

Report On Audit

**HOUSING AUTHORITY OF THE
COUNTY OF MORRIS**

**For the Year Ended
December 31, 2019**

Housing Authority of the County of Morris
Table of Contents

	<u>Page Number</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-18
Financial Statements	
Statement of Net Position	19-20
Statement of Revenue, Expenses and Changes in Net Position	21
Statement of Cash Flows	22-23
Notes to Financial Statements	24-63
Required Supplementary Information	
Schedule of Changes in Total OPEB Liabilities and Ratios	64
Schedule of Proportionate Share of the Net Pension Liability Of the Public Employee Retirement System (ERS)	65-68
Supplementary Information	
Schedule of Expenditures of Federal Awards	69-70
Statement on Certification of Actual Cost Capital Fund Program	71
Financial Data Schedule	72-77
Other Reports and Comments	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	78-79
Independent Auditors Report on Compliance for each Major Program and on Internal Control over Compliance Required by Uniform Guidance	80-82
Schedule of Findings and Questioned Cost	83
Independent Accountant's Report on Applying Agreed-upon Procedures – REAC	84-85



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

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, 2019, 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, 2019, 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.

Change in Method of Accounting for Pensions

As discussed in Note 1 to the financial statements, the Authority changed its method for accounting and financial reporting of OPEB as a result of the adoption of Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an Amendment of GASB Statement No. 45*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 18 and pages 61-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Housing Authority of the County of Morris. The accompanying supplemental information on pages 69-77 is presented for additional analysis and is not required part of the basic financial statements.

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 basic financial statements. The Capital Fund cost certification is also not required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Capital Fund cost certification 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 Schedule of Expenditures of Federal Awards, Capital Fund cost certification and the Financial Data Schedule, 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 September 15, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of Morris internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the County of Morris's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: September 15, 2020

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019

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 \$7,514,519 a decrease in the financial position of \$9,041,924 or 55% as compared to the prior year.

As noted above, the net position of the Authority was \$7,514,519 as of December 31, 2019. Of this amount, the unrestricted net position is negative (\$10,695,742) representing an increase in the deficit of \$9,026,227 or 541% 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 \$38,729 or less than 1% percent for an ending balance of \$17,400,206.

The restricted net position increased \$23,032 or 3% percent from the prior year for an ending balance of \$810,055. 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, 2019 is \$468,563 representing a decrease of \$199,923 or 30% percent from the prior year. Total restricted cash increased \$66,128 or 5% percent for an ending balance of \$1,326,606. The full detail of these amounts can be found in the Statement of Cash Flows on pages 22-23 of this report.

The Authority's total assets and deferred outflows are \$26,782,478 of which capital assets net book value is \$20,425,677; deferred outflow amount is \$2,204,848, restricted cash of \$1,326,606, which left total current assets at \$2,825,347. Total current assets decreased from the previous year by \$398,709 or 12% percent. Unrestricted cash and cash equivalents decreased by \$199,923, account's receivables increased by \$8,865 and investments decreased \$207,651.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

Total restricted cash and cash equivalents increased \$66,128 or 5% percent.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$194,900 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$1,274,076, less the recording of depreciation expense in the amount of \$1,468,976. 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 \$1,502,336 for an ending balance of \$2,204,848. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$7,945 for an ending balance of \$1,379,544. 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 \$17,888,415, of which noncurrent liabilities are stated at \$17,157,617. Total liabilities increased during the year as compared to the prior year in the amount of \$10,008,834 or 127% percent. Total current liabilities decreased during the year by \$206,038, leaving non-current liabilities for an increase of \$10,214,872 as compared to the previous year.

Total current liabilities decreased from the previous year by \$206,038 or 22% percent. Accounts payables decreased by \$69,735. Accrued liabilities decreased by \$156,019 mainly due to a decrease in accrual of employee health insurance cost. The tenant security deposit payable increased by \$3,211, unearned revenue increased \$3,085, current portion of long term debt increased by \$13,420.

Total noncurrent liabilities increased by \$10,214,872 or 147% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$223,640, with no offsetting assets, increased \$22,425 from the previous year. Long-term debt (mortgage payable) decreased \$169,591 for an ending balance of \$2,855,881, and other noncurrent liabilities (FSS escrow accounts) increased \$58,710 or 13% percent for an ending balance of \$520,552.

Accrued pension and OPEB liabilities increased \$10,303,328 or 317% percent for an ending balance of \$13,557,544. Additional information on GASB #68 and #75 effects and the Authority's accrued pension and OPEB liabilities at December 31, 2019 can be found in Notes 16 and 17 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had total operating revenue of \$11,134,999 as compared to \$11,012,382 from the prior year for an increase of \$122,617 or 1% percent. The Authority had total operating expenses of \$12,929,041 as compared to \$12,082,912 from the previous year for an increase of \$846,129 or 7% percent, resulting in a deficiency of revenue from operations in the amount of \$1,794,042 for the current year as compared to excess expenses over revenue from operations in the amount of \$1,070,530 for an increase in expenses over revenue of \$723,512 or 68% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$575,474 as compared to \$57,645 from the previous year for an increase of \$517,829 or 898% percent.

The Authority had capital outlays in the amount of \$1,274,076 for the fiscal year. 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 \$8,890,647 for the year 2019 as compared to \$8,130,002 for the previous year 2018 for an increase of \$760,645 or 9% 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.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

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 Flows
- 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 Flows– 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 64.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

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 69-70 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, 2019. 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, 2019.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between December 31, 2019 and December 31, 2018:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	December-19	December-18	
Cash	\$ 1,795,169	\$ 1,928,964	\$ (133,795)
Other Current Assets	2,356,784	2,555,570	\$ (198,786)
Capital Assets - Net	20,425,677	20,620,577	\$ (194,900)
Deferred Outflow of Resources	2,204,848	702,512	\$ 1,502,336
Total Assets	26,782,478	25,807,623	\$ 974,855
Less: Current Liabilities	(730,798)	(936,836)	\$ 206,038
Less: Non Current Liabilities	(17,157,617)	(6,942,745)	\$ (10,214,872)
Less: Deferred Inflow of Resources	(1,379,544)	(1,371,599)	\$ (7,945)
Net Position	<u>\$ 7,514,519</u>	<u>\$ 16,556,443</u>	<u>\$ (9,041,924)</u>
Net Investment in Capital Assets	\$ 17,400,206	\$ 17,438,935	\$ (38,729)
Restricted Net Position	810,055	787,023	\$ 23,032
Unrestricted Net Position	(10,695,742)	(1,669,515)	\$ (9,026,227)
Net Position	<u>\$ 7,514,519</u>	<u>\$ 16,556,443</u>	<u>\$ (9,041,924)</u>

Cash decreased by \$133,795 or 7% percent. Net cash used by operating activities was \$(472,254), net cash provided by capital and related financing activities was \$85,335, and net cash provided by investing activities was \$253,124. The full detail of this amount can be found in the Statement of Cash Flows on page 22-23 of this audit report.

The changes in other current assets included account receivable increased \$8,865, and investments decreased \$207,651.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$194,900 or 1% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$1,274,076, less the recording of depreciation expense in the amount of \$1,468,976. 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 \$1,502,336 for an ending balance of \$2,204,848. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$7,945 for an ending balance of \$1,379,544. 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.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities decreased from the previous year by \$206,038 or 22% percent. Accounts payables decreased by \$69,735. Accrued liabilities decreased by \$156,019 mainly due to a decrease in accrual of employee health insurance cost. The tenant security deposit payable increased by \$3,211, unearned revenue increased \$3,085, current portion of long-term debt increased by \$13,420.

Total noncurrent liabilities increased by \$10,214,872 or 147% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$223,640, with no offsetting assets, increased \$22,425 from the previous year. Long-term debt (mortgage payable) decreased \$169,591 for an ending balance of \$2,855,881, and other noncurrent liabilities (FSS escrow accounts) increased \$58,710 or 13% percent for an ending balance of \$520,552.

