

Report On Audit

**HOUSING AUTHORITY OF THE
COUNTY OF MORRIS**

**For the Year Ended
December 31, 2009**

Housing Authority of the County of Morris

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the Statement of Net Assets of Housing Authority of the County of Morris, hereafter referred to as the Authority, for the year ended December 31, 2009 and 2008, and the related statement of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Housing Authority of the County of Morris management. 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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. An audit also includes the examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of Housing Authority of the County of Morris, as of December 31, 2009 and 2008, and the changes in financial position and, cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2010, on our consideration of the Housing Authority of the County of Morris internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 15 and pages 49 through 50 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental information contained in this Report, is presented for the purposes of additional analysis, and is not a required part of the financial statements. The accompanying Schedule of Federal Awards is presented for the purpose of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Hymanson, Parnes & Giampaolo

Date: May 28, 2010

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

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 16 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

Assets of the Authority's enterprise fund were \$24,588,152 greater than the liabilities, a decrease in the financial position of \$121,795 or less than 1% percent.

As noted above, the assets of the Authority exceeded its liabilities by \$24,588,152 as of December 31, 2009. Of this amount, the unrestricted net asset portion is \$2,787,072 representing an increase of \$525,551 or 23% percent from the previous year. The investment in fixed assets decreased \$228,849 or 1% percent for an ending balance of \$20,459,304. The restricted net assets decreased \$418,497 from the previous year. Additional information on the Authority's unrestricted net assets can be found in Note 24 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at December 31, 2009 is \$5,420,535 representing an increase of \$2,837,316 or 110% percent from the prior calendar year. The full detail of this amount can be found in the Statement of Cash Flow on page 18 of this report.

The Authority's total assets are \$30,343,210 of which capital assets net book value is \$24,600,663, other noncurrent assets are \$221,925, leaving total current assets at \$5,520,622. Total current assets increased from the previous year by \$667,667 or 14% percent. Cash and cash equivalents increased by \$2,837,316, investments decreased by \$2,069,095, accounts receivables decreased by \$100,413, and prepaid expenses decreased \$141. Total other noncurrent assets increased \$64,160. Grants receivable – noncurrent in the amount of \$198,649 decreased \$65,453 or 40% percent and the unamortized portion of the bond cost in the amount of \$23,276 decreased \$1,293 or 5% percent.

The Authority's total liabilities are reported at \$5,755,058, of which noncurrent liabilities are stated at \$4,373,741. Total liabilities increased during the year as compared to the prior year in the amount of \$420,783 or 56% percent. Total current liabilities increased during the year by \$493,771, leaving noncurrent liabilities for a decrease of \$72,988 as compared to the previous year.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current liabilities increased from the previous year by \$493,771 or 56% percent. Accounts payables increased by \$132,347, accrued liabilities decreased by \$2,627, tenant security deposit payable increased by \$1,789, deferred revenue increased by \$487,260, and mortgage payable current portion decreased \$124,998. HUD advanced under the Housing Choice Voucher program the January 2010 subsidy in December 2009 in the amount of \$486,331 which was reported as deferred revenue at December 31, 2009.

Total noncurrent liabilities decreased by \$72,988 or 2% percent. The decrease was made up several accounts. Compensated absences of \$215,493, with no offsetting assets, increased \$7,034 from the prior year, a decrease in mortgage payable long-term in the amount of \$76,390 and noncurrent FSS tenant escrow account decreased \$3,632.

The Authority had total operating revenue of \$10,230,346 as compared to \$8,743,285 from the prior year for an increase of \$1,487,061 or 17% percent. Total operating expenses of \$10,620,611 as compared to \$10,164,660 from the previous year for an increase of \$455,951 or 4% percent, resulting in excess expenses from operations in the amount of \$390,265 for the current year as compared to excess expenses from operations in the amount of \$1,421,375 from the previous year for a decrease of \$1,031,110.

Total capital improvements contributions from HUD were in the amount of \$302,719 as compared to \$1,027,265 from the previous year for a decrease of \$724,546 or 71% percent. Total extraordinary maintenance expense increased \$68,283 or 100% percent from the previous year.

The Authority's had capital outlays in the amount of \$527,750 for the calendar year. These expenditures were funded by grants received from the U.S. Department of Housing and Urban Development in the amount of \$302,719. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$7,689,482 for the calendar year 2009 as compared to \$7,346,187 for the previous calendar year 2008 for an increase of \$343,295 or 5%.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

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. Low Rent Public Housing
2. Housing Choice Vouchers
3. Public Housing Capital Fund Program
4. Formula Capital Fund Stimulus Grant
5. N/C S/R Section 8 Program
6. Rural Rental Assistance Program

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

There are two major parts to the financial statements:

- 1) Enterprise fund financial statements and
- 2) The notes to the financial statements.

This report also contains other supplementary information in addition 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 Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets are two financial statements that report information about the Authority and its activities. The Statement of Cash Flow help to demonstrate how the Authority's cash position changed due to the current year's operating activities. Theses financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION- CONTINUED

The Statement of Revenue, Expenses and Changes in Net Assets present information showing how the Authority's net assets changed during the most recent calendar year. All changes in net assets 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 flows in future calendar periods (e.g.; depreciation and earned but unused vacation leave).

The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements and are an integral part of the statements. The Notes to Financial Statements can be found in this Report beginning on page 19 through 47.

The Authority 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 16 through 18.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 48 of this report.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 49 the Section Eight Housing Choice Voucher Program on page 50.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Assets between December 31, 2009 and December 31, 2008.

Computations of Net Assets are as follows:

	<u>Year Ending</u>		Increase (Decrease)
	December-09	December-08	
Cash	\$ 5,420,535	\$ 2,583,219	\$ 2,837,316
Other Current Assets	100,087	2,269,736	(2,169,649)
Other Assets	221,925	157,765	64,160
Capital Assets - Net	24,600,663	25,033,502	(432,839)
Total Assets	30,343,210	30,044,222	298,988
Less: Current Liabilities	(1,381,317)	(887,546)	(493,771)
Less: Non Current Liabilities	(4,373,741)	(4,446,729)	72,988
Net Assets	<u>\$ 24,588,152</u>	<u>\$ 24,709,947</u>	<u>\$ (121,795)</u>
Invested in Capital Assets	\$ 20,459,304	\$ 20,688,153	\$ (228,849)
Restricted Net Assets	1,341,776	1,760,273	(418,497)
Unrestricted Net Assets	2,787,072	2,261,521	525,551
	<u>\$ 24,588,152</u>	<u>\$ 24,709,947</u>	<u>\$ (121,795)</u>

Cash decreased by \$2,837,316 or 110% percent. Net cash provided by operating activities was \$1,284,222, net cash used by related financing activities was \$566,731, and net cash provided by investing activities was \$2,119,825. The full detail of this amount can be found in the Statement of Cash Flow on page 18 of this audit report.

Investments reported a decrease from the previous year in the amount of \$2,069,095. The Authority rescinded their investments during the year due to the current economic environment, especially in regards to interest rates. Account receivable decreased \$100,413 which was supported largely by receipt of a receivable from HUD for the capital fund program in the amount of \$140,000 from the prior year.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$432,839 or 2% percent. The major factor that contributed for the decrease was the recording of depreciation expense in the amount of \$960,585 offset by capital outlays in the amount of \$527,750. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

The Authority reported an increase in other assets in the amount of \$64,160. The amount consists of two accounts, the future HUD funding on the capital grant program in the amount of \$198,649, and the amortization of the underwrites cost for the financing of the capital leveraging program. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 10 & 11.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities increased from the previous year by \$493,771 or 56% percent. Accounts payables increased by \$132,347, accrued liabilities decreased by \$2,627, tenant security deposit payable increased by \$1,789, deferred revenue increased by \$487,260, and mortgage payable current portion decreased \$124,998. HUD advanced under the Housing Choice Voucher program the January 2010 subsidy in December 2009 in the amount of \$486,331 which was reported as deferred revenue at December 31, 2009.

