

**HOUSING AUTHORITY OF THE
TOWN OF MORRISTOWN**
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH
REPORT OF INDEPENDENT AUDITORS

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
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FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners of the
Housing Authority of the Town of Morristown:

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Town of Morristown (the "Authority") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 auditors' 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 auditors consider internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

We were unable to obtain sufficient audit evidence for the balances of the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense relating to the Authority's defined benefit OPEB plan because the OPEB plan for the year ended September 30, 2020 had not yet been audited. Accordingly, the Authority's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are reported at their 2019 amounts. We were unable to obtain sufficient appropriate audit evidence for the balances of the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense relating to the defined benefit OPEB plan by other auditing procedures. Because the audited actuarial report for the OPEB plan has not been released, it is not practicable to quantify the financial effects of this matter.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the net position of the Authority, as of September 30, 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension information and other postemployment benefit information 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements. The accompanying financial data schedule is also not a required part of the basic financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Noyman & Company LLP".

December 6, 2021
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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, 2020. 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 and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,461,787 (net position) as opposed to \$4,990,254 for the prior fiscal year.
- 2) As of the close of the current fiscal year, the Authority reported ending unrestricted net position (deficit) of (\$4,916,178).
- 3) The Authority's cash and cash equivalent balance (including restricted cash and tenant security deposits) at September 30, 2020 was \$1,929,353 representing an increase of \$792,587 from the prior fiscal year.
- 4) The Authority had total operating revenues of \$6,054,177 and total operating expenses of \$5,900,924 (including depreciation of \$413,561) for the year ended September 30, 2020.
- 5) The Authority's capital outlays for the fiscal year were \$238,279.
- 6) The Authority's expenditures of federal awards amounted to \$3,910,236 for the fiscal year.
- 7) The Authority's liabilities decreased \$66,952, primarily due to a decrease in the Authority's pension liability in the amount of \$85,547.

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 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.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

B – Using the Annual Report (continued)

2 – 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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).

The Statement of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

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 basic financial statements can be found on pages 10 through 14.

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 in this report after the financial statements.

4 – Supplemental Information

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by the Uniform Guidance. The Schedule of Expenditures of Federal Awards can be found on page 38 of this report.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

1. C – The Authority as a Whole

- i. The Authority's Net Position increased during the fiscal year primarily due to an excess of revenues over expenses of \$471,533. 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 operating revenues of \$6,054,177 were more than operating expenses of \$5,900,924.

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.

Significant financial statement variances from fiscal year 2019 to 2020 are explained below:

HUD operating grants increased \$69,058, primarily due to increased operating funding in the Capital Fund Program and the receipt of CARES Act funding in the amounts of \$493,897 and \$144,633, respectively, which was partially offset by decreased funding in the Authority's Section 8 Housing Choice Vouchers Program in the amount of \$495,413.

Long-term debt decreased \$180,000 as the Authority paid off one year of principal amortization on the Capital Fund Program Revenue Bonds.

Net pension liability decreased \$85,547, the related pension deferred outflows of resources decreased \$92,106, and the related deferred inflows of resources decreased \$78,198 from September 30, 2019 to September 30, 2020. The changes were due to changes in assumptions in the State of New Jersey's actuarial valuation report for the State of New Jersey PERS financial statements.

The amounts related to OPEB deferred outflows of resources and deferred inflows of resources, and the OPEB liability remain unchanged from 2019 due to the State of New Jersey's actuarial valuation of the State of New Jersey Public Employees Retirement System OPEB Plan not being available as of the date of this report.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

D – Budgetary Highlights

For the year ended September 30, 2020 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets are required by the State of New Jersey and were primarily used as a management tool. (Also, the Authority adopted a comprehensive annual budget for the General Fund.) The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency. As indicated by the excess of revenues over expense, the Authority's net position increased during the fiscal year.

E – Capital Assets and Debt Administration

1 – Capital Assets

As of September 30, 2020, the Authority's capital assets, net of accumulated depreciation totaled \$11,465,279. This investment in capital assets includes land, buildings, and equipment.

Major capital assets purchased during the fiscal year totaled \$238,279.

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

The following table summarizes the change in capital assets as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 250,000	\$ 250,000	\$ -
Construction in progress	1,695,724	1,505,709	190,015
Buildings and improvements	22,739,637	22,739,637	-
Furniture and equipment	2,739,486	2,691,222	48,264
Total fixed assets	27,424,847	27,186,568	238,279
Less: accumulated depreciation	15,959,568	15,546,007	413,561
Net capital assets	<u>\$ 11,465,279</u>	<u>\$ 11,640,561</u>	<u>\$ (175,282)</u>

2 – Long Term Debt

On 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. Repayment of the funds leveraged shall be budgeted from Capital Fund Allocations received by the Authority from HUD.

Further details can be found in the notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

F – 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, 2021.

- 1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.
- 2 – The need for Congress to fund the war on terrorism and the possible cut-back on HUD subsidies and grants.
- 3 – The use of the Authority's unrestricted cash reserves to fund any shortfalls rising from a possible economic turndown and reduced subsidies and grants.

G – 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, New Jersey 07960, or call (973) 538-6343.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Composition of Net Position is as follows:

	As of <u>September 30, 2020</u>	As of <u>September 30, 2019</u>	<u>Variance</u>
Cash and Other Assets	\$ 4,097,477	\$ 3,503,706	\$ 593,771
Capital Assets - Net	11,465,279	11,640,561	(175,282)
Deferred Outflows of Resources	623,952	716,058	(92,106)
Total Assets and Deferred Outflows	16,186,708	15,860,325	326,383
 Less: Total Liabilities and Deferred Inflows of Resources	 10,724,921	 10,870,071	 145,150
 Net Position	 \$ 5,461,787	 \$ 4,990,254	 \$ 471,533
 Net Investment in Capital Assets	 10,375,279	 10,380,561	 (\$5,282)
Restricted Net Position	2,686	97,855	(95,169)
Unrestricted Net Position	(4,916,178)	(5,488,162)	571,984
 Total Net Position	 \$ 5,461,787	 \$ 4,990,254	 \$ 471,533

Computations of Changes in Net Position are as follows:

	Year Ended <u>September 30, 2020</u>	Year Ended <u>September 30, 2019</u>	<u>Variance</u>
<u>Revenues</u>			
Tenant Revenues	\$ 2,240,276	\$ 2,299,702	\$ (59,426)
HUD Operating Grants	3,417,594	3,348,536	69,058
Other Income	396,307	388,141	8,166
Total Operating Revenues	6,054,177	6,036,379	17,798
 <u>Expenses</u>			
Other Operating Expenses	4,227,624	4,310,526	(\$82,902)
Housing Assistance Payments	1,259,739	1,560,397	(300,658)
Depreciation Expense	413,561	410,216	3,345
Total Operating Expenses	5,900,924	6,281,139	(380,215)
 Operating Income / (Loss)	 153,253	 (244,760)	 398,013
 <u>Non-Operating Revenues (Expenses)</u>			
Interest Expense	(53,870)	(61,277)	7,407
Interest on Investments	12,134	11,318	816
Capital Grants	360,016	1,139,859	(779,843)
 Net non-operating expenses	 318,280	 1,089,900	 (771,620)
 Excess Revenues/(Deficiency)	 471,533	 845,140	 (373,607)
 Net Position - Beginning of Year (as restated - 2019)	 4,990,254	 4,145,114	 845,140
 Net Position - End of Year	 \$ 5,461,787	 \$ 4,990,254	 \$ 471,533

FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2020**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,606,743
Tenant security deposits	205,683
Investments	1,159,913
Accounts receivable, net	932,283
Prepaid expenses	<u>75,928</u>
	<u>3,980,550</u>
Total current assets	
Non-current assets:	
Restricted cash	116,927
Capital assets, net	<u>11,465,279</u>
Total non-current assets	<u>11,582,206</u>
Total assets	<u>15,562,756</u>
DEFERRED OUTFLOWS OF RESOURCES	
State of New Jersey P.E.R.S.	501,054
State of New Jersey S.H.B.P.	<u>122,898</u>
Deferred outflows of resources	<u>623,952</u>
Total assets and deferred outflows of resources	<u>\$ 16,186,708</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
STATEMENT OF NET POSITION (continued)
AS OF SEPTEMBER 30, 2020**

LIABILITIES	
Current liabilities:	
Accounts payable	\$ 454,873
Accrued expenses	33,784
Tenant security deposits	205,821
Prepaid rent	81,019
Accrued compensated absences, current	19,662
Loan payable, current	180,000
Accrued interest payable	21,346
Other current liabilities	<u>44,225</u>
	<u>1,040,730</u>
Total current liabilities	
Non-current liabilities:	
Accrued compensated absences, non-current	176,919
Accrued pension liability	2,206,845
Accrued OPEB liability	2,786,020
Loan payable, non-current	910,000
Other non-current liabilities	<u>46,985</u>
	<u>6,126,769</u>
Total non-current liabilities	
Total liabilities	<u>7,167,499</u>
DEFERRED INFLOWS OF RESOURCES	
State of New Jersey P.E.R.S.	1,336,950
State of New Jersey S.H.B.P.	<u>2,220,472</u>
Total deferred inflows of resources	<u>3,557,422</u>
NET POSITION	
Net position:	
Net investment in capital assets	10,375,279
Restricted	2,686
Unrestricted	<u>(4,916,178)</u>
Total net position	<u>5,461,787</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>16,186,708</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Operating revenues:	
Tenant revenue	\$ 2,240,276
HUD operating grants	3,417,594
Other revenues	<u>396,307</u>
	<u><u>6,054,177</u></u>
Total operating revenues	
Operating expenses:	
Administrative	1,217,193
Tenant services	13,303
Utilities	955,048
Ordinary repairs and maintenance	1,722,291
Insurance	185,123
General expenses	134,666
Housing assistance payments	1,259,739
Depreciation	<u>413,561</u>
	<u><u>5,900,924</u></u>
Total operating expenses	
Operating income	<u>153,253</u>
Non-operating revenues (expenses):	
Investment income	12,134
Interest expense	<u>(53,870)</u>
	<u><u>(41,736)</u></u>
Net non-operating expenses	
Income before capital grants	111,517
Capital grants	<u><u>360,016</u></u>
Change in net position	<u><u>471,533</u></u>
Total net position, beginning of year	<u><u>4,990,254</u></u>
Total net position, end of year	\$ <u><u>5,461,787</u></u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 2,285,173
Cash received from grantors	4,033,424
Cash paid to employees	(1,233,721)
Cash paid to vendors and suppliers	<u>(4,188,986)</u>
Net cash provided by operating activities	<u>895,890</u>
Cash Flows from Capital and Related Financing Activities:	
Principal payments of bonds/notes	(170,000)
Interest paid on long term debt	(57,084)
Proceeds from capital grants	360,016
Purchase of capital assets	<u>(238,279)</u>
Net cash used in capital and related financing activities	<u>(105,347)</u>
Cash Flows from Investing Activities:	
Investment income	12,134
Purchase of investments	<u>(10,090)</u>
Net cash provided by investing activities	<u>2,044</u>
Net increase in cash, cash equivalents, and restricted cash	792,587
Cash, cash equivalents, and restricted cash, beginning of period	<u>1,136,766</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 1,929,353</u>
Reconciliation of cash, cash equivalents, and restricted cash to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 1,606,743
Tenant security deposits	205,683
Restricted cash	<u>116,927</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 1,929,353</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 153,253	
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	413,561	
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net	203,653	
Prepaid expenses	5,253	
Deferred outflows of resources	92,106	
Accounts payable	75,673	
Accrued expenses	(16,528)	
Tenant security deposits liability	(3,675)	
Unearned revenue	63,360	
Accrued compensated absences	46,634	
Other liabilities	26,345	
Accrued pension liability	(85,547)	
Deferred inflows of resources	(78,198)	
Net cash provided by operating activities	\$ <u><u>895,890</u></u>	

See accompanying notes to financial statements.

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the Town of Morristown (the "Authority") is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J.S.A. 4A:12A-1, et. Seq., the "Housing Authority Act") for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in Morristown, New Jersey (the "Town"). The Authority is responsible for operating certain low-rent housing programs in the Town under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous, but is responsible to HUD and the State of New Jersey Department of Community Affairs. An executive director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB 34"), as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions* ("GASB 33"), grant and subsidy revenue is recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting / Financial Statement Presentation (continued)

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

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions, as defined by GASB 33, are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Vouchers program is no longer a cost reimbursement grant; therefore, the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

In accordance with 2 CFR 200.305(b)(9), any investment income earned up to \$500 on these funds may be retained by the Authority. Amounts in excess of \$500 must be remitted annually to the Department of Health and Human Services, Payment Management System.

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statement No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
 2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
 3. The primary government is obligated in some manner for the debt of the organization.
- Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Public and Indian Housing Program

The Public and Indian Housing Program is designed to provide low-cost housing within the Town. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Section 8 Housing Choice Vouchers Program

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income households under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating household.

Public Housing Capital Fund Program

The purpose of the Public Housing Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

CARES Act Funding Programs

During the year ended September 30, 2020, the Authority was awarded CARES Act funding as part of the Public and Indian Housing Program and Section 8 Housing Choice Vouchers Program. These funds are to be used to prevent, prepare for, and respond to the Coronavirus ("COVID-19"), as well as help the Authority maintain normal operations during the period impacted by COVID-19.

E. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

F. Economic Dependency

The Section 8 Housing Choice Vouchers and Public and Indian Housing programs of the Authority are economically dependent on grants and subsidies from HUD. The programs operate at a loss prior to receiving the grants.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States, or the State of New Jersey, or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities.

The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, when the funds are secured in accordance with GUDPA.

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

For the Statement of Cash Flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

H. Investments

Investments consist of certificates of deposit and are valued at their cost which approximates their market value in accordance with GASB 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB No. 3*.

I. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and due from vacated tenants. An allowance for doubtful accounts is established to provide for accounts which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. Also, included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order. The Authority recognizes a receivable from HUD and other governmental agencies for amounts earned and billed but not received and for amounts unbilled, but earned as of year end.

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Allowance for Doubtful Accounts

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

K. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

L. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- | | |
|----------------------------|-------------|
| Buildings and Improvements | 15-40 Years |
| Furniture and Equipment | 3-10 Years |

The Authority has established a capitalization threshold of \$1,000.

