

**HOUSING AUTHORITY OF THE  
TOWN OF MORRISTOWN**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**WITH  
REPORT OF INDEPENDENT AUDITORS**

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
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**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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**REPORT OF INDEPENDENT AUDITORS**

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

***Opinion***

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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the accompanying table of contents.

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, 2021, 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.

***Basis for Qualified Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

As more fully described in Notes 12 and 13 to the financial statements, we were unable to obtain sufficient audit evidence for the balances of the net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources, relating to the Authority's defined benefit Pension and OPEB plans because the Pension and OPEB plans for the year ended September 30, 2021 had not yet been audited. Accordingly, the Authority's net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources are reported at their 2020 amounts. We were unable to obtain sufficient appropriate audit evidence for the balances of the net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources relating to the defined benefit Pension and OPEB plans by other auditing procedures. Because the audited actuarial reports for the Pension and OPEB plans have not been released, it is not practicable to quantify the financial effects of this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

### ***Responsibilities of Management for the Financial Statements (continued)***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension and other post employment 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 basic 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 basic financial statements. The accompanying financial data schedule is also not a required part of the 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 the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

*Novogradac & Company LLP*

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June 29, 2022  
Toms River, New Jersey

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

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, 2021. 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 \$6,537,543 (net position) as opposed to \$5,461,787 for the prior fiscal year.
- 2) As of the close of the current fiscal year, the Authority reported ending unrestricted net position (deficit) of (\$4,259,210).
- 3) The Authority's cash and cash equivalent balance (including restricted cash and tenant security deposits) at September 30, 2021 was \$2,369,519 representing an increase of \$440,166 from the prior fiscal year.
- 4) The Authority had total operating revenues of \$6,567,190 and total operating expenses of \$6,086,222 (including depreciation of \$415,449) for the year ended September 30, 2021.
- 5) The Authority's capital outlays for the fiscal year were \$605,521.
- 6) The Authority's expenditures of federal awards amounted to \$4,390,508 for the fiscal year.
- 7) The Authority's liabilities increased \$409,305, primarily due to an increase in the Authority's other post employment benefit liability in the amount of \$486,364.

**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, 2021**

**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 40 of this report.



**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

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 \$1,075,756. 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 \$6,567,190 were more than operating expenses of \$6,086,222.

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 2020 to 2021 are explained below:

HUD operating grants increased \$400,552, primarily due to increased Public and Indian Housing and Section 8 Housing Choice Vouchers program funding in the amounts of \$320,453 and \$707,760, respectively, which was partially offset by a decrease in the operating portion of the Capital Fund Program funding in the amount of \$509,688.

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

The net other post employment benefit liability increased \$486,364, as the Authority recognized the 2020 other post employment benefit liability for the year ended September 30, 2021. The 2021 other post employment benefit information was unavailable during the time of audit, due to the State of New Jersey's actuarial valuation of the State of New Jersey Public Employees Retirement System OPEB Plan not being published as of the date of this report.

The amounts related to pension deferred outflows of resources and deferred inflows of resources, and the pension liability remain unchanged from 2020 due to the State of New Jersey's actuarial valuation of the State of New Jersey Public Employees Retirement System Pension 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, 2021**

**D – Budgetary Highlights**

For the year ended September 30, 2021 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, 2021, the Authority's capital assets, net of accumulated depreciation totaled \$11,656,351. This investment in capital assets includes land, buildings, and equipment.

Major capital assets purchased during the fiscal year totaled \$606,521.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 250,000	\$ 250,000	\$ -
Construction in progress	2,146,672	1,695,724	450,948
Buildings and improvements	22,885,837	22,739,637	146,200
Furniture and equipment	<u>2,748,859</u>	<u>2,739,486</u>	<u>9,373</u>
Total fixed assets	28,031,368	27,424,847	606,521
Less: accumulated depreciation	<u>16,375,017</u>	<u>15,959,568</u>	<u>415,449</u>
Net capital assets	<u>\$ 11,656,351</u>	<u>\$ 11,465,279</u>	<u>\$ 191,072</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, 2021**

**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, 2022.

- 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, 2021**

Composition of Net Position is as follows:

	As of		
	<u>September 30, 2021</u>	<u>September 30, 2020</u>	<u>Variance</u>
Cash and Other Assets	\$ 4,728,857	\$ 4,097,477	\$ 631,380
Capital Assets - Net	11,656,351	11,465,279	191,072
Deferred Outflows of Resources	1,196,896	623,952	572,944
Total Assets and Deferred Outflows	17,582,104	16,186,708	1,395,396
Less: Total Liabilities and Deferred Inflows of Resources	11,044,561	10,724,921	319,640
Net Position	\$ 6,537,543	\$ 5,461,787	\$ 1,075,756
Net Investment in Capital Assets	10,746,351	10,380,561	371,072
Restricted Net Position	50,402	2,686	47,716
Unrestricted Net Position	(4,259,210)	(4,916,178)	656,968
Total Net Position	\$ 6,537,543	\$ 5,461,787	\$ 1,075,756

