entrant valuation where the most recent set of new members to

1) An PERS regular plan (retirement eligibility based on age and service),
2) An PERS special plan (retirement eligibility based on service alone), and

These new entrant rates are the employer contribution rates that would be paid over the employee's career assuming all valuation assumptions are realized without gains or losses. The ratio of new entrant rates between plans establishes the relative plan lucrativeness, or index.

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 3.98% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.98% percent) or 1 percentage-point higher (4.98% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (2.98%)	Current Discount (3.98%)	1% Increase (4.98%)
Authority's Proprortionate Share of the Net Pension Liability (Asset)	$ 6,352,569	$ 5,184,148	$ 4,219,516

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of PERS members (active and inactive members), respectively.

The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow or resources or a deferred inflow of resources.

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions

The total pension liability for June 30, 2016 measurement dates were determined by using an actuarial valuation as of July 1, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The actuarial valuations used the following actuarial assumptions:

Inflation	3.08%
Salary Increases:	
Through 2026	1.65-4.15%, based on age
Thereafter	2.65-5.15%, based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 7 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality form the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. 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).

The actuarial assumptions used in the July 1, 2015 evaluation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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.

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions -Continued

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation - Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	100%	

The cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ending June 30, 2017	$	307,985
Year Ending June 30, 2018	$	307,985
Year Ending June 30, 2019	$	356,811
Year Ending June 30, 2020	$	299,773
Year Ending June 30, 2021	$	95,411

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended December 31, 2016 is $471,618.

NOTE 18 – RESTRICTED NET POSITION

The Authority restricted net position account balance at December 31, 2016 is $726,695. The detail of the reserve account balances are as follows:

	Low Rent PH Reserves	HCV Reserve	Congregate Reserve	Morris Mews Reserves	Total
Balance December 31, 2015	$ 138,994	$ 44,170	$136,034	$ 402,069	$ 721,267
Increase During the Year	12,796	-	68	120	12,984
Decrease During the Year	-	(7,556)	-	-	(7,556)
Balance December 31, 2016	$ 151,790	$ 36,614	$136,102	$ 402,189	$ 726,695

Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net position.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority at December 31, 2016 was $521,555

NOTE 19 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at December 31, 2016 is a deficit ($930,431). The detail of the account balance is as follows:

	Low Rent PH Reserves	HCV Reserve	Congregate Reserve	Morris Mews Reserves	Total
Balance December 31, 2015	$ (171,939)	$ (911,089)	$ (99,237)	$ 813,725	$ (368,540)
Increase During the Year	43,093	-	-	-	43,093
Decrease During the Year	-	(124,273)	(42,774)	(437,937)	(604,984)
Balance December 31, 2016	$ (128,846)	$(1,035,362)	$ (142,011)	$ 375,788	$ (930,431)

The entire amounts of the HCV Admin Reserves were Post 2003 Reserves.

The Authority unrestricted net position reflects a negative $(930,431) balance, as of December 31, 2016, because of the requirement to adopt GASB #68 pension liability. The Authority recorded an accrued pension liability to date of $5,184,148 which has a direct effect on the reserves. GASB #68 do not require the Authority to fund the liability.

NOTE 20 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended December 31, 2016 were $ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended December 31, 2016 was in the amount of $481,779.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program and the Section 8 New Construction and Substantial Rehabilitation Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher program for December 31, 2016 were in the amount of $5,950,094 and for the Section 8 N/C - S/R program $937,538.

NOTE 21 – RISK MANAGEMENT
The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended December 31, 2016, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its buildings for the purpose of determining potential liability issues.

NOTE 22 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS
The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Governmental Accounting Standards Boards Statements (GASBS) requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was $7,848,581 to the Authority which represents approximately 73% percent of the Authority's total revenue for the fiscal year December 31, 2016.

NOTE 23 - CONTINGENCIES
Litigation – At December 31, 2016, the Authority was not involved in any threatened litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 24 – SUPPLEMENTAL INFORMATION – (RD)

- The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) in the United States of America.

- An evaluation of the system of internal control was performed. See Independent Auditors Report on Internal Controls.

- The Authority's accounting records were adequate with no recommendations for improvements were made.

- The Authority's physical control over assets was adequate.

- The Authority maintained financial compliance with the loan agreement.

- The financial reports included in the audit are in agreement with the Authority's accounting records.

- All financial records are adequate and suitable for examination.