Accrued pension and OPEB liabilities increased \$10,303,328 or 317% percent for an ending balance of \$13,557,544. Additional information on GASB #68 and #75 effects and the Authority's accrued pension and OPEB liabilities at December 31, 2019 can be found in Notes 16 and 17 to the financial statements, which is included in this report.

The Authority's reported net position of \$7,514,519 is made up of three categories. The net investment in capital assets in the amount of \$17,400,206 represents majority 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, 2018	\$ 17,438,935
Acquisition in Fixed Assets	1,274,076
Depreciation Expense	(1,468,976)
Payment of Debt	<u>156,171</u>
Balance December 31, 2019	<u><u>\$ 17,400,206</u></u>

The Housing Authority of the County of Morris operating results for December 31, 2019 reported a decrease in unrestricted net position of \$9,026,227 or 541% percent for an ending balance of deficit (\$10,695,742). 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 \$810,055 which increased \$23,032 or 3% 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.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between December 31, 2019 and December 31, 2018:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase
	December-19	December-18	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 2,270,818	\$ 2,246,051	\$ 24,767
HUD Subsidies	8,218,044	8,072,357	145,687
Other Revenues	646,137	693,974	(47,837)
Total Operating Income	11,134,999	11,012,382	122,617
<u>Expenses</u>			
Operating Expenses	11,460,065	10,669,107	790,958
Depreciation Expense	1,468,976	1,413,805	55,171
Total Operating Expenses	12,929,041	12,082,912	846,129
Operating Income before Non Operating Income	(1,794,042)	(1,070,530)	(723,512)
Investment Income	45,473	38,541	6,932
HUD Capital Grants	575,474	57,645	517,829
Change in Net Position	(1,173,095)	(974,344)	(198,751)
Prior Period Adjustment	(7,868,829)		
Net Position Prior Year	16,556,443	17,530,787	(974,344)
Total Net Position	\$ 7,514,519	\$ 16,556,443	\$ (1,173,095)

Approximately 74% 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 6% 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 \$575,474 as compared to \$57,645 for the previous year. The Authority had capital expenditures of \$1,274,076. The current year additions included apartment appliances, floor replacements, playground equipment, air conditioning units, and window replacement.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

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 47% percent of total operating expenses. Administrative expenses accounted for 19% percent, tenant services accounted for 1% percent, utilities expense accounted for 5% percent, maintenance expense accounted for 12% 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 \$1,794,042 from operations as compared to excess expenses from operations of \$1,070,530 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 increased \$122,617 or 1% percent as listed below:
 - The Authority experienced an increase in HUD operating grants in the amount of \$145,687, or 2% percent.
 - Tenant rental revenue increased \$24,767 or 1% percent
 - Other revenue decreased \$94,587 or 17% percent.
- Administrative expenses increased \$379,533 or 19% percent.
- Utilities expense decreased \$12,012 or 2% percent.
- Maintenance expenses reported an increase of \$347,957, or 27% percent
- Other operating expenses increased \$25,821 or 4% percent.
- Housing Assistance Payments reported an increase of \$48,021 or 1% percent.

Total net cash used by operating activities during the year was \$(472,254) as compared to provide from operations of \$292,418 from the previous year. A full detail of this amount can be found on the Statement of Cash Flows on page 22-23 of this report.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

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, 2019:

	December-19	December-18	December-17	December-16
Significant Income				
Total Tenant Revenue	\$ 2,270,818	\$ 2,246,051	\$ 2,186,200	\$ 2,136,385
HUD Operating Grants	8,218,044	8,072,357	7,842,957	7,662,946
HUD Capital Grants	575,474	57,645	121,410	185,635
Investment Income	45,473	38,541	33,109	29,646
Other Income	646,137	693,974	644,814	760,944
Total	<u>\$ 11,755,946</u>	<u>\$ 11,108,568</u>	<u>\$ 10,828,490</u>	<u>\$ 10,775,556</u>
Payroll Expense				
Administrative Salaries	\$ 1,006,887	\$ 1,275,069	\$ 1,011,212	\$ 981,565
Tenant Services Salaries	23,524	24,595	28,701	29,784
Utilities Labor	105,912	115,575	60,119	56,981
Maintenance Labor	267,775	284,620	255,367	250,720
Employee Benefits Expense	1,591,722	556,515	713,771	841,591
Total Payroll Expense	<u>\$ 2,995,820</u>	<u>\$ 2,256,374</u>	<u>\$ 2,069,170</u>	<u>\$ 2,160,641</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 395,060	\$ 346,623	\$ 330,979	\$ 338,458
Utilities Expense	536,961	536,761	551,261	536,997
Maintenance Materials Cost	207,527	160,076	116,944	101,309
Maintenance Contract Cost	723,949	725,313	701,568	638,551
Insurance Premiums	196,478	168,464	151,081	146,182
Housing Assistance Payments	6,090,820	6,042,799	5,909,950	5,735,295
Total	<u>\$ 8,150,795</u>	<u>\$ 7,980,036</u>	<u>\$ 7,761,783</u>	<u>\$ 7,496,792</u>
Total Operating Expenses	<u>\$ 12,929,041</u>	<u>\$ 12,082,912</u>	<u>\$ 11,624,432</u>	<u>\$ 11,399,430</u>
Total of Federal Awards	<u>\$ 8,890,647</u>	<u>\$ 8,130,002</u>	<u>\$ 7,848,581</u>	<u>\$ 8,266,344</u>

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 not sufficient to cover all expenses.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

THE AUTHORITY AS A WHOLE - CONTINUED

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). 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. 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 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.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

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.

HOME Investment Partnerships Program

The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2019, 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.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

NEW INITIATIVES

For the year 2019 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 76% percent of its revenue from the Department of Housing and Urban Development, (2018 was 73% 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, 2019 was \$20,425,677 (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 \$194,900 or 1% percent.

Major capital expenditures of \$1,274,076 were made during the year. Major capital assets events during the year included the following:

- Replacement of Apartment Appliances
- Apartment Floor Replacements
- Playground Equipment
- Window Replacement
- Air Conditioning Units

	December-19	December-18	Change
Land	\$ 1,735,369	\$ 1,735,369	\$ -
Building	42,145,283	41,478,065	667,218
Furniture, Equipment - Dwelling	1,417,773	1,232,089	185,684
Furniture, Equipment - Administration	504,092	442,298	61,794
Construction in Process	794,928	435,548	359,380
Total Fixed Assets	46,597,445	45,323,369	1,274,076
Accumulated Depreciation	(26,171,768)	(24,702,792)	(1,468,976)
Net Book Value	\$ 20,425,677	\$ 20,620,577	\$ (194,900)

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED

1 – Capital Assets

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 \$120,000 in outstanding debt. A full disclosure of loans payable at December 31, 2019 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, 2019 was \$2,383,526. 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, 2019 was \$521,945.

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 2020 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, 2020.

- 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.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- 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 Ms. Kelly Stephens, 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, 2019

	<u>2019</u>
Assets	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	\$ 468,563
Accounts Receivables, Net of Allowances	88,913
Investments	<u>2,267,871</u>
Total Current Assets	<u>2,825,347</u>
 Restricted Deposits and Funded Reserves	
Tenant Security Deposit	208,148
FSS Escrow Deposits	520,552
HAP Restricted Reserves	56,370
Rural Housing Reserve	138,984
Morris Mews Reserves	<u>402,552</u>
Total Restricted Deposits and Funded Reserves	<u>1,326,606</u>
 Noncurrent Assets	
Capital Assets	
Land	1,735,369
Building	42,145,283
Furniture, Equipment - Dwelling	1,417,773
Furniture, Equipment - Administration	504,092
Construction in Process	<u>794,928</u>
Total Capital Assets	46,597,445
Less: Accumulated Depreciation	<u>(26,171,768)</u>
Net Book Value	<u>20,425,677</u>
 Total Assets	<u>24,577,630</u>
 Deferred Outflow of Resources	
Pension and OPEB	<u>2,204,848</u>
 Total Assets and Deferred Outflow of Resources	<u><u>\$ 26,782,478</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET POSITION -2
AS OF DECEMBER 31, 2019