M. Impairment of Long Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. During the year ended September 30, 2020, there were no impairment losses incurred.

N. Accounts Payable and Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year-end. The Authority recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

O. Prepaid Rent

The Authority's prepaid rent primarily consists of the prepayment of rent by residents applicable to future periods.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Compensated Absences

Compensated absences are those absences for which employees will be paid in accordance with the Authority's Personnel Policy. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such event takes place.

Q. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

R. Pensions

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

S. Other Post Employment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the net OPEB, OPEB expense, and information about the fiduciary net position of the State Health Benefits Plan ("SHBP") and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

T. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of resources including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Equity Classifications (continued)

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

U. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. The Authority receives annual operating subsidies from HUD, subject to limitations prescribed by HUD. Operating subsidies from HUD are recorded when received and are accounted for as revenue. Other contributions from HUD that are for development and modernization of capital assets are reflected separately in the accompanying financial statements as capital grants. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

V. Taxes

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes by both the federal and state governments. However, the Authority will pay a payment in lieu of taxes to cover municipal services provided by the local government for certain properties owned throughout the Town.

W. Budgets and Budgetary Accounting

The Authority adopts annual, appropriated operating budgets for all its programs receiving federal expenditure awards, which are used as a management tool throughout the accounting cycle. All budgets are prepared on a HUD basis, which differs with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods. Pursuant to N.J.S.A 40A:5A-10 and N.J.A.C. 5:31, the Authority is also required to submit an authority wide budget for each fiscal year to the Director of the Division of Local Government Services sixty (60) days prior to the end of the fiscal year.

X. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund ("JJIF"). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

X. Risk Management (continued)

The JIF will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the year ended September 30, 2020.

NOTE 2.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

As of September 30, 2020, the Authority had funds on deposit in checking, savings, and money market accounts. The carrying amount of the Authority's cash and cash equivalents (including restricted cash) was \$1,929,353, and the bank balances approximated \$2,131,354.

<u>Cash Category</u>	<u>Amount</u>
Unrestricted	\$ 1,606,743
Tenant security deposits	205,683
Restricted	<u>116,927</u>
Total cash, cash equivalents, and restricted cash	\$ <u>1,929,353</u>

Of the bank balances, \$252,541 was covered by federal depository insurance and the remaining \$1,878,813 was collateralized by GUDPA as of September 30, 2020.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of September 30, 2020, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3.

INVESTMENTS

Investments, stated at fair value in accordance with GASB 40, consisted of the following as of September 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of Deposit:		
Provident Bank	\$ 412,479	September 31, 2021
Provident Bank	281,846	March 3, 2021
Provident Bank	79,161	June 4, 2021
Provident Bank	179,195	February 7, 2021
Provident Bank	<u>207,232</u>	December 30, 2021
Total investments	\$ <u>1,159,913</u>	
Credit Risk		

All investments are in financial instruments in accordance with HUD regulations. The Authority places no limit on the amount that can be invested with one issuer.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 4.

ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at September 30, 2020:

<u>Description</u>	<u>Amount</u>
Accounts receivable - HUD	\$ 452,011
Accounts receivable - tenants, net	90,661
Accounts receivable - miscellaneous	389,611
Total accounts receivable, net	<u>\$ 932,283</u>

Accounts Receivable - HUD

As of September 30, 2020, Accounts receivable - HUD consisted of amounts due from the Department of Housing and Urban Development for the reimbursement of capital and operating grants. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The balance is shown net of an allowance for doubtful accounts of \$61,158.

Accounts Receivable - Miscellaneous

As of September 30, 2020, Accounts receivable - miscellaneous consisted of amounts due from insurance reimbursements. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

NOTE 5.

RESTRICTED DEPOSITS

As of September 30, 2020, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Amount</u>
Family Self Sufficiency program escrows	\$ 46,985
NJHMFA 2004 Capital Fund Revenue Bond interest	2,686
Tenant security deposits	205,683
Section 8 Housing Choice Vouchers - CARES Act Funding	67,256
Total restricted deposits	<u>\$ 322,610</u>

Family Self Sufficiency ("FSS") program escrows are restricted for use in the Section 8 Housing Choice Vouchers Program by FSS program participants.

NJHMFA 2004 Capital Fund Revenue Bond interest is restricted for certain capital improvements in accordance with the Authority's approved annual plan.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 5. RESTRICTED DEPOSITS (continued)

CARES Act funds are restricted to be used on expenditures directly related to COVID-19. These funds are to be used to prevent, prepare for, and respond to COVID-19, as well as help the Authority maintain normal operations during the period impacted by COVID-19.

NOTE 6. CAPITAL ASSETS, NET

The following is a summary of the changes in capital assets during the year ended September 30, 2020:

Description	September 30, 2019	Additions	Dispositions	Transfers	September 30, 2020
Non-depreciable:					
Land	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Construction in progress	<u>1,505,709</u>	<u>190,015</u>	<u>-</u>	<u>-</u>	<u>1,695,724</u>
Total	<u>1,755,709</u>	<u>190,015</u>	<u>-</u>	<u>-</u>	<u>1,945,724</u>
Depreciable:					
Buildings and improvements	22,739,637	-	-	-	22,739,637
Furniture and equipment	<u>2,691,222</u>	<u>48,264</u>	<u>-</u>	<u>-</u>	<u>2,739,486</u>
Total	<u>25,430,859</u>	<u>48,264</u>	<u>-</u>	<u>-</u>	<u>25,479,123</u>
Less: accumulated depreciation	<u>15,546,007</u>	<u>413,561</u>	<u>-</u>	<u>-</u>	<u>15,959,568</u>
Net capital assets	\$ 11,640,561	\$ (175,282)	\$ -	\$ -	\$ 11,465,279

Depreciation expense for the fiscal year ended September 30, 2020 amounted to \$413,561.

NOTE 7. ACCOUNTS PAYABLE

As of September 30, 2020, accounts payable consisted of the following:

Description	Amount
Accounts payable - vendors	\$ 325,618
Accounts payable - other governments	<u>129,255</u>
Total accounts payable	<u>\$ 454,873</u>
Accounts Payable - Vendors	

Accounts payable - vendors represents the amounts payable to contractors and vendors for materials received or services rendered.

Accounts Payable - Other Governments

Accounts payable - other governments represents amounts due and payable to the local government for payments-in-lieu of taxes.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 8. NON-CURRENT LIABILITIES

Non-current liabilities as of September 30, 2020 consisted of the following:

Description	September 30, 2019	Additions	Payments	September 30, 2020	Amounts due within one Year
Compensated absences	\$ 149,947	\$ 46,634	\$ -	\$ 196,581	\$ 19,662
Accrued pension liability	2,292,392	-	(85,547)	2,206,845	-
Accrued OPEB liability	2,786,020	-	-	2,786,020	-
Loan payable	1,260,000	-	(170,000)	1,090,000	180,000
Family self sufficiency escrows	<u>46,048</u>	<u>937</u>	<u>-</u>	<u>46,985</u>	<u>-</u>
Total long-term liabilities	<u>\$ 6,534,407</u>	<u>\$ 47,571</u>	<u>\$ (255,547)</u>	<u>\$ 6,326,431</u>	<u>\$ 199,662</u>

NOTE 9. PAYMENTS IN LIEU OF TAXES

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 certain Authority owned properties in accordance with the provisions of its Cooperation Agreement with the Town. Under the Cooperation Agreement, the Authority must pay the Town the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the year ended September 30, 2020, PILOT expense totaled \$80,314.