Total noncurrent liabilities decreased by \$72,988 or 2% percent. The decrease was made up several accounts. Compensated absences of \$215,493, with no offsetting assets, increased \$7,034 from the prior year, a decrease in mortgage payable long-term in the amount of \$76,390 and noncurrent FSS tenant escrow account decreased \$3,632.

The Authority's reported net assets of \$24,588,152 which is made up of three categories. The investment in capital assets represents 83% percent of the total account balance. The 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.

By far the second largest portion of the Authority's net assets (11% percent) reflects its Unrestricted Net Assets in the amount of \$2,787,072 and Restricted Net Assets (6% percent) in the amount of \$1,341,776. The Housing Authority of the County of Morris operating results for December 31, 2009 reported an increase in Unrestricted Net Assets of \$525,551 or 23% percent for an ending balance of \$2,787,072. The Authority reported restricted net assets in the amount of \$1,341,776, for a decrease of \$418,497 from the prior year. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 23-24.

At the end of the current year, the Authority is able to report positive balances in the three categories of net assets. The same situation held true for the prior year.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Assets between December 31, 2009 and December 31, 2008.

Computation of Changes in Net Assets are as follows:

	<u>Year Ending</u>		<u>Increase</u>
	<u>December-09</u>	<u>December-08</u>	<u>(Decrease)</u>
<u>Revenues</u>			
Tenant Revenues	\$ 1,963,437	\$ 1,959,914	\$ 3,523
HUD Subsidies	7,386,763	6,318,922	1,067,841
Other Revenues	880,146	464,449	415,697
Total Operating Income	<u>10,230,346</u>	<u>8,743,285</u>	<u>1,487,061</u>
<u>Expenses</u>			
Operating Expenses	9,660,026	9,149,013	511,013
Depreciation Expense	960,585	1,015,647	(55,062)
Total Operating Expenses	<u>10,620,611</u>	<u>10,164,660</u>	<u>455,951</u>
Operating Income before Non Operating Income	(390,265)	(1,421,375)	1,031,110
Interest Income	50,730	75,185	(24,455)
Extraordinary Maintenance	(63,283)	-	(63,283)
HUD Capital Grants	<u>302,719</u>	<u>1,027,265</u>	<u>(724,546)</u>
Change in Net Assets	(100,099)	(318,925)	218,826
Net Assets Prior Year	24,709,947	25,026,209	(316,262)
Prior Period Adjustments	(21,696)	2,663	(24,359)
Total Net Assets	<u>\$ 24,588,152</u>	<u>\$ 24,709,947</u>	<u>\$ (121,795)</u>

Approximately 72% percent of the Authority's total revenue was provided by HUD operating subsidy, while 19% percent resulted from tenant revenue. Charges for various services and other governmental grants provided 9% percent of the total income. The Housing Authority of the County of Morris received capital fund improvement grant money during the year in the amount of \$302,719 as compared to \$1,027,265 for the previous year.

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 52% percent of total operating expenses. Administrative expenses accounted for 15%, tenant services accounted for 2%, utilities expense accounted for 8% percent, maintenance expense accounted for 8%, other operating expenses accounted for 6%, and depreciation accounted for the remaining 9% of the total operating expenses.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating revenue did not exceeded its operating expenses resulting in excess expenses from operations in the amount of \$390,265 from operations as compared to excess expense from operations of \$1,421,375 for the previous year. The key element for the decrease as compared to the prior year is as follow:

- The Authority received \$7,386,763 in HUD operating grants compared to \$6,318,922 from the previous year for an increase of \$1,067,841 or 17% percent.
- The Authority reported an increase in Other Revenue in the amount of \$375,605 or 17% percent compared to the previous year.
- The Authority reported an increase in HAP payments in the amount of \$571,178 from the previous year.

The Authority's Unrestricted Net Assets increased during the calendar year \$525,551 or 23% percent.

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2009, 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 budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 49 of this report.

The budget for the Housing Choice Voucher Program was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs. The full detail can be found in the Budget comparison to actual results for the Housing Choice Voucher Program on page 50 of this report.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

The following are financial highlights of significant items for a four year period of time ending on December 31, 2009.

	December-09	December-08	December-07	December-06
Significant Income				
Total Tenant Revenue	\$ 1,963,437	\$ 1,959,914	\$ 1,874,712	\$ 1,827,366
HUD Operating Grants	7,386,763	6,318,922	6,901,659	7,101,857
HUD Capital Grants	302,719	1,027,265	116,871	336,039
Investment Income	50,730	75,185	206,947	186,193
Other Income	880,146	464,449	487,083	427,949
Total	\$ 10,583,795	\$ 9,845,735	\$ 9,587,272	\$ 9,879,404
Payroll Expense				
Administrative Salaries	\$ 1,016,987	\$ 873,320	\$ 919,308	\$ 855,417
Tenant Services Salaries	170,766	172,246	52,163	169,129
Utilities Labor	67,393	27,099	31,364	54,853
Maintenance Labor	119,107	222,824	258,579	312,249
Employee Benefits Expense	443,437	475,286	346,922	412,159
Total Payroll Expense	\$ 1,817,690	\$ 1,770,775	\$ 1,608,336	\$ 1,803,807
Other Significant Expenses				
Other Administrative Expenses	\$ 296,817	\$ 375,368	\$ 274,738	\$ 325,052
Utilities Expense	731,663	698,753	592,191	629,207
Maintenance Materials Cost	81,346	76,048	93,618	73,196
Maintenance Contract Cost	557,661	557,555	585,010	346,500
Insurance Premiums	171,004	172,398	161,495	141,040
Housing Assistance Payments	5,531,034	4,959,316	4,737,100	4,462,216
Total	\$ 7,369,525	\$ 6,839,438	\$ 6,444,152	\$ 5,977,211
Total Operating Expenses	\$ 10,620,611	\$ 10,164,660	\$ 9,509,971	\$ 9,336,440
Total of Federal Awards	\$ 7,689,482	\$ 7,346,187	\$ 7,068,231	\$ 7,557,716

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

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 operating revenues were sufficient to cover all operating expenses.

The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

By far, the largest portion of the Authority's net assets reflects its 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 "Investment in Capital Assets" and are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS

Public Housing Program:

Under the Public 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 the County of Morris flat rent amount.

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% of household income subject to certain restrictions.

Capital Fund Program:

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

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS - CONTINUED

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 from RD. 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.

State - Congregate Housing Services Program

The Congregate Housing Services Program offers grants to States, 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.

Formula Capital Fund Stimulus Grant Program

Formula Capital Fund Stimulus Grant Program to provide funds for the capital and management activities of Public Housing Agencies as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the "Act"), with the exception that funds cannot be used for operations or rental assistance. The funds shall be awarded by competition for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation.

CDBG Program:

CDBG Program award grants for development units of local Housing Authorities to carry out development activities for the community.

NEW INITIATIVES

The current administration of the Authority is determined to improve the financial results of the Authority's operations. Additionally, it is the Authority's goal to provide better communication with the community, commissioners, and tenants. Also, it is important to preserve the Authority assets by enhanced procurement activities and performing major capital projects where needed.

The Authority has participated in the New Jersey pooled leveraging program 2008. Through this financing major capital projects will enhance the housing stock and be a cost savings in routine maintenance for several years.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2009 was \$24,600,663 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The net decrease during the year in the Authority's investment in capital assets less depreciation expense for the current calendar year was \$432,839 or 2%. Major capital expenditures of \$527,750 were made during the year. Major capital assets events during the calendar year included the following:

- Carpet replacement for apartments
- Replacement of office furniture
- Replacement of computer systems

	December-09	December-08	Change
Land	\$ 1,735,369	\$ 1,735,369	\$ -
Building	34,830,657	34,727,231	103,426
Furniture, Equipment - Dwelling	682,421	690,860	(8,439)
Furniture, Equipment - Administration	502,042	458,805	43,237
Construction in Process	1,634,672	1,245,146	389,526
Total Fixed Assets	39,385,161	38,857,411	527,750
Accumulated Depreciation	(14,784,498)	(13,823,909)	(960,589)
Net Book Value	\$ 24,600,663	\$ 25,033,502	\$ (432,839)

Additional information on the Authority's capital assets can be found in Note 9 to the financial statements, which is included in this report.

2 – Long Term Debt

Long Term Debt

a. The Authority has participated in the New Jersey pooled leveraging program for the year ending December 31, 2008. Through this financing of majority capital projects will be completed on an expedited basis. Restricted Cash relating to the bonded debt stood at \$528 at the end of the fiscal year, with Capital Project Bond payable of \$220,000 in outstanding debt. A full disclosure of loans payable at December 31, 2009 can be found in Note-21.

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% interest and monthly payments of \$29,308. The balance outstanding at December 31, 2009 was \$3,285,966. The Congregate Housing Program is for 40 years at 7.25% which is subsidized by Rural Development. The monthly payments are \$1,778 and the balance outstanding at December 31, 2009 was \$635,957.

Additional information on the Authority's long term debt can be found in Note 19 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, 2009**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the 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. 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.

The capital budgets for the 2009 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. 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 calendar year ending December 31, 2010.

- 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.
- HUD's forthcoming project based budgeting, accounting, and reporting requirements.
- Inflationary pressure on utility rates, supplies and other cost.
- The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Roberta L. Strater, Executive Director, Housing Authority of the County of Morris, 99 Ketch Road, Morristown, N.J. 07960, or call (973)540-0389.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009 AND 2008

	DECEMBER 31,	
	2009	2008
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 5,420,535	\$ 2,583,219
Investments	-	2,069,095
Accounts Receivables, Net of Allowances	85,680	186,093
Prepaid Expenses	14,407	14,548
Total Current Assets	<u>5,520,622</u>	<u>4,852,955</u>
Noncurrent Assets		
Capital Assets		
Land	1,735,369	1,735,369
Building	34,830,657	34,727,231
Furniture, Equipment - Dwelling	682,421	690,860
Furniture, Equipment - Administration	502,042	458,805
Construction in Process	1,634,672	1,245,146
Total Capital Assets	<u>39,385,161</u>	<u>38,857,411</u>
Less: Accumulated Depreciation	<u>(14,784,498)</u>	<u>(13,823,909)</u>
Net Book Value	<u>24,600,663</u>	<u>25,033,502</u>
Other Assets		
Grants Receivable - Non Current	198,649	133,196
Other Assets	23,276	24,569
Total Other Assets	<u>221,925</u>	<u>157,765</u>
 Total Noncurrent Assets	 <u>24,822,588</u>	 <u>25,191,267</u>
 Total Assets	 <u>\$ 30,343,210</u>	 <u>\$ 30,044,222</u>
Current Liabilities:		
Accounts Payable	\$ 579,755	\$ 447,408
Accrued Liabilities	52,430	55,057
Tenant Security Deposit Payable	172,328	170,539
Deferred Revenue	500,978	13,718
Loan and Mortgage Payable - Current Portion	75,826	200,824
Total Current Liabilities	<u>1,381,317</u>	<u>887,546</u>
Noncurrent Liabilities		
Loan and Mortgage Payable - Long Term	4,065,533	4,141,923
Accrued Compensated Absences - Long-Term	215,493	208,459
Noncurrent Liabilities	92,715	96,347
Total Noncurrent Liabilities	<u>4,373,741</u>	<u>4,446,729</u>
 Total Liabilities	 <u>5,755,058</u>	 <u>5,334,275</u>
Net Assets:		
Investment in Capital Assets, Net of Related Debt	20,459,304	20,688,153
Restricted Net Assets	1,341,776	1,760,273
Unrestricted Net Assets	<u>2,787,072</u>	<u>2,261,521</u>
 Total Net Assets	 <u>24,588,152</u>	 <u>24,709,947</u>
 Total of Liabilities and Net Assets	 <u>\$ 30,343,210</u>	 <u>\$ 30,044,222</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009 AND 2008

	DECEMBER 31,	
	2009	2008
Revenue:		
Tenant Rental Revenue	\$ 1,963,437	\$ 1,959,914
HUD PHA Operating Grants	7,386,763	6,318,922
Other Governmental Grants	70,017	29,925
Other Revenue	810,129	434,524
Total Revenue	<u>10,230,346</u>	<u>8,743,285</u>
Operating Expenses:		
Administrative Expense	1,641,622	1,576,467
Tenant Services	253,946	224,955
Utilities Expense	823,127	733,982
Maintenance Expense	799,036	977,006
Other Operating Expenses	611,261	677,287
Housing Assistance Payments	5,531,034	4,959,316
Depreciations Expense	960,585	1,015,647
Total Operating Expenses	<u>10,620,611</u>	<u>10,164,660</u>
Excess Expenses Over Revenue From Operations	<u>(390,265)</u>	<u>(1,421,375)</u>
Non Operating Income and (Expenses):		
Investment Income	50,730	75,185
Extraordinary Maintenance Expense	(63,283)	-
Total Non Operating Income and (Expenses)	<u>(12,553)</u>	<u>75,185</u>
Capital Grants	<u>302,719</u>	<u>1,027,265</u>
Change in Net Assets	<u>(100,099)</u>	<u>(318,925)</u>
Beginning Net Assets	24,709,947	25,026,209
Prior Period Adjustments	(21,696)	2,663
Beginning Net Assets - Restated	<u>24,688,251</u>	<u>25,028,872</u>
Ending Net Assets	<u><u>\$ 24,588,152</u></u>	<u><u>\$ 24,709,947</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009 AND 2008

	DECEMBER 31,	
	2009	2008
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 1,969,987	\$ 1,936,544
Receipts from Federal Grants	7,633,623	6,318,922
Receipts from Other Grants	70,017	29,925
Receipts from Misc. Sources	810,129	434,524
Payments to Vendors and Suppliers	(1,119,147)	(1,636,701)
Payments for Housing Assistance Payments	(5,531,034)	(4,959,316)
Payments to Employees	(1,374,253)	(1,295,489)
Payment of Employee Benefits	(443,437)	(475,286)
Payments for Utilities	(731,663)	(698,753)
Net Cash Provided (Used) by Operating Activities	<u>1,284,222</u>	<u>(345,630)</u>
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	302,719	1,027,265
Principal Paid on Debt	(201,388)	(209,856)
Acquisitions and Construction of Capital Assets	(527,750)	(1,107,257)
Extraordinary Expense	(63,283)	-
Prior Period Adjustment - Net Cash	(21,692)	2,663
Receipt of FSS Escrow	-	31,663
Proceeds from the Capital Project Bonds	-	503,819
Increase in Grant Receivable	(65,453)	(133,196)
Change in Other Assets Non Current	1,293	(25,862)
Receipt from Tenant Security Deposit	1,789	6,880
Increase in Compensated Absences	7,034	26,377
Net Cash Provided (Used) by and Related Financing Activities	<u>(566,731)</u>	<u>122,496</u>
Cash Flow From Investing Activities		
Interest Income	50,730	75,185
Purchase of Investments	-	(359,408)
Receipts from Investments	2,069,095	-
Net Cash Provided (Used) by Investing Activities	<u>2,119,825</u>	<u>(284,223)</u>
Net (Decrease) in Cash and Cash Equivalents	2,837,316	(507,357)
Beginning Cash	<u>2,583,219</u>	<u>3,090,576</u>
Ending Cash	<u>\$ 5,420,535</u>	<u>\$ 2,583,219</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Excess of Revenue Over Expenses	\$ (390,265)	\$ (1,421,375)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	960,585	1,015,647
(Increase) Decrease in:		
Accounts Receivables	100,413	(76,300)
Prepaid Expenses	141	(3,022)
Increase (Decrease) in:		
Accounts Payable	132,347	324,229
Accrued Liabilities	(2,627)	(192,490)
Deferred Revenue	487,260	7,681
Non Current Liabilities	(3,632)	-
Net Cash Provided by Operating Activities	<u>\$ 1,284,222</u>	<u>\$ (345,630)</u>
Interest expense paid during the year	<u>\$ 345,178</u>	<u>\$ 351,055</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

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

1. Organization - The Authority is a non-profit 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. 4A: 12A-1, et. Seq. 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.

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 any entities 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 Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The primary government holds the corporate powers of the organization.
- C. The primary government appoints a voting majority of the organization's board.
- D. The primary government is able to impose its will on the organization.
- E. There is calendar dependency by the organization on the primary government.
- F. The organization has potential to impose a financial benefit or burden on the primary government.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" addresses the applicability of the various FASB's, and allows several options in the use of the FASB's. The Authority has elected to use Alternative 2 of GASB-20 which states that "a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements". Also, the Authority has elected to not follow FASB-106, FASB-112, and FASB-132, which all deal with pension reporting. Instead, the Authority follows GASB-27-"Accounting for Pensions by State and Local Governmental Employers."

A. Basis of Accounting -

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. Non-operating revenue and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non exchange transactions or ancillary activities. All assets, liabilities, net assets, revenue, and expenses are accounting for through a single enterprise fund for the primary government.

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

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

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

2. A - Basis of Accounting – Continued

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the County of Morris's 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 of the Authority is entitled to receive advances as expenditures are incurred.

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 undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets during the year. Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

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

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

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

B. Report Presentation –

The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" and Statement No.38 "Certain Financial Statement Note Disclosures" which supplements GASB Statement No. 34.

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

GASB Statement No. 34 requires the classification of net assets into three components, Investment in Capital Assets, Net of Related Debt Restricted Net Assets, and Unrestricted Net Assets.

Net Assets Invested in Capital Assets Net of Related Debt.

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

Restricted Net Assets.

The net assets less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed, or when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

Unrestricted Net Assets.

The net assets consist of net assets that do not meet the definition of Restricted Net Assets or Invested in Capital Assets, Net of Related Debt.

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

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

2. B - Report Presentation_– Continued

The Enterprise Fund is used for activities which are financed and operated in a manner similar to a private business enterprise where the intent is that the costs (expenses, including depreciation) of providing goods or services to its clients on a continuing basis be financed or recovered primarily through user charges or operating subsidies.

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

Other accounting policies are as follows

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

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 calendar year.

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

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

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

Other accounting policies - Continued

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

11- 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.

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

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

C. Budgetary and Policy Control -

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

C. Budgetary and Policy Control – Continued

Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 49 the Section Eight Housing Choice Voucher Program on page 50.

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

Program	CFDA #	Project #	Units Authorized
Public Housing			
Low Rent Housing	14.850	NJ92-1,2,3,5,7	304
Capital Fund	14.872	NJ92	N/A
Formula Capital Fund Stimulus	14.885	NJ92	N/A
Section 8			
Housing Choice Vouchers	14.871	NJ39-VO92	634
N/C S/R Program	14.182	NJ39-SRO-92	100
RD Programs			
1- Management	10.427	35-14-22600-2462	101
2- Management	10.427	35-14-22600-2462	19

Rural Development (RD) Programs:

The RD programs consist of two projects. The Morris Mews (N/C S/R) project has 101 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy from RD. 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 from RD. The Project is referred to as the Congregate Housing Project since it includes space for a Congregate Housing Program.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

3. Activities - Continued

State - Congregate Housing Services Program

The Congregate Housing Services Program offers grants to States, to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing.

CDBG Program:

CDBG Program award grants for development units of local Housing Authorities to carry out development activities for the community.

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

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

6. 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 calendar matters.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

NOTE 2 – ESTIMATES

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

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements **December 31, 2009**

NOTE 4 – CASH, CASH EQUIVALENTS

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

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

The New Jersey Government Code requires New Jersey banks and savings and loan associations to be covered by the Governmental Unit Deposit Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. The market value of the pledged securities must equal at least 110% of the Authority's deposits.

The bank balances at December 31, 2009 and 2008 were \$5,420,535 and \$4,652,314, respectively, which were either insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below.

Cash and cash equivalents at December 31, 2009 and 2008 consist of \$5,420,535 for 2009 and \$2,583,219 and investments of \$2,069,095 for 2008.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED

December 31, 2009 and 2008 consists of the following financial institutions:

	<u>December-09</u>	<u>December-08</u>
County of Morris - CD's	\$ -	\$ 2,069,095
PNC Bank	2,195,919	911,223
The Provident Bank	2,823,370	1,100,212
Bank of America	399,476	397,739
JP Morgan Chase	-	96,345
TD Bank	1,242	1,275
Wells Fargo	528	76,425
Total	<u>\$ 5,420,535</u>	<u>\$ 4,652,314</u>

The Authority's checking accounts are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does have a deposit policy for custodial credit risk. The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>Bank Balances</u>	
	<u>December-09</u>	<u>December-08</u>
Insured	\$ 751,770	\$ 2,555,484
Collateralized held by pledging bank's trust department in the Authority's name	4,668,765	2,096,830
Total	<u>\$ 5,420,535</u>	<u>\$ 4,652,314</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

NOTE 5 – RESTRICTED CASH

The Authority has total restricted cash at December 31, 2009 and 2008 in the amount of \$947,809 and \$1,729,391, respectively, which was accounted for in Note 4 and consists of the following:

	<u>December-09</u>	<u>December-08</u>
Tenant Security Deposits	\$ 172,328	\$ 170,539
HAP Reserve	568,439	747,379
FSS Participants	92,715	96,345
Rural Housing Reserve	113,799	503,611
Capital Fund Leveraging	528	211,517
Total	<u>\$ 947,809</u>	<u>\$ 1,729,391</u>

The Authority has restricted cash in the amount of \$528 for the Capital Fund Leveraging Program at December 31, 2009 and was also accounted for in cash and cash equivalents in Note 4. It is held in trust at the Wells Fargo Bank with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Wells Fargo Bank are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project which the Authority is under taking.

The amount of restricted cash for HAP reserve is \$568,439 for 2009 and \$747,379 for 2008 which is held at PNC Bank.

The authority has restricted cash at December 31, 2009 in the amount of \$172,328 and \$170,539 at December 31, 2008. Both of these amounts were accounted for in cash and cash equivalents in Note 4. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at PNC Bank.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts Receivable at December 31, 2009 and 2008 consisted of the following:

	December-09	December-08
Tenants Accounts Receivable - Present	\$ 7,372	\$ 19,665
Tenants Accounts Receivable - Vacated	9,448	3,705
Total Tenants Accounts Receivable	16,820	23,370
Less Allowance for Doubtful Accounts	(9,448)	(5,961)
Net Tenants Accounts Receivable	7,372	17,409
Accounts Receivable - Tenants Fraud Recovery	16,514	14,029
Less Allowance for Doubtful Accounts	(16,514)	(14,029)
Net Accounts Receivable - Fraud Recovery	-	-
Accounts Receivable - State of New Jersey	19,282	11,273
Accounts Receivable - Local Government Agencies	21,418	16,790
Accounts Receivable - Capital Fund	37,608	140,000
Accrued Interest Receivable	-	621
Total Other Receivables	78,308	168,684
Total	\$ 85,680	\$ 186,093

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

NOTE 7 - PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at December 31, 2009 and 2008 consisted of prepaid sewer fees in the amount of \$14,407 and \$14,548, respectively.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

NOTE 8 - 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, 2009 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

NOTE 9 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value.

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized.

Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred.

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

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

The carrying value of long-live assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority did not have any impairment at December 31, 2009.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

NOTE 9 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2009 and 2008:

	December-07	Additions	Transfer	December-08
Land	\$ 1,735,369	\$ -	\$ -	\$ 1,735,369
Building	34,303,040	49,700	374,491	34,727,231
Furniture, Equipment - Dwelling	564,027	7,057	119,776	690,860
Furniture, Equipment - Administration	434,539	24,266	-	458,805
Construction in Process	713,179	1,026,234	(494,267)	1,245,146
Total Fixed Assets	37,750,154	\$ 1,107,257	\$ -	38,857,411

Accumulated Depreciation	(12,808,265)	\$ (1,015,644)	\$ -	(13,823,909)
Net Book Value	\$ 24,941,889			\$ 25,033,502

	December-08	Additions	Transfer	December-09
Land	\$ 1,735,369	\$ -	\$ -	\$ 1,735,369
Building	34,727,231	43,125	60,301	34,830,657
Furniture, Equipment - Dwelling	690,860	16,863	(25,302)	682,421
Furniture, Equipment - Administration	458,805	78,236	(34,999)	502,042
Construction in Process	1,245,146	389,526	-	1,634,672
Total Fixed Assets	38,857,411	\$ 527,750	\$ -	39,385,161

Accumulated Depreciation	(13,823,909)	\$ (960,589)	\$ -	(14,784,498)
Net Book Value	\$ 25,033,502			\$ 24,600,663

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

NOTE 10- GRANTS RECEIVABLE – NON CURRENT

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 Authority received a net amount of \$474,137. The funds received were deposited with the Wells Fargo Bank which is acting as the Trustee. All funds must be expended within a four year period. The Trustee must receive copies of all invoices prior to release of funds. The Trustee may only draw funds from HUD E-LOCCS for repayment of debt and related interest. The amount of HUD future CFP State Leveraging Program funds receivable at December 31, 2009 are as follows:

	December-09	December-08
HUD CFP Future Funds Receivable	\$ 208,649	\$ 273,196
Less: Current Receivable	(10,000)	(140,000)
Net of Current Receivable	<u>\$ 198,649</u>	<u>\$ 133,196</u>

NOTE 11- OTHER ASSETS – NON CURRENT

During 2007, the Authority entered into a Capital Fund leveraging pool and incurred underwrites cost at the closing with the Capital Program Revenue Bonds. The leveraging cost is recorded as other assets and amortized over the life of the bond using the straight line method.

	December-09	December-08
Capital Fund Leveraging - Underwriter's Cost	\$ 25,862	\$ 25,862
Less Amortization - Underwriter's Cost	(2,586)	(1,293)
Net Book Value - Underwriter's Cost	<u>\$ 23,276</u>	<u>\$ 24,569</u>

NOTE 12 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its balance sheet as of December 31, 2009 and 2008. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at December 31, 2009 and 2008 consist of the following:

	December-09	December-08
Accounts Payable Vendors	\$ 488,693	\$ 347,023
Accounts Payable - P.I.L.O.T.	91,062	100,385
Total Accounts Payable	<u>\$ 579,755</u>	<u>\$ 447,408</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

NOTE 13 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the County of Morris. Under the Cooperation Agreements, the Authority must pay the municipality the smallest of 10% of its net shelter rent or the approximate full real property taxes. The total amount of PILOT payable at December 31, 2009 is \$91,062, consisting of unpaid PILOT expense:

	December-09	December-08
Balance Beginning of Year	\$ 100,385	\$ 98,889
P.I.L.O.T. Accrued	91,062	100,385
Less Payments Made	(100,385)	(98,889)
Total P.I.L.O.T. Payable	<u>\$ 91,062</u>	<u>\$ 100,385</u>

NOTE 14 – ACCRUED EXPENSES

The Authority reported accrued expenses on its balance sheet. Accrued expenses are liabilities covering expenses incurred on or before December 31, and are payable at some future date. Accrued liabilities at December 31, 2009 and 2008 consist of the following:

	December-09	December-08
Accrued Interest Payable	\$ 28,487	\$ 31,900
Compensated Absences - Current Portion	23,943	23,157
Total Accrued Liabilities	<u>\$ 52,430</u>	<u>\$ 55,057</u>

NOTE 15 – 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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

NOTE 15 – ACCRUED COMPENSATED ABSENCES - CONTINUED

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

	December-09	December-08
Accumulated Sick Time	\$ 39,108	\$ 51,233
Accumulated Vacation Time	165,115	146,710
Accrued Payroll Taxes	35,213	33,673
Total	239,436	231,616
Compensated Absences - Current Portion	(23,943)	(23,157)
Total Compensated Absences - Noncurrent	\$ 215,493	\$ 208,459

NOTE 16 – DEFERED REVENUE

The Authority reported deferred revenues on its balance sheet. Deferred 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 deferred revenue is removed from the balance sheet and the revenue is recognized. The deferred revenue for December 31, 2009 and 2008 is \$500,978 and \$13,718 and consists of:

	December-09	December-08
Prepaid Rents	\$ 14,647	\$ 13,718
HCV Subsidy - January 2010	486,331	-
Total Accounts Payable	\$ 500,978	\$ 13,718

The Authority received the Housing Choice Voucher subsidy for January 2010, from HUD, in the amount of \$486,331 in December 2009. This receipt is recorded as deferred revenue for the year ending December 31, 2009.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

NOTE 17 – NON CURRENT LIABILITY - FSS ESCROW PAYABLE

The Authority under the Section 8 Housing Choice Voucher program is administering 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, 2009 is \$92,715 and \$96,345 for 2008.

NOTE 18 – LONG TERM DEBT

At December 31, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off.

GASB Interpretation No. 2, "Disclosure of Conduit Debt Obligations," provided guidance as to the proper GAAP treatment of this HUD-guaranteed debt. The debt transactions between the Authority and HUD are similar to conduit debt obligations, which are "certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by the state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer" financial reporting entity.

The transaction between the Authority and HUD is similar to HUD giving funds to the Authority to operate and the funds are a capital contribution. HUD has essentially made an investment in the Authority. Therefore, the liability was reclassified as a capital contribution. Since HUD is paying the obligations directly, the outstanding Long Term Debt balance at December 31, 2009 could not be readily determined.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

NOTE 18 – LONG TERM DEBT - CONTINUED

The Authority has three (3) loans outstanding at December 31, 2009. The details are as follows:

	Total Loan Outstanding	Current Portion	Non-Current Portion
Morris Mews Project	\$ 3,285,966	\$ 58,328	\$ 3,227,638
Congregate Housing Project	635,957	8,062	627,895
Capital Fund Bond Leveraging	220,000	10,000	210,000
Total	<u>\$ 4,141,923</u>	<u>\$ 76,390</u>	<u>\$ 4,065,533</u>

NOTE 19 – LONG TERM DEBT- RURAL DEVELOPMENT

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 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, 2009 was \$3,285,966 and is current.

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

Year	Principal	Interest	Total Payment
2010	\$ 58,328	\$ 293,370	\$ 351,698
2011	63,780	287,898	351,678
2012	69,785	281,913	351,698
2013	76,331	275,367	351,698
2014	83,491	268,207	351,698
Subtotal	351,715	1,406,755	1,758,470
2015-2019	550,705	1,207,785	1,758,490
2020-2024	862,228	896,262	1,758,490
2025-2029	1,349,974	408,516	1,758,490
2030	171,344	4,525	175,869
Total	<u>\$ 3,285,966</u>	<u>\$ 3,923,843</u>	<u>\$ 7,209,809</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

NOTE 20 – LONG TERM DEBT- CONGREGATE HOUSING PROGRAM

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, 2009 was \$635,957 and is current.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2010	\$ 8,061	\$ 45,842	\$ 53,903
2011	8,665	45,238	53,903
2012	9,314	44,589	53,903
2013	10,012	43,891	53,903
2014	10,763	43,140	53,903
Subtotal	46,815	222,700	269,515
2015-2019	67,196	202,319	269,515
2020-2024	96,450	173,066	269,516
2025-2029	138,439	131,076	269,515
2030-2034	198,708	70,807	269,515
2035-2036	88,349	5,991	94,340
Total	<u>\$ 635,957</u>	<u>\$ 805,959</u>	<u>\$ 1,441,916</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements **December 31, 2009**

NOTE 21- LONG TERM DEBT - 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 interest paid on the Bonds thru December 31, 2009 was \$28,487 which will be capitalized under construction in process cost. The interest payable for May 1, 2010 is \$5,110 and November 1, 2010 is \$4,915.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

NOTE 21 - LONG TERM DEBT - STATE LEVERAGING CAPITAL PROJECT BOND - CONTINUED

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

Year	Principal	Interest	Fees	Total Payment
2010	\$ 10,000	\$ 10,025	\$ 986	\$ 21,011
2011	10,000	9,633	971	20,604
2012	10,000	9,235	954	20,189
2013	10,000	8,833	851	19,684
2014	10,000	8,422	812	19,234
Subtotal	50,000	46,148	4,574	100,722
2015-2019	50,000	35,623	3,472	89,095
2020-2024	70,000	21,457	2,168	93,625
2025-2027	50,000	3,932	547	54,479
Total	\$ 220,000	\$ 107,160	\$ 10,761	\$ 337,921

NOTE 22 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

In September 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The basic premise of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. All of the Authority's retirees continue their life insurance and continue to receive health insurance benefits at various percentages of the Authority's cost. In prior years, the Authority financed OPEB on a pay-as-you-go basis with expenditures recorded in the General Fund. Accounting for OPEB under GASB No. 45 will result in the Authorities reporting a significant actuarially-based liability for benefits. The Authority will be implementing GASB No. 45 in the fiscal year beginning January 1, 2010.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

NOTE 23 – RESTRICTED NET ASSETS

The Authority Restricted Net Assets account balance at December 31, 2009 is \$1,341,776. The detail of the reserve account balances is as follows:

	HCV HAP		Morris	Low Rent PH	
	Reserve	Congregate	Mews	Reserves	Total
Balance December 31, 2007	\$ 1,531,844	\$ 96,507	\$ 390,534	\$ -	\$ 2,018,885
Increase	-	9,365	7,206	509,282	525,853
Decrease During the Year	(784,465)	-	-	-	(784,465)
Balance December 31, 2008	747,379	105,872	397,740	509,282	1,760,273
Increase During the Year	-	7,927	1,737	-	9,664
Decrease During the Year	(178,940)	-	-	(249,221)	(428,161)
Balance December 31, 2009	\$ 568,439	\$ 113,799	\$ 399,477	\$ 260,061	\$ 1,341,776

Housing Choice Voucher Program - Reserves

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

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

NOTE 24 – UNRESTRICTED NET ASSETS

The Authority Unrestricted Net Assets account balance at December 31, 2009 is \$2,787,072. The detail of the account balance is as follows:

	Low Rent PH Reserves	HCV Reserve	Congregate Reserve	Morris Mews Reserves	COCC Reserves	Total
Balance December 31, 2007	\$ 432,583	\$ 941,587	\$ 69,014	\$ 660,726	\$ -	\$ 2,103,910
Increase During the Year	-	-	22,517	220,425	69,475	312,417
Transfer of Reserves	(318,429)	-	-	-	318,429	-
Decrease During the Year	(140,333)	(14,473)	-	-	-	(154,806)
Balance December 31, 2008	(26,179)	927,114	91,531	881,151	387,904	2,261,521
Increase During the Year	761,049			224,711		985,760
Decrease During the Year		(46,376)	(25,929)		(387,904)	(460,209)
Balance December 31, 2009	\$ 734,870	\$ 880,738	\$ 65,602	\$ 1,105,862	\$ -	\$ 2,787,072

Housing Choice Voucher Program - Reserves

Administrative fee paid by HUD to the Authority in excess of administrative expenses are part of the undesignated fund balance and are considered to be administrative fee reserves. Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR 982.155 – i.e. other housing purposes permitted by state and local law. Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

	HCV Adm Reserves
Pre - January 1, 2005	\$ 792,230
Increase During 2005 Year	88,801
Increase During 2006 Year	8,997
Increase During 2007 Year	51,559
Decrease During 2008 Year	(14,473)
Decrease During 2008 Year	(46,376)
Balance December 31, 2009	<u>\$ 880,738</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements **December 31, 2009**

NOTE 25 - 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, 2009, 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 all its buildings for the purpose of determining potential liability issues.

During the year ended December 31, 2009, the Authority did not reduce insurance coverage's from coverage levels in place as of December 31, 2008. No settlements have exceeded coverage levels in place during 2007, 2008, and 2009.

NOTE 26 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended December 31, 2008 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended December 31, 2009 and 2008 were \$787,118 and \$702,831, respectively.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program and the N/C S/R 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 and moderately rehabilitated 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. The authority is also eligible to receive reimbursement for preliminary expenses prior to lease up. HUD contributions for the Housing Choice Voucher for December 31, 2009 and 2008 were \$5,593,610 and \$4,769,227, respectively, and \$836,317 and \$795,170, respectively, for N/C S/R.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

NOTE 27 - 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 for the year ending December 31, 2009 and 2008 was \$7,689,482 and \$7,346,187, respectively.

NOTE 28 - CONTINGENCIES

Litigation – At December 31, 2009, the Authority was not involved in any threatened litigation.

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

NOTE 29 – PRIOR PERIOD ADJUSTMENT

In January 2008, the Authority adjusted the value of the fixed assets of the Housing Choice Voucher Program and recorded an adjustment for the computer equipment in the amount of \$2,667.

In January 2009, The Authority adjusted the fixed assets of the Low Rent Public Housing program and recorded an adjustment for the write off of computer equipment in the amount of (\$21,696).

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2009

NOTE 30 – 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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2009

NOTE 30 – SUPPLEMENTAL INFORMATION – (RD) - CONTINUED

- The Housing Authority of the County of Morris has maintained proper insurance in accordance with the requirements of 7 CFR 3560.105.
- Insurance and Bonding at December 31, 2008 was:

<u>Type</u>	<u>Coverage</u>	<u>Expiration Date</u>
▪ Fidelity Bond	\$1,000,000	December 31, 2009
▪ Property Insurance	15,000,000	December 31, 2009
▪ Liability Insurance	5,000,000	December 31, 2009
▪ Workman's Comp.	5,000,000	December 31, 2009
- Morris Mews at December 31, 2009 and 2008 had Tenants Accounts Receivable of \$-0- and Prepaid Rents of \$177 for 2009 and \$-0- for 2009 and \$212 for 2008.
- Congregate Housing Project at December 31, 2009 and 2008 had Tenants Accounts Receivable of \$-0- and \$168, respectively. Prepaid Rents at December 31, 2009 and 2008 were \$295 and \$11,273, respectively.
- 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 are no other information that we believe are necessary for full disclosure.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009**

Programs funded by the U.S. Department of Housing
and Urban Development: Subject to Annual Contribution Contract

	<u>CFDA#</u>	<u>Expenditures</u>
<u>PHA Owned Housing</u>		
Low Rent Public Housing	14.850	\$ 787,118
Public Housing Capital Fund Program	14.872	404,341
Formula Capital Fund Stimulus Grant	14.885	55,487
Community Development Block Grant	14.218	12,609
Subtotal		<u>1,259,555</u>
 <u>Rental Assistance Housing Programs</u>		
Housing Choice Vouchers	14.871	5,593,610
Subtotal		<u>5,593,610</u>
 <u>Rural Development Programs</u>		
N/C S/R Section 8 Programs	14.182	836,317
Subtotal		<u>836,317</u>
 Total Awards		<u><u>\$ 7,689,482</u></u>

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the County of Morris. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2. Loans Outstanding:

The Housing Authority of the County of Morris had \$4,141,923 as a loan balance outstanding at December 31, 2009. Note 18 presented on page 38 of this report have full disclosure regarding the loan activity for the Housing Authority of the County of Morris.

Note 3. 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
BUDGETARY COMPARISON SCHEDULE
LOW RENT PUBLIC HOUSING PROGRAM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 1,524,711	\$ 1,514,456	\$ 10,255
HUD PHA Operating Grants	956,836	858,428	98,408
Other Revenue	120,722	65,000	55,722
Total Revenue	2,602,269	2,437,884	164,385
Operating Expenses:			
Administration:			
Administrative Salaries	518,703	595,956	77,253
Audit Fee's	2,726	12,000	9,274
Employee Benefit Contributions	180,418	203,215	22,797
Other Operating Administrative Expenses	80,013	137,196	57,183
Total Administrative Expenses	781,860	948,367	166,507
Tenant Services:			
Tenant Services Salaries	-	92,699	92,699
Employee Benefit Contributions	-	31,610	31,610
Tenant Services Other	6,262	2,000	(4,262)
Total Tenant Services	6,262	126,309	120,047
Utilities:			
Water	75,662	70,400	(5,262)
Electricity	102,600	85,400	(17,200)
Gas	283,283	243,000	(40,283)
Labor	67,393	49,910	(17,483)
Employee Benefit Contributions	24,071	17,019	(7,052)
Other Utilities Cost	61,079	69,400	8,321
Total Utilities	614,088	535,129	(78,959)
Maintenance:			
Maintenance Labor	119,107	149,729	30,622
Materials	52,012	108,100	56,088
Maintenance Contract Cost	369,114	316,926	(52,188)
Employee Benefit Contributions	40,922	51,056	10,134
Total Maintenance	581,155	625,811	44,656
Other Operating Expenses:			
Insurance	104,472	124,000	19,528
Payment in Lieu of Taxes	91,062	93,970	2,908
Collection Losses	3,487	-	(3,487)
Amortization of Bond Issue Cost	1,293	-	-
Other General Expenses	530	-	-
Total Other Operating Expenses	200,844	217,970	22,436
Total Operating Expenses	2,184,209	2,453,586	274,687
Excess Revenue Over Expenses From Operations	418,060	(15,702)	433,762
Other Income and (Expenses):			
Extraordinary Maintenance	(53,650)	-	53,650
Interest Income	18,857	20,000	1,143
Transfer In	377,782	-	-
Total Other (Income) and Expenses	342,989	20,000	54,793
Excess Revenue over Expenses	\$ 761,049	\$ 4,298	\$ 756,751

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
BUDGETARY COMPARISON SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	\$ 4,955,147	\$ 5,640,458	\$ (685,311)
Ongoing Administrative Fees Earned	638,463	-	638,463
Other Income	482,125	-	482,125
Total Revenue	6,075,735	5,640,458	435,277
Operating Expenses:			
Administration:			
Administrative Salaries	382,649	252,116	(130,533)
Audit Fee's	4,010	4,000	(10)
Employee Benefit Contributions	104,771	114,512	9,741
Other Operating Administrative Expenses	177,142	105,948	(71,194)
Total Administrative Expenses	668,572	476,576	(191,996)
Tenant Services:			
Tenant Services - Salaries	36,780	61,547	24,767
Employee Benefit Contributions	6,620	11,007	4,387
Total Administrative Expenses	43,400	72,554	29,154
Other Operating Expenses:			
Insurance	25,663	12,530	(13,133)
Other General Expenses	-	-	-
Housing Assistance Payments	5,531,034	5,052,060	(478,974)
Total Other Operating Expenses	5,556,697	5,064,590	(492,107)
Total Operating Expenses	6,268,669	5,613,720	(684,103)
Excess Revenue Over Expenses From Operations	(192,934)	26,738	(219,672)
Other Income and (Expenses):			
Investment Income	9,237	-	9,237
Transfer In	136,961	-	136,961
Total Other Income and (Expenses)	146,198	-	146,198
Excess Revenue over Expenses	\$ (46,736)	\$ 26,738	\$ (73,474)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF DECEMBER 31, 2009

	NJ39PO92501-05		
	Approved Budget	Actual Cost	Overrun
Administration	\$ 5,000	\$ 5,000	\$ -
Fee's & Cost	20,000	20,000	-
Dwelling Structures	47,547	47,547	-
Collateralization or Debt Service	312,053	312,053	-
Total	<u>\$ 384,600</u>	<u>\$ 384,600</u>	<u>\$ -</u>
Funds Advanced	\$ 384,600		
Funds Expended	384,600		
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 501-05 was completed on April 30, 2009.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

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

Fiscal Year End: 12/31/2009

Submission Type: Audited/A-133

	Project Total	14.883 Formula Capital Fund Stimulus Grant	14.216 Community Development Block Grants/Entitlement Grants	14.102 NYC B/R Section 8 Programs	14.671 Housing Choice Vouchers	2 State/Local	10.427 Rural Rental Assistance Payments	Total
111 Cash - Unrestricted	\$1,249,493			\$1,250,471	\$1,478,753	\$9,754	\$98,778	\$4,073,249
112 Cash - Restricted - Modernization and Development	\$528							\$528
113 Cash - Other Restricted				\$399,477	\$681,154		\$113,799	\$1,174,430
114 Cash - Tenant Security Deposits	\$128,485			\$36,009			\$7,834	\$172,328
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$1,378,506	\$0	\$0	\$1,685,957	\$2,137,907	\$9,754	\$208,411	\$5,420,535
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$37,608							\$37,608
124 Accounts Receivable - Other Government					\$7,932	\$11,590		\$19,282
125 Accounts Receivable - Miscellaneous	\$21,418							\$21,418
126 Accounts Receivable - Tenants	\$18,801						\$19	\$18,820
128.1 Allowance for Doubtful Accounts - Tenants	\$8,448						\$0	\$8,448
128.2 Allowance for Doubtful Accounts - Other	\$0				\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery					\$18,514			\$18,514
128.1 Allowance for Doubtful Accounts - Fraud					\$18,514			\$18,514
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$68,378	\$0	\$0	\$0	\$7,692	\$11,590	\$19	\$85,660
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets				\$12,248			\$2,181	\$14,407
143 Inventories								
143.1 Allowance for Obsolete Inventories								
144 Inter Program Due From								
145 Assets Held for Sale								
150 Total Current Assets	\$1,444,885	\$0	\$0	\$1,693,203	\$2,145,599	\$21,344	\$210,591	\$5,520,622
161 Land	\$1,735,369							\$1,735,369
162 Buildings	\$28,359,070			\$8,533,629			\$1,937,858	\$34,830,837
163 Furniture, Equipment & Machinery - Dwellings	\$241,059			\$371,797			\$69,565	\$982,421
164 Furniture, Equipment & Machinery - Administration	\$374,568				\$127,474			\$502,042
165 Leasehold Improvements								
166 Accumulated Depreciation	\$10,339,951			\$3,613,574	\$68,247		\$564,728	\$14,784,088
167 Construction in Progress	\$1,568,578	\$55,487	\$12,609					\$1,634,672
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$19,936,691	\$55,487	\$12,609	\$3,091,832	\$61,227	\$0	\$1,442,787	\$24,600,663
171 Notes, Loans and Mortgages Receivable - Non-Current								
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current	\$168,649							\$168,649
174 Other Assets	\$23,276							\$23,276
178 Investments in Joint Ventures								
160 Total Non-Current Assets	\$20,163,616	\$55,487	\$12,609	\$3,091,832	\$61,227	\$0	\$1,442,787	\$24,822,568

See accompanying notes to the financial statements.

Fiscal Year End: 12/31/2009

[illegible]

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

14 885 Formula Capital Grant	14 218 Community Development Block Grants/Entitlement Grants	Section 8 Programs 14 182 N/C S/R Choice Vouchers 14 871 Housing 2 State/Local	10 427 Rural Rental Assistance Payments	70300 Net Tenant Rental Revenue	\$1,524,711	\$362,407	\$74,560	\$1,961,678	
				70400 Tenant Revenue - Other			\$1,759	\$1,759	
				70500 Total Tenant Revenue	\$1,524,711	\$362,407	\$0	\$1,963,437	
				70600 HUD PHA Operating Grants	\$956,836	\$836,317	\$5,693,610	\$7,368,763	
				70610 Capital Grants	\$234,623	\$55,487	\$12,609	\$302,719	
				70710 Management Fee					
				70720 Asset Management Fee					
				70730 Book Keeping Fee					
				70740 Front Line Service Fee					
				70750 Other Fees					
				70700 Total Fee Revenue					
				70800 Other Government Grants	\$35,000		\$35,017	\$70,017	
				71100 Investment Income - Unrestricted	\$16,771	\$18,073	\$6,435	\$45,179	
				71200 Mortgage Interest Income					
				71300 Proceeds from Disposition of Assets Held for Sale					
				71310 Cost of Sale of Assets					
				71400 Fraud Recovery					
				71600 Other Revenue	\$85,722	\$76,618	\$473,603	\$148,095	\$801,607
				71600 Gain or Loss on Sale of Capital Assets					
				72000 Investment Income - Restricted	\$68	\$1,737	\$2,602	\$927	\$5,652
				70000 Total Revenue	\$2,655,749	\$1,266,162	\$6,084,972	\$51,668	\$10,563,795
				81100 Administrative Salaries	\$516,703	\$104,364	\$362,649	\$11,271	\$1,016,987
				81200 Auditing Fees	\$2,726	\$2,000	\$4,010	\$300	\$9,036
				81300 Management Fee					
				81310 Book-keeping Fee					
				81400 Advertising and Marketing					
				81500 Employee Benefit Contributions - Administrative	\$160,418	\$36,437	\$104,771	\$6,192	\$327,818
				81600 Office Expenses	\$4,080	\$18,819		\$3,835	\$24,734
				81700 Legal Expense	\$15,666	\$3,383	\$31,403	\$1,269	\$51,721
				81800 Travel	\$620			\$467	\$1,107
				81810 Allocated Overhead					
				81800 Other					
				81900 Total Operating - Administrative	\$781,660	\$1,524	\$668,572	\$467	\$1,941,622
				82000 Asset Management Fee					
				82100 Tenant Services - Salaries					
				82200 Relocation Costs					
				82300 Employee Benefit Contributions - Tenant Services					
				82400 Tenant Services - Other	\$6,262	\$33,634	\$6,620	\$8,209	\$50,626
				82500 Total Tenant Services	\$6,262	\$129,740	\$43,400	\$51,099	\$253,046

See accompanying notes to the financial statements.
54
Hymanson, Parnes and Ciampolo

MORRISTOWN, NJ

MORRISTOWN, NJ

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

[illegible]

See accompanying notes to the financial statements.

Hymanson, Parnes and Giampalo

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.218 Community Development Block Grants/Entitlement Grants	14.182 NJC S/R Section 8 Programs	14.871 Housing Choice Vouchers	2 State/Local	10.427 Rural Rental Assistance Payments	Total
97000 Excess of Operating Revenue over Operating Expenses	\$871,540	\$55,487	\$12,609	\$357,840	\$5,347,337	\$0	\$9,990	\$6,454,803
97100 Extraordinary Maintenance	\$53,650						\$9,633	\$63,283
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments					\$5,109,306			\$5,109,306
97350 HAP Portability-In					\$421,728			\$421,728
97400 Depreciation Expense	\$729,010			\$186,314	\$5,912		\$39,346	\$860,585
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$2,960,889	\$0	\$0	\$1,124,926	\$9,274,591	\$51,568	\$266,232	\$10,693,894
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	\$153,957							\$153,957
10094 Transfers between Project and Program - Out	-\$153,957							-\$153,957
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$111,120	\$55,487	\$12,609	\$171,526	-\$169,609	\$0	-\$38,992	-\$100,099
11020 Required Annual Debt Principal Payments					\$0			\$0
11030 Beginning Equity	\$20,844,737	\$0	\$0	\$1,139,700	\$1,700,013	\$0	\$1,025,487	\$24,709,947
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$21,995	\$0	\$0	\$0	\$0	\$0	\$299	-\$21,996
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					\$941,965			\$941,965
11160 Housing Assistance Payments Equity					\$568,439			\$568,439
11190 Unit Months Available	\$648	0	0	1200	7608	0	228	12894
11210 Number of Unit Months Leased	\$608	0	0	1106	7607	0	228	12837
11270 Excess Cash	\$715,031							\$715,031
11610 Land Purchases	\$0							\$0

See accompanying notes to the financial statements.

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Projected Total	14.585 Formula Capital Fund Stimulus Grant	14.218 Community Development Block Grants/Entitlement Grants	14.182 NC S/R Section 8 Programs	14.871 Housing Choice Vouchers	2 State/Local	10.427 Rural Rental Assistance Payments	Total
11020 Building Purchases	\$234,623							\$234,623
11030 Furniture & Equipment - Dwelling Purchases	\$8,272							\$8,272
11040 Furniture & Equipment - Administrative Purchases	\$1,618							\$1,618
11050 Leasehold Improvements Purchases	\$0							\$0
11060 Infrastructure Purchases	\$0							\$0
13510 CTFP Debt Service Payments	\$153,957							\$153,957
13901 Replacement Housing Factor Funds	\$0							\$0

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
CAPITAL PROJECT LEVERAGING PROGRESS REPORT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009**

CAPITAL PROJECT WORK ITEM	PROJECTED COST	FUNDS OBLIGATED	FUNDS EXPENDED
Bond Leveraging Fees	\$ 25,569	\$ 25,569	\$ 25,569
Sidewalk Replace - Bennett Avenue	47,323	47,323	46,562
Driveway Replace - Bennett Avenue	133,121	133,121	122,828
Sidewalk Replace - Green Pond Village	74,994	74,994	61,105
Driveway Replace - Green Pond Village	218,993	218,993	243,936
Total Capital Project	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

Reconciliation of Debt Service Account

Balance December 31, 2008	\$ 76,425
Plus Interest Earned Thru December 31, 2009	<u>86</u>
Total Funds Available	76,511
Less Disbursement Made during the Year	<u>(75,983)</u>
Balance December 31, 2009	<u>\$ 528</u>

See accompanying notes to the financial statements.



Hymanson, Parnes & Giampaolo

Certified Public Accountants

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**INDEPENDENT AUDITORS REPORT INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENTAL AUDITING STANDARDS
(No Reportable Instances of Noncompliance and No Material Weaknesses)**

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

We have audited the financial statements of Housing Authority of the County of Morris as of and for the year ended December 31, 2009 and have issued our report thereon dated May 28, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Housing Authority of the County of Morris internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority of the County of Morris financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the County of Morris financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Date: May 28, 2010



Hymanson, Parnes & Giampaolo

Certified Public Accountants

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**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Unqualified Opinion on Compliance, No Material Weaknesses and
No Reportable Conditions Identified)**

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

Compliance

We have audited the compliance of Housing Authority of the County of Morris with the types of compliance requirements described in the U.S. Office of Management and Budgets (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. Authority's major federal programs are identified in the summary of the auditors result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and the U.S. Office of Management and Budgets Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 required 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 major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's 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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, Housing Authority of the County of Morris complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned cost.

Internal Control Over Compliance

The management of the Housing Authority of the County of Morris is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Authority's internal control over compliance.

A *control deficiency* in Housing Authority of the County of Morris internal control over compliance 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 noncompliance with a type of compliance requirement of the federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not prevent or detect by the Authority's internal control.

Our consideration of the internal control over compliance was for a limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, United States Department of Housing and Development, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Date: May 28, 2010

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Schedule of Findings and Questioned Cost Year Ended December 31, 2009

Prior Audit Findings

None reported

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statement of Housing Authority of the County of Morris.
2. No significant deficiencies relating to the audit of the financial statements are reported in the REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS.
3. No instances of noncompliance material to the financial statements of Housing Authority of the County of Morris were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the Housing Choice Voucher Program, N/C S/R Section 8 Program and the Formula Capital Fund Stimulus Program expressed a Unqualified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program tested as major program were Housing Choice Voucher Program, CFDA#14.871 with expenditures of \$5,593,610, N/C S/R Section 8 Program CFDA#14.182 with expenditures of \$836,317, and the Formula Capital Fund Stimulus Program CFDA#14.885 with expenditures of \$55,487.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Housing Authority of the County of Morris qualify as a low risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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Independent Accountant's Report on 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 the Housing Authority of the County of Morris and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. This agree-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures 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 electronically submitted information and hard copy documents as shown in the chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Housing Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated May 28, 2010. 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 Financial Data Schedule (FDS) dated December 31, 2009, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from the Housing Authority. 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, REAC.

This report is intended solely for the information and use of the Housing Authority of the County of Morris and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Hymanson, Parnes & Giampaolo

Date: May 28, 2010

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	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 G5100-010)	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,G2300,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, G3100-010 to G3100-030, G3200-010 to G3200-030, G3300-010 to G3300-060, G3400-010 to G3400-020)	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 G4000-010 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Federal agencies required to receive reporting package (data element G4000-050)	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"/>

<u>Firm Name</u>	Hymanson Parnes & Giampaolo
<u>Employer Identification Number</u>	22-3554220
<u>Date</u>	May 28, 2010
<u>UII#</u>	#66170
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