

HOUSING AUTHORITY OF THE  
TOWN OF MORRISTOWN  
Morristown, New Jersey

COMPARATIVE FINANCIAL STATEMENTS  
For the Years Ended September 30, 2016 and 2015

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 and 2015

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HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2016

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

A. Financial Highlights

1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$8,624,093 (net position) versus \$9,019,370 for the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported an ending Unrestricted Net Position deficit of \$1,191,836.

3 – The Authority's unrestricted cash and cash equivalent balance at September 30, 2016 was \$2,114,249, representing an increase of \$334,654 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$5,828,429, and Total Operating Expenses of \$6,716,802 including depreciation and amortization expense of \$591,539 for the year ended September 30, 2016.

5 – The Authority's capital outlays for the fiscal year were \$382,263, of which \$346,850 was funded from the Capital Fund Program. The remaining \$35,413 was funded from operations.

6 – The Authority's Expenditures of Federal Awards amounted to \$3,775,694 during the current fiscal year.

B. Using the Annual Report

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

2 – General Purpose Financial Statements

The 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. They consist of The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g.; depreciation and earned but unused vacation leave).

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2016

2 – General Purpose Financial Statements (Continued)

The financial statements report on the Authority's activities. The 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 8 through 10.

3 – Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found on pages 11 through 24 of this report.

4 – Supplemental Information

The Schedule of Expenditures of Federal Awards (SEFA) is presented for the purpose of additional analysis as required by Uniform Guidance, Audits of States, Local Governments, and Non-profit Organizations. The SEFA can be found on page 26 of this report. The Statement and Certification of Actual Modernization Grants is presented on page 31. Supplemental schedules pertaining to the Public Employees Retirement System are also presented on pages 32-33 to supplement the basic financial statements.

C. The Authority as a Whole

The Authority's Total Net Position decreased by \$381,625 during the current fiscal year. The Net Investment in Capital Assets decreased by \$209,276 because depreciation expense of \$591,539 exceeded fixed asset purchases of \$382,263. Restricted Net Position decreased \$10,488 primarily because HAP expenses exceeded HAP revenue. Unrestricted Net Position decreased \$315,513 during the current fiscal year primarily due to the required adjustments related to the GASB 68 Pension Liability and GASB 45 OPEB Liability.

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

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

D. Budgetary Highlights

For the year ended September 30, 2016, individual program or grant budgets were prepared by the Authority and were approved 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. Operating results for the fiscal year ended September 30, 2016 were consistent with its adopted budget.

E. Capital Assets and Debt Administration

1 – Capital Assets

As of September 30, 2016, the Authority's net investment in capital assets for its Proprietary Fund was \$11,530,116 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2016

E. Capital Assets and Debt Administration (Continued)

Major capital assets purchased from grants of \$346,850 during the fiscal year pertained principally to expenditures made in accordance with the Authority's Capital Fund Program. These activities are funded by grants from HUD. An additional \$35,413 of capital asset purchases were funded from operations. Additional information on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this Report.

2 – Long Term Debt

During the year ended September 30, 2005, the Authority entered into a Capital Fund Leveraging Pool. The New Jersey Housing and Mortgage Finance Agency issued bonds and the funds were distributed to the Housing Authority. In December 2004, the Authority received \$2,918,636 to be used for capital improvements to its building. Further details can be found in Note 10 to the financial statements. The balance outstanding on this debt at September 30, 2016 is \$1,720,000, \$150,000 of which is included in current liabilities.

F. Significant Changes from FYE September 30, 2015 to September 30, 2016

Total cash increased \$348,683 during the current fiscal year. Cash provided by operating activities was \$356,390, cash used by financing activities was \$35,413, and cash provided by investing activities \$27,706.

Accounts receivable from HUD decreased \$88,376. The prior year balance of \$198,292 (\$97,387 of operating subsidy and \$46,137 of capital fund) was collected during the current fiscal year. The current year balance of \$54,788 is all related to capital fund.

Net fixed assets decreased by \$209,276 when compared to the prior fiscal year. The Authority purchased \$382,263 of capital assets and incurred \$591,539 of depreciation expense during the current fiscal year.

Payment in Lieu of Taxes (PLIOT) liability increased \$80,695 during the fiscal year ended September 30, 2016. The current year balance of \$163,123 represents the 2015 expense of \$82,428 and the 2016 expense of \$80,695. The prior year balance of \$82,428 was paid in October 2016.

Accrued pension and OPEB liability increased \$1,975,879 due to the required adjustments related to the most recent actuarial valuations for the Authority's portion of the Public Employees' Retirement System of New Jersey and also its Other Post Retirement Benefits.

Total operating revenues decreased \$57,367 when compared to the prior fiscal year primarily because HUD operating grants decreased \$64,416. Public housing operating subsidy decreased \$8,158, Housing Choice Voucher HAP subsidy decreased \$68,660, Housing Choice Voucher Admin subsidy increased \$3,636 and capital funds used for operations increased \$8,766.

Total operating expenses increased \$271,672 when compared to the prior fiscal year primarily because administrative expenses increased \$253,420 as administrative employee benefits increased \$242,253. This large increase is the result of the most recent Pension and OPEB actuarial valuations.

G. Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2017:

1 – The state of the economy, particularly in light of current world affairs.

2 – The need for Congress to reduce the federal deficit and the possible continued cut-backs in HUD subsidies and grants.

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2016

H. 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 the Executive Director, Housing Authority of the Town of Morristown, 31 Early Street, Morristown, NJ 07960 or call (973) 538-6343.

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2016

**Computation of Net Position are as follows:**

	Year Ended	
	<u>Sept. 30, 2016</u>	<u>Sept. 30, 2015</u>
Cash and Other Current Assets	\$ 3,277,109	\$ 3,006,614
Net Fixed Assets	11,530,116	11,739,392
Deferred Outflow of Resources	<u>1,688,066</u>	<u>334,629</u>
Total Assets	16,495,291	15,080,635
Less: Total Liabilities	(7,600,524)	(5,673,317)
Less: Deferred Inflow of Resources	<u>(270,674)</u>	<u>(387,948)</u>
Net Position	\$ 8,624,093	\$ 9,019,370
Invested in Capital Assets	9,810,116	9,879,392
Restricted Net Position	19,465	29,953
Unrestricted Net Position	<u>(1,205,488)</u>	<u>(889,975)</u>
Total Net Position	<u>\$ 8,624,093</u>	<u>\$ 9,019,370</u>

**Computation of Changes in Net Position are as follows:**

<u>Operating Revenues</u>		
Tenant Revenues	\$ 2,380,762	\$ 2,364,766
HUD Operating Grants	3,288,844	3,353,260
Other	<u>158,823</u>	<u>167,770</u>
Total Operating Revenues	\$ 5,828,429	\$ 5,885,796
<u>Operating Expenses</u>		
Operating Expenses Excl HAP and Depreciation	4,291,164	3,989,029
Housing Assistance Payments	1,834,099	1,850,785
Depreciation Expense	<u>591,539</u>	<u>591,664</u>
Total Operating Expenses	<u>6,716,802</u>	<u>6,431,478</u>
Excess (Deficiency) of Operating Revenue Over Expenses	(888,373)	(545,682)
Non-Operating Income / (Expenses)		
Interest on Investments	6,246	6,033
Net Operating Income/(Loss) Before Capital Grants	(882,127)	(539,649)
Capital Grants	<u>486,850</u>	<u>347,596</u>
Excess (Deficiency) of Revenues Over Expenses	(395,277)	(192,053)
Beginning Net Position	9,019,370	11,780,335
Prior Period Adjustment	<u>-</u>	<u>(2,568,912)</u>
Ending Net Position	<u>\$ 8,624,093</u>	<u>\$ 9,019,370</u>



**CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the Town of Morristown  
Morristown, New Jersey

**Report on the Financial Statements**

We have audited the accompanying Statements of Net Position of the Housing Authority of the Town of Morristown, herein referred to as the Authority, as of September 30, 2016 and 2015 and the related Statements of Revenue, Expenses and Changes in Net Position and Cash Flows for the years then and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Morristown, as of September 30, 2016 and 2015, and the changes in net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the Housing Authority of the Town of Morristown adopted new accounting guidance, GASB Statement No. 68 Accounting for Pensions. Our opinion is not modified with respect to this matter.