NOTE 10. LOAN PAYABLE

Loan payable as of September 30, 2020 consisted of the following:

Description	Amount
Loan payable	\$ 1,090,000
Less: current portion	<u>180,000</u>
Loan payable, net of current portion	<u>\$ 910,000</u>

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 10. LOAN PAYABLE (continued)

Annual debt service for principal and interest over the next five years and thereafter is as follows:

Year	Principal	Interest	Total
2021	\$ 180,000	\$ 49,115	\$ 229,115
2022	185,000	40,655	225,655
2023	195,000	31,903	226,903
2024	205,000	22,560	227,560
2025	215,000	13,522	228,522
Thereafter	<u>110,000</u>	<u>2,696</u>	<u>112,696</u>
	<u>\$ 1,090,000</u>	<u>\$ 160,451</u>	<u>\$ 1,250,451</u>

Interest expense for the year ended September 30, 2020 totaled \$53,870.

NOTE 11. RESTRICTED NET POSITION

Restricted net position consists of the following as of September 30, 2020:

Description	Amount
NJHMFA 2004 Capital Fund Revenue Bond interest	\$ <u>2,686</u>

NJHMFA 2004 Capital Fund Revenue Bond interest is restricted for certain capital improvements in accordance with the Authority's approved annual plan.

NOTE 12. PENSION PLAN

A. Plan Description

The PERS is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

B. Benefits

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:

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

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 12. PENSION PLAN (continued)

B. Benefits (continued)

Service retirement benefits of $1/55^{\text{th}}$ 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 retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

Early retirement benefits are available to tiers one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more 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 a member retires prior to the age at which a member can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by all active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on the actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

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

At September 30, 2020, the Authority reported a liability of \$2,206,845, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, and rolled forward to June 30, 2020.

For the year ended September 30, 2020, the Authority recognized pension expense of \$148,042. At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 12. PENSION PLAN (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions		
Changes in Proportion	\$ 71,593	\$ (924,027)
Differences between expected and actual experience	313,846	(405,119)
Net differences between actual and projected earnings on pension plan investments	40,183	(7,804)
	<u>75,432</u>	<u>-</u>
Total	<u>\$ 501,054</u>	<u>\$ (1,336,950)</u>

Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	<u>Amount</u>
2021	\$ (310,862)
2022	(283,412)
2023	(161,962)
2024	(65,495)
2025	<u>(14,165)</u>
	<u>\$ (835,896)</u>

E. Actuarial Assumptions

The collective total pension liability at the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary increases:	2.00 - 6.00%
Through 2026	based on years of service
Thereafter	3.00 - 7.00%
Investment rate of return	based on years of service
	7.00%

Pre-mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 12. PENSION PLAN (continued)

E. Actuarial Assumptions (continued)

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial adjustments used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

F. Long-Term Expected Rate of Return

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and 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, including the PERS's target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

G. Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 12. PENSION PLAN (continued)

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	<u>\$ 2,799.895</u>	<u>\$ 2,206.845</u>	<u>\$ 1,735.705</u>

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS

The information required to present the schedule of changes in net OPEB liability was not available as of September 30, 2020 and the date of this report. The net OPEB liability and deferred inflow and outflow amounts have not changed from the prior fiscal year. The information needed in order to reflect the September 30, 2020 balances for the net OPEB liability, deferred inflows, and deferred outflows was unavailable as of the date of this report. The information contained herein remains the same from September 30, 2019.

A. Plan Description

The SHBP is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Division. It covers employees of local government employers that have adopted a resolution to participate in the SHBP. For additional information about SHBP, please refer to the Division's Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

B. Benefits

SHBP provides medical and prescription drug to retirees and their covered dependents of the employers. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of services credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (continued)

B. Benefits (continued)

Pursuant to Chapter 78, P.L., 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2020, the Authority reported a liability of \$2,786,020, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and rolled forward to June 30, 2019.

For the year ended September 30, 2020, the Authority recognized an OPEB benefit of \$96,562. At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ (987,304)
Changes in Proportion	57,940	(418,427)
Differences between expected and actual experience	-	(814,741)
Net differences between projected and actual investment earnings on OPEB plan investments	2,295	-
Contributions paid subsequent to the measurement date	<u>62,663</u>	<u>-</u>
Total	<u>\$ 122,898</u>	<u>\$ (2,220,472)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30:	Amount
2021	\$ (341,627)
2022	(341,627)
2023	(341,837)
2024	(342,176)
2025	(342,485)
Thereafter	<u>(387,822)</u>
	<u>\$ (2,097,574)</u>

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (continued)

D. Actuarial Assumptions

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions:

Inflation Rate	2.50%
Salary increases:	
Through 2026	2.00 to 6.00% based on years of service
Thereafter	3.00 to 7.00% based on years of service

Mortality rates were based on the Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using the MP-2019 scale.

Certain actuarial assumptions used in the July 1, 2018 valuation were based on the results of the OPEB's experience studies prepared for July 1, 2014 to June 30, 2018. 100% of active members are considered to participate in the SHBP upon retirement.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2019. This represents the municipal bond return rate chosen by the State of New Jersey (the "State"). The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

F. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate of 3.50%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Authority's proportionate share of the net OPEB liability	\$ <u>3,221,348</u>	\$ <u>2,786,020</u>	\$ <u>2,432,259</u>

G. Healthcare Trend Assumptions

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

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2020**

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (continued)

H. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the healthcare trend rate as disclosed above, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	<u>Healthcare Cost</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net OPEB liability	1% Decrease <u>\$ 2,351,058</u>	\$ <u>2,786,020</u>	\$ <u>3,340,888</u>

NOTE 14. CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of September 30, 2020, the Authority estimates that no material liabilities will result from such audits.

Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on the Authority's operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority's tenants, all of which are uncertain and cannot be predicted. The Authority's future results could be adversely impacted by delays in rent collections, portability payments from certain PHAs, as well as grant reimbursements. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

NOTE 15. SUBSEQUENT EVENTS

Events that occur after the financial statement 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 financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through December 6, 2021 (the date 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.

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

To the Board of Commissioners of the
Housing Authority of the Town of Morristown:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Housing Authority of the Town of Morristown (the "Authority") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated December 6, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

Authority's Response to Findings

The Authority's response to the finding 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 the financial statements and, accordingly, we express no opinion on it.

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.



December 6, 2021
Toms River, New Jersey

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
STATE OF NEW JERSEY OMB CIRCULAR 15-08**

To the Board of Commissioners of the
Housing Authority of the Town of Morristown:

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 and the State of New Jersey OMB Circular 15-08 that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2020. The Authority's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority'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) and the State of New Jersey OMB Circular 15-08. 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.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the Authority 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.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a significant deficiency.