	<u>2019</u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 212,091
Accrued Liabilities	131,736
Tenant Security Deposit Payable	208,148
Unearned Revenue	9,233
Mortgage Payable - Current Portion	<u>169,590</u>
Total Current Liabilities	<u>730,798</u>
 Noncurrent Liabilities	
Mortgage Payable - Long Term	2,855,881
Other Noncurrent Liabilities	520,552
Accrued Compensated Absences - Long-Term	223,640
Accrued Pension Liability	<u>13,557,544</u>
Total Noncurrent Liabilities	<u>17,157,617</u>
 Total Liabilities	<u>17,888,415</u>
 Deferred Inflow of Resources	
Pension and OPEB	<u>1,379,544</u>
 Net Position:	
Net Investments in Capital Assets	17,400,206
Restricted Net Position	810,055
Unrestricted Net Position	<u>(10,695,742)</u>
Total Net Position	<u>7,514,519</u>
 Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 26,782,478</u></u>

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, 2019

	<u>2019</u>
Revenue:	
Tenant Rental Revenue	\$ 2,270,818
HUD PHA Operating Grants	8,218,044
Other Governmental Grants	137,777
Fraud Recovery	60,427
Other Revenue	447,933
Total Revenue	<u>11,134,999</u>
 Operating Expenses:	
Administrative Expense	2,398,828
Tenant Services	62,595
Utilities Expense	690,533
Maintenance Expense	1,614,564
Other Operating Expenses	602,725
Housing Assistance Payments	6,090,820
Depreciations Expense	1,468,976
Total Operating Expenses	<u>12,929,041</u>
 Excess Expenses Over Revenue From Operations	(1,794,042)
 Non Operating Income	
Investment Income	<u>45,473</u>
 Excess Expenses Before Capital Grant Contributions	(1,748,569)
 Capital Grant Contributions	<u>575,474</u>
 Change in Net Position	<u>(1,173,095)</u>
 Beginning Net Position	16,556,443
Prior Period Adjustments	<u>(7,868,829)</u>
Beginning Net Position, Restated	<u>8,687,614</u>
 Ending Net Position	<u><u>\$ 7,514,519</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOWS -1
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

	2019
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 2,265,485
Receipts from Federal Grants	8,218,044
Receipts from Other Grants	134,258
Receipts from Misc. Sources	514,416
Payments to Vendors and Suppliers	(2,582,344)
Payments for Housing Assistance Payments	(6,090,820)
Payments to Employees	(1,402,610)
Payment of Employee Benefits	(991,722)
Payments for Utilities	(536,961)
Net Cash (Used) by Operating Activities	<u>(472,254)</u>
 Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	575,474
Acquisitions and Construction of Capital Assets	(1,274,076)
Principal Paid on Debt	(156,171)
Change in Accrued Pension and OPEB Liabilities	10,303,328
Net Effect of Deferred Inflows and Outflows	(1,494,391)
Prior Period Adjustment	(7,868,829)
Net Cash Provided by Capital and Related Financing Activities	<u>85,335</u>
 Cash Flow From Investing Activities	
Interest Income	45,473
Proceeds from Sale of Investments	207,651
Net Cash Provided by Investing Activities	<u>253,124</u>
 Net Decrease in Cash and Cash Equivalents	(133,795)
 Beginning Cash	<u>1,928,964</u>
 Ending Cash	<u><u>\$ 1,795,169</u></u>
 <u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 468,563
Cash and Cash Equivalents - Restricted	1,326,606
Total Ending Cash	<u><u>\$ 1,795,169</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOWS -2
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

	<u>2019</u>
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expense Over Revenue - Operations	\$ (1,794,042)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	1,468,976
(Increase) Decrease in:	
Accounts Receivables	(8,865)
Increase (Decrease) in:	
Accounts Payable	(69,735)
Accrued Liabilities	(156,019)
Unearned Revenue	3,085
Tenant Security Deposit	3,211
Other Non Current Liabilities	58,710
Compensated Absences - Long Term	22,425
Net Cash (Used) by Operating Activities	<u>\$ (472,254)</u>
Interest expense paid during the year	<u>\$ 265,706</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

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

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

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.

New Accounting Standards Adopted

Statement No. 75 of the Government Accounting Standards Board ("GASB 75") *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued June 2015. GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information.

The Authority adopted this accounting standards effective January 1, 2019. As a result of adopting GASB 75, which was applied retroactively, the Authority restated its other postemployment benefit liability and its net position as of December 31, 2018 by (\$8,230,181).

Basis of Accounting –

In proprietary 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, and other revenue. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low income families.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

Basis of Accounting – Continued

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 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.

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 income 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.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of 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 restricted fund balance and may only be used to assist additional families up to the number of units under contract. 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.

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

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.

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. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- 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 does not have any infrastructure assets for its Enterprise Fund.
- 9 – 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.
- 10- Advertising cost is charged to expense when incurred.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

Other accounting policies - Continued

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

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- 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.

14 - Taxes

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

Under federal, state, and local law, the Authority's program is 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 pay the municipality a 10% of its net shelter rent.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

Other accounting policies - Continued

15 - Net Position

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

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

16 - Operating and non-operating revenues and expenses

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, U.S. Department of Agriculture, HAP portability payments for the tenants and various charges to tenants.

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

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

Other accounting policies - Continued

17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2019.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

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

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
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	14.87	NJ92	N/A
HOME Investment Partnerships Program	14.239	NJ92	N/A
<u>Section 8</u>			
Section 8 Housing Choice Vouchers	14.871	NJ39-VO92	634
New Construction and Substantial Rehabilitation Program - Section 8 Program	14.182	NJ39-R000-003	100
<u>RD Programs</u>			
1- Morris Mews Development	10.427	35-14-08045997	
2- Congregate Housing Development	10.427	35-14-08045997	19

Activities – continued

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

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). 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. 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 to keep them clean, safe and in good condition.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

Activities – continued

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. 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% of household income subject to certain restrictions.

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.

HOME Investment Partnerships Program

The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

Activities – continued

State - Congregate Housing Services Program

The Congregate Housing Services Program offers State 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.

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit.

The lease agreement has similar terms therefore; all lease contract revenue has been aggregated in the caption rental income in the statement of income. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the buildings(s). Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be charged a late fee. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

Morris Mews and Congregate Housing Program

Morris Mews and Congregate housing program recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant (s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit the tenant(s) may also income qualify for a Housing Assistance Payment (HAP). HAP payments are used to subsidize the tenants(s) rental payment to allow them the ability to afford a unit in the development.

Tenant(s) lease payments, including the HAP payment, are due the first day of each month of the lease term. The monthly unit rental charge is determined based on local market conditions but cannot exceed the monthly rental amount set annually by the New Jersey Mortgage and Finance Agency (NJHMFA) and U.S. Department of Agriculture (RD). Any tenant(s) rental payment not received by the fifth day of each month. Will be charged a late fee. HAP payments received directly from a sponsoring governmental agency are not subject to late fees. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

Rent Increases

Under the regulatory agreement, the Morris Mews and Congregate housing program may not increase rents charged to tenants without the New Jersey Mortgage and Finance Agency (NJHMFA) and U.S. Department of Agriculture (RD) approval.

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 collectability 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.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-pers18.pdf>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

NOTE 3 - PENSION PLAN -CONTINUED

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 7.5% 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 2019 amounted to \$152,062.

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.

Concentration of Credit Risk

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

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 September 30, 2019, 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.

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 and investments 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:

<u>Depository Accounts</u>	<u>December-19</u>
Insured	\$ 991,563
Collateralized held by pledging bank's trust department in the Authority's name	3,071,477
Total Cash, Cash Equivalents, and Investments	<u>\$ 4,063,040</u>

Investments

The Authority's investments at December 31, 2019 included the following:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market Accounts	Upon Demand	\$ 2,267,871

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Restricted Deposits and Funded Reserves

Below is the detail of the restricted cash amounts for December 31, 2019 in the amount of \$1,326,606:

	December-19
Tenant Security Deposit	\$ 208,148
HAP Reserves	56,370
Rural Development Reserve	138,984
Morris Mews Reserves	402,552
FSS Participants	520,552
Total Restricted Deposits and Funded Reserves	<u>\$ 1,326,606</u>

The tenant security deposit restricted cash at December 31, 2019 was in the amount of \$208,148. 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.