**INDEPENDENT AUDITOR'S REPORT**  
(Continued)

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Supplemental Schedules pertaining to the Public Employees Retirement System presented on pages 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

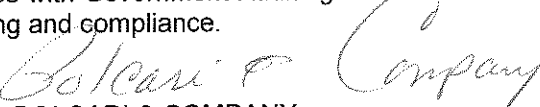
*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the Town of Morristown. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial data schedule and the schedule of expenditures of federal awards for the year ended September 30, 2016 are the responsibility of management and were derived from and directly relate to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards* we have also issued our report dated June 29, 2017 on our consideration of the Housing Authority of the Town of Morristown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

  
POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
June 29, 2017



## HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN

Morristown, New Jersey

COMPARATIVE STATEMENTS OF NET POSITION

At September 30, 2016 and 2015

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents - Unrestricted	\$ 2,114,249	\$ 1,779,595
Cash - Restricted - Modernization & Development	2,129	1,955
Cash - Other Restricted	16,538	27,998
Cash - FSS Escrows	50,520	29,379
Cash - Tenant Security Deposits	202,466	198,292
Accounts Receivable - Tenants (Net of Allowance of \$41,266 and \$27,614)	34,611	30,668
Accounts Receivable - HUD	54,788	143,524
Investments - Unrestricted	728,890	725,833
Prepaid Expenses	72,918	69,370
Total Current Assets	<u>3,277,109</u>	<u>3,006,614</u>
<u>FIXED ASSETS</u>		
Land	250,000	250,000
Buildings	22,139,884	21,885,408
Furniture and Equipment - Administration	1,547,889	1,535,906
Furniture and Equipment - Dwelling	897,835	871,374
Construction in Process	633,647	544,304
Total Fixed Assets	25,469,255	25,086,992
Less: Accumulated Depreciation	<u>(13,939,139)</u>	<u>(13,347,600)</u>
Net Fixed Assets	<u>11,530,116</u>	<u>11,739,392</u>
Deferred Outflows of Resources	1,688,066	334,629
TOTAL ASSETS	<u>\$ 16,495,291</u>	<u>\$ 15,080,635</u>

LIABILITIES, NET POSITION AND DEFERRED INFLOW OF RESOURCES

<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 92,151	\$ 144,920
Accrued Interest Payable	32,945	35,497
Accrued Wages and Payroll Taxes	53,069	36,522
Current Portion of Compensated Absences	19,297	16,500
Payment in Lieu of Taxes	163,123	82,428
Current Portion of Long Term Debt	150,000	140,000
Security Deposits Payable	202,466	198,292
Deferred Revenue - Tenant Prepaid Rents	4,689	7,753
Total Current Liabilities	<u>717,740</u>	<u>661,912</u>
<u>LONG TERM LIABILITIES</u>		
Family Self Sufficiency Escrows	49,722	29,379
Accrued Pension and OPEB Liability	5,089,403	3,113,524
Compensated Absences	173,659	148,502
Long Term Debt	1,570,000	1,720,000
Total Long Term Liabilities	<u>6,882,784</u>	<u>5,011,405</u>
TOTAL LIABILITIES	<u>7,600,524</u>	<u>5,673,317</u>
Deferred Inflow of Resources	<u>270,674</u>	<u>387,948</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	9,810,116	9,879,392
Restricted Net Position	19,465	29,953
Unrestricted Net Position	<u>(1,205,488)</u>	<u>(889,975)</u>
TOTAL NET POSITION	<u>\$ 8,624,093</u>	<u>\$ 9,019,370</u>

See Notes to Financial Statements

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
Morristown, New Jersey  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>OPERATING REVENUES</u>		
Dwelling Rentals	\$ 2,380,762	\$ 2,364,766
HUD Operating Grants	3,288,844	3,353,260
Other	<u>158,823</u>	<u>167,770</u>
Total Revenues	<u>5,828,429</u>	<u>5,885,796</u>
<u>OPERATING EXPENSES</u>		
Administration	1,590,871	1,337,451
Housing Assistance Payments	1,834,099	1,850,785
Utilities	1,222,228	1,156,970
Ordinary Maintenance & Operations	1,113,127	1,090,327
Tenant Services	2,028	1,128
General Expense	279,248	313,532
Interest Expense	83,662	89,621
Depreciation Expense	<u>591,539</u>	<u>591,664</u>
Total Operating Expenses	<u>6,716,802</u>	<u>6,431,478</u>
Operating Income/(Loss)	(888,373)	(545,682)
Non Operating Revenues/(Expenses):		
Interest	<u>6,246</u>	<u>6,033</u>
Net Operating Income/(Loss) Before Capital Grants	(882,127)	(539,649)
Capital Grants	<u>486,850</u>	<u>347,596</u>
Net Income/(Loss)	(395,277)	(192,053)
Beginning Net Position	9,019,370	11,780,335
Prior Period Adjustment	<u>-</u>	<u>(2,568,912)</u>
Ending Net Position	<u>\$ 8,624,093</u>	<u>\$ 9,019,370</u>

See Notes to Financial Statements

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
Morristown, New Jersey  
COMPARATIVE STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Income	\$ 2,373,755	\$ 2,391,103
From Government Agencies for Operating Grants	3,377,580	3,218,010
From Other Operating Revenues	155,275	164,653
Cash Paid		
To Employees for Operations	(1,168,778)	(1,181,086)
To Suppliers for Operations	(2,547,343)	(2,648,516)
For Housing Assistance Payments	(1,834,099)	(1,851,050)
Net Cash Provided by Operating Activities	<u>356,390</u>	<u>93,114</u>
<u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u>		
Capital Grants Received	486,850	347,596
Repayment of Debt	(140,000)	(140,000)
Acquisition of Property & Equipment	(382,263)	(272,278)
Net Cash Provided by Capital & Related Financing Activities	<u>(35,413)</u>	<u>(64,682)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment Income	6,246	6,032
Security Deposits Received Net of Returns	4,174	8,216
FSS Escrow Returned	20,343	422
(Purchase)/Sale of Investments	(3,057)	(12,463)
Net Cash Provided by Investing Activities	<u>27,706</u>	<u>2,207</u>
Net Increase (Decrease) in Cash & Cash Equivalents	348,683	30,639
Cash & Equivalents at Beginning of Period	<u>2,037,219</u>	<u>2,006,580</u>
Cash & Equivalents at End of Period	<u>\$ 2,385,902</u>	<u>\$ 2,037,219</u>
<u>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED /(USED) IN OPERATING ACTIVITIES</u>		
Operating Income/(Loss)	\$ (888,373)	\$ (545,682)
Adjustments to reconcile Operating Income/(Loss) to Net Cash Provided/(Used) in Operating Activities:		
Depreciation	591,539	591,664
Decrease/(Increase) in Assets		
Accounts Receivable - Tenants	(3,943)	26,959
Accounts Receivable - HUD Operating Grants	88,736	(135,250)
Prepaid Expenses	(3,548)	(3,117)
Deferred Outflow of Resources	(1,353,437)	(334,629)
Increase/(Decrease) in Liabilities		
Accounts Payable	(36,222)	38,229
Due to HUD	-	(265)
Accrued Interest Payable	(2,552)	(2,414)
PILOT Payable	80,695	(8,464)
Deferred Revenue	(3,064)	(622)
Compensated Absences	27,954	22,169
Other Current Liabilities	-	-
OPEB Liability	1,975,879	56,588
Deferred Inflow of Resources	(117,274)	387,948
Net Cash Provided to Operating Activities	<u>\$ 356,390</u>	<u>\$ 93,114</u>

