

**Report On Audit**

**HOUSING AUTHORITY OF THE  
COUNTY OF MORRIS**

**For the Year Ended  
December 31, 2012**

**Housing Authority of the County of Morris**  
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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Housing Authority of the County of Morris (a nonprofit corporation) in Morris County, New Jersey, hereafter referred to as the Authority, which comprise the statement of net assets as of December 31, 2012 and 2011, and the related statement of revenue, expenses and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Housing Authority of the County of Morris preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Morris' internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Housing Authority of the County of Morris as of December 31, 2012 and 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 17 and pages 51-52 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued reports dated May 9, 2013 on our consideration of Housing Authority of the County of Morris' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: May 9, 2013

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

As Management of the Housing Authority of the County of Morris (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 18 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**FINANCIAL HIGHLIGHTS**

Assets of the Authority's enterprise fund were \$23,722,797 greater than the liabilities, a decrease in the financial position of \$478,093 or a 2% percent decrease.

As noted above, the assets of the Authority exceeded its liabilities by \$23,722,797 as of December 31, 2012. Of this amount, the unrestricted net asset portion is \$2,987,453 representing an increase of \$197,046 or 7% percent from the previous year. The investment in fixed assets decreased \$497,256 or 2% percent for an ending balance of \$19,712,123. The restricted net assets decreased \$177,883 from the previous year. Additional information on the Authority's restricted and unrestricted net assets can be found in Note 24 and 25 to the financial statements, which is included in this report.

The Authority's cash, and cash equivalent at December 31, 2012 is \$2,297,876 representing a decrease of \$1,734,567 or 43% percent from the prior calendar year. The Authority's cash and cash equivalent decreased mainly due to the purchase of investments in the amount of \$1,035,009. The full detail of this amount can be found in the Statement of Cash Flow on page 20 of this report.

The Authority's total assets are \$28,411,724 of which capital assets net book value is \$23,611,942, other noncurrent assets are \$188,046, leaving total current assets at \$4,611,736. Total current assets decreased from the previous year by \$713,921 or 13% percent. Cash and cash equivalents decreased by \$1,734,567, accounts receivables increased by \$44, investments increased by \$1,035,009, and prepaid expenses decreased by \$14,407. Total other noncurrent assets decreased \$11,292 and consist of grants receivable - noncurrent decreased in the amount of \$10,000 and the unamortized portion of the bond cost decreased in the amount of \$1,292.

The Authority's total liabilities are reported at \$4,688,927, of which noncurrent liabilities are stated at \$4,090,604. Total liabilities decreased during the year as compared to the prior year in the amount of \$827,626 or 15% percent. Total current liabilities decreased during the year by \$773,516, leaving noncurrent liabilities for a decrease of \$54,110 as compared to the previous year.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total current liabilities decreased from the previous year by \$773,516 or 56% percent. Accounts payables decreased by \$788,354, accrued liabilities increased by \$362, tenant security deposit payable increased by \$8,391, deferred revenue increased by \$2,352, mortgage payable current portion increased \$7,245, and other current liabilities decreased by \$3,512.

Total noncurrent liabilities decreased by \$54,110 or 1% percent. The decrease was made up of three accounts, accrued compensated absences – long term with no offsetting assets, increased \$7,976 or 5% percent from the prior year for an ending balance of \$157,820, other noncurrent liabilities increased \$34,258 or 34% percent from the prior year, and loans and mortgage payable – noncurrent decreased \$96,344 or 2% percent for an ending balance of \$3,797,626.

The Authority had total operating revenue of \$10,352,197 as compared to \$10,567,299 from the prior year for a decrease of \$215,102 or 2% percent. Total operating expenses were \$10,915,051 as compared to \$11,885,158 from the previous year for a decrease of \$970,107 or 8% percent, resulting in excess expenses from operations in the amount of \$562,854 for the current year as compared to excess expenses from operations in the amount of \$1,317,859 from the previous year for a decrease in excess expenses of \$755,005 or 57% percent.

Total capital improvements contributions from HUD were in the amount of \$84,702 as compared to \$692,675 from the previous year for a decrease of \$607,973 or 88% percent. Total extraordinary maintenance expense increased \$13,750.

The Authority's had capital outlays in the amount of \$477,872 for the calendar year. These expenditures were funded by grants received from the U.S. Department of Housing and Urban Development in the amount of \$84,702 and the excess was funded by Management's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 10 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$7,724,332 for the calendar year 2012 as compared to \$8,402,565 for the previous calendar year 2011 for a decrease of \$678,233 or 8% percent.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Low Rent Public Housing
2. Housing Choice Vouchers
3. Public Housing Capital Fund Program
4. Formula Capital Fund Stimulus Grant
5. Rural Development (RD) Programs
6. State - Congregate Housing Services Program

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

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Assets
- 2) Statement of Revenue, Expenses, and Net Assets
- 3) Statement of Cash Flow
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 20.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION- CONTINUED**

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

Statement of Revenue, Expenses and Changes in Net Assets – This statement presents information showing how the Authority's net assets increased or decreased during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflow in the future periods.

Statement of Cash Flow– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 21 through 49.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 50 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees,

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**Federal Awards - Continued**

property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

**2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the County of Morris are those which equal or exceeded \$300,000 in expenditures for the fiscal year ended December 31, 2012. Type B programs for the Housing Authority of the County of Morris are those which are less than \$300,000 in expenditures for the fiscal year ended December 31, 2012.

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program found on page 51 the Section Eight Housing Choice Voucher Program on page 52.

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Assets between December 31, 2012 and December 31, 2011.

Computations of Net Assets are as follows:

	<u>Year Ended</u>		Increase
	December-12	December-11	(Decrease)
Cash	\$ 2,297,876	\$ 4,032,443	\$ (1,734,567)
Investments	2,235,453	1,200,444	1,035,009
Other Current Assets	78,407	92,770	(14,363)
Other Assets	188,046	199,338	(11,292)
Capital Assets - Net	23,611,942	24,192,448	(580,506)
Total Assets	28,411,724	29,717,443	(1,305,719)
Less: Current Liabilities	(598,323)	(1,371,839)	773,516
Less: Non Current Liabilities	(4,090,604)	(4,144,714)	54,110
Net Assets	<u>\$ 23,722,797</u>	<u>\$ 24,200,890</u>	<u>\$ (478,093)</u>
Invested in Capital Assets	\$ 19,712,123	\$ 20,209,379	\$ (497,256)
Restricted Net Assets	1,023,221	1,201,104	(177,883)
Unrestricted Net Assets	2,987,453	2,790,407	197,046
	<u>\$ 23,722,797</u>	<u>\$ 24,200,890</u>	<u>\$ (478,093)</u>

Cash decreased by \$1,734,567 or 43% percent. Net cash provided by operating activities was \$247,589, net cash used by related financing activities was \$465,778, and net cash used by investing activities was \$1,021,200. The full detail of this amount can be found in the Statement of Cash Flow on page 20 of this audit report.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Account receivable increased \$44 and prepaid expenses decreased \$14,407 to ending balance of \$-0-. During 2012 cash was invested in a money market account in the amount of \$1,035,000 with an ending balance including interest of \$2,235,453 as of December 31, 2012.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$580,506 or 2% percent. The major factor that contributed for the decrease was the recording of depreciation expense in the amount of \$1,058,378 offset by capital outlays in the amount of \$477,872. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 10 Fixed Assets.

The Authority reported a decrease in other assets in the amount of \$11,292. The amount consists of two accounts, the future HUD funding on the capital grant program decreased by \$10,000 for an ending balance of \$168,322, and the amortization of the underwrites cost for the financing of the capital leveraging program decreased by \$1,292 for an ending balance of \$19,397. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 11 & 12.

Total current liabilities decreased from the previous year by \$773,516 or 56% percent. Accounts payables decreased by \$788,354, accrued liabilities increased by \$362, tenant security deposit payable increased by \$8,391, deferred revenue increased by \$2,352, mortgage payable current portion increased \$7,245, and other current liabilities decreased by \$3,512.

Total noncurrent liabilities decreased by \$54,110 or 1% percent. The decrease was made up of three accounts, accrued compensated absences – long term with no offsetting assets, increased \$7,976 or 5% percent from the prior year for an ending balance of \$157,820, other noncurrent liabilities increased \$34,258 or 34% percent from the prior year, and loans and mortgage payable – noncurrent decreased \$96,344 or 2% percent for an ending balance of \$3,797,626.

The Authority's reported net assets of \$23,722,797 which is made up of three categories. The investment in capital assets represents 83% percent of the total account balance. The investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

Balance December 31, 2011	\$ 20,209,379
Acquisition in Fixed Assets	477,872
Depreciation Expense	(1,058,378)
Financing Cost	83,250
Balance December 31, 2012	\$ 19,712,123

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

By far the second largest portion of the Authority's net assets, 13% percent, reflects its Unrestricted Net Assets in the amount of \$2,987,453 and Restricted Net Assets, 4% percent, in the amount of \$1,023,221. The Housing Authority of the County of Morris operating results for December 31, 2012 reported an increase in Unrestricted Net Assets of \$197,046 or 7% percent for an ending balance of \$2,987,453. The Authority reported restricted net assets in the amount of \$1,023,221, for a decrease of \$177,883 from the prior year. A full detail of these accounts can be found in the Notes to the Financial Statements section Note 24 and 25.