The restricted cash in the amount of \$56,370 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The Authority is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. The amount of restricted cash held for this program at December 31, 2019 was in the amount of \$520,552.

Rural Development (RD) Programs Rural Housing requires the Authority to maintain two (2) accounts which does require payments to be made by the Authority. The accounts earn interest and the accounts are controlled by Rural Development.

	Congregate Residual Receipt Account	Morris Mews Residual Receipt Account
Beginning Balance	\$ 137,476	\$ 402,431
Deposit Made	-	-
Interest earned	1,508	121
Withdrawals Made	-	-
Ending Balance	<u>\$ 138,984</u>	<u>\$ 402,552</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable at December 31, 2019 consisted of the following:

	<u>December-19</u>
Tenants Accounts Receivable - Present	\$ 17,787
Less Allowance for Doubtful Accounts	<u>(3,545)</u>
Net Tenants Accounts Receivable	<u>14,242</u>
 Accounts Receivable - Tenants Fraud Recovery	40,377
Less Allowance for Doubtful Accounts	<u>(33,218)</u>
Net Accounts Receivable - Fraud Recovery	<u>7,159</u>
 Accounts Receivable - Local Government Agencies	46,032
Accounts Receivable - CDBG	21,480
Less Allowance for Doubtful Accounts	<u>-</u>
Total Other Receivables	<u>67,512</u>
 Total Accounts Receivable	<u>\$ 88,913</u>

Tenants rents are due the first of each month. Management considers rents outstanding after the 5th day of the month as past due. The Housing Authority of the County of Morris carries its accounts receivable at cost less an allowance for doubtful accounts. 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. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change.

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, 2019 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

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 \$4,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

Depreciation Expense

Depreciation expense at December 31, 2019 was \$1,468,976. 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 Authority reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery's reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2019.

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2019:

	December-18	Additions	Transfer	December-19
Land	\$ 1,735,369	\$ -	\$ -	\$ 1,735,369
Building	41,478,065	602,186	65,032	42,145,283
Furniture, Equipment - Dwelling	1,232,089	105,767	79,917	1,417,773
Furniture, Equipment - Administration	442,298	650	61,144	504,092
Construction in Process	435,548	565,473	(206,093)	794,928
Total Fixed Assets	45,323,369	1,274,076	-	46,597,445
Accumulated Depreciation	(24,702,792)	(1,468,976)	-	(26,171,768)
Net Book Value	\$ 20,620,577	\$ (194,900)	\$ -	20,425,677

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

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, 2019:

<u>Net Book Value</u>	<u>December-19</u>
Land	\$ 1,735,369
Building	17,409,459
Furniture, Equipment - Dwelling	424,127
Furniture, Equipment - Administration	61,794
Construction in Process	794,928
Net Book Value	<u>\$ 20,425,677</u>

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 OPEB and Pension Liability discussed in Note 16-17 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 OPEB and pension liability, is amortized over a five-year closed period for OPEB and PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as OPEB and 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	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 50,558	\$ 50,558
Changes in Assumptions	-	281,269	281,269
Net Difference Between Projected and Actual Earning on Pension Plan Investments	1,808,985	-	1,808,985
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	64,036	64,036
Contributions Subsequent to the Measurement	-	-	-
Total	<u>\$ 1,808,985</u>	<u>\$ 395,863</u>	<u>\$ 2,204,848</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 12,443	\$ 12,443
Changes in Assumptions	-	977,706	977,706
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	44,464	44,464
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	344,931	344,931
Contributions Subsequent to the Measurement	-	-	-
Total	\$ -	\$ 1,379,544	\$ 1,379,544

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 \$50,558 and \$12,443.

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 \$281,269 and \$977,706.

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 \$1,808,985 and \$44,464.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

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 ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$64,036 and \$344,931.

NOTE 9 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of December 31, 2019. Accounts payable vendors are amount owing to creditors as a result of delivered goods and completed services. The Authority accounts payable at December 31, 2019 in the amount of \$212,091 consist of the following:

	December-19
Accounts Payable Vendors	\$ 91,362
Accounts Payable - P.I.L.O.T.	120,729
Total Accounts Payable	<u>\$ 212,091</u>

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 10% of its net shelter rent for real property taxes. During the fiscal year ended December 31, 2019 there was PILOT accrued of \$120,729. The Authority after calculating the PILOT expense had net shelter rents resulting in \$120,729 PILOT expense.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

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, 2019 consisted of the following:

	<u>December-19</u>
Accrued Interest Payable	\$ 22,019
Accrued Wages / Payroll Taxes Payable	35,893
Compensated Absences - Current Portion	24,849
Accrued Expenses - Hospitalization Cost	48,975
Total Accrued Liabilities	<u>\$ 131,736</u>

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:

	<u>December-19</u>
Accumulated Sick Time	\$ 107,251
Accumulated Vacation Time	121,772
Accrued Payroll Taxes	19,466
Total	<u>248,489</u>
Compensated Absences - Current Portion	<u>(24,849)</u>
Total Compensated Absences - Noncurrent	<u>\$ 223,640</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

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, 2019 is \$9,233 which consisted of prepaid rents for January 2020.

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, 2019 is \$520,552 which was accounted for in Note 4.

NOTE 15 – LONG TERM DEBT

The Authority has three (3) loans outstanding at December 31, 2019. The details are as follows:

	Current Portion	Non-Current Portion	Total Loan Outstanding
Morris Mews Project	\$ 142,984	\$ 2,240,542	\$ 2,383,526
Congregate Housing Project	16,606	505,339	521,945
Capital Fund Bond Leveraging	10,000	110,000	120,000
Total Loans Outstanding	<u>\$ 169,590</u>	<u>\$ 2,855,881</u>	<u>\$ 3,025,471</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

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, 2019 was \$2,383,526 and is current.

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

Year	Principal	Interest	Total Payment
2020	\$ 142,984	\$ 208,715	\$ 351,699
2021	156,396	195,302	351,698
2022	171,067	180,631	351,698
2023	187,114	164,583	351,697
2024	204,667	147,030	351,697
Subtotal	862,228	896,261	1,758,489
Therafter Until Maturity	1,521,298	413,041	1,934,339
Total	\$ 2,383,526	\$ 1,309,302	\$ 3,692,828

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, 2019 was \$521,945 and is current. The debt service requirement, as to principal reduction of the mortgage, is a follows:

Year	Principal	Interest	Total Payment
2020	\$ 16,606	\$ 37,296	\$ 53,902
2021	17,851	36,052	53,903
2022	19,189	34,713	53,902
2023	20,628	33,275	53,903
2024	22,174	31,729	53,903
Subtotal	96,448	173,065	269,513
Therafter Until Maturity	425,497	207,873	633,370
Total	\$ 521,945	\$ 380,938	\$ 902,883

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

NOTE 15- LONG TERM DEBT- CONTINUED

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.

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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2020	\$ 10,000	\$ 5,690	\$ 15,690
2021	15,000	5,065	20,065
2022	15,000	4,315	19,315
2023	15,000	3,565	18,565
2024	15,000	2,822	17,822
Subtotal	70,000	21,457	91,457
Therafter Until Maturity	50,000	3,932	53,932
Total	\$ 120,000	\$ 25,389	\$ 145,389

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of December 31, 2019 reported accrued pension and OPEB liability amounts as follows:

	<u>December-19</u>
Accrued OPEB Liability	\$ 10,740,734
Accrued Pension Liability	<u>2,816,810</u>
Total OPEB and Pension Liability	<u>\$ 13,557,544</u>

These amounts arose due to adoption of GASB #75 (OPEB) in 2019 year as well as GASB #68 (Pension) which was adopted in 2015 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 17 will discuss the effect of GASB #68 pension liability which arose from that. 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. 75 obligations.