See Notes to Financial Statements

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016

**NOTE 1 –Summary of Organization, Activities and Significant Accounting Policies:**

**A. Organization** – The Housing Authority of the Town of Morristown (The Authority) is a governmental, public corporation created under the laws of the state of New Jersey to provide housing for qualified individuals in accordance with rules and regulations prescribed by the United States Department of Housing and Urban Development. 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 New Jersey Department of Community Affairs. An executive director is appointed by the housing authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the Town of Morristown. Operating and modernization subsidies are provided to the Authority by the federal government.

**B. Activities** – The combined 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 mayor, 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 not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.

**C. Significant Accounting Policies**

**a. Basis of Accounting** – The accrual basis of accounting is used for measuring financial position and operating results of Proprietary Fund Types. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Proprietary Fund 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. Thus, for example, proprietary funds recognized revenue in the period in which a service is provided, regardless of how long after the end of the period the revenue is expected to be collected.

Using the accrual basis of accounting is consistent with the proprietary fund focus on measuring all the costs of providing goods or services for the period and matching those costs with the revenues earned during the period by providing the goods or services.

**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 applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (Statement No. 34). The Authority also adopted the provisions of Statement No. 37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures", which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that includes a statement of net assets, a statement of activities and a statement of cash flows. It requires the classification of net assets into three components – Invested in Capital Assets, Net of Related Debt; Restricted Net Assets and Unrestricted Net Assets. Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position" requires the re-naming of the Statement of Net Assets to the Statement of Net Position. The standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position. These classifications are defined as follows:

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**b. Report Presentation – (continued)**

Net Investment in Capital Assets – This component consists of land, construction in progress and depreciable assets, net of accumulated depreciation and net of the related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position – This component includes net position subject to restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by the law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net position that does not meet the definition of Restricted Net Position or Invested in Capital Assets, Net of Related Debt.

The adoption of Governmental Accounting Standards Board Statements 34, 37 and 38 have no significant effect on the basic financial statements, except for the classification of net position in accordance with Statement No. 34.

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. All of the Authority's assets, liabilities, revenues, and expenses are reported using a single enterprise fund.

**Significant 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, 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 – The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

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

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

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

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower cost or market.

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**Significant Accounting Policies – (continued)**

10 - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

11 - 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 Procedures issued after November 30, 1989.

12 - The Authority does not have any infrastructure assets for its Proprietary Fund.

13 - Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which the transactions are executed.

14 - Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of September 30, 2016 and 2015, the Authority has not recognized any reduction in the carrying value of its fixed assets when considering SFAS 144.

- c. **Budgetary Policy Control** – The housing authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.
- d. **New Accounting Pronouncements** – The Authority was required to adopt GASB Statement 68, *Accounting and Financial Reporting for Pensions* which requires employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. Additional information regarding the adoption of GASB 68 can be found in Note 8 to these financial statements.

**NOTE 2 – Cash and Cash Equivalents**

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

HUD's Financial Management Handbook (Number 7475.1) authorizes public housing authorities to invest in US obligations, US agencies, money market funds limited to US obligations, certificates of deposit, savings accounts, and repurchase agreements fully collateralized by US obligations (with certain restrictions).

Cash and Cash Equivalents of \$2,385,902 at September 30, 2016 and \$2,037,219 at September 30, 2015, consisted of the following:

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**NOTE 2 – Cash and Cash Equivalents (Continued)**

	<u>2016</u>	<u>2015</u>
Checking Accounts	\$ 2,130,688	\$ 1,807,493
Restricted Debt Service Accounts	2,128	1,955
Security Deposits	202,466	198,292
FSS Escrow Account	50,520	29,379
Petty Cash	100	100
	<u>\$ 2,385,902</u>	<u>\$ 2,037,219</u>

The carrying amount of the Authority's cash and cash equivalents as of September 30, 2016 was \$2,385,902 and the bank balances were \$2,483,932. Of the bank balances, \$252,128 was covered by FDIC insurance and \$2,231,804 was covered by collateral agreements as required by New Jersey statute. Cash and cash equivalents, except petty cash are held in the Authority's name.

The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above, \$2,231,804 of the authority's deposits exceeded FDIC insurance and were collateral agreements required by the State of New Jersey.

**NOTE 3 – Investments**

The Authority's investments include four certificates of deposit with a maturity greater than one year from the date of purchase and are stated at fair value in the Statement of Net Position, with all gains and losses included in the Statement of Activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest income is recorded on the accrual basis. Realized gains or losses on the sale of investments are calculated using the specific-identification method. Unrealized gains and losses represent the change in fair value of the individual investments for the year, or since the date of acquisition, if acquired during the year. Investments consisted of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Certificate of Deposit with a maturity of one year from date of acquisition	<u>\$ 728,890</u>	<u>\$ 725,833</u>

Investments are measured at fair value. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are adjusted quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 inputs provide the most realizable measure of fair value as of the measurement date.

Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 inputs are significant unobservable inputs for the asset or liability.

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

All of the Authority's investments at September 30, 2016 and September 30, 2015 are included in Level 1 of the hierarchy.



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**NOTE 4 – Tenant Accounts Receivable**

Tenant accounts receivable are stated net of an allowance for doubtful accounts. Management has determined that allowances for doubtful accounts of \$41,266 and \$27,614 were required at September 30, 2016 and 2015, respectively.

**NOTE 5 - Fixed Assets**

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost less accumulated depreciation. The following is a summary of the changes in fixed assets for the year ended September 30, 2016 and 2015.

	<u>9/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>9/30/2016</u>
Land	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Buildings	21,885,408	-	-	254,476	22,139,884
Furniture and Equipment	2,407,280	35,413	-	3,031	2,445,724
Construction In Progress	<u>544,304</u>	<u>346,850</u>	<u>-</u>	<u>(257,507)</u>	<u>633,647</u>
Total Fixed Assets	25,086,992	382,263	-	-	25,469,255
Accumulated Depreciation	<u>(13,347,600)</u>	<u>(591,539)</u>	<u>-</u>	<u>-</u>	<u>(13,939,139)</u>
Net Fixed Assets	<u>\$ 11,739,392</u>	<u>\$ (209,276)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,530,116</u>

	<u>9/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>9/30/2015</u>
Land	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Buildings	21,594,983	-	-	290,425	21,885,408
Furniture and Equipment	2,336,600	64,682	-	5,998	2,407,280
Construction In Progress	<u>633,131</u>	<u>207,596</u>	<u>-</u>	<u>(296,423)</u>	<u>544,304</u>
Total Fixed Assets	24,814,714	272,278	-	-	25,086,992
Accumulated Depreciation	<u>(12,755,936)</u>	<u>(591,664)</u>	<u>-</u>	<u>-</u>	<u>(13,347,600)</u>
Net Fixed Assets	<u>\$ 12,058,778</u>	<u>\$ (319,386)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,739,392</u>

Depreciation expense for 2016 and 2015 was \$591,539 and \$591,664 respectively.

Expenditures are capitalized when they meet the Capitalization Policy requirements. Under that policy assets purchased or constructed at a cost not to exceed \$1,000 are expensed when incurred.

Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

	<u>Years</u>
Buildings	40
Components	20
Site Improvements	15
Furniture	10
Equipment	5
Vehicles	5
Computers	3

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**NOTE 6 – Payment in Lieu of Taxes (PILOT)**

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 Town of Morristown. 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. During the fiscal years ended September 30, 2016 and September 30, 2015, PILOT expense of \$163,123 and \$82,428 respectively was accrued. The prior year balance of \$82,428 was paid in October 2016.

**NOTE 7 – Accrued Compensated Absences**

Accrued compensated absences of \$192,956 at September 30, 2016 and \$165,002 at September 30, 2015 represents amounts to which employees are entitled to based on accumulated leave earned in accordance with the authority's Personnel Policy. Employees may be compensated for accumulated vacation leave to a maximum of one year in the event of retirement or termination from service at the current salary. Employees may be compensated for sick leave at retirement at 50% of the earned, accrued and unused sick leave or at 25% upon termination at the current salary to a maximum of \$15,000. The current portion was \$19,297 and \$16,500 at September 30, 2016 and 2015 respectively.

**NOTE 8 – Pension**

**General Information about the Pension Plan**

Plan Description - The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at the following website: [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

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

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and to tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended

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**NOTE 8 – Pension (Continued)**

by state of New Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. The employee rate was increased from 6.5% to 7.0% of base salary effective July 1, 2012 plus an additional 1% phased in over 7 years beginning in fiscal year 2013. The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The actuarially determined contribution includes funding for cost of living adjustments and a noncontributory death benefit. Chapter 9, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At the June 30, 2016 and June 30, 2015 measurement dates, the Authority reported \$4,347,027 and \$2,549,582, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2016 and June 30, 2015 were 0.014677% and 0.011358%, respectively.

The components of the Authority's net pension liability as of June 30, 2016 and 2015, the most recent evaluation dates, are as follows:

	<u>2016</u>	<u>2015</u>
Total Pension Liability	\$ 7,261,604	\$ 4,896,269
Plan Fiduciary Net Position	<u>2,914,576</u>	<u>2,346,687</u>
Net Pension Liability	<u>\$ 4,347,027</u>	<u>\$ 2,549,582</u>

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Actuarial Assumptions - The total pension liability as of June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

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

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 2 years for males and 7 years for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2013 based on projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that

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**NOTE 8 – Pension (Continued)**

future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer after consultation with the Director of the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made as the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make future projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the collective net pension liability of the Authority as of June 30, 2016 and June 30, 2015, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

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**NOTE 8 – Pension (Continued)**

	At 1% Decrease	At June 30 Discount Rate	At 1% Increase
2016	\$ 5,326,774	\$ 4,347,027	\$ 3,538,161
2015	\$ 3,168,818	\$ 2,549,582	\$ 2,030,419

At June 30, 2016 and 2015, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	2016 Deferred Outflows of Resources	2016 Deferred Inflows of Resources	2015 Deferred Outflows of Resources	2015 Deferred Inflows of Resources
Changes of assumptions	\$ 900,472	\$ -	\$ 273,805	\$ -
Differences between expected and actual experience	80,842	-	60,824	-
Net differences between projected and actual earnings on plan investments	165,756	-	-	40,991
Changes in proportion	540,996	270,674	-	346,957
Authority's contributions subsequent to the measurement date	-	-	-	-
<b>TOTAL</b>	<b>\$ 1,688,066</b>	<b>\$ 270,674</b>	<b>\$ 334,629</b>	<b>\$ 387,948</b>

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) relate to pensions will be recognized in pension expense as shown in the below chart. The amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) over the average of the expected remaining service lives which is 5.57 and 5.72 for the years 2016 and 2015, respectively.

Year ended June 30:

2017	\$ 380,053
2018	380,053
2019	440,304
2020	369,920
2021	117,737
<b>Total</b>	<b>\$ 1,688,066</b>

**NOTE 9 – Other Post Employee Retirement Benefits – OPEB**

The Authority participates in the State Health Benefits Plan. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP.

That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, PO Box, 295, Trenton, NJ 08625-0295 or by visiting their website at [www.State.nj.us/treasury/pensions/gasb43-sept2008.pdf](http://www.State.nj.us/treasury/pensions/gasb43-sept2008.pdf).

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994.

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**NOTE 9 – Other Post Employee Retirement Benefits - OPEB (Continued)**

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan.

Annual Required Contribution	\$ 159,179
Interest on net OPEB obligation	17,895
Adjustment to annual required contribution	<u>20,360</u>
Annual OPEB cost (expense)	197,434
Contributions made	(49,929)
Net OPEB Cost	147,505
Net OPEB Obligation – Beginning of Year	<u>594,870</u>
Net OPEB Obligation – End of Year	<u>\$ 742,375</u>

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and the two preceding years were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	% of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
9/30/2013	\$ 159,425	29.0%	\$ 330,788
9/30/2014	197,434	25.3%	594,870
9/30/2015	197,434	25.3%	742,375

**FUNDED STATUS AND FUNDING PROGRESS**

As of September 30, 2015, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$2,139,906, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAL) of \$2,139,906.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**EFFECT OF 1% CHANGE IN HEALTHCARE TREND RATES**

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$2,700,880.

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**NOTE 9 – Other Post Employee Retirement Benefits - OPEB (Continued)**

**ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method                      Projected Unit Credit

Investment Rate of Return                6.00% per annum

**Healthcare Trend Rates**

<u>Year</u>	<u>Medical Including Prescription</u>
2015	Costs are Known
2016	Costs are Known
2017	8.0%
2018	7.0%

Actuarial Value of Assets:                N/A  
Amortization of UAAL:                    Amortized as level dollar amount over 30 years at transition  
Remaining Amortization Period:        29 years at October 1, 2015

**Active Employees at 9/30/15**

Average Service                      4.9  
Average Current Age                    48.7

