Report On Audit

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

For the Year Ended December 31, 2010

Hymanson, Parnes and Giampaolo

Housing Authority of the County of Morris

Table of Contents

	Page Number
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-15
Financial Statements	
Statement of Net Assets	16
Statement of Revenue, Expenses and Changes in Net Assets	17
Statement of Cash Flow	18
Notes to Financial Statements	19-45
Supplementary Information	
Schedule of Expenditures of Federal Awards	46
Budgetary Comparison Schedule – Low Income Program	47
Budgetary Comparison Schedule – Housing Choice Voucher Program	48
Financial Data Schedule	49-55
Other Reports and Comments	
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 (No Reportable Instances of Noncompliance and No Material Weakness)	56-57
Independent Auditors Report on Compliance with Requirements That Could Have A Direct and Material Effect to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 (Unqualified Opinion on Compliance and No Material or Significant Deficiencies In Internal Control Over Compliance Identified)	58-59
Schedule of Findings and Questioned Cost	60-61
Independent Accountant's Report on Applying Agreed-upon Procedures – REAC	62-63

Hymanson, Parnes & Giampaolo
Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

INDEPENDENT AUDITOR'S REPORT

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

We have audited the Statement of Net Assets of Housing Authority of the County of Morris, hereafter referred to as the Authority, for the year ended December 31, 2010 and 2009, and the related statement of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Housing Authority of the County of Morris management. Our responsibility is to express an opinion on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes the examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the Housing Authority of the County of Morris, as of December 31, 2010, and 2009 and the changes in financial position and, cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2011, on our consideration of the Housing Authority of the County of Morris internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 15 and page 47 thru 48 be presented to supplement the 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 inquires, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The accompanying Schedule of Federal Awards is presented for the purpose of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also 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 were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements as a whole.

Hymanson, Parnes & Giampaolo

Date: April 19, 2011

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2010

As Management of the Housing Authority of the County of Morris (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 16 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

Assets of the Authority's enterprise fund were $24,808,872 greater than the liabilities, an increase in the financial position of $220,720 or a 1% percent increase.

As noted above, the assets of the Authority exceeded its liabilities by $24,808,872 as of December 31, 2010. Of this amount, the unrestricted net asset portion is $3,131,456 representing an increase of $344,384 or 12% percent from the previous year. The investment in fixed assets decreased $341,954 or 2% percent for an ending balance of $20,117,350. The restricted net assets increased $218,290 from the previous year. Additional information on the Authority's restricted and unrestricted net assets can be found in Note 23 and 24 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at December 31, 2010 is $5,395,607 representing a decrease of $24,928 or less than 1% percent from the prior calendar year. The full detail of this amount can be found in the Statement of Cash Flow on page 18 of this report.

The Authority's total assets are $29,882,940 of which capital assets net book value is $24,182,883, other noncurrent assets are $210,632, leaving total current assets at $5,489,389. Total current assets decreased from the previous year by $31,233 or 1% percent. Cash and cash equivalents decreased by $24,928, accounts receivables decreased by $6,305, and prepaid expenses decreased remain unchanged. Total other noncurrent assets decreased $11,293 and consist of grants receivable – noncurrent in the amount of $188,649 and the unamortized portion of the bond cost in the amount of $21,983.

The Authority's total liabilities are reported at $5,074,032, of which noncurrent liabilities are stated at $4,215,733. Total liabilities decreased during the year as compared to the prior year in the amount of $681,026 or 12% percent. Total current liabilities decreased during the year by $523,018, leaving noncurrent liabilities for a decrease of $158,008 as compared to the previous year.

FINANCIAL HIGHLIGHTS - CONTINUED

Total current liabilities decreased from the previous year by $523,018 or 38% percent. Accounts payables decreased by $69,644, accrued liabilities decreased by $7,974, tenant security deposit payable increased by $1,819, deferred revenue decreased by $499,166, mortgage payable current portion increased $6,639, and other current liabilities increased by $45,308.

Total noncurrent liabilities decreased by $158,008 or 4% percent. The decrease was made up of three accounts, accrued compensated absences – long term with no offsetting assets, decreased $67,401 or 31% percent from the prior year for an ending balance of $148,092, other noncurrent liabilities decreased $8,142 or 9% percent from the prior year, and loans and mortgage payable – noncurrent decreased $82,465 or 2% percent for an ending balance of $3,983,068.

The Authority had total operating revenue of $10,658,600 as compared to $10,230,346 from the prior year for an increase of $428,254 or 4% percent. Total operating expenses of $10,985,441 as compared to $10,620,611 from the previous year for an increase of $364,830 or 3% percent, resulting in excess expenses from operations in the amount of $326,841 for the current year as compared to excess expenses from operations in the amount of $390,265 from the previous year for a decrease of $63,424 or 16% percent reduction.

Total capital improvements contributions from HUD were in the amount of $598,199 as compared to $302,719 from the previous year for an increase of $295,480 or 98% percent. Total extraordinary maintenance expense decreased $21,458 or 34% percent from the previous year for a total amount of $41,825 for 2010.

The Authority's had capital outlays in the amount of $636,280 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 $598,199. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to $8,345,783 for the calendar year 2010 as compared to $7,689,482 for the previous calendar year 2009 for an increase of $656,301 or 9% percent.

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

There are two major parts to the financial statements:

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

This report also contains other supplementary information in addition to the financial statements. The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types.

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

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION- CONTINUED

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

The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements and are an integral part of the statements. The Notes to Financial Statements can be found in this Report beginning on page 19 through 45.

The Authority activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 16 through 18.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 46 of this report.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 47 the Section Eight Housing Choice Voucher Program on page 48.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Assets between December 31, 2010 and December 31, 2009.

	Year Ending		Increase
	December-10	December-09	(Decrease)
Cash	$ 5,395,607	$ 5,420,535	$ (24,928)
Other Current Assets	93,782	100,087	(6,305)
Other Assets	210,632	221,925	(11,293)
Capital Assets - Net	24,182,883	24,600,663	(417,780)
Total Assets	29,882,904	30,343,210	(460,306)
Less: Current Liabilities	(858,299)	(1,381,317)	523,018
Less: Non Current Liabilities	(4,215,733)	(4,373,741)	158,008
Net Assets	$ 24,808,872	$ 24,588,152	$ 220,720
Invested in Capital Assets	$ 20,117,350	$ 20,459,304	$ (341,954)
Restricted Net Assets	1,560,066	1,341,776	218,290
Unrestricted Net Assets	3,131,456	2,787,072	344,384
	$ 24,808,872	$ 24,588,152	$ 220,720

Cash decreased by $24,928 or less than 1% percent. Net cash provided by operating activities was $193,906, net cash used by related financing activities was $244,916, and net cash provided by investing activities was $26,082. The full detail of this amount can be found in the Statement of Cash Flow on page 18 of this audit report.

Account receivable decreased $6,305 which was supported largely by receipt of a receivable from HUD for the capital fund program from the prior year.

Capital assets reported a decrease in the net book value of the capital assets in the amount of $417,780 or 2% percent. The major factor that contributed for the decrease was the recording of depreciation expense in the amount of $1,054,060 offset by capital outlays in the amount of $636,280. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 9 Fixed Assets.

The Authority reported a decrease in other assets in the amount of $11,293. The amount consists of two accounts, the future HUD funding on the capital grant program in the amount of $188,649, and the amortization of the underwrites cost for the financing of the capital leveraging program. A full detail of these accounts can be found in the Notes to the Financial Statements section Note – 10 & 11.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities decreased from the previous year by $523,018 or 38% percent. Accounts payables decreased by $69,644, accrued liabilities decreased by $7,974, tenant security deposit payable increased by $1,819, deferred revenue decreased by $499,166, mortgage payable current portion increased $6,639, and other current liabilities increased by $45,308.

Total noncurrent liabilities decreased by $158,008 or 4% percent. The decrease was made up of three accounts, accrued compensated absences – long term with no offsetting assets, decreased $67,401 or 31% percent from the prior year for an ending balance of $148,092, other noncurrent liabilities decreased $8,142 or 9% percent from the prior year, and loans and mortgage payable – noncurrent decreased $82,465 or 2% percent for an ending balance of $3,983,068.

The Authority's reported net assets of $24,808,872 which is made up of three categories. The investment in capital assets represents 81% percent of the total account balance. The investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending.

By far the second largest portion of the Authority's net assets (13% percent) reflects its Unrestricted Net Assets in the amount of $3,131,456 and Restricted Net Assets (6% percent) in the amount of $1,560,066. The Housing Authority of the County of Morris operating results for December 31, 2010 reported an increase in Unrestricted Net Assets of $344,384 or 12% percent for an ending balance of $3,131,456. The Authority reported restricted net assets in the amount of $1,560,066, for an increase of $218,290 from the prior year. A full detail of these accounts can be found in the Notes to the Financial Statements section Note –23 and 24.

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

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Assets between December 31, 2010 and December 31, 2009.

	Year Ending December-10	Year Ending December-09	Increase (Decrease)
Revenues			
Tenant Revenues	$ 1,938,044	$ 1,963,437	$ (25,393)
HUD Subsidies	7,747,584	7,386,763	360,821
Other Revenues	972,972	880,146	92,826
Total Operating Income	10,658,600	10,230,346	428,254
Expenses			
Operating Expenses	9,931,382	9,660,026	271,356
Depreciation Expense	1,054,059	960,585	93,474
Total Operating Expenses	10,985,441	10,620,611	364,830
Operating Income before Non Operating Income	(326,841)	(390,265)	63,424
Interest Income	26,082	50,730	(24,648)
Extraordinary Maintenance	(41,825)	(63,283)	21,458
HUD Capital Grants	598,199	302,719	295,480
Change in Net Assets	255,615	(100,099)	355,714
Net Assets Prior Year	24,588,152	24,709,947	(121,795)
Prior Period Adjustments	(34,895)	(21,696)	(13,199)
Total Net Assets	$ 24,808,872	$ 24,588,152	$ 220,720

Approximately 73% percent of the Authority's total revenue was provided by HUD operating subsidy, while 18% percent resulted from tenant revenue. Charges for various services and other governmental grants provided 9% percent of the total income. The Housing Authority of the County of Morris received capital fund improvement grant money during the year in the amount of $598,199 as compared to $302,719 for the previous year.

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 53% percent of total operating expenses. Administrative expenses accounted for 12% percent, tenant services accounted for 1% percent, utilities expense accounted for 6% percent, maintenance expense accounted for 8% percent, other operating expenses accounted for 10% percent, and depreciation accounted for the remaining 10% percent of the total operating expenses.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating revenue did not exceeded its operating expenses resulting in excess expenses from operations in the amount of $326,841 from operations as compared to excess expense from operations of $390,265 for the previous year. The key element for the decrease in the amount of $63,424 as compared to the prior year is as follow:

- The Authority received $7,747,584 in HUD operating grants compared to $7,386,763 from the previous year for an increase of $360,821 or 5% percent.
- The Authority reported an increase in Other Revenue in the amount of $80,060 or 10% percent compared to the previous year.
- The Authority reported an increase in HAP payments in the amount of $272,281 from the previous year.

The Authority's Unrestricted Net Assets increased during the calendar year $344,384 or 12% percent.

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2010, 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 47 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 48 of this report.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2010

The following are financial highlights of significant items for a four year period of time ending on December 31, 2010.

	December-10	December-09	December-08	December-07
Significant Income				
Total Tenant Revenue	$ 1,938,044	$ 1,963,437	$ 1,959,914	$ 1,874,712
HUD Operating Grants	7,747,584	7,386,763	6,318,922	6,901,659
HUD Capital Grants	598,199	302,719	1,027,265	116,871
Investment Income	26,082	50,730	75,185	206,947
Other Income	972,972	880,146	464,449	487,083
Total	$ 11,282,881	$ 10,583,795	$ 9,845,735	$ 9,587,272
Payroll Expense				
Administrative Salaries	$ 1,010,773	$ 1,016,987	$ 873,320	$ 919,308
Tenant Services Salaries	63,752	170,766	172,246	52,163
Utilities Labor	87,472	67,393	27,099	31,364
Maintenance Labor	328,920	119,107	222,824	258,579
Employee Benefits Expense	431,089	443,437	475,286	346,922
Total Payroll Expense	$ 1,922,006	$ 1,817,690	$ 1,770,775	$ 1,608,336
Other Significant Expenses				
Other Administrative Expenses	$ 322,664	$ 296,817	$ 375,368	$ 274,738
Utilities Expense	673,853	731,663	182,650	592,191
Maintenance Materials Cost	77,385	81,346	76,048	93,618
Maintenance Contract Cost	492,899	557,661	557,555	585,010
Insurance Premiums	165,056	171,004	172,398	161,495
Housing Assistance Payments	5,803,815	5,531,034	4,959,316	4,737,100
Total	$ 7,535,672	$ 7,369,525	$ 6,323,335	$ 6,444,152
Total Operating Expenses	$ 10,985,441	$ 10,620,611	$ 10,164,660	$ 9,509,971
Total of Federal Awards	$ 8,345,783	$ 7,689,482	$ 7,346,187	$ 7,068,231

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's operating revenues were sufficient to cover all operating expenses.

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

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

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS

Public Housing Program

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

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS - CONTINUED

Formula Capital Fund Stimulus Grant Program

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

Rural Development (RD) Programs

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

CDBG Program

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

NEW INITIATIVES

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2010 was $24,182,883 (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 $417,780 or 2% percent. Major capital expenditures of $636,280 were made during the year. Major capital assets events during the calendar year included the following:

- Kitchen Renovations
- Ranges and Refrigerators
- Apartment Doors

	December-10	December-09	Change
Land	$ 1,735,369	$ 1,735,369	$ -
Building	35,892,843	34,830,657	1,062,186
Furniture, Equipment - Dwelling	689,137	682,421	6,716
Furniture, Equipment - Administration	505,836	502,042	3,794
Construction in Process	1,198,256	1,634,672	(436,416)
Total Fixed Assets	40,021,441	39,385,161	636,280
Accumulated Depreciation	(15,838,558)	(14,784,498)	(1,054,060)
Net Book Value	$ 24,182,883	$ 24,600,663	$ (417,780)

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

2 – Long Term Debt

Long Term Debt

a. The Authority has participated in the New Jersey pooled leveraging program. Restricted Cash relating to the bonded debt stood at $92 at the end of the fiscal year, with Capital Project Bond payable of $210,000 in outstanding debt. A full disclosure of loans payable at December 31, 2010 can be found in Note-21.

b. RD provided mortgages of $3,716,803 and $701,974 for the Morris Mews and Congregate Housing Program respectively. The Morris Mews mortgage is for 50 years at 9% percent interest and monthly payments of $29,308. The balance outstanding at December 31, 2010 was $3,227,637. 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, 2010 was $627,896.

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

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 2010 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, 2011.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.

- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

- HUD's forthcoming project based budgeting, accounting, and reporting requirements.

- Inflationary pressure on utility rates, supplies and other cost.

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009

	DECEMBER 31, 2010	DECEMBER 31, 2009
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 5,395,607	$ 5,420,535
Accounts Receivables, Net of Allowances	79,375	85,680
Prepaid Expenses	14,407	14,407
Total Current Assets	5,489,389	5,520,622
Noncurrent Assets		
Capital Assets		
Land	1,735,369	1,735,369
Building	35,892,843	34,830,657
Furniture, Equipment - Dwelling	689,137	682,421
Furniture, Equipment - Administration	505,836	502,042
Construction in Process	1,198,256	1,634,672
Total Capital Assets	40,021,441	39,385,161
Less: Accumulated Depreciation	(15,838,558)	(14,784,498)
Net Book Value	24,182,883	24,600,663
Other Assets		
Grants Receivable - Non Current	188,649	198,649
Other Assets	21,983	23,276
Total Other Assets	210,632	221,925
Total Noncurrent Assets	24,393,515	24,822,588
Total Assets	$ 29,882,904	$ 30,343,210
Current Liabilities:		
Accounts Payable	$ 510,111	$ 579,755
Accrued Liabilities	44,456	52,430
Tenant Security Deposit Payable	174,147	172,328
Deferred Revenue	1,812	500,978
Loan and Mortgage Payable - Current Portion	82,465	75,826
Other Current Liabilities	45,308	-
Total Current Liabilities	858,299	1,381,317
Noncurrent Liabilities		
Loan and Mortgage Payable - Long Term	3,983,068	4,065,533
Noncurrent Liabilities	84,573	92,715
Accrued Compensated Absences - Long-Term	148,092	215,493
Total Noncurrent Liabilities	4,215,733	4,373,741
Total Liabilities	5,074,032	5,755,058
Net Assets:		
Investment in Capital Assets, Net of Related Debt	20,117,350	20,459,304
Restricted Net Assets	1,560,066	1,341,776
Unrestricted Net Assets	3,131,456	2,787,072
Total Net Assets	24,808,872	24,588,152
Total of Liabilities and Net Assets	$ 29,882,904	$ 30,343,210

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, 2010 AND 2009

	DECEMBER 31, 2010	DECEMBER 31, 2009
Revenue:		
Tenant Rental Revenue	$ 1,938,044	$ 1,963,437
HUD PHA Operating Grants	7,747,584	7,386,763
Other Governmental Grants	82,783	70,017
Fraud Recovery	35,154	-
Other Revenue	855,035	810,129
Total Revenue	10,658,600	10,230,346
Operating Expenses:		
Administrative Expense	1,645,892	1,641,622
Tenant Services	106,669	253,946
Utilities Expense	761,325	823,127
Maintenance Expense	1,000,065	799,036
Other Operating Expenses	613,616	611,261
Housing Assistance Payments	5,803,815	5,531,034
Depreciations Expense	1,054,059	960,585
Total Operating Expenses	10,985,441	10,620,611
Excess Expenses Over Revenue From Operations	(326,841)	(390,265)
Non Operating Income and (Expenses):		
Investment Income	26,082	50,730
Extraordinary Maintenance Expense	(41,825)	(63,283)
Total Non Operating Income and (Expenses)	(15,743)	(12,553)
Capital Grants	598,199	302,719
Change in Net Assets	255,615	(100,099)
Beginning Net Assets	24,588,152	24,709,947
Prior Period Adjustments	(34,895)	(21,696)
Beginning Net Assets - Restated	24,553,257	24,688,251
Ending Net Assets	$ 24,808,872	$ 24,588,152

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, 2010 AND 2009

	DECEMBER 31, 2010	DECEMBER 31, 2009
Cash Flow From Operating Activities		
Receipts from Tenants	$ 1,938,044	$ 1,969,987
Receipts from Federal Grants	7,747,584	7,633,623
Receipts from Other Grants	82,783	70,017
Receipts from Misc. Sources	890,189	810,129
Payments to Vendors and Suppliers	(2,065,020)	(1,119,147)
Payments for Housing Assistance Payments	(5,803,815)	(5,531,034)
Payments to Employees	(1,490,917)	(1,374,253)
Payment of Employee Benefits	(431,089)	(443,437)
Payments for Utilities	(673,853)	(731,663)
Net Cash Provided by Operating Activities	193,906	1,284,222
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	598,199	302,719
Principal Paid on Debt	(75,826)	(201,388)
Acquisitions and Construction of Capital Assets	(636,280)	(527,750)
Extraordinary Expense	(41,825)	(63,283)
Prior Period Adjustment - Net Cash	(34,895)	(21,692)
Increase (Decrease) in Grant Receivable	10,000	(65,453)
Change in Other Assets Non Current	1,293	1,293
Receipt from Tenant Security Deposit	1,819	1,789
Increase (Decrease) in Compensated Absences	(67,401)	7,034
Net Cash (Used) by and Related Financing Activities	(244,916)	(566,731)
Cash Flow From Investing Activities		
Interest Income	26,082	50,730
Receipts from Investments	-	2,069,095
Net Cash Provided by Investing Activities	26,082	2,119,825
Net (Decrease) Increase in Cash and Cash Equivalents	(24,928)	2,837,316
Beginning Cash	5,420,535	2,583,219
Ending Cash	$ 5,395,607	$ 5,420,535
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Excess of Revenue Over Expenses	$ (326,841)	$ (390,265)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	1,054,060	960,585
(Increase) Decrease in:		
Accounts Receivables	6,305	100,413
Prepaid Expenses	-	141
Increase (Decrease) in:		
Accounts Payable	(69,644)	132,347
Accrued Liabilities	(7,974)	(2,627)
Other Current Liabilities	45,308	-
Deferred Revenue	(499,166)	487,260
Non Current Liabilities	(8,142)	(3,632)
Net Cash Provided by Operating Activities	$ 193,906	$ 1,284,222
Interest expense paid during the year	$ 349,313	$ 345,178

See accompanying notes to the financial statements.

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.

2. Significant Accounting Policies

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

A. Basis of Accounting –

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

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

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

2. A - Basis of Accounting – Continued

(a) 30% of the family's adjusted monthly income,

(b) 10% of the family's monthly income, or

(c) Housing Authority of the County of Morris's flat rent amount.

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

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

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

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

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

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

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

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

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

Net Assets Invested in Capital Assets Net of Related Debt.
The net assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

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

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

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

2. B - Report Presentation – Continued

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

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

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

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

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

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

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

C. Budgetary and Policy Control – Continued
Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 47 the Section Eight Housing Choice Voucher Program on page 48.

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

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

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

1.) Project receives a HAP Subsidy from HUD. The project is referred to as Morris Mews.

2.) The Project receives a Rental Subsidy from RD. The Project is referred to as the Congregate Housing Project since it includes space for a Congregate Housing Program.

3. Activities - Continued

State - Congregate Housing Services Program

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

CDBG Program

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

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

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

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

1. The ability of the Board to exercise supervision of a component unit's financial independence.

2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.

3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.

4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.

5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in calendar matters.

NOTE 2 – ESTIMATES

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

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

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

NOTE 4 – CASH, CASH EQUIVALENTS

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

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

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

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

The bank balances at December 31, 2010 and 2009 were $5,395,607 and $5,420,535, respectively, which were either insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below.

	December-10	December-09
PNC Bank	$ 2,054,320	$ 2,195,919
The Provident Bank	2,939,633	2,823,370
Bank of America	400,599	399,476
TD Bank	963	1,242
Wells Fargo	92	528
Total	$ 5,395,607	$ 5,420,535

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 Authority does have a deposit policy for custodial credit risk. The custodial credit risk categories are described as follows:

Depository Accounts	Bank Balances	
	December-10	December-09
Insured	$ 751,055	$ 751,770
Collateralized held by pledging bank's trust department in the Authority's name	4,644,552	4,668,765
Total	$ 5,395,607	$ 5,420,535

NOTE 5 – RESTRICTED CASH

The Authority has total restricted cash at December 31, 2010 and 2009 in the amount of $1,513,581 and $947,809, respectively, which was accounted for in Note 4 and consists of the following:

	December-10	December-09
Tenant Security Deposits	$ 174,147	$ 172,328
HAP Reserve	817,550	568,439
FSS Particpants	84,573	92,715
Rural Housing Reserve	521,792	113,799
Capital Fund Leveraging	92	528
Total	$ 1,598,154	$ 947,809

The Authority has restricted cash in the amount of $92 for the Capital Fund Leveraging Program at December 31, 2010 and was also accounted for in cash and cash equivalents in Note 4. It is held in trust at the Wells Fargo Bank with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Wells Fargo Bank are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project which the Authority is under taking.

The authority has restricted cash at December 31, 2010 in the amount of $174,147 and $172,328 at December 31, 2009. Both of these amounts were accounted for in cash and cash equivalents in Note 4. This amount is held as security deposits for the tenants of the Low Income Housing in an interest bearing account at PNC Bank.

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts Receivable at December 31, 2010 and 2009 consisted of the following:

	December-10	December-09
Tenants Accounts Receivable - Present	$ 17,855	$ 7,372
Tenants Accounts Receivable - Vacated	4,557	9,448
Total Tenants Accounts Receivable	22,412	16,820
Less Allowance for Doubtful Accounts	(6,752)	(9,448)
Net Tenants Accounts Receivable	15,660	7,372
Accounts Receivable - Tenants Fraud Recovry	16,514	16,514
Less Allowance for Doubtful Accounts	(16,514)	(16,514)
Net Accounts Receivable - Fraud Recovery	-	-
Accounts Receivable - State of New Jersey	20,532	19,282
Accounts Receivable - Local Government Agencies	33,183	21,418
Accounts Receivable - Capital Fund	10,000	37,608
Total Other Receivables	63,715	78,308
Total	$ 79,375	$ 85,680

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

NOTE 7 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at December 31, 2010 and 2009 consisted of prepaid sewer fees in the amount of $14,407 and $14,407, respectively.

NOTE 8 – INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at December 31, 2010 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

NOTE 9 - FIXED ASSETS

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

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding $500 are expensed when incurred.

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

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

The carrying value of long-live assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority did not have any impairment at December 31, 2010.

NOTE 9 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2009 and 2010:

	December-08	Additions	Transfer	December-09
Land	$ 1,735,369	$ -	$ -	$ 1,735,369
Building	34,727,231	43,125	60,301	34,830,657
Furniture, Equipment - Dwelling	690,860	16,863	(25,302)	682,421
Furniture, Equipment - Administration	458,805	78,236	(34,999)	502,042
Construction in Process	1,245,146	389,526	-	1,634,672
Total Fixed Assets	38,857,411	527,750	-	39,385,161
Accumulated Depreciation	(13,823,909)	(960,589)	-	(14,784,498)
Net Book Value	$ 25,033,502	$ (432,839)	$ -	$ 24,600,663

	December-09	Additions	Transfer	December-10
Land	$ 1,735,369	$ -	$ -	$ 1,735,369
Building	34,830,657	27,570	1,034,616	35,892,843
Furniture, Equipment - Dwelling	682,421	6,716	-	689,137
Furniture, Equipment - Administration	502,042	3,794	-	505,836
Construction in Process	1,634,672	598,200	(1,034,616)	1,198,256
Total Fixed Assets	39,385,161	636,280	-	40,021,441
Accumulated Depreciation	(14,784,498)	(1,054,060)	-	(15,838,558)
Net Book Value	$ 24,600,663	$ (417,780)	$ -	$ 24,182,883

NOTE 10– GRANTS RECEIVABLE – NON CURRENT

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of $18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is $500,000. The Authority received a net amount of $474,137. The funds received were deposited with the Wells Fargo Bank which is acting as the Trustee. All funds must be expended within a four year period. The Trustee must receive copies of all invoices prior to release of funds. The Trustee may only draw funds from HUD E-LOCCS for repayment of debt and related interest. The amount of HUD future CFP State Leveraging Program funds receivable at December 31, 2010 is as follows:

	December-10	December-09
HUD CFP Future Funds Receivable	$ 198,649	$ 208,649
Less: Current Receivable	(10,000)	(10,000)
Net of Current Receivable	$ 188,649	$ 198,649

NOTE 11- OTHER ASSETS – NON CURRENT

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

	December-10	December-09
Capital Fund Leveraging - Underwriter's Cost	$ 25,862	$ 25,862
Less Amortization - Underwriter's Cost	(3,879)	(2,586)
Net Book Value - Underwriter's Cost	$ 21,983	$ 23,276

NOTE 12 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its balance sheet as of December 31, 2010 and 2009. 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, 2010 and 2009 consist of the following:

	December-10	December-09
Accounts Payable Vendors	$ 417,083	$ 488,693
Accounts Payable - P.I.L.O.T.	93,028	91,062
Total Accounts Payable	$ 510,111	$ 579,755

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

Under Federal, State and local law, the Authority's programs are exempt form 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, 2010 is $93,028, consisting of unpaid PILOT expense:

	December-10	December-09
Balance Beginning of Year	$ 91,062	$ 100,385
P.I.L.O.T. Accrued	93,028	91,062
Less Payments Made	(91,062)	(100,385)
Total P.I.L.O.T. Payable	$ 93,028	$ 91,062

NOTE 14 – ACCRUED EXPENSES

The Authority reported accrued expenses on its balance sheet. Accrued expenses are liabilities covering expenses incurred on or before December 31, and are payable at some future date. Accrued liabilities at December 31, 2010 and 2009 consist of the following:

	December-10	December-09
Accrued Interest Payable	$ 28,001	$ 28,487
Compensated Absences - Current Portion	16,455	23,943
Total Accrued Liabilities	$ 44,456	$ 52,430

NOTE 15 – ACCRUED COMPENSATED ABSENCES

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

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

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

	December-10	December-09
Accumulated Sick Time	$ 40,288	$ 39,108
Accumulated Vacation Time	100,060	165,115
Accrued Payroll Taxes	24,199	35,213
Total	164,547	239,436
Compensated Absences - Current Portion	(16,455)	(23,943)
Total Compensated Absences - Noncurrent	$ 148,092	$ 215,493

NOTE 16 – DEFERED REVENUE

The Authority reported deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized. The deferred revenue for December 31, 2010 and 2009 is $1,812 and $500,978 and consists of:

	December-10	December-09
Prepaid Rents	$ 1,812	$ 14,647
HCV Subsidy - January 2010	-	486,331
Total Accounts Payable	$ 1,812	$ 500,978

NOTE 17 – NON CURRENT LIABILITY - FSS ESCROW PAYABLE

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

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited. The bank account balance at December 31, 2010 is $84,573 and $92,715 for 2009.

NOTE 18 – LONG TERM DEBT

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

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

NOTE 18 – 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, 2010 could not be readily determined.

The Authority has three (3) loans outstanding at December 31, 2010. The details are as follows:

	Non-Current Portion	Current Portion	Total Loan Outstanding
Morris Mews Project	$ 3,163,837	$ 63,800	$ 3,227,637
Congregate Housing Project	619,231	8,665	627,896
Capital Fund Bond Leveraging	200,000	10,000	210,000
Total	$ 3,983,068	$ 82,465	$ 4,065,533

NOTE 19 – LONG TERM DEBT- RURAL DEVELOPMENT

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

Fixed liabilities on the Morris Mews Project represent a loan from RD in the original amount of $3,716,803, at an interest rate of nine percent (9%). The loan is to be repaid over fifty years with monthly payments of $23,817, later revised to $29,308, which began October 1, 1981, and is collateralized by the buildings and their contents, along with all accounts receivable and bank accounts of the Morris Mews Project. The balance outstanding at December 31, 2010 was $3,227,637 and is current.

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

Year	Principal	Interest	Total Payment
2011	63,800	287,898	351,698
2012	69,785	281,913	351,698
2013	76,331	275,367	351,698
2014	83,491	268,207	351,698
2015	91,323	260,375	351,698
Subtotal	384,730	1,373,760	1,758,490
2016-2020	602,365	1,156,125	1,758,490
2021-2025	943,111	815,379	1,758,490
2026-2030	1,297,431	285,209	1,582,640
Total	$ 3,227,637	$ 3,630,473	$ 6,858,110

NOTE 20 – LONG TERM DEBT- CONGREGATE HOUSING PROGRAM

B- Congregate Housing Program (Rural Rental Assistance Payments)

Fixed Liabilities in the Congregate Housing Program represent a loan from RD in the original amount of $700,000 and capitalized interest of $1,974 for a total mortgage of $701,974, at an interest of 7.25% for 40 years. RD provides an interest subsidy and the Authority's monthly payment is $1,778, and is collateralized by the buildings and their contents, along with all accounts receivable and bank accounts of the Congregate Housing Program. The balance at December 31, 2010 was $627,896 and is current.

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

Year	Principal	Interest	Total Payment
2011	8,665	45,238	53,903
2012	9,314	44,589	53,903
2013	10,012	43,891	53,903
2014	10,763	43,140	53,903
2015	11,570	42,333	53,903
Subtotal	50,324	219,191	269,515
2016-2020	72,233	197,283	269,516
2021-2025	103,679	165,836	269,515
2026-2030	148,816	120,699	269,515
2031-2035	213,603	55,912	269,515
2036	39,241	1,195	40,436
Total	$ 627,896	$ 760,116	$ 1,388,012

NOTE 21– LONG TERM DEBT – STATE LEVERAGING CAPITAL PROJECT BOND

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

NOTE 21 – 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 $45,578 which will be capitalized under construction in process cost. The interest payable for May 1, 2011 is $4,915 and November 1, 2011 is $4,718.

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

Year	Principal	Interest	Total Payment
2011	$ 10,000	$ 9,632	$ 19,632
2012	10,000	9,235	19,235
2013	10,000	8,832	18,832
2014	10,000	8,423	18,423
2015	10,000	8,005	18,005
Subtotal	$ 50,000	$ 44,127	$ 94,127
2016-2020	50,000	33,308	83,308
2021-2025	75,000	17,855	92,855
2026-2027	35,000	1,845	36,845
Total	$ 210,000	$ 97,135	$ 307,135

NOTE 22 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Housing Authority of the County of Morris contributes to 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. PERS provides medical, prescription drug, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits is the executive body established by statute to be responsible for the operations of the PERS.

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. Contributions to pay for the health premium in the PERS are billed to the Authority on a monthly basis. The Authority's contribution for 2010 and 2009 amounted to $136,451 and $112,185.

NOTE 23 – RESTRICTED NET ASSETS

The Authority Restricted Net Assets account balance at December 31, 2010 is $1,560,066. The detail of the reserve account balances is as follows:

	HCV HAP Reserve	Congregate	Morris Mews	Low Rent Leveraging	Total
Balance December 31, 2008	$ 747,379	$ 105,872	$ 397,740	$ 509,282	$ 1,760,273
Increase	-	7,927	1,737	-	9,664
Decrease During the Year	(178,940)	-	-	(249,221)	(428,161)
Balance December 31, 2009	568,439	113,799	399,477	260,061	1,341,776
Increase During the Year	249,111	7,394	1,122		257,627
Decrease During the Year	-	-	-	(39,337)	(39,337)
Balance December 31, 2010	$ 817,550	$ 121,193	$ 400,599	$ 220,724	$ 1,560,066
	-	-	-	-	

NOTE 23 – RESTRICTED NET ASSETS

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.

NOTE 24 – UNRESTRICTED NET ASSETS

The Authority Unrestricted Net Assets account balance at December 31, 2010 is $3,131,456. The detail of the account balance is as follows:

	Low Rent PH Reserves	HCV Reserve	Congregate Reserve	Morris Mews Reserves	COCC Reserves	Total
Balance December 31, 2008	$ (26,179)	$ 927,114	$ 91,531	$ 881,151	$ 387,904	$ 2,261,521
Increase During the Year	373,145	-	-	224,711	-	597,856
Transfer	387,904	-	-	-	(387,904)	-
Decrease During the Year	-	(46,376)	(25,929)	-	-	(72,305)
Balance December 31, 2009	734,870	880,738	65,602	1,105,862	-	2,787,072
Increase During the Year	34,294	77,211	29,655	203,224	-	344,384
Decrease During the Year	-	-	-	-	-	-
Balance December 31, 2010	$ 769,164	$ 957,949	$ 95,257	$ 1,309,086	$ -	$ 3,131,456

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.

NOTE 24 – 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	-	(46,376)	(46,376)
Balance 12/31/2009	678,377	202,361	880,738
Net Admin. Fee Operating Income for the year ended 12/31/2010	-	77,211	77,211
Balance 12/31/2010	$ 678,377	$ 279,572	$ 957,949

NOTE 25 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended December 31, 2010, 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, 2010, the Authority did not reduce insurance coverage's from coverage levels in place as of December 31, 2009. No settlements have exceeded coverage levels in place during 2008, 2009, and 2010.

NOTE 26 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended December 31, 2010 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, 2010 and 2009 were $611,292 and $787,118 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, 2010 and 2009 were $6,100,401 and $5,593,610, respectively, and $860,153 and $836,317, respectively, for N/C S/R.

NOTE 27 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

Total financial support by HUD for the year ending December 31, 2010 and 2009 was $8,345,783 and $7,689,482 respectively.

NOTE 28 - CONTINGENCIES

Litigation – At December 31, 2010, the Authority was not involved in any threatened litigation.

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

NOTE 29 – PRIOR PERIOD ADJUSTMENT

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

In January 2010, The Authority adjusted the accrued expenses and recorded expenses that were not recorded in the prior year in the amount of $34,895.

NOTE 30 – SUPPLEMENTAL INFORMATION – (RD)

- The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) in the United States of America.
- An evaluation of the system of internal control was performed. See Independent Auditors Report on Internal Controls.
- The Authority's accounting records were adequate with no recommendations for improvements were made.
- The Authority's physical control over assets was adequate.
- The Authority maintained financial compliance with the loan agreement.
- The financial reports included in the audit are in agreement with the Authority's accounting records.
- All financial records are adequate and suitable for examination.
- There were no unsatisfactory conditions disclosed by the audit.
- Deposit funds were in institutions insured by the Federal Government.
- Payments from operating accounts are disclosed and accurately represented.
- Reserve amount is current and there are no encumbrances.
- Tenant security deposit accounts are fully funded and are maintained in separate accounts.
- The Authority is exempt from Federal Income Tax.
- There have been no changes in project ownership. The Housing Authority of the County of Morris certifies that the board is active and maintains oversight of the property.
- The real estate taxes are paid in accordance with state and/or local requirements. There are currently no delinquent taxes.

NOTE 30 – SUPPLEMENTAL INFORMATION – (RD) - CONTINUED

- The Housing Authority of the County of Morris has maintained proper insurance in accordance with the requirements of 7 CFR 3560.105.

- Insurance and Bonding at December 31, 2010 was:

Type	Coverage	Expiration Date
Fidelity Bond	$1,000,000	December 31, 2011
Property Insurance	15,000,000	December 31, 2011
Liability Insurance	5,000,000	December 31, 2011
Workman's Comp.	5,000,000	December 31, 2011

- Morris Mews at December 31, 2010 and 2009 had Tenants Accounts Receivable of $5 and $-0- respectively. Prepaid Rents of $-0- for 2010 and $177 for 2009.

- Congregate Housing Project at December 31, 2010 and 2009 had Tenants Accounts Receivable of $584 and $-0- respectively. Prepaid Rents at December 31, 2010 and 2009 were $-0- and $295 respectively.

- Morris Mews has a contract with HUD under the Section 8 – New Construction Program. The Contract provides for annual housing assistance payments from HUD as a rental subsidy. The Congregate Housing Program has a contract with RD for Rental subsidy.

- Buildings and equipment are recorded at historical cost. Depreciation is computed by the straight line method on the basis of the useful life of the assets as follows:

Building and Improvements	40 years
Furniture and Fixtures	7 years
Automobile	5 years

- There are no other information that we believe are necessary for full disclosure.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

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

	CFDA#	Expenditures
PHA Owned Housing		
Low Rent Public Housing	14.850	$ 611,292
Public Housing Capital Fund Program	14.872	180,737
Formula Capital Fund Stimulus Grant	14.885	317,792
Community Development Block Grant	14.218	112,211
Subtotal		1,222,032
Rental Assistance Housing Programs		
Housing Choice Vouchers	14.871	6,100,401
Subtotal		6,100,401
Rural Development Programs		
N/C S/R Section 8 Programs	14.182	860,153
Rural Rental Assistance Payments	10.427	163,197
Subtotal		1,023,350
Total Awards		$ 8,345,783

Note 1. Presentation:
The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the County of Morris. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2. Loans Outstanding:
The Housing Authority of the County of Morris had $4,065,533 as a loan balance outstanding at December 31, 2010. Note 18 presented on page 36 of this report have full disclosure regarding the loan activity for the Housing Authority of the County of Morris.

Note 3. Sub recipients:
Of the federal expenditures presented in the schedule above, The Housing Authority of the County of Morris did not provide federal awards to any sub recipients.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
BUDGETARY COMPARISON SCHEDULE
LOW RENT PUBLIC HOUSING PROGRAM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	$ 1,511,661	$ 1,525,000	$ (13,339)
HUD PHA Operating Grants	611,292	739,065	(127,773)
Other Revenue	106,755	75,000	31,755
Total Revenue	2,229,708	2,339,065	(109,357)
Operating Expenses:			
Administration:			
Administrative Salaries	484,614	408,582	(76,032)
Audit Fee's	3,524	10,600	7,076
Employee Benefit Contributions	176,683	175,888	(795)
Other Operating Administrative Expenses	96,770	100,000	3,230
Total Administrative Expenses	761,591	695,070	(66,521)
Tenant Services:			
Tenant Services Salaries	-	56,436	56,436
Employee Benefit Contributions	-	24,295	24,295
Tenant Services Other	3,354	1,000	(2,354)
Total Tenant Services	3,354	81,731	78,377
Utilities:			
Water	76,098	77,615	1,517
Electricity	91,318	91,710	392
Gas	247,847	246,739	(1,108)
Labor	87,472	44,447	(43,025)
Employee Benefit Contributions	-	19,134	19,134
Other Utilities Cost	60,995	87,024	26,029
Total Utilities	563,730	566,669	2,939
Maintenance:			
Maintenance Labor	172,467	160,092	(12,375)
Materials	45,853	57,650	11,797
Maintenance Contract Cost	341,991	397,132	55,141
Employee Benefit Contributions	62,879	68,918	6,039
Total Maintenance	623,190	683,792	60,602
Other Operating Expenses:			
Insurance	112,575	118,739	6,164
Payment in Lieu of Taxes	93,028	97,747	4,719
Collection Losses	3,503	1,000	(2,503)
Amortization of Bond Issue Cost	1,293	-	
Other General Expenses	1,423	-	
Total Other Operating Expenses	211,822	217,486	10,883
Total Operating Expenses	2,163,687	2,244,748	86,280
Excess Revenue Over Expenses From Operations	66,021	94,317	(28,296)
Other Income and (Expenses):			
Extraordinary Maintenance	(41,825)	(128,000)	(86,175)
Interest Income	10,098	10,500	402
Transfer In	-	-	
Total Other (Income) and Expenses	(31,727)	(117,500)	(85,773)
Excess Revenue over Expenses	$ 34,294	$ (23,183)	$ 57,477

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, 2010

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	$ 5,401,349	$ 5,030,820	$ 370,529
Ongoing Administrative Fees Earned	699,052	650,200	48,852
HAP Portability Payments and Fee	594,698	-	594,698
Other Income	114,874	7,250	107,624
Total Revenue	6,809,973	5,688,270	1,121,703
Operating Expenses:			
Administration:			
Administrative Salaries	353,737	343,873	(9,864)
Audit Fee's	4,000	4,000	-
Employee Benefit Contributions	93,735	98,390	4,655
Other Operating Administrative Expenses	181,294	129,031	(52,263)
Total Administrative Expenses	632,766	575,294	(57,472)
Tenant Services:			
Tenant Services - Salaries	33,000	53,252	20,252
Employee Benefit Contributions	8,580	11,007	2,427
Total Administrative Expenses	41,580	64,259	22,679
Other Operating Expenses:			
Insurance	9,385	16,910	7,525
Other General Expenses	-	4,570	4,570
Housing Assistance Payments	5,209,117	5,030,820	(178,297)
HAP Portability Payments	594,698	-	(594,698)
Total Other Operating Expenses	5,813,200	5,052,300	(760,900)
Total Operating Expenses	6,487,546	5,691,853	(818,372)
Excess Revenue Over Expenses From Operations	322,427	(3,583)	326,010
Other Income and (Expenses):			
Investment Income	3,895	36,000	(32,105)
Transfer In - (Out) Restricted Reserves	(249,111)	-	(249,111)
Total Other Income and (Expenses)	(245,216)	36,000	(281,216)
Excess Revenue over Expenses	$ 77,211	$ 32,417	$ 44,794

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: 12/31/2010

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitle	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
111 Cash - Unrestricted	$1,181,380	$1,080,029	$1,414,950	$11,545	$109,549			$3,797,453		$3,797,453
112 Cash - Restricted - Modernization and Development	$92							$92		$92
113 Cash - Other Restricted		$902,123	$400,599		$121,193			$1,423,915		$1,423,915
114 Cash - Tenant Security Deposits	$130,832		$35,083		$8,232			$174,147		$174,147
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	$1,312,304	$1,982,152	$1,850,632	$11,545	$238,974	$0	$0	$5,395,607	$0	$5,395,607
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	$10,000							$10,000		$10,000
124 Accounts Receivable - Other Government		$8,019		$12,513				$20,532		$20,532
125 Accounts Receivable - Miscellaneous	$31,235	$1,948						$33,183		$33,183
126 Accounts Receivable - Tenants	$21,823		$5		$584			$22,412		$22,412
126.1 Allowance for Doubtful Accounts -Tenants	-$6,752		$0		$0			-$6,752		-$6,752
126.2 Allowance for Doubtful Accounts - Other	$0	$0		$0				$0		$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery		$16,514						$16,514		$16,514
128.1 Allowance for Doubtful Accounts - Fraud		-$16,514						-$16,514		-$16,514
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful	$56,306	$9,967	$5	$12,513	$584	$0	$0	$79,375	$0	$79,375
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current										
142 Prepaid Expenses and Other Assets			$12,246		$2,161			$14,407		$14,407
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From										
145 Assets Held for Sale										
150 Total Current Assets	$1,368,610	$1,992,119	$1,862,883	$24,058	$241,719	$0	$0	$5,489,389	$0	$5,489,389
161 Land	$1,735,369							$1,735,369		$1,735,369
162 Buildings	$27,393,686		$6,559,199		$1,939,958			$35,892,843		$35,892,843
163 Furniture, Equipment & Machinery - Dwellings	$247,775		$371,797		$69,565			$689,137		$689,137
164 Furniture, Equipment & Machinery - Administration	$378,362	$127,474						$505,836		$505,836
165 Leasehold Improvements										
166 Accumulated Depreciation	-$11,136,645	-$74,673	-$4,018,989		-$608,251			-$15,838,558		-$15,838,558
167 Construction In Progress	$1,073,436					$124,820	$0	$1,198,256		$1,198,256
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	$19,691,983	$52,801	$2,912,007	$0	$1,401,272	$124,820	$0	$24,182,883	$0	$24,182,883

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: 12/31/2010

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitle	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
171 Notes, Loans and Mortgages Receivable - Non-Current										
172 Notes, Loans, & Mortgages Receivable - Non Current -										
173 Grants Receivable - Non Current	$188,649							$188,649		$188,649
174 Other Assets	$21,983							$21,983		$21,983
176 Investments in Joint Ventures										
180 Total Non-Current Assets	$19,902,615	$52,801	$2,912,007	$0	$1,401,272	$124,820	$0	$24,393,515	$0	$24,393,515
190 Total Assets	$21,271,225	$2,044,920	$4,774,890	$24,058	$1,642,991	$124,820	$0	$29,882,904	$0	$29,882,904
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	$216,625	$101,662	$61,495	$24,058	$13,243			$417,083		$417,083
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable										
322 Accrued Compensated Absences - Current Portion	$10,175	$3,039	$3,241					$16,455		$16,455
324 Accrued Contingency Liability										
325 Accrued Interest Payable			$24,207		$3,794			$28,001		$28,001
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	$93,028							$93,028		$93,028
341 Tenant Security Deposits	$130,832		$35,083		$8,232			$174,147		$174,147
342 Deferred Revenues	$1,812							$1,812		$1,812
343 Current Portion of Long-term Debt - Capital	$10,000		$63,800		$8,665			$82,465		$82,465
344 Current Portion of Long-term Debt - Operating										
345 Other Current Liabilities	$45,308							$45,308		$45,308
346 Accrued Liabilities - Other										
347 Inter Program - Due To										
348 Loan Liability - Current										
310 Total Current Liabilities	$507,780	$104,701	$187,826	$24,058	$33,934	$0	$0	$858,299	$0	$858,299
351 Long-term Debt, Net of Current - Capital	$200,000		$3,163,837		$619,231			$3,983,068		$3,983,068
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other		$84,573						$84,573		$84,573
354 Accrued Compensated Absences - Non Current	$91,574	$27,346	$29,172					$148,092		$148,092
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	$291,574	$111,919	$3,193,009	$0	$619,231	$0	$0	$4,215,733	$0	$4,215,733
300 Total Liabilities	$799,354	$216,620	$3,380,835	$24,058	$653,165	$0	$0	$5,074,032	$0	$5,074,032

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: 12/31/2010

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitle	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
508.1 Invested In Capital Assets, Net of Related Debt	$19,481,983	$52,801	-$315,630		$773,376	$124,820	$0	$20,117,350		$20,117,350
509.2 Fund Balance Reserved										
511.2 Unreserved, Designated Fund Balance										
511.1 Restricted Net Assets	$220,724	$817,550	$400,599		$121,193			$1,560,066		$1,560,066
512.1 Unrestricted Net Assets	$769,164	$957,949	$1,309,086	$0	$95,257	$0	$0	$3,131,456		$3,131,456
512.2 Unreserved, Undesignated Fund Balance										
513 Total Equity/Net Assets	$20,471,871	$1,828,300	$1,394,055	$0	$989,826	$124,820	$0	$24,808,872	$0	$24,808,872
600 Total Liabilities and Equity/Net Assets	$21,271,225	$2,044,920	$4,774,890	$24,058	$1,642,991	$124,820	$0	$29,882,904	$0	$29,882,904

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: 12/31/2010

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitle	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$1,511,661		$350,945		$75,438			$1,938,044		$1,938,044
70400 Tenant Revenue - Other			$0					$0		$0
70500 Total Tenant Revenue	$1,511,661	$0	$350,945	$0	$75,438	$0	$0	$1,938,044	$0	$1,938,044
70600 HUD PHA Operating Grants	$623,833	$6,100,401	$860,153		$163,197			$7,747,584		$7,747,584
70610 Capital Grants	$168,196					$112,211	$317,792	$598,199		$598,199
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	$35,050	$0		$47,733				$82,783		$82,783
71100 Investment Income - Unrestricted	$10,098	$2,454	$10,325		$248			$23,125		$23,125
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery		$35,154						$35,154		$35,154
71500 Other Revenue	$85,257	$674,418	$78,951	$14,102	$2,307			$855,035		$855,035
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted		$1,441	$1,122		$394			$2,957		$2,957
70000 Total Revenue	$2,434,095	$6,813,868	$1,301,496	$61,835	$241,584	$112,211	$317,792	$11,282,881	$0	$11,282,881
91100 Administrative Salaries	$484,614	$353,737	$150,042		$22,380			$1,010,773		$1,010,773
91200 Auditing Fees	$3,524	$4,000	$2,000		$275			$9,799		$9,799
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing										
91500 Employee Benefit contributions - Administrative	$176,683	$93,735	$34,447		$7,590			$312,455		$312,455
91600 Office Expenses		$66,396						$66,396		$66,396
91700 Legal Expense	$20,028	$26,471	$4,030		$1,324			$51,853		$51,853
91800 Travel				$100				$100		$100
91810 Allocated Overhead										
91900 Other	$76,742	$88,427	$22,509		$6,838			$194,516		$194,516
91000 Total Operating - Administrative	$761,591	$632,766	$213,028	$100	$38,407	$0	$0	$1,645,892	$0	$1,645,892
92000 Asset Management Fee										
92100 Tenant Services - Salaries		$33,000		$30,752				$63,752		$63,752
92200 Relocation 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: 12/31/2010

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitle	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
92300 Employee Benefit Contributions - Tenant Services		$8,580		$9,193				$17,773		$17,773
92400 Tenant Services - Other	$3,354			$21,790				$25,144		$25,144
92500 Total Tenant Services	$3,354	$41,580	$0	$61,735	$0	$0	$0	$106,669	$0	$106,669
93100 Water	$76,098		$35,019		$3,104			$114,221		$114,221
93200 Electricity	$91,318		$62,529		$16,226			$170,073		$170,073
93300 Gas	$247,847		$4,103		$15,316			$267,266		$267,266
93400 Fuel										
93500 Labor	$87,472							$87,472		$87,472
93600 Sewer			$48,985		$8,645			$57,630		$57,630
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense	$60,995		$3,071		$597			$64,663		$64,663
93000 Total Utilities	$563,730	$0	$153,707	$0	$43,888	$0	$0	$761,325	$0	$761,325
94100 Ordinary Maintenance and Operations - Labor	$172,467		$137,620		$18,833			$328,920		$328,920
94200 Ordinary Maintenance and Operations - Materials	$45,853		$27,248		$4,284			$77,385		$77,385
94300 Ordinary Maintenance and Operations Contracts	$341,991		$122,616		$28,292			$492,899		$492,899
94500 Employee Benefit Contributions - Ordinary	$62,879		$31,595		$6,387			$100,861		$100,861
94000 Total Maintenance	$623,190	$0	$319,079	$0	$57,796	$0	$0	$1,000,065	$0	$1,000,065
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	$112,575	$9,385	$34,506		$8,590			$165,056		$165,056
96120 Liability Insurance										
96130 Workmen's Compensation										
96140 All Other Insurance										
96100 Total Insurance Premiums	$112,575	$9,385	$34,506	$0	$8,590	$0	$0	$165,056	$0	$165,056
96200 Other General Expenses	$1,423							$1,423		$1,423
96210 Compensated Absences										
96300 Payments in Lieu of Taxes	$93,028							$93,028		$93,028
96400 Bad debt - Tenant Rents	$3,503							$3,503		$3,503
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	$97,954	$0	$0	$0	$0	$0	$0	$97,954	$0	$97,954

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: 12/31/2010

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitle	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable	$10,025		$292,932		$46,356			$349,313		$349,313
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs	$1,293							$1,293		$1,293
96700 Total Interest Expense and Amortization Cost	$11,318	$0	$292,932	$0	$46,356	$0	$0	$350,606	$0	$350,608
96900 Total Operating Expenses	$2,173,712	$683,731	$1,013,252	$61,835	$195,037	$0	$0	$4,127,567	$0	$4,127,567
97000 Excess of Operating Revenue over Operating	$260,383	$6,130,137	$288,244	$0	$46,547	$112,211	$317,792	$7,155,314	$0	$7,155,314
97100 Extraordinary Maintenance	$41,825							$41,825		$41,825
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments		$5,209,117						$5,209,117		$5,209,117
97350 HAP Portability-In		$594,698						$594,698		$594,698
97400 Depreciation Expense	$796,693	$8,426	$205,415		$43,525			$1,054,059		$1,054,059
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	$3,012,230	$6,495,972	$1,218,667	$61,835	$238,562	$0	$0	$11,027,266	$0	$11,027,266
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	$11,011							$11,011		$11,011
10094 Transfers between Project and Program - Out	-$11,011							-$11,011		-$11,011
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-$578,135	$317,896	$82,829	$0	$3,022	$112,211	$317,792	$255,615	$0	$255,615
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$0	$0	$0		$0
11030 Beginning Equity	$20,711,622	$1,510,404	$1,311,226	$0	$986,804	$12,609	$55,487	$24,588,152		$24,588,152
11040 Prior Period Adjustments, Equity Transfers and	$338,384	$0					-$373,279	-$34,895		-$34,895

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: 12/31/2010

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitle	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
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 -										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity		$1,010,750						$1,010,750		$1,010,750
11180 Housing Assistance Payments Equity		$817,550						$817,550		$817,550
11190 Unit Months Available	3648	7648	1200		228	0	0	12724		12724
11210 Number of Unit Months Leased	3605	7608	1195		228	0	0	12636		12636
11270 Excess Cash	$679,723							$679,723		$679,723
11610 Land Purchases	$0							$0		$0
11620 Building Purchases	$1,576,091							$1,576,091		$1,576,091
11630 Furniture & Equipment - Dwelling Purchases	$6,716							$6,716		$6,716
11640 Furniture & Equipment - Administrative Purchases	$3,794							$3,794		$3,794
11650 Leasehold Improvements Purchases	$0							$0		$0
11660 Infrastructure Purchases	$0							$0		$0
13510 CFFP Debt Service Payments	$21,011							$21,011		$21,011
13901 Replacement Housing Factor Funds	$0							$0		$0

See accompanying notes to the financial statements.

Hymanson, Parnes & Giampaolo
Certified Public Accountants
tele: 732-842-4550 467 Middletown-Lincroft Rd.
fax: 732-842-4551 Lincroft, NJ 07738

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
(No Reportable Instances of Noncompliance and No Material Weaknesses)

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

We have audited the financial statements of the Housing Authority of the County of Morris as of and for the fiscal year ended December 31, 2010 and have issued our report thereon dated April 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the 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 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 Housing Authority of the County of Morris's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Hymanson, Parnes & Giampaolo
Date: April 19, 2011

Hymanson, Parnes & Giampaolo
Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

(Unqualified Opinion on Compliance, No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)

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

Compliance

We have audited the compliance of the Housing Authority of the County of Morris with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Housing Authority of the County of Morris major federal programs for the fiscal year ended December 31, 2010. The Housing Authority of the County of Morris's major federal programs are identified in the summary of the auditors result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and the U.S. Office of Management and Budgets Circular A-133. Those standards and OMB Circular A-133 required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the County of Morris's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Housing Authority of the County of Morris complied, in all material respects, with the compliance requirements referred to the above that could have a direct and material effect on each of its major federal program identified in the accompanying schedule of findings and questioned cost for the fiscal year ended December 31, 2010.

Internal Control Over Compliance
The management of the Housing Authority of the County of Morris is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Housing Authority of the County of Morris's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

Hymanson, Parnes & Giampaolo
Date: April 19, 2011

Schedule of Findings and Questioned Cost
Year Ended December 31, 2010

Prior Audit Findings
None reported

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statement of Housing Authority of the County of Morris.

2. No reportable conditions relating to the audit of the financial statements are reported in the REPORT ON COMPLIANCE AND 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.

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 reportable conditions relating to the audit of the major federal award programs are reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.

5. The auditor's report on compliance for the Low Rent Public Housing Program, N/C S/R Section 8 Program, Formula Capital Fund Stimulus Program, Public Housing Capital Fund Program, and the Rural Rental Assistance Payments expressed a Unqualified opinion.

6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.

7. The program tested as major program were
    a. Low Rent Public Housing Program, CFDA#14.850 with expenditures of $611,292,
    b. N/C S/R Section 8 Program, CFDA#14.182 with expenditures of $860,153,
    c. Formula Capital Fund Stimulus Program CFDA#14.885 with expenditures of $377,792.
    d. Public Housing Capital Fund Program, CFDA #14.872 with expenditures of $180,737
    e. Rural Rental Assistance Payments Program, CFDA#10.427 with expenditures of $163,197

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. Housing Authority of the County of Morris qualify as a low risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported

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Certified Public Accountants

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fax: 732-842-4551

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Independent Accountant's Report on Agreed-Upon Procedures

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

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

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

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Housing Authority as of and for the year ended December 31, 2010, and have issued our report thereon dated April 19, 2011. 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, 2010, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

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

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

Hymanson, Parnes & Giampaolo
Date: April 19, 2011

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule,all CFDAs	◉	○
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	◉	○
3	Type of opinion on FDS (data element G5100-010)	Auditor's supplemental report on FDS	◉	○
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	◉	○
5	General information (data element series G2000,G2100,G2200,G2300,G9000,G9100)	OMB Data Collection Form*	◉	○
6	Financial statement report information (data element G3000-010 to G3000-050, G3100-010 to G3100-030, G3200-010 to G3200-030, G3300-010 to G3300-060, G3400-010 to G3400-020)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	◉	○
7	Federal program report information (data element G4000-010 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	◉	○
8	Federal agencies required to receive reporting package (data element G4000-050)	OMB Data Collection Form*	◉	○
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	◉	○

Firm Name	**Hymanson Parnes & Giampaolo**
Employer Identification Number	**22-3554220**
Date	**April 19, 2011**
UII#	**#66170**
Contact First Name	**Anthony**
Contact Middle Initial	**J.**
Contact Last Name	**Giampaolo, C.P.A**
Street Address Line 1	**467 Middletown-Lincroft Rd.**
Street Address Line 2	
County	**Lincroft**
State	**New Jersey**
Zip Code	**07738**
Telephone	**732-842-4550**