OPEB Liability – Plan Description and Benefits Provided

Plan Description: The Authority administers a single-employer defined-benefit post-employment healthcare plan. Spouses are eligible for coverage under the plan and benefits may continue to the surviving spouses.

OPEB Liability

The Authority as of December 31, 2019 reported a net OPEB liability in the amount of \$10,740,734 due to GASB #75. The component of the current year net OPEB liability of the Authority as of December 31, 2019, the last evaluation date, is as follows:

Employer OPEB Liability	\$ 10,740,734
Plan Net Position	<u>-</u>
Employer Net OPEB Liability	<u>\$ 10,740,734</u>

The Authority’s net OPEB liability was measured as of January 1, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. This liability reflects the roll forward calculation for the fiscal year January 1, 2019 to December 31, 2019.

Benefits Provided: Retirees, that are vested, are eligible for post-employment medical benefits, including prescription drug benefits, as part of the medical plan on a fully insured basis through New Jersey Health Benefits Program. Employee will pay Medicare Part B premium and reimbursed by Authority. Dental coverage and vision coverage are also provided to retirees. All coverages are 100% subsidized by the Authority.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 16 –OPEB LIABILITIES - CONTINUED

Assets: The Authority has not accumulated plan assets in an irrevocable trust designated for plan participants.

Employees covered by benefits terms: At January 1, 2019 (the census date), the following employees were covered by the benefits terms:

Retired Employees Receiving Benefits	7
Actives Eligible for Benefits	17
Total Employees	<u>24</u>

Actuarial Assumptions: The Authority's net OPEB liability was measured as of January 1, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. This liability reflects the roll forward calculation for the fiscal year January 1, 2019 to December 31, 2019.

All assumptions are the same as the prior valuation, including for the starting plan cost health care cost, retiree contribution rates, salary (payroll), salary increase assumptions, healthcare inflation (trend) rates, decrement tables, actuarial cost method, and other provisions as reported in the prior valuations report with an issue date of January 2020. All assumptions are the same except for discount rate.

Change in Assumptions: Effective January 1, 2019.

Change from Prior Valuation: The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 75 based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of December 31, 2019 and rounded to the nearest 0.1%. This average discount rate is 2.75%, which is a change from the prior valuation discount rate of 4.1%.

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	1.75%	2.75%	3.75%
Total OPEB Liability	\$ 12,855,032	\$ 10,740,734	\$ 9,070,088

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 16 –OPEB LIABILITIES - CONTINUED

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 8,848,208	\$ 10,740,734	\$ 13,194,228

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2019</u>
Service Cost	\$ 178,923
Interest	341,079
Changes in Benefit Terms	-
Difference Between Expected and Actual Experiences	-
Changes in Assumptions or Other Inputs	2,170,782
Benefit Payments	(180,231)
Net Change in Total OPEB Liability	2,510,553
Total OPEB Liability, Beginning	8,230,181
Total OPEB Liability, Ending	<u>\$ 10,740,734</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Authority recognized an OPEB expense of \$2,690,784 before contribution in the amount of \$180,231, which netted to \$2,510,553. As of December 31, 2019, the Authority report a deferred outflow of resources in the amount of \$1,808,985 in relation to OPEB.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

NOTE 17 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of December 31, 2019 reported a net pension liability in the amount of \$2,816,810 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	PERS
Employer Total Pension Liability	\$ 6,486,316
Plan Net Position	(3,669,506)
Employer Net Pension Liability	<u>\$ 2,816,810</u>

The Authority allocation percentage is 0.0156328930% as of June 30, 2019.

Plan Description

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. 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.gov/treasury/pensions/financial-reports.shtml.

Net Pension Liability Information

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

The following represents the membership tiers for PERS:

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

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

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, 2019 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2019.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019 the State's pension contribution was less than the actuarial determined amount.

Net Pension Liability Information

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. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions

The total pension liability for June 30, 2019 measurement dates were determined by using an actuarial valuation as of July 1, 2018, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the Pub-2010 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2010 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 Pub-2010 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2018 evaluation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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 (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions – Continued

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal year.

The State employer contributed 70% 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 June 30, 2057.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate -Continued

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date in determining the total pension liability.

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 6.28% 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 (5.28% percent) or 1 percentage-point higher (7.28% 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 (5.28%)	Current Discount (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,582,842	\$ 2,816,810	\$ 2,207,428

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2020	\$ (81,337)
Year Ending June 30, 2021	(263,855)
Year Ending June 30, 2022	(235,607)
Year Ending June 30, 2023	(110,629)
Year Ending June 30, 2024	(11,360)
Total	<u>\$ (702,788)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2019, are as follows:

Service Cost	\$	126
Interest on the Total Pension Liability		372,418
Member Contributions		(86,545)
Administrative Expenses		2,292
Expected Investment Return Net of Investment Expenses		(231,083)
Pension Expense Related to Specific Liabilities of Individual Employers		(1,082)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		28,038
Changes of Assumptions		(85,696)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		27,262
Total	\$	<u>25,730</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

NOTE 18 – RESTRICTED NET POSITION

The Authority restricted net position account balance at December 31, 2019 is \$810,055. The detail of the reserve account balances are as follows:

	<u>December-19</u>
PIH FSS Tenants Accounts	\$ 212,149
HAP Restricted for HUD	56,370
Rural Development Reserve	138,984
Morris Mews Reserves	402,552
Total Restricted Net Position	<u>\$ 810,055</u>

The restricted cash in the amount of \$56,370 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The Authority is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family.

Rural Development (RD) Programs Rural Housing requires the Authority to maintain two (2) accounts which does require payments to be made by the Authority. The accounts earn interest and the accounts are controlled by Rural Development.

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, 2019 was \$621,823.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 19 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at December 31, 2019 is a deficit (\$10,695,742). The detail of the account balance is as follows:

Program	Balance December-18	Decrease During Year	Prior Period Adjustment	Balance December-19
PIH Program	\$ (761,950)	\$ (756,968)	\$ (3,913,758)	\$ (5,432,676)
HCV Program	(1,323,886)	(191,559)	(2,029,152)	(3,544,597)
Congregate Program	(194,894)	(20,064)	(262,631)	(477,589)
Morris Mews Program	611,215	(188,807)	(1,665,378)	(1,242,970)
State Program	-	-	2,090	2,090
Total	<u>\$ (1,669,515)</u>	<u>\$ (1,157,398)</u>	<u>\$ (7,868,829)</u>	<u>\$ (10,695,742)</u>

NOTE 20 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended December 31, 2019 were \$514,521.

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, 2019 were in the amount of \$6,318,613 and for the Section 8 N/C - S/R program \$967,970.

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, 2019, 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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

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.

Total financial support by HUD was \$8,890,647 to the Authority which represents approximately 76% percent of the Authority's total revenue for the year ended December 31, 2019.

NOTE 23 - CONTINGENCIES

Litigation – At December 31, 2019, the Authority, from time-to time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Authority's management, any liability resulting from such litigation would not be material in relation to the Authority's financial position and results of operations.

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2019

NOTE 24 – SUPPLEMENTAL INFORMATION – (RD) - CONTINUED

- Insurance and Bonding at December 31, 2019 was:

<u>Type</u>	<u>Coverage</u>	<u>Expiration Date</u>
▪ Fidelity Bond	\$50,000	December 31, 2019
▪ Property Insurance	15,000,000	December 31, 2019
▪ Liability Insurance	5,000,000	December 31, 2019
▪ Workman's Comp.	5,000,000	December 31, 2019
- Morris Mews at December 31, 2019 and 2018 had Tenants Accounts Receivable of \$61 and \$1,530 and Prepaid Rents of \$858 for 2019 and \$626 for 2018.
- Congregate Housing Project at December 31, 2019 and 2018 had Tenants Accounts Receivable of \$-0- and \$-0- respectively. Prepaid Rents of \$39 at December 31, 2019 and \$979 for 2018.
- 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 24 - PRIOR PERIOD ADJUSTMENTS

For year ending December 31, 2019

As of December 31, 2019 the Authority had a prior period adjustment in the amount of \$(8,049,948) while recording GASB #75 Net OPEB Liability opening balance as of January 1, 2019.