**NOTE 10 – Long Term Debt**

During the fiscal year ended September 30, 2005, the Authority entered into a Capital Fund leveraging pool. The New Jersey Housing and Mortgage Finance Agency issued tax exempt, twenty year Capital Fund Program Revenue Bonds, 2004 Series A. The Authority's share of the funds from the bond issue pool amounted to \$3,000,000. The related closing costs of \$81,364 have been fully amortized. The net funds received from the leveraging pool were restricted and spent in accordance with the Authority's capital fund budget within four years. Repayment of the funds leveraged shall be budgeted from Capital Fund Allocations received by the Authority from the Department of Housing and Urban Development. The following is a schedule of required principal payments for the next five years and thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	150,000	77,428	227,428
2018	150,000	70,766	220,766
2019	160,000	64,194	224,194
2020	170,000	57,084	227,084
2021	180,000	49,115	229,115
Thereafter	910,000	110,651	794,792
	<u>\$ 1,720,000</u>	<u>\$ 429,238</u>	<u>\$ 1,923,379</u>

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016

**NOTE 11 – Risk Management**

The Authority is exposed to various risks of loss related to torts, theft damage to and destruction of assets; errors and omissions and natural disasters for which the Authority carries commercial insurance. During the years ended September 30, 2016 and 2015, the Authority's risk management program, consisted of various insurance policies for fire, general liability, crime, auto and public officials' errors and omissions in order to deal with potential liabilities. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

**NOTE 12 – Construction Commitments**

At September 30, 2016 and September 30, 2015, the authority's outstanding construction commitments pertaining to its capital fund were not material. The costs pertaining to such commitments will be paid by grants approved and committed to the authority by the U.S. Department of Housing and Urban Development.

**NOTE 13 – Economic Dependency**

For the year ended September 30, 2016 and September 30, 2015, a substantial portion of the Authority's revenues were received from the U.S. Dept. Housing & Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

**NOTE 14 – Restricted Net Position – Housing Choice Voucher Program**

Prior to January 1, 2005 excess funds advanced by HUD to the Authority for the payment of housing assistance payments were returned to HUD at the end of the Authority's fiscal 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 Housing Assistance Payments that are not so utilized are not returned to HUD, but become part of the restricted fund balance and may only be used to assist additional families up to the number of units under contract.

Administrative fees paid by HUD to the Authority in excess of administrative expenses are also 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 CFR982.155 – i.e. "other housing purposes permitted by state or 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.

The restricted fund balance also includes interest income on HAP investments, family self sufficiency program forfeitures and fraud recoveries. The housing authority's portion of fraud recoveries (i.e., the higher of 50% of the amount collected or the reasonable and necessary costs that the PHA incurred related to the collection) must continue to be used for activities related to the provision of voucher assistance authorized under Section 8 of the United States Housing Act of 1937. The balance of the recovery amount must be maintained in the restricted fund balance account as excess HAP.



HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016

**NOTE 14 – Restricted Net Position – Housing Choice Voucher Program (Continued)**

In accordance with HUD requirements, the Agency's fund balance consists of the following components as of September 30, 2016 and 2015:

Administrative Fee Equity included in Unrestricted Net Position

Beginning Balance	\$ (276,633)	
Net Administrative Fee Income / (Loss)	(82,529)	
Investment income	603	
Ending Balance		\$ (358,559)

Housing Assistance Payment Reserves included in Restricted Net Position

Beginning Balance	27,998	
Unspent HAP Revenue for Current Fiscal Year	(10,661)	
Investment Income	-	
Ending Balance		17,337

Total Housing Choice Voucher Program Net Position at September 30, 2016	<u>\$ (341,222)</u>
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Administrative Fee Equity included in Unrestricted Net Position

Beginning Balance	\$ 32,158	
Net Administrative Fee Income / (Loss)	(311,258)	
Investment income	2,467	
Ending Balance		\$ (276,633)

Housing Assistance Payment Reserves included in Restricted Net Position

Beginning Balance	-	
Unspent HAP Revenue for Current Fiscal Year	27,998	
Investment Income	-	
Ending Balance		27,998

Total Housing Choice Voucher Program Net Position at September 30, 2015	<u>\$ (248,635)</u>
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**NOTE 15 – Long-Term Liabilities**

In addition to the long-term debt discussed in Note 8, long-term liabilities of the housing authority at September 30, 2016 and 2015 include accrued compensated absences, family self-sufficiency escrow accounts and the accrual for Pension and Other post-employment benefits of discussed in Note 8.

Activity in the long-term liabilities for the fiscal year consisted of the following:

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016

**NOTE 15 – Long-Term Liabilities (Continued)**

	<u>Oct. 1, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Sept. 30, 2016</u>	<u>Amounts Due Within 1 Year</u>
Capital Fund Revenue Bonds	\$ 1,860,000	\$ -	\$ (140,000)	\$ 1,720,000	\$ 150,000
FSS Escrow	29,379	20,343	-	49,722	-
Accrued Compensated Absences	165,002	27,954	-	192,956	19,297
Pension & OPEB Benefits	3,113,524	1,975,879	-	5,089,403	-
	<u>\$ 5,167,905</u>	<u>\$ 2,024,176</u>	<u>\$ (140,000)</u>	<u>\$ 7,052,081</u>	<u>\$ 169,297</u>

	<u>Oct. 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Sept. 30, 2015</u>	<u>Amounts Due Within 1 Year</u>
Capital Fund Revenue Bonds	\$ 2,000,000	\$ -	\$ (140,000)	\$ 1,860,000	\$ 140,000
FSS Escrow	28,957	422	-	29,379	-
Accrued Compensated Absences	142,833	22,169	-	165,002	16,500
Pension & OPEB Benefits	447,365	2,666,159	-	3,113,524	-
	<u>\$ 2,619,155</u>	<u>\$ 2,688,750</u>	<u>\$ (140,000)</u>	<u>\$ 5,167,905</u>	<u>\$ 156,500</u>

**NOTE 16 – Contingencies**

Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

**NOTE 17 – Prior Period Adjustment**

There was no prior period adjustment recorded during the fiscal year ended September 30, 2016. During the fiscal year ended September 30, 2015, the Authority recorded a \$2,568,912 prior period adjustment. \$2,609,571 was related to the implementation of GASB 68 Accounting and Financial Reporting for Pensions and reduced equity by this same amount. \$40,659 was related to PILOT and increased the Authority's equity balance.

**NOTE 18 – Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through June 29, 2017, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
Morristown, New Jersey  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2016

	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Ending Balance</u>
<u>LOW INCOME HOUSING PROGRAM</u>				
Operating Subsidy (CFDA # 14.850)	-	1,199,050	1,199,050	-
Capital Fund Program (CFDA # 14.872)	-	649,359	649,359	-
Subtotal	-	1,848,409	1,848,409	-
<u>HOUSING CHOICE VOUCHER PROGRAM</u>				
Section 8 Voucher - (CFDA # 14.871)	-	1,927,285	1,927,285	-
Total Federal Financial Assistance	\$ -	\$ 3,775,694	\$ 3,775,694	\$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles and is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
2. There were no subrecipient activities during the audit period.
3. The Authority has elected not to use the 10% de minimis cost rate.
4. The Authority received no non-cash assistance.