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

The following summarizes the changes in Net Assets between December 31, 2012 and December 31, 2011.

Computation of Changes in Net Assets are as follows:

	<u>Year Ended</u>		Increase
	December-12	December-11	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 1,872,288	\$ 1,891,858	\$ (19,570)
HUD Subsidies	7,639,630	7,709,890	(70,260)
Other Revenues	840,279	965,551	(125,272)
Total Operating Income	<u>10,352,197</u>	<u>10,567,299</u>	<u>(215,102)</u>
<u>Expenses</u>			
Operating Expenses	9,856,673	10,884,234	(1,027,561)
Depreciation Expense	1,058,378	1,000,924	57,454
Total Operating Expenses	<u>10,915,051</u>	<u>11,885,158</u>	<u>(970,107)</u>
Operating Income before Non Operating Income	(562,854)	(1,317,859)	755,005
Interest Income	13,809	17,202	(3,393)
Extraordinary Maintenance	(13,750)	-	(13,750)
HUD Capital Grants	84,702	692,675	(607,973)
Change in Net Assets	(478,093)	(607,982)	129,889
Net Assets Prior Year	24,200,890	24,808,872	(607,982)
Total Net Assets	<u>\$ 23,722,797</u>	<u>\$ 24,200,890</u>	<u>\$ (478,093)</u>

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Approximately 74% percent of the Authority's total revenue was provided by HUD operating subsidy, while 18% percent resulted from tenant revenue. Charges for various services provided 8% percent of the total income. The Housing Authority of the County of Morris received capital fund improvement grant money during the year in the amount of \$84,702 as compared to \$692,675 for the previous year.

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 50% percent of total operating expenses. Administrative expenses accounted for 15% percent, tenant services accounted for 1% percent, utilities expense accounted for 6% percent, maintenance expense accounted for 9% percent, other operating expenses accounted for 9% percent, and depreciation accounted for the remaining 10% percent of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in excess expenses from operations in the amount of \$562,854 from operations as compared to excess expense from operations of \$1,317,859 for the previous year. The key element for the decrease of expenses over revenue in the amount of \$755,005 as compared to the prior year is as follow:

- The Authority experienced a reduction on Operating Grants in the amount of \$70,260. Total rental revenues also decreased \$215,102.
- The Authority experienced a decrease in the following operating expenses:
  1. Tenant services in the amount of \$78,538
  2. Utilities expenses in the amount of \$47,510
  3. Maintenance expenses in the amount of \$146,237
  4. Other operating expenses in the amount of \$149,677
- The Authority reported a decrease in HAP payments in the amount of \$634,346 from the previous year.

The Authority's Unrestricted Net Assets increased during the calendar year \$197,046 or 7% percent.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following are financial highlights of significant items for a four year period of time ending on December 31, 2012.

	December-12	December-11	December-10	December-09
<b>Significant Income</b>				
Total Tenant Revenue	\$ 1,872,288	\$ 1,891,858	\$ 1,938,044	\$ 1,963,437
HUD Operating Grants	7,639,630	7,709,890	7,747,584	7,386,763
HUD Capital Grants	84,702	692,675	598,199	302,719
Investment Income	13,809	17,202	26,082	50,730
Other Income	840,279	965,551	972,972	880,146
<b>Total</b>	<b>\$ 10,450,708</b>	<b>\$ 11,277,176</b>	<b>\$ 11,282,881</b>	<b>\$ 10,583,795</b>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 996,119	\$ 943,992	\$ 1,010,773	\$ 1,016,987
Tenant Services Salaries	28,335	82,783	63,752	170,766
Utilities Labor	59,266	76,620	87,472	67,393
Maintenance Labor	242,148	295,110	328,920	119,107
Employee Benefits Expense	445,363	454,823	431,089	443,437
<b>Total Payroll Expense</b>	<b>\$ 1,771,231</b>	<b>\$ 1,853,328</b>	<b>\$ 1,922,006</b>	<b>\$ 1,817,690</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$305,520	\$ 326,376	\$ 322,664	\$ 296,817
Utilities Expense	565,138	617,036	673,853	731,663
Maintenance Materials Cost	113,306	65,921	77,385	81,346
Maintenance Contract Cost	538,023	669,799	492,899	557,661
Insurance Premiums	155,045	166,688	165,056	171,004
Housing Assistance Payments	5,408,773	6,043,119	5,803,815	5,531,034
<b>Total</b>	<b>\$ 7,085,805</b>	<b>\$ 7,888,939</b>	<b>\$ 7,535,672</b>	<b>\$ 7,369,525</b>
<b>Total Operating Expenses</b>	<b>\$ 10,915,051</b>	<b>\$ 11,885,158</b>	<b>\$ 10,985,441</b>	<b>\$ 10,620,611</b>
<b>Total of Federal Awards</b>	<b>\$ 7,724,332</b>	<b>\$ 8,402,565</b>	<b>\$ 8,345,783</b>	<b>\$ 7,689,482</b>

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**BUDGETARY HIGHLIGHTS**

For the year ended December 31, 2012, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 51 of this report.

The budget for the Housing Choice Voucher Program was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs. The full detail can be found in the Budget comparison to actual results for the Housing Choice Voucher Program on page 52 of this report.

**THE AUTHORITY AS A WHOLE**

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses excluding depreciation expense. The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall arising from a possible economic turndown and reduced subsidies and grants.

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

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS**

Public Housing Program

Under the Public Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% percent of the family's adjusted monthly income, (b) 10% percent of the family's monthly income, or (c) the Housing Authority of the County of Morris flat rent amount.

Housing Choice Voucher Program and the N/C - S/R Section 8 Program

Under the Housing Choice Voucher Program and the N/C - S/R Section 8 program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% percent of household income subject to certain restrictions.

Capital Fund Program

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

Rural Development (RD) Programs

The RD programs consist of two projects. The Morris Mews project has 101 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy. HUD and RD provides annual funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% percent of household income subject to certain restrictions.

State - Congregate Housing Services Program

The Congregate Housing Services Program offers grants to States, to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. This program prevents premature and unnecessary institutionalization of frail elderly, non-elderly disabled, and temporarily disabled persons. It provides a variety of innovative approaches for the delivery of meals and non-medical supportive services while making use of existing service programs, fills gaps in existing service systems, and ensures availability of funding for meals and other programs necessary for independent living. Assistance is in the form of grants to provide at least one hot meal per day in a group setting, 7 days per week, plus other supportive services necessary for independent living.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS - CONTINUED**

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency, or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

**NEW INITIATIVES**

For the year 2012 and carrying over to 2013 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 74% percent of its revenue from the Department of Housing and Urban Development, (up from 73% percent in 2011) the Authority are constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy. The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of Morris County all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

For 2012, HUD (in an effort to show Congress its attempts to reduce costs), implemented a "recapture" of public housing reserves process. This is a process whereby a Housing Authority that has been efficient in operations and has built a "reserve" may be required to refund any reserve in excess of four months. The Housing Authority of the County of Morris experienced a HUD recapture of operating subsidy in the amount of \$59,604 for the 2012 calendar year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2012 was \$23,611,942 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The net decrease during the year in the Authority's investment in capital assets less depreciation expense for the current calendar year was \$580,506 or less than 2% percent. Major capital expenditures of \$477,872 were made during the year.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED**

Major capital assets events during the calendar year included the following:

- Bathroom Renovations
- Heating units
- Kitchen Appliance Upgrades

	December-12	December-11	Change
Land	\$ 1,735,369	\$ 1,735,369	\$ -
Building	37,635,677	36,155,640	1,480,037
Furniture, Equipment - Dwelling	708,706	695,111	13,595
Furniture, Equipment - Administration	555,117	553,164	1,953
Construction in Process	871,056	1,891,351	(1,020,295)
Total Fixed Assets	41,505,925	41,030,635	475,290
Accumulated Depreciation	(17,893,983)	(16,838,187)	(1,055,796)
Net Book Value	\$ 23,611,942	\$ 24,192,448	\$ (580,506)

Additional information on the Authority's capital assets can be found in Note 10 to the financial statements, which is included in this report.

**2 - Long Term Debt**

Long Term Debt

a. The Authority has participated in the New Jersey pooled leveraging program. Restricted Cash relating to the bonded debt stood at \$-0- at the end of the fiscal year, with Capital Project Bond payable of \$190,000 in outstanding debt. A full disclosure of loans payable at December 31, 2012 can be found in Note-22.

b. RD provided mortgages of \$3,716,803 and \$701,974 for the Morris Mews and Congregate Housing Program respectively. The Morris Mews mortgage is for 50 years at 9% percent interest and monthly payments of \$29,308. The balance outstanding at December 31, 2012 was \$3,094,053. The Congregate Housing Program is for 40 years at 7.25% percent which is subsidized by Rural Development. The monthly payments are \$1,778 and the balance outstanding at December 31, 2012 was \$609,917.