OPEB Balance January 1, 2019	\$ 8,230,181
Deferred Outflow -1-1-2019	<u>(180,233)</u>
Prior Period Adjustment	<u>\$ 8,049,948</u>

For year ending December 31, 2019

As of December 31, 2019 the Authority had a prior period adjustment in the amount of \$181,119 while writing off old accruals dating back to the 2015 year for unbilled hospitalization cost for their employees.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2019

NOTE 25 – SUBSEQUENT EVENTS

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification's and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

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 assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru September 15, 2020; 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

Required Supplementary Information December 31, 2019

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

<u>Total OPEB Liability</u>	<u>2019</u>
Service Cost	\$ 178,923
Interest	341,079
Changes in Benefit Terms	-
Difference Between Expected and Actual Experiences	-
Changes in Assumptions or Other Inputs	2,170,782
Benefit Payments	(180,231)
Net Change in Total OPEB Liability	2,510,553
Total OPEB Liability, Beginning	8,230,181
Total OPEB Liability, Ending	<u>\$ 10,740,734</u>
Covered, Employee Payroll	\$ 1,367,835
Total OPEB Liability as a percentage of covered employee payroll	785.24%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Required Supplementary Information
December 31, 2019

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

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.

	2019	2018	2017
Housing Authority's proportion of the net pension liability	0.01563289%	0.01652767%	0.01753035%
Housing Authority's proportionate share of the net pension liability	\$ 2,816,810	\$ 3,254,216	\$ 4,080,786
Housing Authority's covered employee payroll	\$ 1,367,835	\$ 1,683,009	\$ 1,355,399
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.93%	193.36%	301.08%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	53.60%	48.01%

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

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Required Supplementary Information
December 31, 2019

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

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%

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Required Supplementary Information December 31, 2019

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

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

	2019	2018	2017
Contractually required contribution	\$ 152,062	\$ 164,397	\$ 162,400
Contribution in relation to the contractually required contribution	(152,062)	(164,397)	(162,400)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 1,367,835	\$ 1,683,009	\$ 1,355,399
Contribution as a percentage of covered employee payroll	11.12%	9.77%	11.98%

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

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Required Supplementary Information

December 31, 2019

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

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

	2016	2015	2014
Contractually required contribution	\$ 155,502	\$ 141,054	\$ 33,189
Contribution in relation to the contractually required contribution	(155,502)	(141,054)	(33,189)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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%	2.36%

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

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

Programs funded by:

U.S. Department of Housing and Urban Development

	CFDA #'s	Grant Period		Grant Award	Fiscal Year Cash Receipts	Fiscal Year Expenditures	Cumulative Expenditures
		From	To				
<u>Public and Indian Housing Program</u>							
NJ092-00010118D	14.850	1/1/2018	12/31/2018	508,140	1,108	1,108	508,140
NJ092-00010119D	14.850	1/1/2019	12/31/2019	513,413	513,413	513,413	513,413
Grant Subtotal				<u>1,021,553</u>	<u>514,521</u>	<u>514,521</u>	<u>1,021,553</u>
<u>Resident Opportunity & Self Sufficiency</u>							
FSS18NJ2382-01-00	14.870	1/1/2019	12/31/2019	73,573	73,573	73,573	73,573
Grant Subtotal				<u>73,573</u>	<u>73,573</u>	<u>73,573</u>	<u>73,573</u>
<u>Public Housing Capital Fund Program</u>							
NJ39P092501-16	14.872	4/13/2016	4/12/2020	299,220	16,777	16,777	299,220
NJ39P092501-17	14.872	8/16/2017	8/15/2021	311,618	278,838	278,838	295,393
NJ39P092501-18	14.872	5/22/2018	5/28/2022	483,361	311,281	311,281	311,281
Grant Subtotal				<u>1,094,199</u>	<u>606,896</u>	<u>606,896</u>	<u>905,894</u>
<u>Section 8 Housing Choice Voucher Program</u>							
NJ39P092	14.871	1/1/2019	12/31/2019	6,318,613	6,318,613	6,318,613	6,318,613
Grant Subtotal				<u>6,318,613</u>	<u>6,318,613</u>	<u>6,318,613</u>	<u>6,318,613</u>
<u>N/C S/R Section 8 Program</u>							
NJ39-R000-003	14.182	1/1/2019	12/31/2019	967,970	967,970	967,970	967,970
Grant Subtotal				<u>967,970</u>	<u>967,970</u>	<u>967,970</u>	<u>967,970</u>
<u>HOME Investment Partnership Program</u>							
NJ39	14.239	1/1/2019	12/31/2019	152,168	152,168	152,168	152,168
Grant Subtotal				<u>152,168</u>	<u>152,168</u>	<u>152,168</u>	<u>152,168</u>
<u>Community Development Block Grants</u>							
NJ39	14.218	7/1/2018	6/30/2019	97,129	97,129	97,129	97,129
Grant Subtotal				<u>97,129</u>	<u>97,129</u>	<u>97,129</u>	<u>97,129</u>
Total Awards Funded by U.S. Department of Housing and Urban Development				<u>\$ 9,725,205</u>	<u>\$ 8,730,870</u>	<u>\$ 8,730,870</u>	<u>\$ 9,536,900</u>
Programs funded by:							
<u>US Department of Agriculture</u>							
<u>Rural Rental Assistance Payments</u>							
NJ39	10.427	1/1/2019	12/31/2019	159,777	159,777	159,777	159,777
Grant Subtotal				<u>159,777</u>	<u>159,777</u>	<u>159,777</u>	<u>159,777</u>
Total Awards Funded by U.S. Department of Agriculture				<u>\$ 159,777</u>	<u>\$ 159,777</u>	<u>\$ 159,777</u>	<u>\$ 159,777</u>
Total Expenditures of Federal Awards				<u>\$ 9,884,982</u>	<u>\$ 8,890,647</u>	<u>\$ 8,890,647</u>	<u>\$ 9,696,677</u>

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019**

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, 2019. 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 flows 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.

Note 3. Indirect Cost Rate

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 4. Loans Outstanding:

Housing Authority of the County of Morris had \$3,025,471 as a loan balance outstanding at December 31, 2019. Note 15 presented on pages 46-48 of this report have full disclosure regarding the loan activity for the Housing Authority of the County of Morris.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2019.

Note 6. 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
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF DECEMBER 31, 2019**

	NJ39P092501-15		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 50,000	\$ 50,000	\$ -
Management Improvement	12,839	12,839	-
Administration	1,000	1,000	-
Dwelling Structures	206,094	206,094	-
Bond Debt Obligation	17,326	17,326	-
Total	<u>\$ 287,259</u>	<u>\$ 287,259</u>	<u>\$ -</u>
Funds Advanced	\$ 287,259		
Funds Expended	287,259		
Excess of Funds Advanced	<u>\$ -</u>		

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 501-15 was completed on May 31, 2019
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: 12/31/2019										Subtotal	ELIM	Total
	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	14.239 HOME Investment Partnerships Program	2 State/Local	14.218 Community Development Block						
111 Cash - Unrestricted	\$123,248	\$98,357		\$14,724	\$232,224					\$468,563		\$468,563		
112 Cash - Restricted - Modernization and Development		\$0								\$0		\$0		
113 Cash - Other Restricted	\$212,149	\$138,984		\$384,773	\$402,552					\$1,118,458		\$1,118,458		
114 Cash - Tenant Security Deposits	\$162,609	\$8,214			\$37,325					\$208,148		\$208,148		
115 Cash - Restricted for Payment of Current Liabilities														
100 Total Cash	\$498,006	\$245,565	\$0	\$379,497	\$672,101	\$0	\$0	\$0		\$1,795,169	\$0	\$1,795,169		
121 Accounts Receivable - PHA Projects														
122 Accounts Receivable - HUD Other Projects								\$0		\$0		\$0		
124 Accounts Receivable - Other Government		\$17,129		\$2,829		\$12,142	\$13,932			\$46,032		\$46,032		
125 Accounts Receivable - Miscellaneous	\$21,480	\$0						\$0		\$21,480		\$21,480		
126 Accounts Receivable - Tenants	\$17,726				\$61					\$17,787		\$17,787		
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,545				\$0					-\$3,545		-\$3,545		
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0		\$0	\$0	\$0		\$0		\$0		
127 Notes, Loans, & Mortgages Receivable - Current														
128 Fraud Recovery	\$28,634			\$11,743						\$40,377		\$40,377		
128.1 Allowance for Doubtful Accounts - Fraud	-\$21,475			-\$11,743						-\$33,218		-\$33,218		
129 Accrued Interest Receivable														
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$42,820	\$17,129	\$0	\$2,829	\$61	\$12,142	\$13,932	\$0		\$88,913	\$0	\$88,913		
131 Investments - Unrestricted	\$973,908				\$1,293,963					\$2,267,871		\$2,267,871		
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	\$0			\$12,142						\$12,142	-\$12,142	\$0		
145 Assets Held for Sale														
150 Total Current Assets	\$1,514,734	\$262,694	\$0	\$394,468	\$1,966,125	\$12,142	\$13,932	\$0		\$4,164,095	-\$12,142	\$4,151,953		
161 Land	\$1,735,369									\$1,735,369		\$1,735,369		
162 Buildings	\$31,088,578	\$2,294,976			\$8,761,729					\$42,145,283		\$42,145,283		
163 Furniture, Equipment & Machinery - Dwellings	\$1,120,991	\$29,867			\$266,915					\$1,417,773		\$1,417,773		
164 Furniture, Equipment & Machinery - Administration	\$344,206			\$159,886						\$504,092		\$504,092		
165 Leasehold Improvements														
166 Accumulated Depreciation	-\$18,763,307	-\$1,085,236		-\$131,786	-\$6,191,439					-\$26,171,768		-\$26,171,768		
167 Construction in Progress	\$794,928									\$794,928		\$794,928		
168 Infrastructure														
160 Total Capital Assets, Net of Accumulated Depreciation	\$16,320,765	\$1,239,607	\$0	\$28,100	\$2,837,205	\$0	\$0	\$0		\$20,425,677	\$0	\$20,425,677		
171 Notes, Loans and Mortgages Receivable - Non-Current														
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	\$16,320,765	\$1,239,607	\$0	\$28,100	\$2,837,205	\$0	\$0	\$0		\$20,425,677	\$0	\$20,425,677		

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2019

	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	14.239 HOME Investment Partnerships Program	2 State/Local	14.218 Community Development Block	Subtotal	ELIM	Total
200 Deferred Outflow of Resources	\$884,724	\$124,014		\$675,869	\$520,241				\$2,204,848		\$2,204,848
290 Total Assets and Deferred Outflow of Resources	\$18,720,223	\$1,626,315	\$0	\$1,098,437	\$5,323,571	\$12,142	\$13,932	\$0	\$26,794,620	-\$12,142	\$26,782,478
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	\$59,860	\$4,428			\$15,144		\$9,889		\$89,321		\$89,321
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable	\$15,985	\$2,538		\$8,653	\$7,784		\$933		\$35,893		\$35,893
322 Accrued Compensated Absences - Current Portion	\$13,170			\$6,212	\$5,467				\$24,849		\$24,849
324 Accrued Contingency Liability											
325 Accrued Interest Payable	\$990	\$3,153			\$17,876				\$22,019		\$22,019
331 Accounts Payable - HUD PHA Programs											
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government	\$120,729								\$120,729		\$120,729
341 Tenant Security Deposits	\$162,609	\$8,214			\$37,325				\$208,148		\$208,148
342 Unearned Revenue	\$8,336	\$39			\$858				\$9,233		\$9,233
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$10,000	\$16,607			\$142,983				\$169,590		\$169,590
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities		\$2,041							\$2,041		\$2,041
346 Accrued Liabilities - Other	\$24,998			\$12,754	\$10,203		\$1,020		\$48,975		\$48,975
347 Inter Program - Due To						\$12,142			\$12,142	-\$12,142	\$0
348 Loan Liability - Current											
310 Total Current Liabilities	\$416,677	\$37,020	\$0	\$27,619	\$237,640	\$12,142	\$11,842	\$0	\$742,940	-\$12,142	\$730,798
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$110,000	\$505,339			\$2,240,542				\$2,855,881		\$2,855,881
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other	\$212,149			\$308,403					\$520,552		\$520,552
354 Accrued Compensated Absences - Non Current	\$118,529			\$55,910	\$49,201				\$223,640		\$223,640
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities	\$6,286,338	\$825,255		\$3,737,163	\$2,908,788				\$13,557,544		\$13,557,544
350 Total Non-Current Liabilities	\$6,727,016	\$1,130,594	\$0	\$4,101,476	\$5,198,531	\$0	\$0	\$0	\$17,157,617	\$0	\$17,157,617
300 Total Liabilities	\$7,143,693	\$1,167,614	\$0	\$4,129,095	\$5,436,171	\$12,142	\$11,842	\$0	\$17,900,557	-\$12,142	\$17,888,415
400 Deferred Inflow of Resources	\$596,292	\$79,645		\$429,459	\$274,138				\$1,379,544		\$1,379,544
508.4 Net Investment in Capital Assets	\$16,200,765	\$17,661		\$28,100	\$453,680		\$0	\$0	\$17,400,206		\$17,400,206
511.4 Restricted Net Position	\$212,149	\$138,984		\$56,370	\$402,552				\$810,055		\$810,055
512.4 Unrestricted Net Position	-\$5,432,676	-\$477,589	\$0	-\$3,544,597	-\$1,242,970	\$0	\$2,090	\$0	-\$10,695,742		-\$10,695,742
513 Total Equity - Net Assets / Position	\$10,980,238	\$379,056	\$0	-\$3,460,127	-\$386,738	\$0	\$2,090	\$0	\$7,514,519	\$0	\$7,514,519
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$18,720,223	\$1,626,315	\$0	\$1,098,437	\$5,323,571	\$12,142	\$13,932	\$0	\$26,794,620	-\$12,142	\$26,782,478

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2019

Submission Type: Audited/Single Audit

	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	14,239 HOME Investment Partnerships Program	2 State/Local	14,218 Community Development Block	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,744,463	\$105,963			\$394,951				\$2,245,377		\$2,245,377
70400 Tenant Revenue - Other	\$23,647				\$1,794				\$25,441		\$25,441
70500 Total Tenant Revenue	\$1,768,110	\$105,963	\$0	\$0	\$396,745	\$0	\$0	\$0	\$2,270,818	\$0	\$2,270,818
70600 HUD PHA Operating Grants	\$545,943	\$159,777	\$73,573	\$6,318,613	\$967,970	\$152,168			\$8,218,044		\$8,218,044
70610 Capital Grants	\$575,474								\$575,474		\$575,474
70710 Management Fee											
70720 Asset Management Fee											
70730 Book Keeping Fee											
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue									\$0	\$0	\$0
70800 Other Government Grants											
71100 Investment Income - Unrestricted	\$19,487	\$1,563		\$856	\$23,446		\$40,648	\$97,129	\$137,777		\$137,777
71200 Mortgage Interest Income									\$45,352		\$45,352
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery	\$21,711			\$38,406	\$310				\$60,427		\$60,427
71500 Other Revenue	\$56,318	\$1,710		\$303,819	\$66,104		\$17,982		\$447,933		\$447,933
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted											
70000 Total Revenue	\$2,987,043	\$269,013	\$73,573	\$6,661,694	\$1,456,696	\$152,168	\$58,630	\$97,129	\$11,755,946	\$0	\$11,755,946
91100 Administrative Salaries											
91200 Auditing Fees	\$433,839	\$26,291	\$44,320	\$342,471	\$154,966	\$5,000			\$1,006,887		\$1,006,887
91300 Management Fee	\$5,483	\$219		\$4,386	\$877				\$10,965		\$10,965
91310 Book-keeping Fee											
91400 Advertising and Marketing											
91500 Employee Benefit Contributions - Administrative	\$352,026	\$38,288	\$29,253	\$398,260	\$177,054	\$2,000			\$996,881		\$996,881
91600 Office Expenses	\$30,000			\$30,000					\$60,000		\$60,000
91700 Legal Expense	\$55,745	\$1,688		\$46,035	\$5,784				\$109,252		\$109,252
91800 Travel											
91810 Allocated Overhead											
91900 Other	\$107,506	\$6,429		\$55,732	\$32,376	\$2,800			\$214,843		\$214,843
91000 Total Operating - Administrative	\$984,599	\$72,915	\$73,573	\$886,884	\$371,057	\$9,800	\$0	\$0	\$2,398,828	\$0	\$2,398,828
92000 Asset Management Fee											
92100 Tenant Services - Salaries							\$23,524		\$23,524		\$23,524
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services							\$9,055		\$9,055		\$9,055
92400 Tenant Services - Other	\$3,965						\$26,051		\$30,016		\$30,016
92500 Total Tenant Services	\$3,965	\$0	\$0	\$0	\$0	\$0	\$58,630	\$0	\$62,595	\$0	\$62,595
93100 Water	\$82,024	\$3,189							\$102,047		\$102,047
93200 Electricity	\$68,124	\$12,304			\$16,834				\$131,150		\$131,150
93300 Gas	\$155,885	\$9,533			\$50,722				\$168,563		\$168,563
93400 Fuel					\$3,145						

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2019

	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	14,239 HOME Investment Partnerships Program	2 State/Local	14,218 Community Development Block	Subtotal	ELIM	Total
93500 Labor	\$105,912								\$105,912		\$105,912
93600 Sewer		\$8,644			\$48,986				\$57,630		\$57,630
93700 Employee Benefit Contributions - Utilities	\$47,660								\$47,660		\$47,660
93800 Other Utilities Expense	\$77,571								\$77,571		\$77,571
93000 Total Utilities	\$537,176	\$33,670	\$0	\$0	\$119,687	\$0	\$0	\$0	\$690,533	\$0	\$690,533
94100 Ordinary Maintenance and Operations - Labor	\$105,912	\$28,740			\$133,123				\$267,775		\$267,775
94200 Ordinary Maintenance and Operations - Materials and Other	\$98,645	\$3,973			\$104,909				\$207,527		\$207,527
94300 Ordinary Maintenance and Operations Contracts	\$579,290	\$31,294			\$113,365				\$723,949		\$723,949
94500 Employee Benefit Contributions - Ordinary Maintenance	\$241,839	\$21,376			\$152,098				\$415,313		\$415,313
94000 Total Maintenance	\$1,025,686	\$85,383	\$0	\$0	\$503,495	\$0	\$0	\$0	\$1,614,564	\$0	\$1,614,564
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	\$0	\$0
96110 Property Insurance	\$149,323	\$9,824			\$37,331				\$196,478		\$196,478
96120 Liability Insurance											
96130 Workmen's Compensation											
96140 All Other Insurance											
96100 Total Insurance Premiums	\$149,323	\$9,824	\$0	\$0	\$37,331	\$0	\$0	\$0	\$196,478	\$0	\$196,478
96200 Other General Expenses	\$587			\$6,147					\$6,734		\$6,734
96210 Compensated Absences											
96300 Payments in Lieu of Taxes	\$120,729								\$120,729		\$120,729
96400 Bad debt - Tenant Rents	\$12,748				\$1,486				\$14,236		\$14,236
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses	\$134,064	\$0	\$0	\$6,147	\$1,486	\$0	\$0	\$0	\$141,699	\$0	\$141,699
96710 Interest of Mortgage (or Bonds) Payable											
96720 Interest on Notes Payable (Short and Long Term)	\$6,190	\$38,361			\$219,997				\$264,548		\$264,548
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$6,190	\$38,361	\$0	\$0	\$219,997	\$0	\$0	\$0	\$264,548	\$0	\$264,548
96900 Total Operating Expenses	\$2,841,003	\$240,153	\$73,573	\$893,031	\$1,253,055	\$9,800	\$58,630	\$0	\$5,369,245	\$0	\$5,369,245
97000 Excess of Operating Revenue over Operating Expenses	\$146,040	\$28,860	\$0	\$5,768,663	\$203,641	\$142,368	\$0	\$97,129	\$6,386,701	\$0	\$6,386,701
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments				\$5,686,114		\$142,368			\$5,838,482		\$5,838,482
97350 HAP Portability-In				\$252,338					\$252,338		\$252,338

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	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	14,239 HOME Investment Partnerships Program	2 State/Local	14,218 Community Development Block	Subtotal	ELIM	Total
97400 Depreciation Expense	\$1,031,054	\$67,731		\$7,796	\$362,395				\$1,468,976		\$1,468,976
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$3,872,057	\$307,884	\$73,573	\$6,849,279	\$1,615,450	\$152,168	\$58,630	\$0	\$12,929,041	\$0	\$12,929,041
10010 Operating Transfer In											
10020 Operating Transfer Out											
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In											
10092 Inter Project Excess Cash Transfer Out											
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-\$885,014	-\$38,871	\$0	-\$187,585	-\$158,754	\$0	\$0	\$97,129	-\$1,173,095	\$0	-\$1,173,095
Total Expenses											
11020 Required Annual Debt Principal Payments	\$10,000	\$15,449	\$0	\$0	\$130,721	\$0	\$0	\$0	\$156,170		\$156,170
11030 Beginning Equity	\$15,681,881	\$680,558	\$0	-\$1,243,390	\$1,437,394	\$0	\$0	\$0	\$16,556,443		\$16,556,443
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$3,816,629	-\$262,631		-\$2,029,152	-\$1,665,378		\$2,090	-\$97,129	-\$7,868,829		-\$7,868,829
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Term/Severance Benefits Liability											
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity				-\$3,516,497					-\$3,516,497		-\$3,516,497
11180 Housing Assistance Payments Equity				\$56,370					\$56,370		\$56,370
11190 Unit Months Available	3648	228		7608	1200	156			12840		12840
11210 Number of Unit Months Leased	3504	225		7605	1189	121			12744		12744
11270 Excess Cash	\$641,542								\$641,542		\$641,542
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	\$565,474								\$565,474		\$565,474
11660 Infrastructure Purchases	\$0								\$0		\$0
13510 CFFP Debt Service Payments	\$16,377								\$16,377		\$16,377

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 12/31/2019									
	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	14.239 HOME Investment Partnerships Program	2 State/Local	14.218 Community Development Block	Subtotal	ELIM	Total
13901 Replacement Housing Factor Funds	\$0								\$0		\$0



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

**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, 2019, 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 September 15, 2020.

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: September 15, 2020



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

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

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, 2019. 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, 2019.

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: September 15, 2020

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Schedule of Findings and Questioned Cost

Year Ended December 31, 2019

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
14.850	Public and Indian Housing Program	\$ 514,521
14.872	Public Housing Capital Fund Program	\$ 606,896
14.182	Section 8 New Construction and Substantial Rehab	\$ 967,970

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as a low-risk auditee

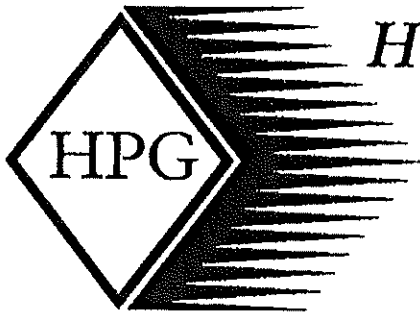
X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

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, 2019, and have issued our reports thereon dated September 15, 2020. 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, 2019, 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
September 15, 2020

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 CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
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*	<input checked="" type="radio"/>	<input type="radio"/>
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*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>