Morristown Housing Authority (NJ023)  
MORRISTOWN, NJ  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,086,938	\$27,311	\$2,114,249		\$2,114,249
112 Cash - Restricted - Modernization and Development	\$0	\$0	\$0		\$0
113 Cash - Other Restricted	\$2,128	\$67,059	\$69,187		\$69,187
114 Cash - Tenant Security Deposits	\$202,466	\$0	\$202,466		\$202,466
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0		\$0
100 Total Cash	\$2,291,532	\$94,370	\$2,385,902	\$0	\$2,385,902
121 Accounts Receivable - PHA Projects	\$0	\$0	\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$54,788	\$0	\$54,788		\$54,788
124 Accounts Receivable - Other Government	\$0	\$0	\$0		\$0
125 Accounts Receivable - Miscellaneous	\$0	\$0	\$0		\$0
126 Accounts Receivable - Tenants	\$75,877	\$0	\$75,877		\$75,877
126.1 Allowance for Doubtful Accounts - Tenants	-\$41,266	\$0	-\$41,266		-\$41,266
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0		\$0
128 Fraud Recovery	\$0	\$0	\$0		\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0		\$0
129 Accrued Interest Receivable	\$0	\$0	\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$89,399	\$0	\$89,399	\$0	\$89,399
131 Investments - Unrestricted	\$728,890	\$0	\$728,890		\$728,890
132 Investments - Restricted	\$0	\$0	\$0		\$0
135 Investments - Restricted for Payment of Current Liability	\$0	\$0	\$0		\$0
142 Prepaid Expenses and Other Assets	\$72,918	\$0	\$72,918		\$72,918
143 Inventories	\$0	\$0	\$0		\$0
143.1 Allowance for Obsolete Inventories	\$0	\$0	\$0		\$0
144 Inter Program Due From	\$0	\$0	\$0		\$0
145 Assets Held for Sale	\$0	\$0	\$0		\$0
150 Total Current Assets	\$3,182,739	\$94,370	\$3,277,109	\$0	\$3,277,109
161 Land	\$250,000	\$0	\$250,000		\$250,000
162 Buildings	\$22,139,884	\$0	\$22,139,884		\$22,139,884
163 Furniture, Equipment & Machinery - Dwellings	\$897,835	\$0	\$897,835		\$897,835
164 Furniture, Equipment & Machinery - Administration	\$1,547,889	\$0	\$1,547,889		\$1,547,889
165 Leasehold Improvements	\$0	\$0	\$0		\$0
166 Accumulated Depreciation	-\$13,939,139	\$0	-\$13,939,139		-\$13,939,139
167 Construction in Progress	\$633,647	\$0	\$633,647		\$633,647
168 Infrastructure	\$0	\$0	\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$11,530,116	\$0	\$11,530,116	\$0	\$11,530,116
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0	\$0	\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0	\$0	\$0		\$0
173 Grants Receivable - Non Current	\$0	\$0	\$0		\$0
174 Other Assets	\$0	\$0	\$0		\$0
176 Investments in Joint Ventures	\$0	\$0	\$0		\$0
180 Total Non-Current Assets	\$11,530,116	\$0	\$11,530,116	\$0	\$11,530,116
200 Deferred Outflow of Resources	\$1,522,636	\$165,430	\$1,688,066		\$1,688,066

Morristown Housing Authority (NJ023)  
MORRISTOWN, NJ  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$16,235,491	\$259,800	\$16,495,291	\$0	\$16,495,291
311 Bank Overdraft	\$0	\$0	\$0		\$0
312 Accounts Payable <= 90 Days	\$69,737	\$0	\$69,737		\$69,737
313 Accounts Payable >90 Days Past Due	\$0	\$0	\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$49,961	\$3,108	\$53,069		\$53,069
322 Accrued Compensated Absences - Current Portion	\$17,291	\$2,006	\$19,297		\$19,297
324 Accrued Contingency Liability	\$0	\$0	\$0		\$0
325 Accrued Interest Payable	\$32,945	\$0	\$32,945		\$32,945
331 Accounts Payable - HUD PHA Programs	\$0	\$0	\$0		\$0
332 Account Payable - PHA Projects	\$0	\$0	\$0		\$0
333 Accounts Payable - Other Government	\$163,123	\$0	\$163,123		\$163,123
341 Tenant Security Deposits	\$202,466	\$0	\$202,466		\$202,466
342 Unearned Revenue	\$4,689	\$0	\$4,689		\$4,689
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$150,000	\$0	\$150,000		\$150,000
344 Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0	\$0		\$0
345 Other Current Liabilities	\$0	\$0	\$0		\$0
346 Accrued Liabilities - Other	\$21,055	\$1,359	\$22,414		\$22,414
347 Inter Program - Due To	\$0	\$0	\$0		\$0
348 Loan Liability - Current	\$0	\$0	\$0		\$0
310 Total Current Liabilities	\$711,267	\$6,473	\$717,740	\$0	\$717,740
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,570,000	\$0	\$1,570,000		\$1,570,000
352 Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0	\$0		\$0
353 Non-current Liabilities - Other	\$0	\$49,722	\$49,722		\$49,722
354 Accrued Compensated Absences - Non Current	\$155,605	\$18,054	\$173,659		\$173,659
355 Loan Liability - Non Current	\$0	\$0	\$0		\$0
356 FASB 5 Liabilities	\$0	\$0	\$0		\$0
357 Accrued Pension and OPEB Liabilities	\$4,589,156	\$500,247	\$5,089,403		\$5,089,403
350 Total Non-Current Liabilities	\$6,314,761	\$568,023	\$6,882,784	\$0	\$6,882,784
300 Total Liabilities	\$7,026,028	\$574,496	\$7,600,524	\$0	\$7,600,524
400 Deferred Inflow of Resources	\$244,148	\$26,526	\$270,674		\$270,674
508.4 Net Investment in Capital Assets	\$9,810,116	\$0	\$9,810,116		\$9,810,116
511.4 Restricted Net Position	\$2,128	\$17,337	\$19,465		\$19,465
512.4 Unrestricted Net Position	-\$846,929	-\$358,559	-\$1,205,488		-\$1,205,488
513 Total Equity - Net Assets / Position	\$8,965,315	-\$341,222	\$8,624,093	\$0	\$8,624,093
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$16,235,491	\$259,800	\$16,495,291	\$0	\$16,495,291

Morristown Housing Authority (NJ023)  
MORRISTOWN, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,337,715	\$0	\$2,337,715	\$0	\$2,337,715
70400 Tenant Revenue - Other	\$43,047	\$0	\$43,047	\$0	\$43,047
70500 Total Tenant Revenue	\$2,380,762	\$0	\$2,380,762	\$0	\$2,380,762
70600 HUD PHA Operating Grants	\$1,361,559	\$1,927,285	\$3,288,844	\$0	\$3,288,844
70610 Capital Grants	\$486,850	\$0	\$486,850	\$0	\$486,850
70710 Management Fee			\$0	\$0	\$0
70720 Asset Management Fee			\$0	\$0	\$0
70730 Book Keeping Fee			\$0	\$0	\$0
70740 Front Line Service Fee			\$0	\$0	\$0
70750 Other Fees			\$0	\$0	\$0
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants	\$0	\$0	\$0	\$0	\$0
71100 Investment Income - Unrestricted	\$5,643	\$603	\$6,246	\$0	\$6,246
71200 Mortgage Interest Income	\$0	\$0	\$0	\$0	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0	\$0	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0
71400 Fraud Recovery	\$0	\$0	\$0	\$0	\$0
71500 Other Revenue	\$72,106	\$86,717	\$158,823	\$0	\$158,823
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0	\$0	\$0
72000 Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0
70000 Total Revenue	\$4,306,920	\$2,014,605	\$6,321,525	\$0	\$6,321,525
91100 Administrative Salaries	\$513,133	\$102,870	\$616,003	\$0	\$616,003
91200 Auditing Fees	\$15,514	\$3,216	\$18,730	\$0	\$18,730
91300 Management Fee	\$0	\$0	\$0	\$0	\$0
91310 Book-keeping Fee	\$0	\$0	\$0	\$0	\$0
91400 Advertising and Marketing	\$4,311	\$0	\$4,311	\$0	\$4,311
91500 Employee Benefit contributions - Administrative	\$423,157	\$102,188	\$525,345	\$0	\$525,345
91600 Office Expenses	\$145,552	\$34,933	\$180,485	\$0	\$180,485
91700 Legal Expense	\$224,951	\$17,590	\$242,541	\$0	\$242,541
91800 Travel	\$2,429	\$1,027	\$3,456	\$0	\$3,456
91810 Allocated Overhead	\$0	\$0	\$0	\$0	\$0
91900 Other	\$0	\$0	\$0	\$0	\$0
91000 Total Operating - Administrative	\$1,329,047	\$261,824	\$1,590,871	\$0	\$1,590,871
92000 Asset Management Fee	\$0	\$0	\$0	\$0	\$0
92100 Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$0
92200 Relocation Costs	\$0	\$0	\$0	\$0	\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$0	\$0
92400 Tenant Services - Other	\$2,028	\$0	\$2,028	\$0	\$2,028
92500 Total Tenant Services	\$2,028	\$0	\$2,028	\$0	\$2,028
93100 Water	\$167,638	\$0	\$167,638	\$0	\$167,638
93200 Electricity	\$367,213	\$0	\$367,213	\$0	\$367,213
93300 Gas	\$200,255	\$0	\$200,255	\$0	\$200,255
93400 Fuel	\$0	\$0	\$0	\$0	\$0
93500 Labor	\$141,801	\$0	\$141,801	\$0	\$141,801
93600 Sewer	\$228,361	\$0	\$228,361	\$0	\$228,361
93700 Employee Benefit Contributions - Utilities	\$116,960	\$0	\$116,960	\$0	\$116,960
93800 Other Utilities Expense	\$0	\$0	\$0	\$0	\$0
93000 Total Utilities	\$1,222,228	\$0	\$1,222,228	\$0	\$1,222,228

Morristown Housing Authority (NJ023)  
MORRISTOWN, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$410,974	\$0	\$410,974	\$0	\$410,974
94200 Ordinary Maintenance and Operations - Materials and Other	\$90,345	\$0	\$90,345	\$0	\$90,345
94300 Ordinary Maintenance and Operations Contracts	\$272,672	\$0	\$272,672	\$0	\$272,672
94500 Employee Benefit Contributions - Ordinary Maintenance	\$339,136	\$0	\$339,136	\$0	\$339,136
94000 Total Maintenance	\$1,113,127	\$0	\$1,113,127	\$0	\$1,113,127
95100 Protective Services - Labor	\$0	\$0	\$0	\$0	\$0
95200 Protective Services - Other Contract Costs	\$0	\$0	\$0	\$0	\$0
95300 Protective Services - Other	\$0	\$0	\$0	\$0	\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$0
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$70,174	\$0	\$70,174	\$0	\$70,174
96120 Liability Insurance	\$35,088	\$0	\$35,088	\$0	\$35,088
96130 Workmen's Compensation	\$35,088	\$3,006	\$38,094	\$0	\$38,094
96140 All Other Insurance	\$0	\$0	\$0	\$0	\$0
96100 Total Insurance Premiums	\$140,350	\$3,006	\$143,356	\$0	\$143,356
96200 Other General Expenses	\$3,847	\$8,263	\$12,110	\$0	\$12,110
96210 Compensated Absences	\$29,435		\$29,435	\$0	\$29,435
96300 Payments In Lieu of Taxes	\$80,695	\$0	\$80,695	\$0	\$80,695
96400 Bad debt - Tenant Rents	\$10,642	\$0	\$10,642	\$0	\$10,642
96500 Bad debt - Mortgages	\$3,010	\$0	\$3,010	\$0	\$3,010
96600 Bad debt - Other	\$0	\$0	\$0	\$0	\$0
96800 Severance Expense	\$0	\$0	\$0	\$0	\$0
96000 Total Other General Expenses	\$127,629	\$8,263	\$135,892	\$0	\$135,892
96710 Interest of Mortgage (or Bonds) Payable	\$83,662	\$0	\$83,662	\$0	\$83,662
96720 Interest on Notes Payable (Short and Long Term)	\$0	\$0	\$0	\$0	\$0
96730 Amortization of Bond Issue Costs	\$0	\$0	\$0	\$0	\$0
96700 Total Interest Expense and Amortization Cost	\$83,662	\$0	\$83,662	\$0	\$83,662
96900 Total Operating Expenses	\$4,018,071	\$273,093	\$4,291,164	\$0	\$4,291,164
97000 Excess of Operating Revenue over Operating Expenses	\$288,849	\$1,741,512	\$2,030,361	\$0	\$2,030,361
97100 Extraordinary Maintenance	\$0	\$0	\$0	\$0	\$0
97200 Casualty Losses - Non-capitalized	\$0	\$0	\$0	\$0	\$0
97300 Housing Assistance Payments	\$0	\$1,757,542	\$1,757,542	\$0	\$1,757,542
97350 HAP Portability-In	\$0	\$76,557	\$76,557	\$0	\$76,557
97400 Depreciation Expense	\$591,539	\$0	\$591,539	\$0	\$591,539
97500 Fraud Losses	\$0	\$0	\$0	\$0	\$0
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense	\$0	\$0	\$0	\$0	\$0
90000 Total Expenses	\$4,609,610	\$2,107,192	\$6,716,802	\$0	\$6,716,802
10010 Operating Transfer In	\$0	\$0	\$0	\$0	\$0
10020 Operating transfer Out	\$0	\$0	\$0	\$0	\$0
10030 Operating Transfers from/to Primary Government	\$0	\$0	\$0	\$0	\$0
10040 Operating Transfers from/to Component Unit	\$0	\$0	\$0	\$0	\$0
10050 Proceeds from Notes, Loans and Bonds					

Morristown Housing Authority (NJ023)  
MORRISTOWN, NJ  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0	\$0	\$0	\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0	\$0	\$0	\$0
10091 Inter Project Excess Cash Transfer In	\$0		\$0	\$0	\$0
10092 Inter Project Excess Cash Transfer Out	\$0		\$0	\$0	\$0
10093 Transfers between Program and Project - In	\$0	\$0	\$0	\$0	\$0
10094 Transfers between Project and Program - Out	\$0	\$0	\$0	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$302,690	-\$92,587	-\$395,277	\$0	-\$395,277
11020 Required Annual Debt Principal Payments	\$140,000	\$0	\$140,000	\$0	\$140,000
11030 Beginning Equity	\$9,268,005	-\$248,635	\$9,019,370	\$0	\$9,019,370
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0	\$0
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		-\$358,559	-\$358,559		-\$358,559
11180 Housing Assistance Payments Equity		\$17,337	\$17,337		\$17,337
11190 Unit Months Available	5640	2208	7848	0	7848
11210 Number of Unit Months Leased	5544	2100	7644	0	7644
11270 Excess Cash	\$2,076,267		\$2,076,267		\$2,076,267
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$0		\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$24,471		\$24,471		\$24,471
11640 Furniture & Equipment - Administrative Purchases	\$10,942		\$10,942		\$10,942
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$223,662		\$223,662		\$223,662
13901 Replacement Housing Factor Funds	\$0		\$0		\$0



HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
Morristown, New Jersey  
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS  
As of September 30, 2016

	2013 Capital Fund NJ39PO23501-13	Total
Funds Approved	\$ 517,388	\$ 517,388
Funds Expended	<u>517,388</u>	<u>517,388</u>
Excess/(Deficiency) Approved	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced	\$ 517,388	\$ 517,388
Funds Expended	<u>517,388</u>	<u>517,388</u>
Excess/(Deficiency) of Advances	<u>\$ -</u>	<u>\$ -</u>

NOTES TO STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS

1. The distribution of cost by project and account classification accompanying the Financial Status Reports and Actual Modernization Cost Certificate submitted to HUD for approval were in agreement with the Authority's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.
3. The actual modernization cost certificates submitted to HUD are in agreement with the Authority's records.