Computations of Changes in Net Position are as follows:

	Year Ended		
	<u>September 30, 2021</u>	<u>September 30, 2020</u>	<u>Variance</u>
<u>Revenues</u>			
Tenant Revenues	\$ 2,431,093	\$ 2,240,276	\$ 172,817
HUD Operating Grants	3,818,146	3,417,594	400,552
Other Income	317,951	396,307	(78,356)
Total Operating Revenues	6,567,190	6,054,177	513,013
<u>Expenses</u>			
Other Operating Expenses	3,845,185	4,227,624	(382,439)
Housing Assistance Payments	1,825,588	1,259,739	565,849
Depreciation Expense	415,449	413,561	1,888
Total Operating Expenses	6,086,222	5,900,924	185,298
Operating Income	480,968	153,253	327,715
<u>Non-Operating Revenues (Expenses)</u>			
Interest Expense	(50,750)	(53,870)	3,120
Interest on Investments	14,591	12,134	2,457
Capital Grants	630,947	360,016	270,931
Net non-operating revenues	594,788	318,280	276,508
Excess Revenues	1,075,756	471,533	604,223
Net Position - Beginning of Year	5,461,787	4,990,254	471,533
Net Position - End of Year	\$ 6,537,543	\$ 5,461,787	\$ 1,075,756

## **FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2021**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 2,005,137
Tenant security deposits	199,697
Investments, current	750,616
Accounts receivable, net	1,117,155
Prepaid expenses	<u>78,670</u>
Total current assets	<u>4,151,275</u>
Non-current assets:	
Restricted cash	164,685
Investments, non-current	412,897
Capital assets, net	<u>11,656,351</u>
Total non-current assets	<u>12,233,933</u>
Total assets	<u>16,385,208</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	501,054
State of New Jersey S.H.B.P.	<u>695,842</u>
Deferred outflows of resources	<u>1,196,896</u>
Total assets and deferred outflows of resources	<u>\$ 17,582,104</u>

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**STATEMENT OF NET POSITION (continued)**  
**AS OF SEPTEMBER 30, 2021**

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 598,821
Accrued expenses	24,575
Tenant security deposits	198,291
Prepaid rent	106,088
Accrued compensated absences, current	18,634
Loan payable, current	185,000
Accrued interest payable	19,604
Other current liabilities	<u>22,510</u>
Total current liabilities	<u>1,173,523</u>
Non-current liabilities:	
Accrued compensated absences, non-current	167,704
Accrued pension liability	2,206,845
Accrued OPEB liability	3,272,384
Loan payable, non-current	725,000
Other non-current liabilities	<u>31,348</u>
Total non-current liabilities	<u>6,403,281</u>
Total liabilities	<u>7,576,804</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>2,130,807</u>
Total deferred inflows of resources	<u>3,467,757</u>

**NET POSITION**

Net position:	
Net investment in capital assets	10,746,351
Restricted	50,402
Unrestricted	<u>(4,259,210)</u>
Total net position	<u>6,537,543</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 17,582,104</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, 2021**

Operating revenues:	
Tenant revenue	\$ 2,431,093
HUD operating grants	3,818,146
Other revenues	<u>317,951</u>
Total operating revenues	<u>6,567,190</u>
Operating expenses:	
Administrative	1,480,133
Utilities	993,406
Ordinary repairs and maintenance	951,415
Insurance	187,116
General expenses	227,115
Extraordinary maintenance	6,000
Housing assistance payments	1,825,588
Depreciation	<u>415,449</u>
Total operating expenses	<u>6,086,222</u>
Operating income	<u>480,968</u>
Non-operating revenues (expenses):	
Investment income	14,591
Interest expense	<u>(50,750)</u>
Net non-operating expenses	<u>(36,159)</u>
Income before capital grants	444,809
Capital grants	<u>630,947</u>
Change in net position	<u>1,075,756</u>
Total net position, beginning of year	<u>5,461,787</u>
Total net position, end of year	<u><u>\$ 6,537,543</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, 2021**

Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 3,022,462
Cash received from grantors	3,431,257
Cash paid to employees	(1,489,342)
Cash paid to vendors and suppliers	<u>(4,327,136)</u>
Net cash provided by operating activities	<u>637,241</u>
Cash Flows from Capital and Related Financing Activities:	
Principal payments of bonds/notes	(180,000)
Interest paid on long term debt	(52,492)
Proceeds from capital grants	630,947
Purchase of capital assets	<u>(606,521)</u>
Net cash used in capital and related financing activities	<u>(208,066)</u>
Cash Flows from Investing Activities:	
Investment income	14,591
Purchase of investments	<u>(3,600)</u>
Net cash provided by investing activities	<u>10,991</u>
Net increase in cash, cash equivalents, and restricted cash	440,166
Cash, cash equivalents, and restricted cash, beginning of period	<u>1,929,353</u>
Cash, cash equivalents, and restricted cash, end of period	<u><u>\$ 2,369,519</u></u>
Reconciliation of cash, cash equivalents, and restricted cash to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 2,005,137
Tenant security deposits	199,697
Restricted cash	<u>164,685</u>
Cash, cash equivalents, and restricted cash, end of period	<u><u>\$ 2,369,519</u></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, 2021**