The Authority's response to the internal control over compliance finding 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Hoogendoorn & Company LLP

December 6, 2021
Toms River, New Jersey

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-through Number</u>	<u>Grant Period</u>		<u>Grant Award</u>	<u>Fiscal Year Expenditures</u>	<u>Cumulative Expenditures</u>
			<u>From</u>	<u>/ To</u>			
<u>U.S. Department of Housing and Urban Development</u>							
Housing Voucher Cluster							
Section 8 Housing Choice Voucher	14.871	N/A	10/01/19	9/30/20	\$ 1,422,966	\$ 1,422,966	\$ 1,422,966
Section 8 Housing Choice Voucher - CARES Act	14.HCC	N/A	10/01/19	9/30/20	<u>70,910</u>	<u>3,654</u>	<u>3,654</u>
Total Housing Voucher Cluster					1,493,876	1,426,620	1,426,620
Public and Indian Housing	14.850	N/A	1/1/18	12/31/20	4,166,919	1,421,549	2,658,077
Public and Indian Housing - CARES Act	14.PHC	N/A	1/1/20	12/31/20	140,979	140,979	140,979
Public Housing Capital Fund	14.872	N/A	4/13/16	4/15/22	<u>4,257,331</u>	<u>921,088</u>	<u>2,976,860</u>
Total U.S. Department of Housing and Urban Development/Total Federal Expenditures					<u>\$ 10,059,105</u>	<u>\$ 3,910,236</u>	<u>\$ 7,202,536</u>

See Notes to Schedule of Expenditures of Federal Awards.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended September 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey OMB Circular 15-08. Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the net position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance and State of New Jersey OMB Circular 15-08, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The Authority has not elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 4. SCHEDULE OF CAPITAL FUND COSTS AND ADVANCES

The total amounts of Capital Fund Program Costs and Advances incurred and earned by the Authority as of and for the year ended September 30, 2020 are provided herein:

	<u>501-16</u>	<u>501-17</u>	<u>501-18</u>	<u>501-19</u>	<u>501-20</u>	<u>Totals</u>
<u>Budget</u>	\$ <u>587,727</u>	\$ <u>620,467</u>	\$ <u>962,988</u>	\$ <u>1,006,980</u>	\$ <u>1,079,169</u>	\$ <u>4,257,331</u>
<u>Advances:</u>						
Cumulative through 9/30/19	\$ 499,746	\$ 270,741	\$ 228,513	\$ -	\$ -	\$ 999,000
Current Year	<u>87,981</u>	<u>349,726</u>	<u>734,475</u>	<u>317,133</u>	<u>113,961</u>	<u>1,603,276</u>
Cumulative through 9/30/20	<u>587,727</u>	<u>620,467</u>	<u>962,988</u>	<u>317,133</u>	<u>113,961</u>	<u>2,602,276</u>
<u>Costs:</u>						
Cumulative through 9/30/19	573,231	414,189	923,482	144,870	-	2,055,772
Current Year	<u>14,496</u>	<u>206,278</u>	<u>39,506</u>	<u>546,847</u>	<u>113,961</u>	<u>921,088</u>
Cumulative through 9/30/20	<u>587,727</u>	<u>620,467</u>	<u>962,988</u>	<u>691,717</u>	<u>113,961</u>	<u>2,976,860</u>
Excess / (Deficiency)	\$ -	\$ -	\$ -	\$ (374,584)	\$ -	\$ (374,584)

- 1) Capital Fund Program Grant No. NJ39P023501-16 with an approved funding of \$587,727 has been fully drawn down and expended as per Capital Fund Program Grant Regulations.
- 2) Capital Fund Program Grant No. NJ39P023501-17 with an approved funding of \$620,467 has been fully drawn down and expended as per Capital Fund Program Grant Regulations.
- 2) Capital Fund Program Grant No. NJ39P023501-18 with an approved funding of \$962,988 has been fully drawn down and expended as per Capital Fund Program Grant Regulations.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

- | I. <u>Summary of Auditors' Results</u> | |
|---|---|
| <u>Financial Statement Section</u> | |
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to the financial statements? | No |
| <u>Federal Awards Section</u> | |
| 1. Internal Control over compliance: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 2. Type of auditors' report on compliance for major programs: | |
| 14.850 | Public and Indian Housing |
| 14.PHC | Public and Indian Housing - CARES Act |
| 14.871 | Section 8 Housing Choice Vouchers |
| 14.HCC | Section 8 Housing Choice Vouchers - CARES Act |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 4. Identification of major programs: | |
| CFDA Number | Name of Federal Program |
| 14.850 | Public and Indian Housing |
| 14.PHC | Public and Indian Housing - CARES Act |
| 14.871 | Section 8 Housing Choice Vouchers |
| 14.HCC | Section 8 Housing Choice Vouchers - CARES Act |
| 5. Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 6. Auditee qualified as low-risk Audittee? | No |

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED SEPTEMBER 30, 2020**

II. Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. Federal Award Findings and Questioned Costs

Finding 2020-001

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Titles: Public and Indian Housing Program

Federal Catalog Numbers: 14-850

Material Noncompliance – N. Special Tests and Provisions – Public Housing Waiting List

Non Compliance Material to the Financial Statements: No

Significant Deficiency in Internal Control over Compliance for Special Tests and Provisions

Criteria: The PHA must establish and adopt written policies for admission of tenants. The PHA's tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejections of an applicant (24 CFR sections 960.202 through 960.206). "Selection" from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission.

Condition: Based on discussions with management, it could not be determined with any certainty that new move-ins were selected from the wait list in an order that is in accordance with the Authority's policy. The Authority was unable to provide the necessary wait lists during the time of audit.

Context: One (1) name was selected from the new move-in list and that name was to be traced to the waiting list to verify new move-in was chosen in an order that was in accordance with the Authority's policy. It was determined that the one (1) new move-in selected could not be traced back to the Authority's waiting list due to the Authority having no waiting list on file for the period being audited.

Known Questioned Costs: \$3,253

Cause: There is a significant deficiency in internal controls over compliance for the special tests and provisions type of compliance. The Authority has not properly considered, designed, implemented, maintained and monitored a system of internal controls that assures the program is in compliance.

Effect: The Public and Indian Housing Program is in non-compliance with the special tests and provisions type of compliance related to selections from the waiting list.

Recommendation: We recommend the Authority design and implement internal control procedures that will assure compliance with the Uniform Guidance and the compliance supplement.

Views of responsible officials and planned corrective action: The Authority has begun the design and implementation of internal control procedures to assure compliance with the HUD requirements regarding tenant files. We have made improvements in our wait list documentation. Subsequent to FY19, each month, staff saves a copy of the wait list that documents where each applicant falls on the waiting list. As an apartment becomes available, the waiting list may need to be filtered by a priority, changing the ranking of applicants on the waiting list. Therefore, when a unit is to be leased up, a screen shot is taken of the pertinent area of the waiting list that the applicant was pulled from showing their ranking at the time of the possible lease-up. This process went into effect after FY19.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED SEPTEMBER 30, 2020**

IV: Schedule of Prior Year Audit Findings

Finding 2019-001

Observation: The Authority did not maintain adequate internal control over financial reporting. During audit testing we noted the following:

- The Authority recorded a prior period adjustment in order to correct material misstatements of construction in progress expended in prior years.

Status: The finding has been cleared.