Additional information on the Authority's long term debt can be found in Notes 19-22 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AT DECEMBER 31, 2012**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority of the County of Morris is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

The capital budgets for the 2013 fiscal year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the calendar year ending December 31, 2013.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- The Authority's Unrestricted Net Assets appear sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**  
**STATEMENT OF NET ASSETS**  
**AS OF DECEMBER 31, 2012 AND 2011**

	DECEMBER 31,	
	2012	2011
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 2,297,876	\$ 4,032,443
Accounts Receivables, Net of Allowances	78,407	78,363
Investments	2,235,453	1,200,444
Prepaid Expenses	-	14,407
Total Current Assets	4,611,736	5,325,657
<b>Noncurrent Assets</b>		
Capital Assets		
Land	1,735,369	1,735,369
Building	37,635,677	36,155,640
Furniture, Equipment - Dwelling	708,706	695,111
Furniture, Equipment - Administration	555,117	553,164
Construction in Process	871,056	1,891,351
Total Capital Assets	41,505,925	41,030,635
Less: Accumulated Depreciation	(17,893,983)	(16,838,187)
Net Book Value	23,611,942	24,192,448
<b>Other Assets</b>		
Grants Receivable - Non Current	168,649	178,649
Other Assets	19,397	20,689
Total Other Assets	188,046	199,338
Total Noncurrent Assets	23,799,988	24,391,786
Total Assets	\$ 28,411,724	\$ 29,717,443
<b>Current Liabilities:</b>		
Accounts Payable	\$ 268,322	\$ 1,056,676
Accrued Liabilities	44,535	44,173
Tenant Security Deposit Payable	184,800	176,409
Deferred Revenue	4,322	1,970
Loan and Mortgage Payable - Current Portion	96,344	89,099
Other Current Liabilities	-	3,512
Total Current Liabilities	598,323	1,371,839
<b>Noncurrent Liabilities</b>		
Loan and Mortgage Payable - Long Term	3,797,626	3,893,970
Other Noncurrent Liabilities	135,158	100,900
Accrued Compensated Absences - Long-Term	157,820	149,844
Total Noncurrent Liabilities	4,090,604	4,144,714
Total Liabilities	4,688,927	5,516,553
<b>Net Assets:</b>		
Investment in Capital Assets, Net of Related Debt	19,712,123	20,209,379
Restricted Net Assets	1,023,221	1,201,104
Unrestricted Net Assets	2,987,453	2,790,407
Total Net Assets	23,722,797	24,200,890
Total of Liabilities and Net Assets	\$ 28,411,724	\$ 29,717,443

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011**

	DECEMBER 31,	
	2012	2011
<b>Revenue:</b>		
Tenant Rental Revenue	\$ 1,872,288	\$ 1,891,858
HUD PHA Operating Grants	7,639,630	7,709,890
Other Governmental Grants	43,798	44,923
Fraud Recovery	43,034	29,462
Other Revenue	753,447	891,166
Total Revenue	10,352,197	10,567,299
<b>Operating Expenses:</b>		
Administrative Expense	1,627,431	1,598,684
Tenant Services	60,847	139,385
Utilities Expense	646,146	693,656
Maintenance Expense	981,687	1,127,924
Other Operating Expenses	1,131,789	1,281,466
Housing Assistance Payments	5,408,773	6,043,119
Depreciations Expense	1,058,378	1,000,924
Total Operating Expenses	10,915,051	11,885,158
Excess Expenses Over Revenue From Operations	(562,854)	(1,317,859)
<b>Non Operating Income and (Expenses):</b>		
Investment Income	13,809	17,202
Extraordinary Maintenance Expense	(13,750)	-
Total Non Operating Income and (Expenses)	59	17,202
Capital Grants	84,702	692,675
<b>Change in Net Assets</b>	(478,093)	(607,982)
Beginning Net Assets	24,200,890	24,808,872
Ending Net Assets	\$ 23,722,797	\$ 24,200,890

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**  
**STATEMENT OF CASH FLOW**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011**

	DECEMBER 31,	
	2012	2011
<b>Cash Flow From Operating Activities</b>		
Receipts from Tenants	\$ 1,866,269	\$ 1,890,023
Receipts from Federal Grants	7,657,479	7,691,813
Receipts from Other Grants	43,798	44,923
Receipts from Misc. Sources	796,481	920,628
Payments to Vendors and Suppliers	(2,866,474)	(1,830,151)
Payments for Housing Assistance Payments	(5,408,773)	(6,043,119)
Payments to Employees	(1,325,868)	(1,398,505)
Payment of Employee Benefits	(445,363)	(454,823)
Payments for Utilities	(565,138)	(617,036)
Net Cash (Used) Provided by Operating Activities	(247,589)	203,753
<b>Cash Flow From Capital and Related Financing Activities</b>		
Receipts from Capital Grants	84,702	692,675
Principal Paid on Debt	(89,099)	(82,464)
Acquisitions and Construction of Capital Assets	(475,290)	(1,009,194)
Extraordinary Expense	(13,750)	-
Increase in Grant Receivable	10,000	10,000
Change in Other Assets Non Current	1,292	1,294
Receipt from Tenant Security Deposit	8,391	2,262
Increase in Compensated Absences	7,976	1,752
Net Cash (Used) by Related Financing Activities	(465,778)	(383,675)
<b>Cash Flow From Investing Activities</b>		
Interest Income	13,809	17,202
Purchase of Investments	(1,035,009)	(1,200,444)
Net Cash (Used) by Investing Activities	(1,021,200)	(1,183,242)
Net (Decrease) in Cash and Cash Equivalents	(1,734,567)	(1,363,164)
<b>Beginning Cash</b>	4,032,443	5,395,607
<b>Ending Cash</b>	\$ 2,297,876	\$ 4,032,443
<b>Reconciliation of Operating Income to Net Cash</b>		
Provided by Operating Activities		
Excess of Revenue Over Expenses	\$ (562,854)	\$ (1,317,859)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	1,058,378	999,629
(Increase) Decrease in:		
Accounts Receivables	(44)	1,012
Prepaid Expenses	14,407	-
Increase (Decrease) in:		
Accounts Payable	(790,936)	546,565
Accrued Liabilities	362	(283)
Other Current Liabilities	(3,512)	(41,796)
Deferred Revenue	2,352	158
Other Non Current Liabilities	34,258	16,327
Net Cash (Used) Provided by Operating Activities	\$ (247,589)	\$ 203,753
Interest expense paid during the year	\$ 335,413	\$ 332,606

See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

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

**1. Organization** - The Authority is a non-profit corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the County of Morris in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Board of Chosen Freeholders of Morris County, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the County of Morris reporting entity.

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

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

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

### **2. Significant Accounting Policies**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting” addresses the applicability of the various FASB’s, and allows several options in the use of the FASB’s. The Authority has elected to use Alternative 2 of GASB-20 which states that “a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements”. Also, the Authority has elected to not follow FASB-106, FASB-112, and FASB-132, which all deal with pension reporting. Instead, the Authority follows GASB-45-“Accounting for Pensions by State and Local Governmental Employers.”

#### New Accounting Standards Adopted

Statement No. 45 of the Government Accounting Standards Board (“GASB 45”) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension* was issued in June 2004. This Statement requires the Authority to account for its “other postemployment benefits” (OPEB) in essentially the same way as it accounts for pension benefits. OPEB include medical, prescription drug, dental, vision, life insurance and disability benefits provided to retirees and certain terminated employees.

#### Basis of Accounting –

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

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

### **Basis of Accounting – Continued**

All assets, liabilities, net assets, revenue, and expenses are accounting for through a single enterprise fund for the primary government.

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

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

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the County of Morris's flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program of the Authority is entitled to receive advances as expenditures are incurred.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net assets during the year. Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

### **Basis of Accounting – Continued**

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

### **Report Presentation –**

The Authority's basic financial statements are presented on an entity-wide basis consisting of various housing programs. The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

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

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

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

#### Net Assets Invested in Capital Assets Net of Related Debt.

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

#### Restricted Net Assets.

The net assets less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

#### Unrestricted Net Assets.

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

## HOUSING AUTHORITY OF THE COUNTY OF MORRIS

### Notes to Financial Statements

December 31, 2012

#### **Report Presentation - Continued**

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

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

#### **Other accounting policies are as follows**

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

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

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

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

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

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

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

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

## HOUSING AUTHORITY OF THE COUNTY OF MORRIS

### Notes to Financial Statements

December 31, 2012

#### **Other accounting policies - Continued**

11- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

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

13- The Authority defines its operating revenues as income derived from charges to residents and other services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are cost incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenue as non-operating.

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

### **Other Accounting Policies - Continued**

14- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

### **Budgetary and Policy Control\_**

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 51 the Section Eight Housing Choice Voucher Program on page 52.

## HOUSING AUTHORITY OF THE COUNTY OF MORRIS

### Notes to Financial Statements

December 31, 2012

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

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Low Rent Public Housing	14.850	NJ92-1,2,3,5,7	303
Public Housing Capital Fund Program	14.872	NJ92	N/A
Resident Opportunity and Supportive Services	14.885	NJ92	N/A
 <u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ39-VO92	634
N/C S/R Program - Section 8 Program	14.182	NJ39-SRO-92	100
 <u>RD Programs</u>			
1- Morris Mews Development	10.427	35-14-22600-2462	101
2- Congregate Housing Development	10.427	35-14-22600-2462	19

#### Rural Development (RD) Programs:

The RD programs consist of two projects. The Morris Mews (N/C S/R) project has 100 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy. HUD and RD provides annual funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

- 1.) Project receives a HAP Subsidy from HUD. The project is referred to as Morris Mews.
- 2.) The Project receives a Rental Subsidy. The Project is referred to as the Congregate Housing Project since it includes space for a Congregate Housing Program.

#### State - Congregate Housing Services Program

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

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

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

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

**Board of Commissioners** - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in calendar matters.

### **NOTE 2 - ESTIMATES**

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

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

### **NOTE 3 - PENSION PLAN**

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. It is a cost sharing, multiple-employer defined benefit pension plan. The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system. Membership is mandatory for such employees.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

#### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2012 and 2011 amounted to \$146,234 and \$136,451.

#### Post Employment Retirement Benefits

The Authority also provides post employment health care benefits and life insurance to all eligible retirees. Eligibility requires that employees be 55 years or older with at least 25 years of service.

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

### **NOTE 4 - CASH, CASH EQUIVALENTS**

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

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

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

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

Cash and cash equivalents at December 31, 2012 and 2011 were \$2,297,876 and \$4,032,443, and investments of \$2,235,453 and \$1,200,444 respectively, which were either insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below.

	December-12	December-11
The Provident Bank	\$ 1,290,573	\$ 1,041,431
PNC Bank	605,201	887,036
Bank of America	401,511	401,121
Valley National	500	500
Wells Fargo	92	92
Union Center Bank	2,235,452	2,902,707
Total	<u>\$ 4,533,329</u>	<u>\$ 5,232,887</u>

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 4 – CASH, CASH EQUIVALENTS - CONTINUED**

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

<u>Depository Accounts</u>	<u>Bank Balances</u>	
	<u>December-12</u>	<u>December-11</u>
Insured	\$ 1,000,592	\$ 1,000,592
Collateralized held by pledging bank's trust department in the Authority's name	3,532,737	4,232,295
Total	<u>\$ 4,533,329</u>	<u>\$ 5,232,887</u>

**NOTE 5 – TENANT SECURITY DEPOSIT**

The Authority has restricted cash in the amount of \$184,800 at December 31, 2012 and \$176,409 for 2011, for tenant security deposits, which was accounted for in cash and cash equivalents in Note 4. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at the Provident Bank.

**NOTE 6 – RESTRICTED CASH**

The Authority has total restricted cash at December 31, 2012 and 2011 in the amount of \$1,158,559 and \$1,302,005, respectively, which was accounted for in Note 4 and consists of the following:

	<u>December-12</u>	<u>December-11</u>
HAP Reserve	\$ 485,954	\$ 671,486
FSS Participants	135,158	100,900
Rural Housing Reserve	135,756	128,498
Morris Mews	401,511	401,121
Total	<u>\$ 1,158,379</u>	<u>\$ 1,302,005</u>

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 7 - ACCOUNTS RECEIVABLE**

Accounts Receivable at December 31, 2012 and 2011 consisted of the following:

	December-12	December-11
Tenants Accounts Receivable - Present	\$ 25,205	\$ 18,755
Tenants Accounts Receivable - Vacated	2,061	2,492
Total Tenants Accounts Receivable	<u>27,266</u>	<u>21,247</u>
Less Allowance for Doubtful Accounts	(7,692)	(7,492)
Net Tenants Accounts Receivable	<u>19,574</u>	<u>13,755</u>
Accounts Receivable - Tenants Fraud Recovery	44,353	16,514
Less Allowance for Doubtful Accounts	(44,353)	(16,514)
Net Accounts Receivable - Fraud Recovery	<u>-</u>	<u>-</u>
Accounts Receivable - State of New Jersey	10,325	7,322
Accounts Receivable - Local Government Agencies	38,280	29,209
Accounts Receivable - HUD	10,228	28,077
Total Other Receivables	<u>58,833</u>	<u>64,608</u>
Total	\$ <u>78,407</u>	\$ <u>78,363</u>

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

**NOTE 8 - PREPAID EXPENSES**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at December 31, 2012 and 2011 consisted of prepaid sewer fees in the amount of \$-0- and \$14,407, respectively.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 9 – INTERFUND ACTIVITY**

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at December 31, 2012 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

**NOTE 10 - FIXED ASSETS**

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

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

Expenditures are capitalized when they meet the Capitalization Policy requirements.

Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred.

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

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

The Housing Authority of the County of Morris has given consideration to the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS No. 144) in the preparation of these financial statements.

The carrying value of long-live assets in accordance with SFAS No. 144, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at December 31, 2012.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 10 - FIXED ASSETS - CONTINUED**

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2011 and 2012:

	December-11	Additions	Disposal	Transfer	December-12
Land	\$ 1,735,369	\$ -	\$ -	\$ -	\$ 1,735,369
Building	36,155,640	375,040	-	1,104,997	37,635,677
Furniture, Equipment - Dwelling	693,816	16,177	(2,582)	-	707,411
Furniture, Equipment - Administration	554,459	1,953	-	(1,104,997)	(548,585)
Construction in Process	1,891,351	84,702	-	-	1,976,053
Total Fixed Assets	41,030,635	477,872	(2,582)	-	41,505,925
Accumulated Depreciation	(16,838,187)	(1,058,378)	2,582	-	(17,893,983)
Net Book Value	\$ 24,192,448	\$ (580,506)	\$ -	\$ -	\$ 23,611,942

	December-10	Additions	Disposal	Transfer	December-11
Land	\$ 1,735,369	\$ -	\$ -	\$ -	\$ 1,735,369
Building	35,892,843	262,797	-	-	36,155,640
Furniture, Equipment - Dwelling	689,137	5,974	(1,295)	-	693,816
Furniture, Equipment - Administration	505,836	48,623	-	-	554,459
Construction in Process	1,198,256	693,095	-	-	1,891,351
Total Fixed Assets	40,021,441	1,010,489	(1,295)	-	41,030,635
Accumulated Depreciation	(15,838,558)	(1,000,924)	1,295	-	(16,838,187)
Net Book Value	\$ 24,182,883	\$ 9,565	\$ -	\$ -	\$ 24,192,448

**NOTE 11- GRANTS RECEIVABLE - NON CURRENT**

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of \$18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is \$500,000. The Authority received a net amount of \$474,137. The funds received were deposited with the Wells Fargo Bank which is acting as the Trustee. All funds must be expended within a four year period. The Trustee must receive copies of all invoices prior to release of funds. The Trustee may only draw funds from HUD E-LOCCS for repayment of debt and related interest. The amount of HUD future CFP State Leveraging Program funds receivable at December 31, 2012 is as follows:

	December-12	December-11
HUD CFP Future Funds Receivable	\$ 178,649	\$ 188,649
Less: Current Receivable	(10,000)	(10,000)
Net of Current Receivable	\$ 168,649	\$ 178,649

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 12- OTHER ASSETS - NON CURRENT**

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

	<u>December-12</u>	<u>December-11</u>
Capital Fund Leveraging - Underwriter's Cost	\$ 25,862	\$ 25,862
Less Amortization - Underwriter's Cost	(6,465)	(5,173)
Net Book Value - Underwriter's Cost	<u>\$ 19,397</u>	<u>\$ 20,689</u>

**NOTE 13 - ACCOUNTS PAYABLE**

The Authority reported accounts payable on its balance sheet as of December 31, 2012 and 2011. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at December 31, 2012 and 2011 consist of the following:

	<u>December-12</u>	<u>December-11</u>
Accounts Payable Vendors	\$ 165,106	\$ 963,256
Accounts Payable - P.I.L.O.T.	103,216	93,420
Total Accounts Payable	<u>\$ 268,322</u>	<u>\$ 1,056,676</u>

**NOTE 14 - ACCOUNTS PAYABLE - OTHER GOVERNMENT (PILOT PAYABLE)**

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the County of Morris. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. The total amount of PILOT payable at December 31, 2012 is \$103,216, consisting of unpaid PILOT expense:

	<u>December-12</u>	<u>December-11</u>
Balance Beginning of Year	\$ 93,420	\$ 93,028
P.I.L.O.T. Accrued	103,216	93,420
Less Payments Made	(93,420)	(93,028)
Total P.I.L.O.T. Payable	<u>\$ 103,216</u>	<u>\$ 93,420</u>

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

### **NOTE 15 - ACCRUED EXPENSES**

The Authority reported accrued expenses on its balance sheet. Accrued expenses are liabilities covering expenses incurred on or before December 31, and are payable at some future date. Accrued liabilities at December 31, 2012 and 2011 consist of the following:

	<u>December-12</u>	<u>December-11</u>
Accrued Interest Payable	\$ 26,999	\$ 27,523
Compensated Absences - Current Portion	17,536	16,650
Total Accrued Liabilities	<u>\$ 44,535</u>	<u>\$ 44,173</u>

### **NOTE 16 - ACCRUED COMPENSATED ABSENCES**

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Employees may only accumulate vacation leave with the approval of the Executive Director. Unused sick leave may be carried to future periods and used in the event of extended illness. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service based on the current provisions outlined in the union contract.

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

	<u>December-12</u>	<u>December-11</u>
Accumulated Sick Time	\$ 29,060	\$ 29,052
Accumulated Vacation Time	120,505	112,956
Accrued Payroll Taxes	25,791	24,486
Total	175,356	166,494
Compensated Absences - Current Portion	(17,536)	(16,650)
Total Compensated Absences - Noncurrent	<u>\$ 157,820</u>	<u>\$ 149,844</u>

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

### **NOTE 17 – DEFERRED REVENUE**

The Authority reported deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized. The deferred revenue for December 31, 2012 and 2011 is \$4,322 and \$1,970 and consisted of prepaid rents.

### **NOTE 18 – NON CURRENT LIABILITY - FSS ESCROW PAYABLE**

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education.

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited. The bank account balance at December 31, 2012 is \$135,158 and \$100,900 for 2011.

### **NOTE 19 – LONG TERM DEBT**

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

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

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 19 – LONG TERM DEBT - CONTINUED**

The transaction between the Authority and HUD is similar to HUD giving funds to the Authority to operate and the funds are a capital contribution. HUD has essentially made an investment in the Authority. Therefore, the liability was reclassified as a capital contribution. Since HUD is paying the obligations directly, the outstanding Long Term Debt balance at December 31, 2012 could not be readily determined.

The Authority has three (3) loans outstanding at December 31, 2012. The details are as follows:

	Non-Current Portion	Current Portion	Total Loan Outstanding
Morris Mews Project	\$ 3,017,721	\$ 76,332	\$ 3,094,053
Congregate Housing Project	599,905	10,012	609,917
Capital Fund Bond Leveraging	180,000	10,000	190,000
Total	<u>\$ 3,797,626</u>	<u>\$ 96,344</u>	<u>\$ 3,893,970</u>

**NOTE 20 – LONG TERM DEBT- RURAL DEVELOPMENT**

A – Morris Mews Project (N/C S/R Section 8 Programs)

Fixed liabilities on the Morris Mews Project represent a loan from RD in the original amount of \$3,716,803, at an interest rate of nine percent (9%). The loan is to be repaid over fifty years with monthly payments of \$23,817, later revised to \$29,308, which began October 1, 1981, and is collateralized by the buildings and their contents, along with all accounts receivable and bank accounts of the Morris Mews Project. The balance outstanding at December 31, 2012 was \$3,094,053 and is current.

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

Year	Principal	Interest	Total Payment
2013	76,332	275,367	351,699
2014	83,491	268,207	351,698
2015	91,323	260,375	351,698
2016	99,890	251,808	351,698
2017	109,261	242,437	351,698
Subtotal	<u>460,297</u>	<u>1,298,194</u>	<u>1,758,491</u>
2018-2022	720,677	1,037,813	1,758,490
2023-2027	1,128,351	630,139	1,758,490
2028-2030	784,728	94,516	879,244
Total	<u>\$ 3,094,053</u>	<u>\$ 3,060,662</u>	<u>\$ 6,154,715</u>

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 21 – LONG TERM DEBT- CONGREGATE HOUSING PROGRAM**

**B- Congregate Housing Program (Rural Rental Assistance Payments)**

Fixed Liabilities in the Congregate Housing Program represent a loan from RD in the original amount of \$700,000 and capitalized interest of \$1,974 for a total mortgage of \$701,974, at an interest of 7.25% for 40 years. RD provides an interest subsidy and the Authority's monthly payment is \$1,778, and is collateralized by the buildings and their contents, along with all accounts receivable and bank accounts of the Congregate Housing Program. The balance at December 31, 2012 was \$609,917 and is current.

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

Year	Principal	Interest	Total Payment
2013	10,012	43,891	53,903
2014	10,763	43,140	53,903
2015	11,570	42,333	53,903
2016	12,437	41,466	53,903
2017	13,369	40,534	53,903
Subtotal	58,151	211,364	269,515
2018-2022	83,467	186,048	269,515
2023-2027	119,805	149,710	269,515
2028-2032	171,962	97,553	269,515
2033-2036	176,532	25,614	202,146
Total	\$ 609,917	\$ 670,289	\$ 1,280,206

**NOTE 22- LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND**

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of \$18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is \$500,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2027.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 22 – LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND - CONTINUED**

The faith and credit of the Housing Authority of the County of Morris was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2008. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Wells Fargo Bank, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

The interest paid on the Bonds thru December 31, 2010 was \$55,211 which will be capitalized under construction in process cost. The interest payable for May 1, 2013 is \$4,517 and November 1, 2013 is \$4,317.

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

Year	Principal	Interest	Total Payment
2013	10,000	8,832	18,832
2014	10,000	8,423	18,423
2015	10,000	8,005	18,005
2016	10,000	7,582	17,582
2017	10,000	7,155	17,155
Subtotal	\$ 50,000	\$ 39,997	\$ 89,997
2018-2022	60,000	27,950	87,950
2023-2027	80,000	10,320	90,320
Total	\$ 190,000	\$ 78,267	\$ 268,267

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 23 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Authority does not have annual other postemployment benefit (“OPEB”) cost. The Authority elected not to pay for any future retiree benefits other than current pension cost resulting in a zero amount to be reported for the GASB Statement No. 45 obligations.

**NOTE 24 – RESTRICTED NET ASSETS**

The Authority Restricted Net Assets account balance at December 31, 2012 is \$1,023,221. The detail of the reserve account balances is as follows:

	HCV HAP		Morris	Low Rent	Total
	Reserve	Congregate	Mews	Leveraging	
Balance December 31, 2010	\$ 817,550	\$ 121,193	\$ 400,599	\$ 220,724	\$ 1,560,066
Increase During the Year	-	7,304	522	-	7,826
Decrease During the Year	(146,064)	-	-	(220,724)	(366,788)
Balance December 31, 2011	671,486	128,497	401,121	-	1,201,104
Increase During the Year	-	7,259	390	-	7,649
Decrease During the Year	(185,532)	-	-	-	(185,532)
Balance December 31, 2012	\$ 485,954	\$ 135,756	\$ 401,511	\$ -	\$ 1,023,221

Housing Choice Voucher Program - Reserves

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

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 25 - UNRESTRICTED NET ASSETS**

The Authority Unrestricted Net Assets account balance at December 31, 2012 is \$2,987,453. The detail of the account balance is as follows:

	Low Rent PH Reserves	HCV Reserve	Congregate Reserve	Morris Mews Reserves	Total
Balance December 31, 2010	\$ 769,164	\$ 957,949	\$ 95,257	\$ 1,309,086	\$ 3,131,456
Increase During the Year	311,212	-	-	101,169	412,381
Decrease During the Year	-	(667,333)	(86,097)	-	(753,430)
Balance December 31, 2011	1,080,376	290,616	9,160	1,410,255	2,790,407
Increase During the Year	161,588	-	43,463	3,141	208,192
Decrease During the Year	-	(11,146)	-	-	(11,146)
Balance December 31, 2012	\$ 1,241,964	\$ 279,470	\$ 52,623	\$ 1,413,396	\$ 2,987,453

Housing Choice Voucher Program - Reserves

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

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements

December 31, 2012

**NOTE 25 – UNRESTRICTED NET ASSETS**

Housing Choice Voucher Program – Reserves – Continued

	Pre 2004 Unrestricted Reserves	Post 2003 Unrestricted Reserves	Total Unrestricted Reserves
Balance 12/31/2003	\$ 678,377	\$ -	\$ 678,377
Net Admin. Fee Operating Income for the year ended 12/31/2004	-	113,853	113,853
Balance 12/31/2004	678,377	113,853	792,230
Net Admin. Fee Operating Income for the year ended 12/31/2005	-	572,358	572,358
Balance 12/31/2005	678,377	686,211	1,364,588
Net Admin. Fee Operating Income for the year ended 12/31/2006	-	710,567	710,567
Balance 12/31/2006	678,377	1,396,778	2,075,155
Net Admin. Fee Operating Income for the year ended 12/31/2007	-	407,945	407,945
Transfer to Restricted	-	(1,531,844)	(1,531,844)
Balance 12/31/2007	678,377	272,879	951,256
Net Admin. Fee Operating Income for the year ended 12/31/2008	-	(24,142)	(24,142)
Balance 12/31/2008	678,377	248,737	927,114
Net Admin. Fee Operating Income for the year ended 12/31/2009	-	14,851	14,851
2009 CUMULATIVE ADJUSTMENT	-	(21,328)	(21,328)
Balance 12/31/2009	678,377	242,260	920,637
Net Admin. Fee Operating Income for the year ended 12/31/2010	-	37,312	37,312
Balance 12/31/2010	678,377	279,572	957,949
Transfer Out	(678,377)	-	(678,377)
Net Admin. Fee Operating Income for the year ended 12/31/2011	-	11,044	11,044
Balance 12/31/2011	\$ -	\$ 290,616	\$ 290,616
Net Admin. Fee Operating Income for the year ended 12/31/2012	-	(11,146)	(11,146)
Balance 12/31/2012	\$ -	\$ 279,470	\$ 279,470

## HOUSING AUTHORITY OF THE COUNTY OF MORRIS

### Notes to Financial Statements

December 31, 2012

#### **NOTE 26 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended December 31, 2012, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of all its buildings for the purpose of determining potential liability issues.

During the year ended December 31, 2012, the Authority did not reduce insurance coverage's from coverage levels in place as of December 31, 2011. No settlements have exceeded coverage levels in place during 2010, 2011, and 2012.