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	480,968
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		415,449
Bad debt expense		111,719
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net		(296,591)
Prepaid expenses		(2,742)
Deferred outflows of resources		(572,944)
Accounts payable		143,948
Accrued expenses		(9,209)
Tenant security deposits liability		(7,530)
Unearned revenue		25,069
Accrued compensated absences		(10,243)
Other liabilities		(37,352)
Accrued OPEB liability		486,364
Deferred inflows of resources		<u>(89,665)</u>
Net cash provided by operating activities	\$	<u><u>637,241</u></u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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, 2021**

**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, 2021**

**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, 2021, 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, 2021**

**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.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2021**

**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, 2021, 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, 2021**

**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, 2021**

**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 ("JIF"). 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, 2021**

**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 previous three years .

**NOTE 2. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH**

As of September 30, 2021, 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 \$2,369,519, and the bank balances approximated \$2,426,426.

<u>Cash Category</u>	<u>Amount</u>
Unrestricted	\$ 2,005,137
Tenant security deposits	199,697
Restricted	<u>164,685</u>
Total cash, cash equivalents, and restricted cash	\$ <u><u>2,369,519</u></u>

Of the bank balances, \$252,596 was covered by federal depository insurance and the remaining \$2,173,830 was collateralized by GUDPA as of September 30, 2021.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2021, the Authority's bank balances were not exposed to custodial credit risk.

**NOTE 3. INVESTMENTS**

Investments are stated at fair value, which approximate their cost and consisted of the following as of September 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of Deposit:		
Provident Bank	\$ 412,897	March 30, 2023
Provident Bank	283,306	September 3, 2022
Provident Bank	79,482	June 4, 2022
Provident Bank	180,181	August 7, 2022
Provident Bank	<u>207,647</u>	December 31, 2021
Total investments	\$ <u><u>1,163,513</u></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, 2021**

**NOTE 4. ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consists of the following at September 30, 2021:

<u>Description</u>	<u>Amount</u>
Accounts receivable - HUD	\$ 892,762
Accounts receivable - tenants, net	31,431
Accounts receivable - miscellaneous	<u>192,962</u>
Total accounts receivable, net	\$ <u><u>1,117,155</u></u>

Accounts Receivable - HUD

As of September 30, 2021, 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 \$138,707.

Accounts Receivable - Miscellaneous

As of September 30, 2021, Accounts receivable - miscellaneous consisted of amounts due from insurance and RAD closing 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, 2021, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Amount</u>
Housing assistance payment reserve	\$ 47,806
Family Self Sufficiency program escrows	47,027
NJHMFA 2004 Capital Fund Revenue Bond interest	2,596
Tenant security deposits	199,697
Section 8 Housing Choice Vouchers - CARES Act Funding	<u>67,256</u>
Total restricted deposits	\$ <u><u>364,382</u></u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

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, 2021**

**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, 2021:

Description	September 30, 2020	Additions	Dispositions	Transfers	September 30, 2021
<u>Non-depreciable:</u>					
Land	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Construction in progress	<u>1,695,724</u>	<u>450,948</u>	<u>-</u>	<u>-</u>	<u>2,146,672</u>
Total	<u>1,945,724</u>	<u>450,948</u>	<u>-</u>	<u>-</u>	<u>2,396,672</u>
<u>Depreciable:</u>					
Buildings and improvements	22,739,637	146,200	-	-	22,885,837
Furniture and equipment	<u>2,739,486</u>	<u>9,373</u>	<u>-</u>	<u>-</u>	<u>2,748,859</u>
Total	<u>25,479,123</u>	<u>155,573</u>	<u>-</u>	<u>-</u>	<u>25,634,696</u>
Less: accumulated depreciation	<u>15,959,568</u>	<u>415,449</u>	<u>-</u>	<u>-</u>	<u>16,375,017</u>
Net capital assets	<u>\$ 11,465,279</u>	<u>\$ 191,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,656,351</u>

Depreciation expense for the year ended September 30, 2021 amounted to \$415,449.

**NOTE 7. ACCOUNTS PAYABLE**

As of September 30, 2021, accounts payable consisted of the following:

<u>Description</u>	<u>Amount</u>
Accounts payable - vendors	\$ 415,704
Accounts payable - PHA projects	16,891
Accounts payable - other governments	<u>166,226</u>
Total accounts payable	<u>\$ 598,821</u>

Accounts Payable - Vendors

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

Accounts Payable - PHA Projects

Accounts payable - PHA projects represents the amounts payable to the managing PHA's under the portability provisions of the HCV program.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2021**

**NOTE 7. ACCOUNTS PAYABLE (continued)**

Accounts Payable - Other Governments

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

**NOTE 8. NON-CURRENT LIABILITIES**

Non-current liabilities as of September 30, 2021 consisted of the following:

Description	September 30, 2020	Additions	Payments	September 30, 2021	Amounts due within one Year
Compensated absences	\$ 196,581	\$ -	\$ (10,243)	\$ 186,338	\$ 18,634
Accrued pension liability	2,206,845	-	-	2,206,845	-
Accrued OPEB liability	2,786,020	486,364	-	3,272,384	-
Loan payable	1,090,000	-	(180,000)	910,000	185,000
Family self-sufficiency escrows	<u>46,985</u>	<u>-</u>	<u>(15,637)</u>	<u>31,348</u>	<u>-</u>
Total long-term liabilities	\$ <u>6,326,431</u>	\$ <u>486,364</u>	\$ <u>(205,880)</u>	\$ <u>6,606,915</u>	\$ <u>203,634</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, 2021, PILOT expense totaled \$106,342.

**NOTE 10. LOAN PAYABLE**

Loan payable as of September 30, 2021 consisted of the following:

<u>Description</u>	<u>Amount</u>
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. The net funds received from the leveraging pool were restricted and spent in accordance with the Authority's capital fund budget. Repayment of the funds is secured with and paid solely from Capital Fund Allocations received by the Authority from HUD. The bonds mature November 1, 2025.	\$ 910,000
Less: current portion	<u>185,000</u>
Loan payable, net of current portion	\$ <u>725,000</u>

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2021**

**NOTE 10. LOAN PAYABLE (continued)**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 185,000	\$ 40,655	\$ 225,655
2023	195,000	31,903	226,903
2024	205,000	22,560	227,560
2025	215,000	12,807	227,807
2026	<u>110,000</u>	<u>2,585</u>	<u>112,585</u>
	<u>\$ 910,000</u>	<u>\$ 110,510</u>	<u>\$ 1,020,510</u>

Interest expense for the year ended September 30, 2021 totaled \$50,750.

**NOTE 11. RESTRICTED NET POSITION**

Restricted net position consists of the following as of September 30, 2021:

<u>Description</u>	<u>Amount</u>
Housing Assistance Payments reserves	\$ 47,806
NJHMFA 2004 Capital Fund Revenue Bond interest	<u>2,596</u>
Total restricted net position	<u>\$ 50,402</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

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**

The information required to present the schedule of changes in net pension liability was not available as of September 30, 2021 and the date of this report. The net pension 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, 2021 balances for the net pension 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, 2020.

**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>.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2021**

**NOTE 12. PENSION PLAN (continued)**

**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

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, 2021, 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.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2021**

**NOTE 12. PENSION PLAN (continued)**

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

For the year ended September 30, 2021, the Authority recognized pension expense of \$148,042. At September 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of Assumptions	\$ 71,593	\$ (924,027)
Changes in Proportion	313,846	(405,119)
Differences between expected and actual experience	40,183	(7,804)
Net differences between actual and projected earnings on pension plan investments	<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%
	based on years of service
Investment rate of return	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, 2021**

**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, 2021**

**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 ( <u>6.00%</u> )	Discount Rate ( <u>7.00%</u> )	1% Increase ( <u>8.00%</u> )
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, 2021 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, 2021 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, 2020.

**A. Plan Description**

The State Health Benefit Local Government Retired Employees Plan ("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 of 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, 2021**

**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, 2021, the Authority reported a liability of \$3,272,384, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and rolled forward to June 30, 2020.

For the year ended September 30, 2021, the Authority recognized an OPEB benefit of \$110,802. At September 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of Assumptions	\$ 489,446	\$ (727,728)
Changes in Proportion	49,722	(793,700)
Differences between expected and actual experience	86,192	(609,379)
Net differences between projected and actual investment earnings on OPEB plan investments	2,078	-
Contributions paid subsequent to the measurement date	<u>68,404</u>	<u>-</u>
Total	\$ <u><u>695,842</u></u>	\$ <u><u>(2,130,807)</u></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:

	<u>Amount</u>
Year ending September 30:	
2021	\$ (332,399)
2022	(332,700)
2023	(333,187)
2024	(333,632)
2025	(227,495)
Thereafter	<u>124,448</u>
	\$ <u><u>(1,434,965)</u></u>

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2021**

**NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (continued)**

**D. Actuarial Assumptions**

The total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. 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, 2019 valuation were based on the results of the pension plans' experience studies prepared for July 1, 2013 to June 30, 2018. 100% of active members are considered to participate in the Plan upon retirement.

**E. Discount Rate**

The discount rate used to measure the total OPEB liability was 2.21% as of June 30, 2020. This represents the municipal bond return rate chosen by 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 2.21%, 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 (1.21%) or 1 percentage point higher (3.21%) than the current rate.