Finding 2019-002

Observation: Based upon inspection of the Authority's files and on discussion with management there were a significant number of documents that were unavailable for examination at the time of audit. There are approximately 160 units. Of a sample size of 11 tenant files, the following was noted:

- The original application was missing in 6 files
- The lead based paint form was missing in 1 file
- The signed lease was missing in 6 files
- Rent reasonableness documentation was missing in 11 files
- The annual inspection form was missing in 9 files
- Verification of income was missing in 1 file

Status: The finding has been cleared.

Finding 2019-003

Observation: Based upon inspection of the Authority's files and discussions with management, the Authority did not have quality control samples on file that were used to score each individual indicator. The Authority did not perform the procedures required in order to score the SEMAP indicators (24 CFR 985.2).

Status: The finding has been cleared.

Finding 2019-004:

Observation: Based upon inspection of the Authority's files and discussions with management, the Authority did not determine that the rent to owner is reasonable. PHAs must ensure that rents charged by owners to the HCV program participants are reasonable. The PHA must compare the rent for the voucher unit to rents for similar unassisted units in the marketplace. There were no rates obtained and reviewed during 2019. In addition, it was noted during review of the Authority's files that there were no rents determined to be reasonable in previous audit periods as well.

Status: The finding has been cleared.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED SEPTEMBER 30, 2020**

III. Federal Award Findings and Questioned Costs (continued)

Finding 2019-005

Observation: Based upon inspection of the Authority's files and on discussion with management there were a number of documents that were unavailable for examination at the time of audit. There are approximately 445 units. Of a sample size of 17 tenant files, the following was noted:

- Original application was missing in 2 files
- HUD - 9887 Consent to Release Information Form was missing in 2 files
- Lead based paint form was missing in 1 file
- Verification of income was missing in 4 files
- Verification of assets was missing in 4 files

Status: The finding has been cleared.

Finding 2019-006

Observation: Based on discussions with management, it could not be determined with any certainty that new move-ins were selected from the wait list in an order that is in accordance with the Authority's policy. The Authority was unable to provide the necessary wait lists during the time of audit. Three (3) names were selected from the new move-in list and those names were to be traced to the waiting list to verify new move-ins were chosen in an order that was in accordance with the Authority's policy. It was determined that three (3) out of three (3) new move-ins selected could not be traced back to the Authority's waiting list due to the Authority having no waiting list on file for the period being audited.

Status: The finding remains open. See Finding 2020-001.

HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
REQUIRED PENSION INFORMATION
SEPTEMBER 30, 2020

SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS***

	September 30, <u>2015</u>	September 30, <u>2016</u>	September 30, <u>2017</u>	September 30, <u>2018</u>	September 30, <u>2019</u>	September 30, <u>2020</u>
Contractually required contribution	\$ 106,394	\$ 130,392	\$ 136,087	\$ 155,421	\$ 123,752	\$ 148,042
Contributions in relation to the contractually required contribution	<u>106,394</u>	<u>130,392</u>	<u>136,087</u>	<u>155,421</u>	<u>123,752</u>	<u>148,042</u>
(Over) / under funded	<u>\$ -</u>					
Authority's covered-employee payroll	<u>\$ 1,181,086</u>	<u>\$ 1,168,778</u>	<u>\$ 1,123,918</u>	<u>\$ 1,119,021</u>	<u>\$ 1,240,562</u>	<u>\$ 1,027,841</u>
Contributions as a percentage of covered-employee payroll	<u>9.01 %</u>	<u>11.16 %</u>	<u>12.11 %</u>	<u>13.89 %</u>	<u>9.98 %</u>	<u>14.40 %</u>

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
REQUIRED PENSION INFORMATION (continued)
SEPTEMBER 30, 2020**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS*****

	September 30, <u>2015</u>	September 30, <u>2016</u>	September 30, <u>2017</u>	September 30, <u>2018</u>	September 30, <u>2019</u>	September 30, <u>2020</u>
Authority's proportion of the net pension liability	<u>0.0114</u> %	<u>0.0147</u> %	<u>0.0147</u> %	<u>0.0002</u> %	<u>0.0001</u> %	<u>0.0001</u> %
Authority's proportionate share of the net pension liability	\$ <u>2,549,582</u>	\$ <u>4,347,027</u>	\$ <u>3,419,593</u>	\$ <u>3,076,539</u>	\$ <u>2,292,392</u>	\$ <u>2,206,845</u>
Authority's covered-employee payroll	\$ <u>1,181,086</u>	\$ <u>1,168,778</u>	\$ <u>1,123,918</u>	\$ <u>1,119,021</u>	\$ <u>1,240,562</u>	\$ <u>1,027,841</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>215.87</u> %	<u>371.93</u> %	<u>304.26</u> %	<u>274.93</u> %	<u>184.79</u> %	<u>214.71</u> %
Plan fiduciary net position as a percentage of the total pension liability	<u>47.93</u> %	<u>40.14</u> %	<u>48.10</u> %	<u>53.60</u> %	<u>56.30</u> %	<u>58.32</u> %

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
SEPTEMBER 30, 2020**

SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS***

	September 30 <u>2017</u>	September 30 <u>2018</u>	September 30 <u>2019</u>	September 30 <u>2020 (A)</u>
Statutorily required contribution	\$ 233,127	\$ 44,824	\$ 261,045	\$ 266,414
Contributions in relation to the statutorily required contribution	<u>233,127</u>	<u>44,824</u>	<u>261,045</u>	<u>266,414</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 1,123,918</u>	<u>\$ 1,119,021</u>	<u>\$ 1,240,562</u>	<u>\$ 1,027,841</u>
Contributions as a percentage of covered-employee payroll	<u>20.74 %</u>	<u>4.01 %</u>	<u>21.04 %</u>	<u>25.92 %</u>

(A) Information relating to the defined benefit OPEB plan was not available because the OPEB plan for the year ended September 30, 2020 had not been audited as of the date the auditors' report.

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN
REQUIRED OTHER POST EMPLOYMENT BENEFITS INFORMATION
SEPTEMBER 30, 2020**

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET OPEB LIABILITY FOR THE LAST TEN FISCAL YEARS***

	September 30 <u>2017</u>	September 30 <u>2018</u>	September 30 <u>2019</u>	September 30 <u>2020 (A)</u>
Authority's proportion of the net OPEB liability	<u>0.0210 %</u>	<u>0.0203 %</u>	<u>0.0206 %</u>	<u>- %</u>
Authority's proportionate share of the net OPEB liability	<u>\$ 4,280,987</u>	<u>\$ 1,860,888</u>	<u>\$ 2,786,020</u>	<u>\$ 2,786,020</u>
Authority's covered-employee payroll	<u>\$ 1,123,918</u>	<u>\$ 1,119,021</u>	<u>\$ 1,240,562</u>	<u>\$ 1,027,841</u>
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	<u>380.90 %</u>	<u>166.30 %</u>	<u>224.58 %</u>	<u>271.06 %</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.03 %</u>	<u>1.97 %</u>	<u>1.97 %</u>	<u>1.97 %</u>

(A) Information relating to the defined benefit OPEB plan was not available because the OPEB plan for the year ended September 30, 2020 had not been audited as of the date the auditors' report.

*** = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

Morristown Housing Authority

N023

Financial Data Schedule (FDS)

September 30, 2020

Line Item #	Account Description	Project Total	14.PHC Public Housing CARES Act Funding	14.HCC HCV CARES Act Funding	ELIM	TOTAL
ASSETS:						
CURRENT ASSETS:						
111	Cash:					
111	Cash - unrestricted	\$ 1,619,275	\$ -	\$ -	\$ -	\$ 1,619,275
112	Cash - restricted - modernization and development	-	2,686	-	67,256	-
113	Cash - other restricted	-	205,683	-	-	116,927
114	Cash - tenant security deposits	-	-	-	-	205,683
115	Cash - restricted for payment of current liabilities	-	-	-	-	-
100	Total cash	1,827,664	-	46,985	67,256	1,941,885
Accounts and notes receivables:						
121	Accounts receivable - PHA projects	-	-	-	-	-
122	Accounts receivable - HHD other projects	412,817	39,194	-	-	452,011
124	Accounts receivable - other government	-	-	-	-	-
125	Accounts receivable - miscellaneous	389,611	-	-	-	389,611
126	Accounts receivable - tenants	161,819	-	-	-	161,819
126.2	Allowance for doubtful accounts - tenants	(61,158)	-	-	-	(61,158)
127	Allowance for doubtful accounts - other	(10,000)	-	-	-	(10,000)
128	Notes and mortgages receivable - current	-	-	-	-	-
129	Fraud recovery	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	392,089	39,194	-	-	932,283
Current investments						
131	Investments - unrestricted	1,159,913	-	-	-	1,159,913
132	Investments - restricted	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-
142	Prepaid expenses and other assets	75,928	-	-	-	75,928
143	Inventories	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-
144	Intergroup due from	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-
150	TOTAL CURRENT ASSETS	3,995,768	39,194	46,985	67,256	(39,194) 4,110,609
NONCURRENT ASSETS:						
Fixed assets:						
161	Land	250,000	-	-	-	250,000
162	Buildings	22,739,637	-	-	-	22,739,637
163	Furniture, equipment & machinery - dwellings	1,053,684	-	-	-	1,053,684
164	Furniture, equipment & machinery - administration	1,683,802	-	-	-	1,683,802
165	Leasable improvements	-	-	-	-	-
166	Accumulated depreciation	(15,359,568)	-	-	-	(15,359,568)
167	Construction in Progress	1,695,724	-	-	-	1,695,724
168	Infrastructure	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	11,465,279	-	-	-	11,465,279
Other non-current assets:						
171	Notes and mortgages receivable - non-current	-	-	-	-	-
172	Notes and mortgages receivable - non-current - past due	-	-	-	-	-
173	Grants Receivable Non Current	-	-	-	-	-
174	Other assets	-	-	-	-	-
175	Undistributed debits	-	-	-	-	-
176	Investment in joint ventures	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	11,465,279	-	-	-	11,465,279
200	Deferred Outflows of Resources	.580,359	-	43,593	-	623,952
290	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 16,041,406	\$ 39,194	\$ 90,578	\$ 67,256	\$ (39,194) \$ 16,199,240

Morristown Housing Authority

N023

Financial Data Schedule (FDS)

September 30, 2020

Line Item #	Account Description	Project Total	14.PHC Public Housing CARES Act Funding	14.HCC HCV CARES Act Funding	ELIM	TOTAL
LIABILITIES AND EQUITY:						
Liabilities:						
311	Current Liabilities:					
312	Bulk payroll liability ≤ 90 days	\$ 225,618	\$ -	\$ 12,532	\$ -	\$ 13,532
313	Accounts payable > 90 days past due	-	-	-	-	322,618
314	Accrued wage payroll taxes payable	26,062	-	5,132	-	31,794
315	Accrued compensated absences - current portion	17,598	-	2,064	-	19,662
316	Accrued contingent liabilities	-	-	-	-	-
317	Accrued interest payable	21,346	-	-	-	21,346
318	Accounts payable - RHD PHA programs	-	-	-	-	-
319	Accounts payable - PHA projects	126,245	-	-	-	126,245
320	Accounts payable - other government	205,851	-	-	-	205,851
321	Tenant security deposits	13,763	-	-	-	13,763
322	Unearned revenue	180,000	-	-	-	180,000
323	Current portion of T-1 debt - capital projects	-	-	-	-	-
324	Current portion of T-1 debt - operating borrowings	-	-	-	-	-
325	Other current liabilities	44,225	-	-	-	44,225
326	Accrued liabilities - other	-	-	-	-	-
327	Interprogram - due to other	-	-	-	-	-
328	Loan liability - current	-	-	-	-	-
310	TOTAL CURRENT LIABILITIES	966,678	39,194	20,328	67,256	(39,194)
NONCURRENT LIABILITIES:						
351	Long-term debt, net of current - capital projects	910,000	-	-	-	910,000
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-
353	Non-current liabilities - other	156,358	-	46,985	-	46,985
354	Accrued compensated absences - noncurrent	-	-	18,361	-	176,919
355	Loan liability - Non Current	-	-	-	-	-
356	FASB 5 Liabilities	1,990,808	-	215,657	-	2,206,865
357	Accrued Pension liability	2,088,680	-	300,610	-	2,389,290
358	Accrued OPEB liability	5,642,236	-	461,113	-	6,126,349
359	TOTAL NONCURRENT LIABILITIES	6,610,504	39,194	50,187	67,256	(39,194)
400	Deferred inflows of Resources	3,226,002	-	329,420	-	3,557,422
500	EQUITY:					
501.1	Invested in Capital Assets, Net of Related Debt	10,375,279	-	-	-	10,375,279
512.1	Restricted Net Assets	2,666	-	-	-	2,666
512.1	Unrestricted Net Assets	(4,75,465)	-	(740,113)	-	(4,916,781)
513	TOTAL EQUITY	6,320,500	39,194	(740,113)	67,256	5,461,707
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	16,041,406	\$ 39,194	\$ 90,779	\$ (39,194)	\$ 16,190,240
	Proof of concept	-	-	-	-	-

Morristown Housing Authority

NJ023

Financial Data Schedule (FDS)