- There were no unsatisfactory conditions disclosed by the audit.

- Deposit funds were in institutions insured by the Federal Government.

- Payments from operating accounts are disclosed and accurately represented.

- Reserve amount is current and there are no encumbrances.

- Tenant security deposit accounts are fully funded and are maintained in separate accounts.

- The Authority is exempt from Federal Income Tax.

- There have been no changes in project ownership. The Housing Authority of the County of Morris certifies that the board is active and maintains oversight of the property.

- The real estate taxes are paid in accordance with state and/or local requirements. There are currently no delinquent taxes.

- The Housing Authority of the County of Morris has maintained proper insurance in accordance with the requirements of 7 CFR 3560.105.

NOTE 24 – SUPPLEMENTAL INFORMATION – (RD) - CONTINUED

- Insurance and Bonding at December 31, 2016 was:

Type	Coverage	Expiration Date
Fidelity Bond	$1,000,000	December 31, 2016
Property Insurance	15,000,000	December 31, 2016
Liability Insurance	5,000,000	December 31, 2016
Workman's Comp.	5,000,000	December 31, 2016

- Morris Mews at December 31, 2016 and 2015 had Tenants Accounts Receivable of $1,851 and $1,582 and Prepaid Rents of $2,552 for 2016 and $1,493 for 2015.

- Congregate Housing Project at December 31, 2016 and 2015 had Tenants Accounts Receivable of $45 and $13 respectively. Prepaid Rents of $66 at December 31, 2016 and $47 for 2015.

- Morris Mews has a contract with HUD under the Section 8 – New Construction Program. The Contract provides for annual housing assistance payments from HUD as a rental subsidy. The Congregate Housing Program has a contract with RD for Rental subsidy.

- Buildings and equipment are recorded at historical cost. Depreciation is computed by the straight line method on the basis of the useful life of the assets as follows:
  - Building and Improvements 40 years
  - Furniture and Fixtures 7 years
  - Automobile 5 years

- There is no other information that we believe are necessary for full disclosure.

NOTE 25 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru June 12, 2017; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016

	CFDA #'s	Grant Period From	To	Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
Public and Indian Housing Program							
NJ092-00010116D	14.850	1/1/2016	12/31/2016	$ 481,779	$ 481,779	$ 481,779	$ 481,779
Grant Subtotal				481,779	481,779	481,779	481,779
Ressident Opportunity & Self Sufficiency Program							
NJ092FSH447A015	14.870	1/1/2016	12/31/2016	68,587	68,587	68,587	68,587
Grant Subtotal				68,587	68,587	68,587	68,587
Public Housing Capital Fund Program							
NJ39P092501-13	14.872	9/9/2013	9/8/2017	275,817	18,680	18,680	275,817
NJ39P092501-14	14.872	5/13/2014	5/12/2018	287,149	116,773	116,773	269,244
NJ39P092501-15	14.872	4/13/2015	4/12/2019	287,259	38,620	38,620	219,932
NJ39P092501-16	14.872	4/13/2016	4/12/2020	299,220	70,635	70,635	70,635
Grant Subtotal				1,149,445	244,708	244,708	835,628
Section 8 Housing Choice Voucher Program							
NJ39PO92	14.871	1/1/2016	12/31/2016	5,950,094	5,950,094	5,950,094	5,950,094
Grant Subtotal				5,950,094	5,950,094	5,950,094	5,950,094
Section 8 New Construction and Substantial Rehabilitation Program							
NJ39-R000-003	14.182	1/1/2016	12/31/2016	937,538	937,538	937,538	937,538
Grant Subtotal				937,538	937,538	937,538	937,538
Rural Rental Assistance Payments							
NJ39	10.427	1/1/2016	12/31/2016	165,875	165,875	165,875	165,875
Grant Subtotal				165,875	165,875	165,875	165,875
Total Awards				$ 8,753,318	$ 7,848,581	$ 7,848,581	$ 8,439,501

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016

Note 1. Presentation:
The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the County of Morris is under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the County of Morris, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the County of Morris.

Note 2. Summary of Significant Accounting Policies:
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Housing Authority of the County of Morris has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 3. Loans Outstanding:
Housing Authority of the County of Morris had $3,458,152 as a loan balance outstanding at December 31, 2016. Note 15 presented on pages 44-47 of this report have full disclosure regarding the loan activity for the Housing Authority of the County of Morris.