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Authority's proportionate share of the net OPEB liability	\$ <u>3,868,651</u>	\$ <u>3,272,384</u>	\$ <u>2,800,387</u>

**G. Healthcare Trend Assumptions**

For pre-Medicare medical benefits, the trend rate is initially 5.6% 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 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7% and decreases to a 4.5% long-term trend rate after seven years.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2021**

**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 pension 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>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net OPEB liability	\$ <u>2,707,902</u>	\$ <u>3,272,384</u>	\$ <u>4,011,584</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, 2021, 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 PHA's, 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 June 29, 2022 (the date the financial statements were available to be issued). As of September 30, 2021, the following subsequent events were noted:

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2021**

**NOTE 15. SUBSEQUENT EVENTS (continued)**

- On December 21, 2021, the Wetmore Properties, part of the Authority's Public and Indian Housing Program, were sold to OHAS Morristown Senior Village, LLC in a RAD transaction. The Wetmore Properties, a collection of buildings that house senior citizens and disabled residents, are 270 of the 470 public housing units owned by the Authority. As part of the transaction, the Authority received a 0.15% ownership in OHAS Morristown Senior Village, LLC through its affiliate Morristown Senior Village, LLC, which includes a base rent payment in the amount of \$9,000,000. As of June 29, 2022, the Authority received \$7,821,000 of the total base rent amount. Each of the units in the Wetmore Properties are under a Section 8 Housing Assistance Program contract administered by the Authority, which adds 270 vouchers to the Authority's Section 8 Housing Choice Vouchers Program, essentially tripling the number of vouchers administered by the Authority. Starting January 1, 2022, approximately 430 vouchers will be administered by the Authority.
- In December of 2021, the Authority provided \$2,000,000 to the developer for the Wetmore Properties. This \$2,000,000 is for the payment of pre-development third party expenses related to the Wetmore Properties RAD transaction, and the upcoming family RAD transaction for the remaining 200 units. This \$2,000,000 has no expectation of return to the Authority.
- In December of 2021, as part of the RAD transaction, the Authority paid off the outstanding balance in Capital Fund Revenue Bonds using proceeds from the 2021 Capital Fund allocations. The balance of the Capital Fund Revenue Bonds as of September 30, 2021 was \$910,000.

**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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated June 29, 2022.

***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.

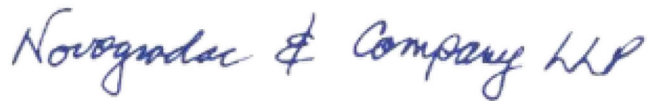
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

A handwritten signature in blue ink that reads "Novogradec & Company LLP". The signature is written in a cursive, flowing style.

June 29, 2022  
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:

***Opinion on Each Major Federal Program***

We have audited the Housing Authority of the County of Santa Barbara'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, 2021. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2021.

***Basis for Opinion on Each Major Federal Program***

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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State of New Jersey OMB Circular 15-08, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State of New Jersey OMB Circular 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on the major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on 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.

***Report on Internal Control over Compliance (continued)***

*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 2021-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other 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. Accordingly, this report is not suitable for any other purpose.

*Novogrudac & Company LLP*

June 29, 2022  
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, 2021**

Federal Grantor/Program Title	Federal CFDA Number	State Pass- through Number	Grant Period		Grant Award	Fiscal Year Expenditures	Cumulative Expenditures
			From	To			
<u>U.S. Department of Housing and Urban Development</u>							
Housing Voucher Cluster							
Section 8 Housing Choice Voucher	14.871	N/A	10/01/20	9/30/21	\$ 1,939,515	\$ 1,939,515	\$ 1,939,515
Total Housing Voucher Cluster					1,939,515	1,939,515	1,939,515
Public and Indian Housing	14.850	N/A	1/1/19	12/31/21	3,255,922	1,742,002	2,784,432
Public and Indian Housing - CARES Act	14.PHC	N/A	1/1/20	12/31/21	219,363	26,660	167,639
Public Housing Capital Fund	14.872	N/A	4/16/19	4/15/22	3,216,109	682,331	1,488,009
Total U.S. Department of Housing and Urban Development/Total Federal Expenditures					\$ 8,630,909	\$ 4,390,508	\$ 6,379,595

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, 2021**

**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, 2021. 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, 2021**

**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, 2021 are provided herein:

	<u>501-19</u>	<u>501-20</u>	<u>Totals</u>
<u>Budget</u>	\$ <u>1,006,980</u>	\$ <u>1,079,169</u>	\$ <u>2,086,149</u>
<u>Advances:</u>			
Cumulative through 9/30/20	\$ 317,133	\$ 113,961	\$ 431,094
Current Year	<u>116,710</u>	<u>114,674</u>	<u>231,384</u>
Cumulative through 9/30/21	<u>433,843</u>	<u>228,635</u>	<u>662,478</u>
<u>Costs:</u>			
Cumulative through 9/30/20	691,717	113,961	805,678
Current Year	<u>116,710</u>	<u>565,621</u>	<u>682,331</u>
Cumulative through 9/30/21	<u>808,427</u>	<u>679,582</u>	<u>1,488,009</u>
Excess / (Deficiency)	\$ <u>(374,584)</u>	\$ <u>(450,947)</u>	\$ <u>(825,531)</u>

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2021**

**I. Summary of Auditors' Results**

**Financial Statement Section**

- |    |   |               |
|----|---|---------------|
| 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            |

**Federal Awards Section**

- |    |  |            |
|----|--|------------|
| 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:   |            |
|    | 14.871                      Section 8 Housing Choice Vouchers                                      | Unmodified |
| 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:  |            |
|    | <u>CFDA Number</u> <u>Name of Federal Program</u>  |            |
|    | 14.871                      Section 8 Housing Choice Vouchers                                      |            |
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs:                           | \$750,000  |
| 6. | Auditee qualified as low-risk Auditee?   | No         |



**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
YEAR ENDED SEPTEMBER 30, 2021**

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 2021-001**

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

Federal Program Titles: Section 8 Housing Choice Vouchers Program

Federal Catalog Numbers: 14.871

Noncompliance – N. Special Tests and Provisions – Housing Quality Standards

Non Compliance Material to the Financial Statements: No

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

Criteria: Housing Quality Standards Inspections. The PHA must inspect the unit leased to a family at least annually to determine if the unit meets the Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)). For units that fail inspection the PHA must correct all life threatening HQS deficiencies within 24 hours and all other deficiencies within 30 days.

Condition: Based upon inspection of the Authority's files and on discussions with management, the Authority did not properly abate three (3) out of four (4) annual failed inspections selected for testing.

Context: The Authority did not properly abate three (3) out of four (4) failed inspections selected for testing. As a result, the Authority was not in compliance with Housing Quality Standards (HQS) as required by 24 CFR sections 982.158(d) and 982.405(b).

Cause: There is a significant deficiency in internal controls over compliance for the special tests and provisions type of compliance related to HQS inspections. 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 Section 8 Housing Choice Vouchers Program is in non-compliance with the special tests and provisions type of compliance related to HQS inspections.

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

Authority Response: We agree with the Auditor's observations on the re-inspection of the failed units.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
YEAR ENDED SEPTEMBER 30, 2021**

IV: Schedule of Prior Year Audit Findings

**Finding 2020-001**

Observation: 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.

Based on discussions with management, it could not be determined with any certainty that new move-ins in the Public and Indian Housing Program 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.

Status: The finding has been cleared.

**HOUSING AUTHORITY OF THE TOWN OF MORRISTOWN  
REQUIRED PENSION INFORMATION  
SEPTEMBER 30, 2021**

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

	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018	September 30, 2019	September 30, 2020	September 30, 2021 (A)
Contractually required contribution	\$ 106,394	\$ 130,392	\$ 136,087	\$ 155,421	\$ 123,752	\$ 148,042	\$ 136,393
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>	<u>136,393</u>
(Over) / under funded	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <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>	\$ <u>1,096,657</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>	<u>12.44 %</u>

(A) Information relating to the defined benefit Pension plan was not available because the Pension plan for the year ended September 30, 2021 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 PENSION INFORMATION (continued)  
SEPTEMBER 30, 2021**

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

	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018	September 30, 2019	September 30, 2020	September 30, 2021 (A)
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>	<u>- %</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>	<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>	<u>\$ 1,096,657</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>	<u>201.23 %</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>	<u>58.32 %</u>

(A) Information relating to the defined benefit Pension plan was not available because the Pension plan for the year ended September 30, 2021 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, 2021**

**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</u>	September 30 <u>2021 (A)</u>
Statutorily required contribution	\$ 233,127	\$ 44,824	\$ 261,045	\$ 266,414	\$ 251,480
Contributions in relation to the statutorily required contribution	<u>233,127</u>	<u>44,824</u>	<u>261,045</u>	<u>266,414</u>	<u>251,480</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <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>	\$ <u>1,096,657</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>	<u>22.93 %</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, 2021**

<b>SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET OPEB LIABILITY FOR THE LAST TEN FISCAL YEARS***</b>	<b>September 30 2017</b>	<b>September 30 2018</b>	<b>September 30 2019</b>	<b>September 30 2020</b>	<b>September 30 2021 (A)</b>
Authority's proportion of the net OPEB liability	<u>0.0210 %</u>	<u>0.0203 %</u>	<u>0.0206 %</u>	<u>0.0182 %</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>\$ 3,272,384</u>	<u>\$ 3,272,384</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>	<u>\$ 1,096,657</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>318.37 %</u>	<u>298.40 %</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.03 %</u>	<u>1.97 %</u>	<u>1.98 %</u>	<u>0.92 %</u>	<u>0.92 %</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.

Morristown Housing Authority									
NJ023									
Financial Data Schedule (FDS)									
September 30, 2021									
Line Item #	Account Description	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	ELIM	TOTAL		
ASSETS:									
CURRENT ASSETS:									
Cash:									
111	Cash - unrestricted	\$ 1,980,476	\$ -	\$ 24,661	\$ -	\$ -	2,005,137		
112	Cash - restricted - modernization and development	-	-	-	-	-	-		
113	Cash - other restricted	2,596	-	94,833	67,256	-	164,685		
114	Cash - tenant security deposits	199,697	-	-	-	-	199,697		
115	Cash - restricted for payment of current liabilities	-	-	-	-	-	-		
100	Total cash	2,182,769	-	119,494	67,256	-	2,369,519		
Accounts and notes receivables:									
121	Accounts receivable - PHA projects	-	-	-	-	-	-		
122	Accounts receivable - HUD other projects	826,908	65,854	-	-	-	892,762		
124	Accounts receivable - other government	-	-	-	-	-	-		
125	Accounts receivable - miscellaneous	192,962	-	-	-	-	192,962		
126	Accounts receivable- tenants	170,138	-	-	-	-	170,138		
126.1	Allowance for doubtful accounts - tenants	(138,707)	-	-	-	-	(138,707)		
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-		
127	Notes and mortgages receivable- current	-	-	-	-	-	-		
128	Fraud recovery	-	-	-	-	-	-		
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-		
129	Accrued interest receivable	-	-	-	-	-	-		
120	Total receivables, net of allowances for doubtful accounts	1,051,301	65,854	-	-	-	1,117,155		
Current investments									
131	Investments - unrestricted	1,163,513	-	-	-	-	1,163,513		
132	Investments - restricted	-	-	-	-	-	-		
135	Investments - restricted for payment of current liability	-	-	-	-	-	-		
142	Prepaid expenses and other assets	78,670	-	-	-	-	78,670		
143	Inventories	-	-	-	-	-	-		
143.1	Allowance for obsolete inventories	-	-	-	-	-	-		
144	Interprogram - due from	65,854	-	-	-	(65,854)	-		
145	Assets held for sale	-	-	-	-	-	-		
150	TOTAL CURRENT ASSETS	4,542,107	65,854	119,494	67,256	(65,854)	4,728,857		
NONCURRENT ASSETS:									
Fixed assets:									
161	Land	250,000	-	-	-	-	250,000		
162	Buildings	22,885,837	-	-	-	-	22,885,837		
163	Furniture, equipment & machinery - dwellings	1,053,684	-	-	-	-	1,053,684		
164	Furniture, equipment & machinery - administration	1,695,175	-	-	-	-	1,695,175		
165	Leasehold improvements	-	-	-	-	-	-		
166	Accumulated depreciation	(16,375,017)	-	-	-	-	(16,375,017)		
167	Construction in Progress	2,146,672	-	-	-	-	2,146,672		
168	Infrastructure	-	-	-	-	-	-		
160	Total fixed assets, net of accumulated depreciation	11,656,351	-	-	-	-	11,656,351		
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	11,656,351	-	-	-	-	11,656,351		
200	Deferred Outflows of Resources	1,076,156	-	120,740	-	-	1,196,896		
290	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 17,274,614	\$ 65,854	\$ 240,234	\$ 67,256	\$ (65,854)	\$ 17,582,104		

Morristown Housing Authority									
NJ023									
Financial Data Schedule (FDS)									
September 30, 2021									
Line Item #	Account Description	Project Total	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	ELIM	TOTAL		
LIABILITIES AND EQUITY:									
Liabilities:									
Current Liabilities:									
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	-		
312	Accounts payable ≤ 90 days	415,704	-	-	-	-	415,704		
313	Accounts payable ≥ 90 days past due	-	-	-	-	-	-		
321	Accrued wage/payroll taxes payable	23,687	-	888	-	-	24,575		
322	Accrued compensated absences - current portion	17,266	-	1,368	-	-	18,634		
324	Accrued contingency liability	-	-	-	-	-	-		
325	Accrued interest payable	19,604	-	-	-	-	19,604		
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-		
332	Accounts payable - PHA projects	-	-	16,891	-	-	16,891		
333	Accounts payable - other government	166,226	-	-	-	-	166,226		
341	Tenant security deposits	198,291	-	-	-	-	198,291		
342	Unearned revenue	38,832	-	-	67,256	-	106,088		
343	Current portion of L-T debt - capital projects	185,000	-	-	-	-	185,000		
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-		
345	Other current liabilities	-	-	-	-	-	-		
346	Accrued liabilities - other	22,510	-	-	-	-	22,510		
347	Interprogram - due to	-	65,854	-	-	(65,854)	-		
348	Loan liability - Current	-	-	-	-	-	-		
310	TOTAL CURRENT LIABILITIES	1,087,120	65,854	19,147	67,256	(65,854)	1,173,523		
NONCURRENT LIABILITIES:									
351	Long-term debt, net of current - capital projects	725,000	-	-	-	-	725,000		
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-		
353	Non-current liabilities- other	-	-	31,348	-	-	31,348		
354	Accrued compensated absences - noncurrent	155,391	-	12,313	-	-	167,704		
355	Loan Liability - Non Current	-	-	-	-	-	-		
356	FASB 5 Liabilities	-	-	-	-	-	-		
357	Accrued Pension liability	1,990,888	-	215,957	-	-	2,206,845		
358	Accrued OPEB liability	3,006,855	-	265,529	-	-	3,272,384		
350	TOTAL NONCURRENT LIABILITIES	5,878,134	-	525,147	-	-	6,403,281		
300	TOTAL LIABILITIES	6,965,254	65,854	544,294	67,256	(65,854)	7,576,804		
400	Deferred Inflows of Resources	3,150,410	-	317,347	-	-	3,467,757		
EQUITY:									
508.1	Invested in Capital Assets, Net of Related Debt	10,746,351	-	-	-	-	10,746,351		
511.1	Restricted Net Assets	2,596	-	47,806	-	-	50,402		
512.1	Unrestricted Net Assets	(3,589,997)	-	(669,213)	-	-	(4,259,210)		
513	TOTAL EQUITY	7,158,950	-	(621,407)	-	-	6,537,543		
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 17,274,614	\$ 65,854	\$ 240,234	\$ 67,256	\$ (65,854)	\$ 17,582,104		
Proof of concept									
		-	-	-	-	-	-		