#### **NOTE 27 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES**

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended December 31, 2012 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended December 31, 2012 and 2011 were \$602,804 and \$613,051 respectively.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program and the N/C S/R Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. The authority is also eligible to receive reimbursement for preliminary expenses prior to lease up. HUD contributions for the Housing Choice Voucher for December 31, 2012 and 2011 were \$5,849,178 and \$5,877,973, respectively, and \$927,640 and \$922,199, respectively, for N/C S/R.

## HOUSING AUTHORITY OF THE COUNTY OF MORRIS

### Notes to Financial Statements

December 31, 2012

#### **NOTE 28 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD and Rural Development. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD and Rural Development. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. Total financial support by HUD and Rural Development was \$7,724,332 to the Authority which represents approximately 72% percent of the Authority's total revenue for the fiscal year December 31, 2012 and \$8,402,565 which represents approximately 73% percent for 2011.

Total financial support by HUD and Rural Development for the year ending December 31, 2012 and 2011 was as follows:

Program	CFDA #	December 31	
		2012 Expenditures	2011 Expenditures
<u>Public Housing</u>			
Low Rent Housing	14.850	\$ 602,804	\$ 613,051
Capital Fund	14.872	127,785	644,852
Formula Capital Fund Stimulus	14.885	-	105,710
Resident Opportunity and Supportive Services	14.870	36,102	36,102
Community Development Block Grant	14.218	-	27,637
		<u>766,691</u>	<u>1,427,352</u>
<u>Section 8</u>			
Housing Choice Vouchers	14.871	5,849,178	5,877,973
N/C S/R Program - Section 8 Program	14.182	927,640	922,199
		<u>6,776,818</u>	<u>6,800,172</u>
Rural Development Rental Assistance Program	14.182	<u>180,823</u>	<u>175,041</u>
Total Awards		<u>\$ 7,724,332</u>	<u>\$ 8,402,565</u>

## HOUSING AUTHORITY OF THE COUNTY OF MORRIS

### Notes to Financial Statements

December 31, 2012

#### **NOTE 29 - CONTINGENCIES**

Litigation – At December 31, 2012, the Authority was not involved in any threatened litigation.

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

#### **NOTE 30 – SUPPLEMENTAL INFORMATION – (RD)**

- The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) in the United States of America.
- An evaluation of the system of internal control was performed. See Independent Auditors Report on Internal Controls.
- The Authority's accounting records were adequate with no recommendations for improvements were made.
- The Authority's physical control over assets was adequate.
- The Authority maintained financial compliance with the loan agreement.
- The financial reports included in the audit are in agreement with the Authority's accounting records.
- All financial records are adequate and suitable for examination.
- There were no unsatisfactory conditions disclosed by the audit.
- Deposit funds were in institutions insured by the Federal Government.
- Payments from operating accounts are disclosed and accurately represented.
- Reserve amount is current and there are no encumbrances.

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

## Notes to Financial Statements

December 31, 2012

### NOTE 30 – SUPPLEMENTAL INFORMATION – (RD) – CONTINUED

- Tenant security deposit accounts are fully funded and are maintained in separate accounts.
- The Authority is exempt from Federal Income Tax.
- There have been no changes in project ownership. The Housing Authority of the County of Morris certifies that the board is active and maintains oversight of the property.
- The real estate taxes are paid in accordance with state and/or local requirements. There are currently no delinquent taxes.
- The Housing Authority of the County of Morris has maintained proper insurance in accordance with the requirements of 7 CFR 3560.105.
- Insurance and Bonding at December 31, 2012 was:

<u>Type</u>	<u>Coverage</u>	<u>Expiration Date</u>
▪ Fidelity Bond	\$1,000,000	December 31, 2013
▪ Property Insurance	15,000,000	December 31, 2013
▪ Liability Insurance	5,000,000	December 31, 2013
▪ Workman's Comp.	5,000,000	December 31, 2013
- Morris Mews at December 31, 2012 and 2011 had Tenants Accounts Receivable of \$-0- for both years and Prepaid Rents of \$-0- for 2012 and \$71 for 2011.
- Congregate Housing Project at December 31, 2012 and 2011 had Tenants Accounts Receivable of \$5 and \$189 respectively. Prepaid Rents at December 31, 2012 and 2011 were \$84 and \$-0- respectively.
- Morris Mews has a contract with HUD under the Section 8 – New Construction Program. The Contract provides for annual housing assistance payments from HUD as a rental subsidy. The Congregate Housing Program has a contract with RD for Rental subsidy.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS**

Notes to Financial Statements  
December 31, 2012

**NOTE 30 – SUPPLEMENTAL INFORMATION – (RD) – CONTINUED**

- Buildings and equipment are recorded at historical cost. Depreciation is computed by the straight line method on the basis of the useful life of the assets as follows:
  - Building and Improvements                      40 years
  - Furniture and Fixtures                              7 years
  - Automobile    5 years
  
- There are no other information that we believe are necessary for full disclosure.

**NOTE 31 – SUBSEQUENT EVENTS**

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru May 9, 2013; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

Program	CFDA #	Expenditures
<u>Public Housing</u>		
Low Rent Public Housing	14.850	\$ 602,804
Public Housing Capital Fund Program	14.872	127,785
Resident Opportunity and Supportive Services	14.870	36,102
		<u>766,691</u>
<u>Section 8</u>		
Housing Choice Vouchers	14.871	5,849,178
N/C S/R Program - Section 8 Program	14.182	927,640
		<u>6,776,818</u>
<u>RD Programs</u>		
Rural Rental Assistance Payments	10.427	180,823
Subtotal		<u>180,823</u>
Total Awards		<u>\$ 7,724,332</u>

**Note 1. Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the County of Morris. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Housing Authority of the County of Morris, it is not intended to and does not present the financial position, change in net assets, or cash flow of the Authority.

**Note 2. Summary of Significant Accounting Policies:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or limited as to reimbursement.

**Note 3. Loans Outstanding:**

The Housing Authority of the County of Morris had \$3,893,970 as a loan balance outstanding at December 31, 2012. Note 19 presented on page 39 of this report have full disclosure regarding the loan activity for the Housing Authority of the County of Morris.

**Note 4. Sub recipients:**

Of the federal expenditures presented in the schedule above, The Housing Authority of the County of Morris did not provide federal awards to any sub recipients.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
BUDGETARY COMPARISON SCHEDULE  
LOW RENT PUBLIC HOUSING PROGRAM  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 1,463,326	\$ 1,521,500	\$ (58,174)
HUD PHA Operating Grants	645,887	609,350	36,537
Other Revenue	93,130	75,500	17,630
Total Revenue	<u>2,202,343</u>	<u>2,206,350</u>	<u>(4,007)</u>
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	409,083	351,143	(57,940)
Audit Fee's	3,375	10,600	7,225
Employee Benefit Contributions	126,954	142,855	15,901
Other Operating Administrative Expenses	89,649	100,000	10,351
Total Administrative Expenses	<u>629,061</u>	<u>604,598</u>	<u>(24,463)</u>
Tenant Services:			
Tenant Services Salaries	-	42,847	42,847
Tenant Services Other	3,483	1,000	(2,483)
Total Tenant Services	<u>3,483</u>	<u>43,847</u>	<u>40,364</u>
Utilities:			
Water	72,937	77,615	4,678
Electricity	84,222	105,000	20,778
Gas	161,485	285,000	123,515
Labor	59,266	54,019	(5,247)
Employee Benefit Contributions	21,742	21,976	234
Other Utilities Cost	60,970	69,000	8,030
Total Utilities	<u>460,622</u>	<u>612,610</u>	<u>151,988</u>
Maintenance:			
Maintenance Labor	122,330	106,589	(15,741)
Materials	71,184	57,650	(13,534)
Maintenance Contract Cost	353,865	399,092	45,227
Employee Benefit Contributions	43,485	43,363	(122)
Total Maintenance	<u>590,864</u>	<u>606,694</u>	<u>15,830</u>
Other Operating Expenses:			
Insurance	102,330	110,000	7,670
Payment in Lieu of Taxes	103,215	92,000	(11,215)
Compensated Absences	5,478	-	(5,478)
Collection Losses	200	4,000	3,800
Total Other Operating Expenses	<u>211,223</u>	<u>206,000</u>	<u>(3,545)</u>
Total Operating Expenses	<u>1,895,253</u>	<u>2,073,750</u>	<u>180,175</u>
Excess Revenue Over Expenses From Operations	<u>307,090</u>	<u>132,600</u>	<u>174,490</u>
Other Income and (Expenses):			
Fixed Asset Purchases	(130,740)	(15,000)	115,740
Interest Income	4,673	10,500	5,827
Principal Debt Payments	(10,000)	-	(234,500)
Extraordinary Maintenance	-	(244,500)	-
Interest Expense	(9,435)	-	9,435
Total Other (Income) and Expenses	<u>(145,502)</u>	<u>(249,000)</u>	<u>121,567</u>
Excess Revenue over Expenses	<u>\$ 161,588</u>	<u>\$ (116,400)</u>	<u>\$ 277,988</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
BUDGETARY COMPARISON SCHEDULE  
HOUSING CHOICE VOUCHER PROGRAM  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
<b>Revenue - Annual Contribution Required</b>			
Housing Assistance Payments	\$ 5,200,207	\$ 5,756,082	\$ (555,875)
Ongoing Administrative Fees Earned	648,971	642,690	6,281
Other Income	611,821	65,500	546,321
Total Revenue	<u>6,460,999</u>	<u>6,464,272</u>	<u>(3,273)</u>
<b>Operating Expenses:</b>			
Administration:			
Administrative Salaries	403,155	310,315	(92,840)
Audit Fee's	4,000	4,000	-
Employee Benefit Contributions	128,733	143,554	14,821
Other Operating Administrative Expenses	171,638	128,600	(43,038)
Total Administrative Expenses	<u>707,526</u>	<u>586,469</u>	<u>(121,057)</u>
Other Operating Expenses:			
Insurance	10,853	25,500	14,647
Other General Expenses	530,690	79,517	(451,173)
Housing Assistance Payments	5,408,773	5,413,392	4,619
Total Other Operating Expenses	<u>5,950,316</u>	<u>5,518,409</u>	<u>(431,907)</u>
Total Operating Expenses	<u>6,657,842</u>	<u>6,104,878</u>	<u>(552,964)</u>
Excess Revenue Over Expenses From Operations	<u>(196,843)</u>	359,394	<u>(556,237)</u>
Other Income and (Expenses):			
Investment Income	2,118	5,000	(2,882)
Fixed Asset Purchases	(1,953)	-	(1,953)
Transfer In - (Out) Restricted Reserves	185,532	-	185,532
Total Other Income and (Expenses)	<u>185,697</u>	<u>5,000</u>	<u>180,697</u>
Excess Revenue over Expenses	<u>\$ (11,146)</u>	<u>\$ 364,394</u>	<u>\$ (375,540)</u>

See accompanying notes to the financial statements.

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 NIC S/R Section 8 Programs	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$829,038	\$308,736	\$279,700	\$62,488				\$1,279,942		\$1,279,942
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	\$73,165	\$222,702	\$401,511	\$135,756				\$833,134		\$833,134
114 Cash - Tenant Security Deposits	\$140,157	\$86,411		\$8,232				\$184,800		\$184,800
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$842,360	\$531,438	\$717,622	\$206,456	\$0	\$0	\$0	\$2,297,876	\$0	\$2,297,876
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	\$10,228							\$10,228		\$10,228
124 Accounts Receivable - Other Government							\$10,325	\$10,325		\$10,325
125 Accounts Receivable - Miscellaneous	\$21,618	\$16,862						\$38,280		\$38,280
126 Accounts Receivable - Tenants	\$26,301	\$960		\$5				\$27,266		\$27,266
126.1 Allowance for Doubtful Accounts - Tenants	-\$7,692	\$0		\$0				-\$7,692		-\$7,692
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0						\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery		\$44,353						\$44,353		\$44,353
128.1 Allowance for Doubtful Accounts - Fraud		-\$44,353						-\$44,353		-\$44,353
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$50,455	\$16,662	\$960	\$5	\$5	\$0	\$10,325	\$78,407	\$0	\$78,407
131 Investments - Unrestricted	\$703,761		\$1,206,447					\$1,910,208		\$1,910,208
132 Investments - Restricted			\$325,245					\$325,245		\$325,245
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets										
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From										
145 Assets Held for Sale										
150 Total Current Assets	\$1,596,576	\$873,345	\$1,925,029	\$206,461	\$0	\$0	\$10,325	\$4,611,736	\$0	\$4,611,736
161 Land	\$1,735,369							\$1,735,369		\$1,735,369
162 Buildings	\$28,616,837		\$8,954,384	\$2,064,456				\$37,635,677		\$37,635,677
163 Furniture, Equipment & Machinery - Dwellings	\$259,821		\$379,320	\$69,565				\$708,706		\$708,706
164 Furniture, Equipment & Machinery - Administration	\$401,540		\$153,577					\$555,117		\$555,117
165 Leasehold Improvements	\$0							\$0		\$0
166 Accumulated Depreciation	-\$12,689,010	-\$97,066	-\$4,399,692	-\$705,245				-\$17,893,983		-\$17,893,983
167 Construction in Progress	\$718,596					\$152,457		\$871,056		\$871,056
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$19,043,156	\$56,511	\$2,934,042	\$1,425,776	\$152,457	\$152,457	\$0	\$23,611,942	\$0	\$23,611,942
171 Notes, Loans and Mortgages Receivable - Non-Current										
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current	\$168,649							\$168,649		\$168,649

See accompanying notes to the financial statements

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	Subtotal	ELIM	Total
174 Other Assets	\$19,397							\$19,397		\$19,397
176 Investments in Joint Ventures										
180 Total Non-Current Assets	\$19,231,202	\$0	\$56,511	\$2,834,042	\$1,425,776	\$152,457	\$0	\$23,799,988	\$0	\$23,799,988
190 Total Assets	\$20,827,778	\$0	\$529,856	\$4,853,071	\$1,632,237	\$152,457	\$10,325	\$28,411,724	\$0	\$28,411,724
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$113,986		\$13,547	\$21,974	\$5,274			\$165,106		\$165,106
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable										
322 Accrued Compensated Absences - Current Portion	\$10,843		\$3,238	\$3,455				\$17,536		\$17,536
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs								\$26,999		\$26,999
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$103,216							\$103,216		\$103,216
341 Tenant Security Deposits	\$140,157			\$36,411	\$6,232			\$184,800		\$184,800
342 Deferred Revenues	\$3,704			\$34	\$84			\$4,322		\$4,322
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$10,000			\$76,332	\$10,012			\$96,344		\$96,344
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities										
346 Accrued Liabilities - Other										
347 Inter Program - Due To										
348 Loan Liability - Current										
310 Total Current Liabilities	\$381,906	\$0	\$16,785	\$161,911	\$27,396	\$0	\$10,325	\$598,323	\$0	\$598,323
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$180,000			\$3,017,721	\$599,505			\$3,797,626		\$3,797,626
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other										
354 Accrued Compensated Absences - Non Current	\$73,165		\$61,993					\$135,158		\$135,158
355 Loan Liability - Non Current	\$97,587		\$29,143	\$31,090				\$157,820		\$157,820
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	\$350,752	\$0	\$91,136	\$3,048,811	\$599,505	\$0	\$0	\$4,090,604	\$0	\$4,090,604
300 Total Liabilities	\$732,658	\$0	\$107,921	\$3,210,722	\$627,301	\$0	\$10,325	\$4,688,927	\$0	\$4,688,927
508.1 Invested in Capital Assets, Net of Related Debt	\$18,653,158		\$56,511	-\$166,558	\$318,557	\$152,457		\$19,712,123		\$19,712,123
511.1 Restricted Net Assets			\$485,954	\$401,511	\$135,756			\$1,023,221		\$1,023,221
512.1 Unrestricted Net Assets	\$1,241,964	\$0	\$279,470	\$1,413,398	\$52,623	\$0	\$0	\$2,987,453	\$0	\$2,987,453
513 Total Equity/Net Assets	\$20,095,120	\$0	\$821,935	\$1,648,349	\$1,004,936	\$152,457	\$0	\$23,722,797	\$0	\$23,722,797
600 Total Liabilities and Equity/Net Assets	\$20,827,778	\$0	\$929,856	\$4,859,071	\$1,632,237	\$152,457	\$10,325	\$28,411,724	\$0	\$28,411,724

See accompanying notes to the financial statements

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 NJC S/R Section 8 Programs	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	Subtotal	ELIM	Total
70300 Not Tenant Rental Revenue	\$1,463,326			\$338,500	\$70,462			\$1,872,288		\$1,872,288
70400 Tenant Revenue - Other			\$0	\$338,500	\$70,462	\$0	\$0	\$1,872,288	\$0	\$1,872,288
70500 Total Tenant Revenue	\$1,463,326	\$0	\$0	\$338,500	\$70,462	\$0	\$0	\$1,872,288	\$0	\$1,872,288
70600 HUD PHA Operating Grants	\$645,887	\$38,102	\$5,849,178	\$927,640	\$180,823			\$7,639,630		\$7,639,630
70610 Capital Grants	\$84,702							\$84,702		\$84,702
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front-Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue								\$0	\$0	\$0
70800 Other Government Grants							\$43,798	\$43,798		\$43,798
71100 Investment Income - Unrestricted	\$4,673		\$601	\$6,344	\$27			\$11,845		\$11,845
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery			\$43,034					\$43,034		\$43,034
71500 Other Revenue	\$68,457		\$66,767	\$1,485	\$1,152		\$13,568	\$73,447		\$73,447
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted			\$1,517	\$388	\$259			\$2,164		\$2,164
70000 Total Revenue	\$2,287,045	\$38,102	\$6,463,117	\$1,354,357	\$252,723	\$0	\$57,364	\$10,450,708	\$0	\$10,450,708
91100 Administrative Salaries	\$409,083	\$27,072	\$403,155	\$141,920	\$14,889			\$986,119		\$986,119
91200 Auditing Fees	\$3,375		\$4,000	\$2,000	\$375			\$9,750		\$9,750
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing										
91500 Employee Benefit Contributions - Administrative	\$126,954	\$9,030	\$128,733	\$56,477	\$4,588			\$325,792		\$325,792
91600 Office Expenses	\$18,846		\$66,366					\$83,244		\$83,244
91700 Legal Expense	\$19,278		\$31,591	\$4,211	\$1,579			\$56,649		\$56,649
91800 Travel			\$1,555					\$1,555		\$1,555
91810 Allocated Overhead										
91900 Other	\$53,523		\$72,106	\$23,286	\$5,407			\$154,322		\$154,322
91000 Total Operating - Administrative	\$629,061	\$36,102	\$707,526	\$227,894	\$26,848	\$0	\$0	\$1,627,431	\$0	\$1,627,431
92000 Asset Management Fee										
92100 Tenant Services - Salaries							\$28,335	\$28,335		\$28,335
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services										
92400 Tenant Services - Other	\$3,483						\$9,619	\$9,619		\$9,619
							\$19,410	\$22,893		\$22,893

See accompanying notes to the financial statements

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 NIC S/R Section 8 Programs	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	Subtotal	ELIM	Total
92500 Total Tenant Services	\$3,483	\$0	\$0	\$0	\$0	\$0	\$57,364	\$60,847	\$0	\$60,847
93100 Water	\$72,937			\$33,286	\$5,874			\$112,097		\$112,097
93200 Electricity	\$84,222			\$56,941	\$15,113			\$156,276		\$156,276
93300 Gas	\$161,485			\$3,540	\$7,742			\$172,767		\$172,767
93400 Fuel										
93500 Labor	\$59,266							\$59,266		\$59,266
93600 Sewer	\$60,970			\$48,986	\$9,644			\$118,600		\$118,600
93700 Employee Benefit Contributions - Utilities	\$21,742							\$21,742		\$21,742
93800 Other Utilities Expense	\$460,622	\$0	\$0	\$4,692	\$708	\$0	\$0	\$5,398	\$0	\$5,398
93000 Total Utilities				\$147,445	\$38,079	\$0	\$0	\$646,146	\$0	\$646,146
94100 Ordinary Maintenance and Operations - Labor	\$122,330			\$107,290	\$12,528			\$242,148		\$242,148
94200 Ordinary Maintenance and Operations - Materials and Other	\$71,184			\$30,493	\$11,629			\$113,306		\$113,306
94300 Ordinary Maintenance and Operations Contracts	\$353,985			\$148,662	\$34,496			\$538,023		\$538,023
94500 Employee Benefit Contributions - Ordinary Maintenance	\$43,485			\$40,857	\$3,868			\$88,210		\$88,210
94000 Total Maintenance	\$590,864	\$0	\$0	\$328,302	\$62,521	\$0	\$0	\$981,687	\$0	\$981,687
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs										
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$54,317			\$35,660	\$6,202			\$96,179		\$96,179
96120 Liability Insurance										
96130 Workmen's Compensation	\$48,013							\$48,013		\$48,013
96140 All Other Insurance			\$10,853					\$10,853		\$10,853
96100 Total Insurance Premiums	\$102,330	\$0	\$10,853	\$35,660	\$6,202	\$0	\$0	\$155,045	\$0	\$155,045
96200 Other General Expenses		\$530,690						\$530,690		\$530,690
96210 Compensated Absences	\$5,478			\$1,748				\$7,226		\$7,226
96300 Payments in Lieu of Taxes	\$103,215							\$103,215		\$103,215
96400 Bad debt - Tenant Rents	\$200							\$200		\$200
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	\$108,893	\$0	\$530,690	\$1,748	\$0	\$0	\$0	\$641,331	\$0	\$641,331
96710 Interest of Mortgage (or Bonds) Payable	\$9,435			\$281,389	\$44,589			\$335,413		\$335,413
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										

See accompanying notes to the financial statements

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 NJC S/R Section 8 Programs	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	Subtotal	ELIM	Total
98700 Total Interest Expense and Amortization Cost	\$0	\$0	\$281,389	\$44,589	\$0	\$0	\$335,413	\$0	\$335,413
98900 Total Operating Expenses	\$38,102	\$1,249,089	\$1,022,438	\$178,239	\$0	\$57,384	\$4,447,900	\$0	\$4,447,900
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$5,214,048	\$331,979	\$74,484	\$0	\$0	\$6,002,808	\$0	\$6,002,808
97100 Extraordinary Maintenance	\$0			\$13,750			\$13,750		\$13,750
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments		\$5,408,773					\$5,408,773		\$5,408,773
97350 HAP Portability-In									
97400 Depreciation Expense		\$11,704	\$218,243	\$55,703			\$1,058,378		\$1,058,378
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$38,102	\$6,669,546	\$1,240,681	\$247,692	\$0	\$57,384	\$10,928,801	\$0	\$10,928,801
10010 Operating Transfer In									
10020 Operating Transfer Out									
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$205,429	\$113,676	\$5,031	\$0	\$0	-\$478,093	\$0	-\$478,093
11020 Required Annual Debt Principal Payments	\$0	\$0	\$76,532	\$9,314	\$0	\$0	\$95,846		\$95,846
11030 Beginning Equity	\$20,455,491	\$1,028,364	\$1,534,673	\$999,905	\$152,457	\$0	\$24,200,890		\$24,200,890
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0						\$0		\$0
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									

See accompanying notes to the financial statements

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 NIC S/R Section 8 Programs	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	2 State/Local	Subtotal	ELIM	Total
11170 Administrative Fee Equity			\$335,981					\$335,981		\$335,981
11180 Housing Assistance Payments Equity			\$485,954					\$485,954		\$485,954
11190 Unit Months Available	3638		7611	1200	228			12675		12675
11210 Number of Unit Months Leased	3629		7602	1198	224			12653		12653
11270 Excess Cash	\$986,372							\$986,372		\$986,372
11610 Land Purchases	\$0							\$0		\$0
11620 Building Purchases	\$0							\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0		\$0
11650 Leasehold Improvements Purchases	\$169,404							\$169,404		\$169,404
11660 Infrastructure Purchases	\$0							\$0		\$0
13510 CFFP Debt Service Payments	\$0							\$0		\$0
13801 Replacement Housing Factor Funds	\$0							\$0		\$0

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND GRANT COST  
AS OF DECEMBER 31, 2012**

	NJ39P092501-06		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 15,165	\$ 15,165	\$ -
Management Improvement	14,000	14,000	-
Administration	9,500	9,500	-
Fees & Costs	15,820	15,820	-
Dwelling Structures	308,929	308,929	-
Bond Debt Obligation	5,575	5,575	-
Total	\$ 368,989	\$ 368,989	\$ -
Funds Advanced	\$ 368,989		
Funds Expended	368,989		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-06 was completed on November 5, 2009.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS  
STATEMENT AND CERTIFICATION OF  
ACTUAL CAPITAL FUND GRANT COST  
AS OF DECEMBER 31, 2012**

	NJ39P092501-08		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 54,338	\$ 54,338	\$ -
Management Improvement	8,000	8,000	-
Administration	3,000	3,000	-
Fees & Costs	40,637	40,637	-
Site Improvements	36,188	36,188	-
Dwelling Structures	215,640	215,640	-
Bond Debt Obligation	20,604	20,604	-
<b>Total</b>	<b>\$ 378,408</b>	<b>\$ 378,408</b>	<b>\$ -</b>
Funds Advanced	\$ 378,408		
Funds Expended	378,408		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-08 was completed on December 16, 2011.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of the County of Morris (hereafter referred to as the Authority), which comprise the statement of net assets as of December 31, 2012, and the related statements of revenue, expense and changes in net assets, cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2013.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the County of Morris' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 Housing Authority of the County of Morris' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the County of Morris' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: May 9, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Report on Compliance**

We have audited Housing Authority of the County of Morris' (hereafter referred to as the Authority), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* applicable to Authority's major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs .

**Management's Responsibility for Compliance**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Housing Authority of the County of Morris' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the County of Morris' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Housing Authority of the County of Morris complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### **Report on Internal Control Over Compliance**

Management of Housing Authority of the County of Morris is responsible for establishing and maintaining effective internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control 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 compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hymanson, Parnes & Giampaolo*

Lincroft, New Jersey

Date: May 9, 2013

# HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Schedule of Findings and Questioned Cost  
Year Ended December 31, 2012

## Prior Audit Findings

None reported

## Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statement of Housing Authority of the County of Morris.
2. No significant deficiencies relating to the audit of the financial statements are reported in the INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.
3. No instances of noncompliance material to the financial statements of Housing Authority of the County of Morris were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*.
5. The auditor's report on compliance for the Housing Choice Voucher Program expresses an Unmodified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program tested as major program were:
  - a. Housing Choice Voucher Program, CFDA#14.871 with expenditures of \$5,849,178
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Housing Authority of the County of Morris qualify as a low risk auditee.

## FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

## FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



# Hymanson, Parnes & Giampaolo

## Certified Public Accountants

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### Independent Accountant's Report on Agreed-Upon Procedures

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

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the County of Morris and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. This agree-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Housing Authority as of and for the fiscal year ended December 31, 2012, and have issued our report thereon dated May 9, 2013. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule (FDS) dated December 31, 2012, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey  
Date: May 9, 2013

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>

Firm Name **Hymanson Parnes & Giampaolo**  
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Date **May 9, 2013**  
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