Note 4. Non- Cash Federal Assistance:
The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2016.

Note 5. Sub recipients:
Of the federal expenditures presented in the schedule above, the Housing Authority of the County of Morris did not provide federal awards to any sub recipients.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)
December 31, 2016

REQUIRED SUPPLEMENTAL INFORMATION
GASB 68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2016	2015	2014
Housing Authority's proportion of the net pension liability	0.01750388%	0.01640674%	0.01724133%
Housing Authority's proportionate share of the net pension liability	$ 5,184,148	$ 3,682,985	$ 3,228,048
Housing Authority's covered employee payroll	$ 1,319,050	$ 1,481,354	$ 1,408,648
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	393.02%	248.62%	229.16%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Schedule of Proportionate Share of the Net Pension Liability
Of the Public Employee Retirement System (PERS)
December 31, 2016

REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2016	2015	2014
Contractually required contribution	$ 155,502	$ 141,054	$ 142,135
Contribution in relation to the contractually required contribution	(155,502)	(141,054)	(142,135)
Contribution deficiency (excess)	$ -	$ -	$ -
Authority's covered payroll	$ 1,319,050	$ 1,481,354	$ 1,408,648
Contribution as a percentage of covered employee payroll	11.79%	9.52%	10.09%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF DECEMBER 31, 2016

	NJ39P092501-12		
	Approved Budget	Actual Cost	Overrun
Operations	$ 26,460	$ 26,460	$ -
Administration	1,000	1,000	-
Fees & Costs	19,900	19,900	-
Dwelling Equipment	219,871	219,871	-
Bond Debt Obligation	18,776	18,776	-
Total	$ 286,007	$ 286,007	$ -

Funds Advanced	$ 286,007
Funds Expended	286,007
Excess of Funds Advanced	$ -

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.

2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.

3. The Capital Fund Program 501-12 was completed on March 11, 2016

4. There were no budget overruns noted.

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit   Fiscal Year End: 12/31/2016

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.218 Community Development Block	Subtotal	ELIM	Total
111 Cash - Unrestricted	$521,747	$148,919		$249,799	$257,825			$1,178,290		$1,178,290
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	$151,790	$136,102		$204,885	$402,189			$894,966		$894,966
114 Cash - Tenant Security Deposits	$152,374	$8,332			$38,075			$198,781		$198,781
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	$825,911	$293,353	$0	$454,684	$698,089	$0	$0	$2,272,037		$2,272,037
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects										
124 Accounts Receivable - Other Government				$12,007		$11,041		$23,048		$23,048
125 Accounts Receivable - Miscellaneous										
126 Accounts Receivable - Tenants	$9,430	$45			$1,851			$11,326		$11,326
126.1 Allowance for Doubtful Accounts -Tenants	-$1,917	$0			$0			-$1,917		-$1,917
126.2 Allowance for Doubtful Accounts - Other				$0		$0		$0		$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery	$23,002			$26,114	$728			$49,844		$49,844
128.1 Allowance for Doubtful Accounts - Fraud	-$17,251			-$26,114	$0			-$43,365		-$43,365
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	$13,264	$45	$0	$12,007	$2,579	$11,041	$0	$38,936		$38,936
131 Investments - Unrestricted	$1,788,937			$100,833	$1,092,102			$2,981,872		$2,981,872
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets										
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From										
145 Assets Held for Sale										
150 Total Current Assets	$2,628,112	$293,398	$0	$567,524	$1,792,770	$11,041	$0	$5,292,845		$5,292,845
161 Land	$1,735,369							$1,735,369		$1,735,369
162 Buildings	$29,807,730	$2,201,946			$8,218,107			$40,227,783		$40,227,783
163 Furniture, Equipment & Machinery - Dwellings	$931,158	$74,656		$159,564	$442,202			$1,607,580		$1,607,580
164 Furniture, Equipment & Machinery - Administration	$442,298							$442,298		$442,298
165 Leasehold Improvements										
166 Accumulated Depreciation	-$16,052,187	-$947,307		-$137,115	-$5,387,540			-$22,524,149		-$22,524,149
167 Construction in Progress	$499,736							$499,736		$499,736
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	$17,364,104	$1,329,295	$0	$22,449	$3,272,769	$0	$0	$21,988,617		$21,988,617
171 Notes, Loans and Mortgages Receivable - Non-Current										

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2016

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.218 Community Development Block	Subtotal	ELIM	Total
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets										
176 Investments in Joint Ventures										
180 Total Non-Current Assets	$17,364,104	$1,329,295	$0	$22,449	$3,272,769	$0	$0	$21,988,617		$21,988,617
200 Deferred Outflow of Resources	$653,177	$103,567		$481,929	$308,088			$1,546,761		$1,546,761
290 Total Assets and Deferred Outflow of Resources	$20,645,393	$1,726,260	$0	$1,071,902	$5,373,627	$11,041	$0	$28,828,223		$28,828,223
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	$134,128	$7,708		$612	$29,317	$10,547		$182,312		$182,312
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	$11,161	$2,153		$7,747	$5,287	$494		$26,842		$26,842
322 Accrued Compensated Absences - Current Portion	$13,633			$6,231	$5,105			$24,969		$24,969
324 Accrued Contingency Liability										
325 Accrued Interest Payable	$1,228	$3,414			$20,573			$25,215		$25,215
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	$118,846							$118,846		$118,846
341 Tenant Security Deposits	$152,374	$8,332			$38,075			$198,781		$198,781
342 Unearned Revenue		$66			$2,552			$2,618		$2,618
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$10,000	$13,369			$109,261			$132,630		$132,630
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities										
346 Accrued Liabilities - Other	$269,253	$19,174		$124,636	$99,076			$512,139		$512,139
347 Inter Program - Due To										
348 Loan Liability - Current										
310 Total Current Liabilities	$710,623	$54,216	$0	$139,226	$309,246	$11,041	$0	$1,224,352		$1,224,352
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$140,000	$551,766			$2,633,756			$3,325,522		$3,325,522
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other	$151,790			$168,271				$320,061		$320,061
354 Accrued Compensated Absences - Non Current	$122,700			$56,082	$45,945			$224,727		$224,727
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	$2,189,197	$347,116		$1,615,239	$1,032,596			$5,184,148		$5,184,148
350 Total Non-Current Liabilities	$2,603,687	$898,882	$0	$1,839,592	$3,712,297	$0	$0	$9,054,458		$9,054,458

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit   Fiscal Year End: 12/31/2016

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.218 Community Development Block	Subtotal	ELIM	Total
300 Total Liabilities	$3,314,310	$953,098	$0	$1,978,818	$4,021,543	$11,041	$0	$10,278,810		$10,278,810
400 Deferred Inflow of Resources	$94,035	$14,911		$69,383	$44,355			$222,684		$222,684
508.4 Net Investment in Capital Assets	$17,214,104	$764,160		$22,449	$529,752		$0	$18,530,465		$18,530,465
511.4 Restricted Net Position	$151,790	$136,102		$36,614	$402,189		$0	$726,695		$726,695
512.4 Unrestricted Net Position	-$128,846	-$142,011	$0	-$1,035,362	$375,788	$0	$0	-$930,431		-$930,431
513 Total Equity - Net Assets / Position	$17,237,048	$758,251	$0	-$976,299	$1,307,729	$0	$0	$18,326,729		$18,326,729
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$20,645,393	$1,726,260	$0	$1,071,902	$5,373,627	$11,041	$0	$28,828,223		$28,828,223

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit   Fiscal Year End: 12/31/2016

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.218 Community Development Block	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$1,652,914	$86,348			$378,777			$2,118,039		$2,118,039
70400 Tenant Revenue - Other	$16,532	$498			$1,316			$18,346		$18,346
70500 Total Tenant Revenue	$1,669,446	$86,846	$0	$0	$380,093	$0	$0	$2,136,385		$2,136,385
70600 HUD PHA Operating Grants	$540,852	$165,875	$68,587	$5,950,094	$937,538			$7,662,946		$7,662,946
70610 Capital Grants	$185,635							$185,635		$185,635
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue										
70800 Other Government Grants						$43,515		$43,515		$43,515
71100 Investment Income - Unrestricted	$16,166	$81		$651	$12,559			$29,457		$29,457
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery	$61,739			$26,918	$3,435			$92,092		$92,092
71500 Other Revenue	$57,701	$2,460		$480,472	$69,294	$15,410		$625,337		$625,337
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted		$68			$121			$189		$189
70000 Total Revenue	$2,531,539	$255,330	$68,587	$6,458,135	$1,403,040	$58,925	$0	$10,775,556		$10,775,556
91100 Administrative Salaries	$350,048	$24,597	$41,152	$432,931	$132,837			$981,565		$981,565
91200 Auditing Fees	$3,653	$408		$4,332	$2,165			$10,558		$10,558
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing										
91500 Employee Benefit contributions - Administrative	$217,584	$31,523	$27,435	$256,842	$123,038			$656,422		$656,422
91600 Office Expenses	$44,775			$30,000				$74,775		$74,775
91700 Legal Expense	$34,283	$1,579		$31,575	$9,007			$76,444		$76,444
91800 Travel				$1,974				$1,974		$1,974
91810 Allocated Overhead										
91900 Other	$63,280	$5,382		$79,910	$26,135			$174,707		$174,707
91000 Total Operating - Administrative	$713,623	$63,489	$68,587	$837,564	$293,182	$0	$0	$1,976,445		$1,976,445
92000 Asset Management Fee										
92100 Tenant Services - Salaries						$29,784		$29,784		$29,784
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services						$13,421		$13,421		$13,421

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit   Fiscal Year End: 12/31/2016

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.218 Community Development Block	Subtotal	ELIM	Total
92400 Tenant Services - Other	$4,886					$15,720		$20,606		$20,606
92500 Total Tenant Services	$4,886	$0	$0	$0	$0	$58,925	$0	$63,811		$63,811
93100 Water	$76,525	$3,916			$22,066			$102,507		$102,507
93200 Electricity	$74,070	$13,987			$46,282			$134,339		$134,339
93300 Gas	$156,083	$7,179			$2,257			$165,519		$165,519
93400 Fuel										
93500 Labor	$56,981							$56,981		$56,981
93600 Sewer		$8,644			$48,986			$57,630		$57,630
93700 Employee Benefit Contributions - Utilities	$42,807							$42,807		$42,807
93800 Other Utilities Expense	$75,151	$315			$1,536			$77,002		$77,002
93000 Total Utilities	$481,617	$34,041	$0	$0	$121,127	$0	$0	$636,785		$636,785
94100 Ordinary Maintenance and Operations - Labor	$113,719	$20,954			$116,047			$250,720		$250,720
94200 Ordinary Maintenance and Operations - Materials and Other	$68,014	$6,537			$26,758			$101,309		$101,309
94300 Ordinary Maintenance and Operations Contracts	$452,986	$42,368			$143,197			$638,551		$638,551
94500 Employee Benefit Contributions - Ordinary Maintenance	$72,529	$10,461			$45,951			$128,941		$128,941
94000 Total Maintenance	$707,248	$80,320	$0	$0	$331,953	$0	$0	$1,119,521		$1,119,521
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs										
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0		$0
96110 Property Insurance	$108,626	$7,824			$29,732			$146,182		$146,182
96120 Liability Insurance										
96130 Workmen's Compensation										
96140 All Other Insurance										
96100 Total insurance Premiums	$108,626	$7,824	$0	$0	$29,732	$0	$0	$146,182		$146,182
96200 Other General Expenses	$728			$14,505				$15,233		$15,233
96210 Compensated Absences										
96300 Payments in Lieu of Taxes	$118,846							$118,846		$118,846
96400 Bad debt - Tenant Rents	$7,485				$4,785			$12,270		$12,270
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	$127,059	$0	$0	$14,505	$4,785	$0	$0	$146,349		$146,349

See accompanying notes to the fincancial statements

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2016

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.218 Community Development Block	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable	$7,583	$41,391			$251,059			$300,033		$300,033
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	$7,583	$41,391	$0	$0	$251,059	$0	$0	$300,033		$300,033
96900 Total Operating Expenses	$2,150,642	$227,065	$68,587	$852,069	$1,031,838	$58,925	$0	$4,389,126		$4,389,126
97000 Excess of Operating Revenue over Operating Expenses	$380,897	$28,265	$0	$5,606,066	$371,202	$0	$0	$6,386,430		$6,386,430
97100 Extraordinary Maintenance	$11,544							$11,544		$11,544
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments				$5,302,970				$5,302,970		$5,302,970
97350 HAP Portability-In				$432,325				$432,325		$432,325
97400 Depreciation Expense	$911,455	$64,270		$9,385	$289,899			$1,275,009		$1,275,009
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	$3,073,641	$291,335	$68,587	$6,596,749	$1,321,737	$58,925	$0	$11,410,974		$11,410,974
10010 Operating Transfer In	$35,987							$35,987		$35,987
10020 Operating transfer Out	-$35,987							-$35,987		-$35,987
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	$20,000							$20,000		$20,000
10094 Transfers between Project and Program - Out							-$20,000	-$20,000		-$20,000
10100 Total Other financing Sources (Uses)	$20,000	$0	$0	$0	$0	$0	-$20,000	$0		$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$522,102	-$36,005	$0	-$138,614	$81,303	$0	-$20,000	-$635,418		-$635,418
11020 Required Annual Debt Principal Payments	$10,000	$12,437	$0	$0	$99,890	$0	$0	$122,327		$122,327
11030 Beginning Equity	$17,759,150	$794,256	$0	-$837,685	$1,226,426	$0	$20,000	$18,962,147		$18,962,147
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0							$0		$0