Morristown Housing Authority									
NJ023									
Financial Data Schedule (FDS)									
September 30, 2021									

<b>Morristown Housing Authority</b>									
<b>NJ023</b>									
Financial Data Schedule (FDS)									
September 30, 2021									
Line Item #	Account Description	OPERATING	CAPITAL	14.PHC Public Housing CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	ELIM	TOTAL	
Protective services									
95100	Protective services - labor	-	-	-	-	-	-	-	-
95200	Protective services - other contract costs	-	-	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-	-	-
95500	Employee benefit contributions- protective services	-	-	-	-	-	-	-	-
	Total protective services	-	-	-	-	-	-	-	-
General expenses									
96110	Property insurance	92,104	-	-	-	-	-	92,104	-
96120	Liability insurance	46,053	-	-	-	-	-	46,053	-
96130	Workers' compensation	46,054	-	-	2,905	-	-	48,959	-
96140	All other insurance	-	-	-	-	-	-	-	-
96200	Other general expenses	-	2,215	-	5,345	-	-	7,560	-
96210	Compensated absences	1,494	-	-	-	-	-	1,494	-
96300	Payments in lieu of taxes	106,342	-	-	-	-	-	106,342	-
96400	Bad debt - tenant rents	111,719	-	-	-	-	-	111,719	-
96500	Bad debt - mortgages	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-	-	-
96710	Interest of mortgage (or bonds) payable	-	47,373	-	-	-	-	47,373	-
96720	Interest on Notes Payable (Short and Long Term)	3,377	-	-	-	-	-	3,377	-
96730	Amortization of bond issue costs	-	-	-	-	-	-	-	-
96800	Sovereign expense	-	-	-	-	-	-	-	-
	Total general expenses	407,143	49,588	-	8,250	-	-	464,981	-
96900	<b>TOTAL OPERATING EXPENSES</b>	3,699,760	49,588	26,660	113,927	-	-	3,889,935	-
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING</b>	745,156	632,743	-	1,944,894	-	-	3,322,793	-
Extraordinary maintenance									
97100	Extraordinary maintenance	6,000	-	-	-	-	-	6,000	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	1,798,354	-	-	1,798,354	-
97350	HAP Portability - in	-	-	-	27,234	-	-	27,234	-
97400	Depreciation expense	415,449	-	-	-	-	-	415,449	-
97500	Fraud losses	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-
98000	<b>TOTAL EXPENSES</b>	4,121,209	49,588	26,660	1,939,515	-	-	6,136,972	-
OTHER FINANCING SOURCES (USES)									
10010	Operating transfers in	-	-	-	-	-	-	-	-
10020	Operating transfers out	-	-	-	-	-	-	-	-
10030	Operating transfers from to primary government	-	-	-	-	-	-	-	-
10040	Operating transfers from to component unit	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-
10080	Special items (net gain/loss)	-	-	-	-	-	-	-	-
10091	Inter Project excess cash transfer in	-	-	-	-	-	-	-	-
10092	Inter Project excess cash transfer out	-	-	-	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-	-	-	-
10100	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	-	-	-	-	-
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	323,707	632,743	-	119,306	-	-	1,075,756	-
MEMO ACCOUNT INFORMATION:									
11020	Required annual debt principal payments	-	-	-	-	-	-	-	-
11030	Beginning equity	6,202,500	-	-	(740,713)	-	-	5,461,787	-
11040	Prior period adjustments and equity transfers	-	-	-	-	-	-	-	-
11170	Administrative fee equity	-	-	-	(692,944)	-	-	(692,944)	-
11180	Housing assistance payments equity	-	-	-	47,806	-	-	47,806	-
11190	Unit months available	5,640	-	-	(645,138)	-	-	(645,138)	-
11210	Number of unit months leased	4,910	-	-	2,232	-	-	7,872	-
					1,724	-	-	6,634	-
Equity Roll Forward Test:									
	Calculation from R/E Statement	\$ 7,158,950	\$ -	\$ -	\$ (621,407)	\$ -	\$ -	\$ 6,537,543	-
	B/S Line 513	\$ 7,158,950	\$ -	\$ -	\$ (621,407)	\$ -	\$ -	\$ 6,537,543	-
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-