Housing Authority of the Town of Morristown  
Schedule of Proportionate Share of the Net Pension Liability  
of the Public Employees Retirement System (PERS)  
For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Housing Authority's Proportion of the Net Pension Liability	0.014677%	0.011358%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 4,347,027	\$ 2,549,582
Housing Authority's Covered Employee Payroll	\$ 1,168,778	\$ 1,181,086
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	371.93%	215.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%

Housing Authority of the Town of Morristown  
Schedule of Authority Contributions to the  
Public Employees Retirement System (PERS)  
For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 130,392	\$ 106,394
Contribution in Relation to the Contractually Required Contribution	\$ (130,392)	\$ (106,394)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 1,168,778	\$ 1,181,086
Contribution as a Percentage of Covered Employee Payroll	11.16%	9.01%



**CERTIFIED PUBLIC ACCOUNTANTS**

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

Board of Commissioners  
Housing Authority of the Town of Morristown  
Morristown, New Jersey

We have audited, 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 Controller General of the United States, the financial statements of the Housing Authority of the Town of Morristown as of and for the year ended September 30, 2016 and have issued our report thereon dated June 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the Town of Morristown's internal control over financial reporting (internal control) as a basis for designing our audit 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.

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

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

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

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Morristown's 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 that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

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

  
POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
June 29, 2017



CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners  
Housing Authority of the Town of Morristown  
Morristown, New Jersey

**Report on Compliance for Each Major Federal Program**

**Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the Town of Morristown's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Entity's major federal programs for the year ended September 30, 2016. The Housing Authority of the Town of Morristown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Basis for Qualified Opinion on Low Rent Public Housing Program***

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the Low Rent Public Housing Program CFDA 14.850 as described in Finding 2016-1 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

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

***Qualified Opinion on Low Rent Public Housing Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low Rent Public Housing Program for the year ended September 30, 2016.

***Basis for Qualified Opinion on Housing Choice Voucher Program***

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the Housing Choice Voucher Program CFDA 14.871 as described in Finding 2016-2 for Eligibility and Special Tests. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

***Qualified Opinion on Housing Choice Voucher Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Housing Choice Voucher Program for the year ended September 30, 2016.

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

(Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-1 and 2016-2 to be significant deficiencies.

The Housing Authority of the Town of Morristown's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

  
POLCARI & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey  
June 29, 2017



Housing Authority of the Town of Morristown  
Morristown, New Jersey  
September 30, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The prior audit contained no findings

**SECTION 1 - SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Significant Deficiencies Identified?

\_\_\_\_\_ yes      X no

Significant Deficiencies identified that are  
considered to be material weakness(es)?

\_\_\_\_\_ yes      X none reported

Noncompliance Material to Financial Statements Noted?

\_\_\_\_\_ yes      X no

**Federal Awards**

Internal Control over Major Programs:

Significant Deficiencies Identified?

X yes      \_\_\_\_\_ no

Significant Deficiencies identified that are  
considered to be material weakness(es)?

\_\_\_\_\_ yes      X none reported

Type of audit report issued on compliance for  
major programs:

Modified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)

X yes      \_\_\_\_\_ no

Identification of Major Programs

CFDA

Number    Name of Federal Program or Cluster

14.871    Housing Choice Voucher Program

Dollar Threshold used to distinguish between type A  
and type B Programs

\$750,000

Auditee qualified as low-risk?

X yes      \_\_\_\_\_ no

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2016-1 and 2016-2

MORRISTOWN HOUSING AUTHORITY  
MORRISTOWN, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016

**Finding 2016-1**

Low Rent Public Housing (CFDA#14.850)

Type of Deficiency: Significant Deficiency

Compliance Requirement: Eligibility and Special Tests

During the course of our audit, the Assistant to the Executive Director informed us that several of the Low Rent Public Housing tenants had not been recertified annually, as required by 24CFR section 5.230, 5.609 and 960.259

**Cause:**

The Authority did not implement the proper controls to ensure that all tenants are properly recertified each year.

**Condition:**

The Authority did not follow the compliance requirements of 24CFR sections 5.230, 5.609 and 960.259.

**Effect of Condition:**

The effect of not complying with the requirements in the Compliance Supplement may result in ineligible individuals being admitted to the program and improper rent calculations

**Recommendation:**

We recommend that the Authority adopt controls and procedures to ensure compliance with the requirements of the Low Rent Public Housing Program.

**Questioned Costs -\$0-**

**Response:**

In a timely manner at least once each year will secure third party documentation of the family's income to use to determine the rent the family will pay for the next 12 months if no interim changes are reported by the family. Approximately four months prior to a resident's re-exam date, the Authority will send a notice informing resident of their date for recertification and the resident's requirement to supply all necessary documentation for income verification and changes in the family composition. Ensure that residents signs HUD-9886 release form authorizing the housing office consent to obtain income information. Notify resident of any rent changes amending their current lease. The Authority will file the annual recertification accordingly.

MORRISTOWN HOUSING AUTHORITY  
MORRISTOWN, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2016

**Finding 2016-2**

Housing Choice Voucher Program (CFDA#14.871)

Type of Deficiency: significant Deficiency

Compliance Requirement: Eligibility and Special Tests

We selected forty files for the Housing Choice Voucher Program. Five of the files were not recertified annually as required by 24CFR section 5.230, 5.609 and 982.516. Tenants were not asked to provide the necessary information, documentation and releases to verify income eligibility.

**Cause:**

The Authority did not implement the proper controls to ensure that all tenants are properly recertified each year.

**Condition:**

The Authority did not follow the compliance requirements of 24CFR sections 5.230, 5.609 and 982.516.

**Effect of Condition:**

The effect of not complying with the requirements in the Compliance Supplement may result in ineligible individuals being admitted to the program and improper rent calculations

**Recommendation:**

We recommend that the Authority adopt controls and procedures to ensure compliance with the requirements of the Housing Choice Voucher Program.

**Questioned Costs -\$0-**

**Response:**

In a timely manner will enforce procedures in place to ensure compliance, for annual re-certifications and interim changes. Once a year will secure third party verification of the family's income to use to determine the participant's portion of rent to the owner for the next twelve months. Approximately four months prior to a participant recertification date, the HCV office will send a notice informing participant of their recertification date. The participant will be required to supply all necessary documentation for income verification, changes in household composition and utilities. Ensure that participants signs all required documents and release forms (HUD-9886). Notify participant and landlord of any rent changes. File 50058 and family documentation accordingly