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2016

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.218 Community Development Block	Subtotal	ELIM	Total
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										
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity				-$1,012,913				-$1,012,913		-$1,012,913
11180 Housing Assistance Payments Equity				$36,614				$36,614		$36,614
11190 Unit Months Available	3636	228		7608	1200			12672		12672
11210 Number of Unit Months Leased	3599	225		7608	1185			12617		12617
11270 Excess Cash	$1,588,403							$1,588,403		$1,588,403
11610 Land Purchases	$0							$0		$0
11620 Building Purchases	$0							$0		$0
11630 Furniture & Equipment - Dwelling Purchases	$0							$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0							$0		$0
11650 Leasehold Improvements Purchases	$175,635							$175,635		$175,635
11660 Infrastructure Purchases	$0							$0		$0
13510 CFFP Debt Service Payments	$17,583							$17,583		$17,583
13901 Replacement Housing Factor Funds	$0							$0		$0

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

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the County of Morris as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Housing Authority of the County of Morris basic financial statements, and have issued our report thereon dated June 12, 2017.

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
Date: June 12, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Unmodified Opinion on Compliance for Each Major Program: No Material Weakness or Significant Deficiencies in Internal Control Over Compliance Identified)

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

Report on Compliance for Each Major Federal Program
We have audited Housing Authority of the County of Morris compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the County of Morris major federal programs for the year ended December 31, 2016. Housing Authority of the County of Morris major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Housing Authority of the County of Morris major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the County of Morris compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Housing Authority of the County of Morris compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the County of Morris complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Housing Authority of the County of Morris is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the County of Morris's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the County of Morris internal control over compliance.

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

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

Purpose of This Report
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo
Lincroft, New Jersey
Date: June 12, 2017

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
Schedule of Findings and Questioned Cost
Year Ended December 31, 2016

Prior Audit Findings
None reported

Summary of Auditor's Results
Financial Statements

Type of Auditor's Report Issued:		Unmodified
Internal Control over Financial Reporting:		
Material Weakness (es) Identified?	____ yes	X no
Significant Deficiency(ies) identified that are considered to be material weakness(es)?	____ yes	X none reported
Noncompliance Material to Financial Statements Noted?	____ yes	X no

Federal Awards

Internal Control over Major Programs:		
Material Weakness (es) Identified?	____ yes	X no
Significant Deficiency(ies) identified that are considered to be material weakness(es)?	____ yes	X none reported
Type of audit report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements,	____ yes	X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.182	Section 8 New Construction and Substantial Rehabilitation	$ 937,538
14.850	Public and Indian Housing Program	$ 481,779
14.872	Public Housing Capital Fund Program	$ 244,708

Dollar threshold used to Distinguish between Type A and Type B Programs	$ 750,000	
Auditee qualified as a low-risk auditee	X yes	____ no

FINDINGS – FINANCIAL STATEMENT AUDIT
None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT
None reported

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the County of Morris and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. Housing Authority of the County of Morris is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the County of Morris as of and for the year ended December 31, 2016, and have issued our reports thereon dated June 12, 2017. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated December 31, 2016, was expressed in relation to the basic financial statements of Housing Authority of the County of Morris taken as a whole.

A copy of the reporting package required by OMB Uniform Guidance, which includes the auditor's reports, is available in its entirety from Housing Authority of the County of Morris. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of Housing Authority of the County of Morris and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo
Lincroft, New Jersey
June 12, 2017

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule,all CFDAs	●	○
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	●	○
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	●	○
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	●	○
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	●	○
6	Financial statement report information (data element G3000-010 to G3000-050	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	●	○
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	●	○
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	●	○
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	●	○