September 30, 2020

Line Item #	Account Description	OPERATING	CAPITAL	14 PHC Public Housing CARDS Act Funding	14 PHC Housing Choice Vouchers	14 PHC RCV CARDS Act Funding	BALN	TOTAL
REVENUE:								
70300	Net tenant rental revenue	\$ 2,340,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,340,276
70400	Tenant revenue-other	2,340,276	-	-	-	-	-	2,340,276
70500	Total tenant revenue	-	-	-	-	-	-	-
70600	HUD PIA grants	1,421,549	\$61,072	140,979	1,290,340	3,654	-	3,415,544
70610	Capital grants	-	360,016	-	-	-	-	360,016
70720	Management fee	-	-	-	-	-	-	-
70730	Asset management fees	-	-	-	-	-	-	-
70740	Administrative fees	-	-	-	-	-	-	-
70750	Tenant line services fee	-	-	-	-	-	-	-
70800	Other fees	-	-	-	-	-	-	-
71100	Other government grants	-	-	-	-	-	-	-
71300	Investment income-unrestricted	11,273	-	-	-	-	-	12,134
71310	Interest on unrestricted accounts	-	-	-	-	-	-	-
71320	Interest on restricted accounts held for sale	-	-	-	-	-	-	-
71331	Cost of sale of assets	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-	-	-
71500	Other revenue	138,661	-	-	9,446	-	-	138,661
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-	-
72000	Interest income-restricted	2,000	-	-	-	-	-	2,000
70000	TOTAL REVENUE	4,059,759	921,088	140,979	1,300,347	3,654	-	6,425,327
EXPENSES:								
Administrative								
91100	Administrative salaries	405,498	80,000	-	84,708	-	-	570,206
91200	Administrative fees	19,700	-	-	2,189	-	-	21,889
91300	Office management fees	-	-	-	-	-	-	-
91400	Administrative & marketing	-	-	-	-	-	-	-
91480	Employee benefit contributions-administrative	234,498	-	-	28,180	-	-	262,678
91600	Office expenses	774,487	2,380	-	11,320	-	-	786,997
91700	Legal expenses	62,552	-	-	7,682	-	-	70,234
91800	Travel-expense overhead	3,680	-	-	409	-	-	4,089
91900	Other	-	-	-	-	-	-	-
92000	Total administrative	1,000,415	82,380	-	134,398	-	-	1,217,133
Rent Management Fee								
92100	Rent management fees	-	-	-	-	-	-	-
92200	Tenant services-salaries	-	-	-	-	-	-	-
92300	Rebates/cost to tenants-rental services	-	-	-	-	-	-	-
92500	Employee benefit contributions-rental services	3,370	-	-	6,279	3,654	-	13,303
92600	Total tenant services	3,370	-	-	6,279	3,654	-	13,303
Utilities								
93100	Water	166,155	-	-	-	-	-	166,155
93200	Electricity	344,331	-	-	-	-	-	344,331
93300	Gas	308,307	-	-	-	-	-	308,307
93400	Fuel	-	-	-	-	-	-	-
93500	Labor	27,500	-	-	-	-	-	27,500
93600	Other	19,311	-	-	-	-	-	19,311
93700	Employee benefit contributions-utilties	12,814	-	-	-	-	-	12,814
93800	Other utilities expense	-	-	-	-	-	-	-
93900	Total utilities	355,048	-	-	-	-	-	355,048
Ordinary maintenance & operation								
94100	Ordinary maintenance and operations-labor	320,066	-	-	-	-	-	320,066
94200	Ordinary maintenance and operations-materials & other	82,870	-	-	-	-	-	82,870
94300	Ordinary maintenance and operations-contract costs	74,442	-	-	-	-	-	74,442
94500	Employee benefit contributions-ordinary maintenance	19,934	-	-	-	-	-	19,934
94600	Total ordinary maintenance	1,831,317	-	-	140,979	-	-	1,720,238

Morristown Housing Authority
NH023
 Financial Data Schedule (FDS)
 September 30, 2020

Line Item #	Account Description	OPERATING	CAPITAL	14.9% Public Housing CARS Act Funding	14.87% Housing Choice Vouchers	LHHC RCV CARS Act Funding	BAL.	TOTAL
Protective services								
95100 Protective services; labor	-	-	-	-	-	-	-	-
95200 Protective services; other contract costs	-	-	-	-	-	-	-	-
95300 Protective services; other	-	-	-	-	-	-	-	-
95350 Employee benefit companies; protective services	-	-	-	-	-	-	-	-
Total protective services								
General expenses								
96110 Property insurance	904,503	-	-	-	-	-	-	-
96120 Liability insurance	45,251	-	-	-	-	-	-	-
96130 Workers' compensation	45,252	-	-	-	-	-	-	-
96140 Other insurance	-	-	-	-	-	-	-	-
96200 Compensation and benefits	33,305	2,614	-	-	-	-	-	-
96210 Compensated absences	80,314	-	-	-	-	-	-	-
96310 Payments in lieu of leaves	-	-	-	-	-	-	-	-
96400 Bad debt - tenant rents	-	-	-	-	-	-	-	-
96500 Bad debt - mortgages	-	-	-	-	-	-	-	-
96600 Interest expenses	-	-	-	-	-	-	-	-
96710 Interest on mortgage (or bonds) payable	-	53,870	-	-	-	-	-	-
96720 Interest on Notes Payable (short and Long Term)	-	-	-	-	-	-	-	-
96730 Amortization of Bond Issue costs	-	-	-	-	-	-	-	-
96800 Service expense	-	-	-	-	-	-	-	-
96900 Total general expenses	394,635	56,684	-	-	-	-	-	371,650
TOTAL OPERATING EXPENSES								
EXTRAMURAL REVENUE OVER OPERATING								
97000 Extramural maintenance	3,314,770	138,864	140,979	163,227	3,654	-	-	4,281,441
97100 Community losses - non capitalized	224,989	78,254	-	1,137,620	-	-	-	2,144,833
97300 Housing assistance payments	-	-	-	-	-	-	-	-
97350 HAP Penibility - in	-	-	-	-	-	-	-	1,259,739
97400 Depreciation expense	-	413,561	-	-	-	-	-	413,561
97800 Rent and leases	-	-	-	-	-	-	-	-
97880 Directing and rent expenses	-	-	-	-	-	-	-	-
99000 TOTAL EXPENSES	4,248,331	138,864	140,979	1,422,966	3,654	-	-	5,955,744
OTHER FINANCING SOURCES (USES)								
10010 Operating transfers and	418,994	-	-	-	-	-	-	418,994
10020 Operating transfers from primary government	-	(418,994)	-	-	-	-	-	(418,994)
10040 Operating transfers from/to competent unit	-	-	-	-	-	-	-	-
10070 Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-
10080 Gain/loss on investments, gains/losses	-	-	-	-	-	-	-	-
10091 Gain/loss on derivative instruments, gains/losses	-	-	-	-	-	-	-	-
10092 Inter-project excess cash transfer in	-	-	-	-	-	-	-	-
10093 Inter-project excess cash transfer out	-	-	-	-	-	-	-	-
10094 Transfers between program and project out	-	-	-	-	-	-	-	-
10100 TOTAL OTHER FINANCING SOURCES (USES)	418,994	(418,994)	-	-	-	-	-	-
10000 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES								
MEMO ACCOUNT INFORMATION:								
11020 Received annual fee reflected amounts	-	-	-	-	-	-	-	-
11030 Beginning equity	5,608,848	-	-	-	(618,594)	-	-	4,990,254
11040 Prior period adjustments and equity transfers	-	-	-	-	-	-	-	-
11170 Administrative fee equity	-	-	-	-	(711,485)	-	-	(711,485)
11180 Unsubsidized assistance, permanent equity	5,640	-	-	(711,485)	2,323	-	-	2,872
11190 Unit months available	-	-	-	-	1,629	-	-	6,874
11210 Number of unit months leased	5,245	-	-	-	-	-	-	-
Equity Roll Forward Test:	-	-	-	-	-	-	-	-
Calculation from RE Statement	\$ 6,202,500	\$ 6,202,500	\$ 6,202,500	\$ 6,202,500	\$ 6,202,500	\$ 6,202,500	\$ 6,202,500	\$ 6,202,500
B/S Line 513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -