

Report On Audit

**HOUSING AUTHORITY OF THE
COUNTY OF MORRIS**

**For the Year Ended
December 31, 2023**

Housing Authority of the County of Morris

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, of the Housing Authority of the County of Morris, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Morris basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Housing Authority of the County of Morris as of December 31, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the County of Morris and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Morris 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the County of Morris
- Housing Authority of the County of Morris's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 5 through 19 and pages 64-68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Morris's basic financial statements. The accompanying supplemental information on pages 69-76 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements. The Capital Fund cost certification is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Financial Data Schedule, and the Capital Fund cost certification are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards, Financial Data Schedule, and the Capital Fund cost certification, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024, in our consideration of the Housing Authority of the County of Morris's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Housing Authority of the County of Morris's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the County of Morris's internal control over financial reporting and compliance.



Lincroft, New Jersey

Date: June 28, 2024

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

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 20 of this report. 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

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,534,028 a decrease in the financial position of \$351,903 or 6% as compared to the prior year.

As noted above, the net position of the Authority was \$5,534,028 as of December 31, 2023. Of this amount, the unrestricted net position is a deficit balance of \$11,424,398 representing an increase in the deficit of \$43,348 or less than 1% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 20 of the financial statements, which is included in this report.

The net investment in capital assets decreased \$246,284 or 2% percent for an ending balance of \$16,154,802.

The restricted net position decreased \$62,271 or 7% percent from the prior year for an ending balance of \$803,624. Additional information on the Authority's restricted net position can be found in Notes 19 of the financial statements, which is included in this report.

The Authority's total cash, and cash equivalents on December 31, 2023, is \$2,361,839 representing a decrease of \$391,463 or 14% percent from the prior year. Operating cash decreased \$326,474 or 22% percent for an ending balance of \$1,173,247. Total restricted cash decreased \$64,989 or 5% percent for an ending balance of \$1,188,592. The full detail of these amounts can be found in the Statement of Cash Flows on pages 23-24 of this report.

The Authority's total assets and deferred outflows are \$25,322,491 of which capital assets net book value is \$18,393,436, deferred outflows are \$1,747,461, which leaves total current assets at \$5,181,594.

Total current assets decreased from the previous year by \$1,944 or less than 1% percent. Unrestricted cash and cash equivalents decreased by \$326,474, restricted cash and cash equivalents decreased by \$64,989, accounts receivables increased by \$125,532 and investments increased by \$263,987.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL HIGHLIGHTS - CONTINUED

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$469,027 or 2% percent. The major factor that contributed to the decrease was the purchase of fixed assets in the amount of \$1,103,648, less the recording of depreciation expense in the amount of \$1,572,673. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 7 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$55,541 for an ending balance of \$1,747,461. The Authority reported a decrease in the deferred inflow in the amount of \$1,225,899 for an ending balance of \$2,277,123. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 8 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$17,511,340, of which current liabilities are stated at \$939,588 and noncurrent liabilities are stated at \$16,571,752. Total liabilities increased during the year as compared to the prior year in the amount of \$1,051,290 or 6% percent. Total current liabilities increased during the year by \$26,886, leaving non-current liabilities for an increase of \$1,024,404 as compared to the previous year.

As previously stated, total current liabilities increased from the previous year by \$26,886 or 3% percent. Accounts payable increased by \$18,835, accrued liabilities increased by \$1,864, tenant security deposits payable increased by \$8,177, unearned revenue decreased by \$21,089, and the current portion of long-term debt increased by \$19,099.

As previously stated, total noncurrent liabilities increased by \$1,024,404 or 7% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$275,596, with no offsetting assets, increased \$29,092 from the previous year. Long-term debt (mortgage payable) decreased \$241,842 for an ending balance of \$1,996,793, and other noncurrent liabilities (FSS escrow accounts) decreased \$24,975 or 6% percent for an ending balance of \$404,115.

Accrued pension and OPEB liabilities increased \$1,262,129 or 10% percent for an ending balance of \$13,895,248. Additional information on GASB #68 and #75 effects and the Authority's accrued pension and OPEB liabilities on December 31, 2023, can be found in Notes 16 and 17 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority had total operating revenue of \$13,553,575 as compared to \$13,080,442 from the prior year for an increase of \$473,133 or 4% percent. The Authority had total operating expenses of \$14,932,217 as compared to \$13,843,789 from the previous year for an increase of \$1,088,428 or 8% percent, resulting in a deficiency of revenue from operations in the amount of \$1,378,642 for the current year as compared to deficiency of revenue from operations in the amount of \$763,347 for an increase in excess expenses over revenue of \$615,295 or 81% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$328,031 as compared to \$406,824 from the previous year for a decrease of \$78,793 or 19% percent.

The Authority had capital outlays in the amount of \$1,103,647 for the fiscal year. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 7 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$10,701,550 for the year 2023 as compared to \$10,425,661 for the previous year 2022 for an increase of \$275,889 or 3% 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. Public and Indian Housing
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program
4. Section 8 New Construction and Substantial Rehabilitation
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.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flows
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 20 through 24.

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

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

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 25 through 64.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 69-70 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the County of Morris are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended December 31, 2023. Type B programs for the Housing Authority of the County of Morris are those which are less than \$750,000 in expenditures for the fiscal year ended December 31, 2023.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between December 31, 2023, and December 31, 2022:

	<u>Year Ended</u>		Increase
	December-23	December-22	(Decrease)
Cash	\$ 2,361,839	\$ 2,753,302	\$ (391,463)
Other Current Assets	2,819,755	2,430,236	389,519
Capital Assets - Net	18,393,436	18,862,463	(469,027)
Deferred Outflow of Resources	1,747,461	1,803,002	(55,541)
Total Assets	25,322,491	25,849,003	(526,512)
Less: Current Liabilities	(939,588)	(912,702)	(26,886)
Less: Non Current Liabilities	(16,571,752)	(15,547,348)	(1,024,404)
Less: Deferred Inflow of Resources	(2,277,123)	(3,503,022)	1,225,899
Net Position	<u>\$ 5,534,028</u>	<u>\$ 5,885,931</u>	<u>\$ (351,903)</u>
Net Investment in Capital Assets	\$ 16,154,802	\$ 16,401,086	\$ (246,284)
Restricted Net Position	803,624	865,895	(62,271)
Unrestricted Net Position	(11,424,398)	(11,381,050)	(43,348)
Net Position	<u>\$ 5,534,028</u>	<u>\$ 5,885,931</u>	<u>\$ (351,903)</u>

Cash decreased by \$391,463 or 14% percent. Net cash provided by operating activities was \$80,403, net cash used by capital and related financing activities was \$356,380, and net cash used by investing activities was \$115,486. The full detail of this amount can be found in the Statement of Cash Flows on page 23-24 of this audit report.

Other current assets increased \$389,519 or 16% percent. The increase was comprised of accounts receivable, which increased \$125,532, and investments which increased \$263,987.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$469,027 or 2% percent. The major factor that contributed to the decrease was the purchase of fixed assets in the amount of \$1,103,648, less the recording of depreciation expense in the amount of \$1,572,673. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 7 Fixed Assets.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$55,541 for an ending balance of \$1,747,461. The Authority reported a decrease in the deferred inflow in the amount of \$1,225,899 for an ending balance of \$2,277,123. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 8 Deferred Outflows/Inflows of Resources.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities increased from the previous year by \$26,886 or 3% percent. Accounts payable increased by \$18,835, accrued liabilities increased by \$1,864, tenant security deposits payable increased by \$8,177, unearned revenue decreased by \$21,089, and the current portion of long-term debt increased by \$19,099.

Total noncurrent liabilities increased by \$1,024,404 or 7% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$275,596, with no offsetting assets, increased \$29,092 from the previous year. Long-term debt (mortgage payable) decreased \$241,842 for an ending balance of \$1,996,793, and other noncurrent liabilities (FSS escrow accounts) decreased \$24,975 or 6% percent for an ending balance of \$404,115.

Accrued pension and OPEB liabilities increased \$1,262,129 or 10% percent for an ending balance of \$13,895,248. Additional information on GASB #68 and #75 effects and the Authority's accrued pension and OPEB liabilities on December 31, 2023, can be found in Notes 16 and 17 to the financial statements, which is included in this report.

The Authority's reported net position of \$5,534,028 is made up of three categories. The net investment in capital assets in the amount of \$16,154,802 represents a majority of the total account balance. The net 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. The schedule below reflects the activity in this account for the current year:

Balance December 31, 2022	\$ 16,401,086
Acquisition in Fixed Assets	1,103,647
Depreciation Expense	(1,572,673)
Payment of Debt	222,742
Balance December 31, 2023	\$ 16,154,802

The Housing Authority of the County of Morris operating results for December 31, 2023, reported a decrease in unrestricted net position of \$43,348 or less than 1% percent for an ending deficit balance of \$11,424,398. Full details of this account can be found in the Notes to the Financial Statements Section Note – 20.

The Authority reported restricted net position in the amount of \$803,624 which decreased \$62,271 or 7% percent compared to the prior year. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 19.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between December 31, 2023, and December 31, 2022:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	December-23	December-22	
<u>Revenues</u>			
Tenant Revenues	\$ 2,720,626	\$ 2,600,407	\$ 120,219
HUD Subsidies	10,373,519	10,018,837	354,682
Other Revenues	459,430	461,198	(1,768)
Total Operating Income	13,553,575	13,080,442	473,133
<u>Expenses</u>			
Operating Expenses	13,359,544	12,386,902	972,642
Depreciation Expense	1,572,673	1,456,887	115,786
Total Operating Expenses	14,932,217	13,843,789	1,088,428
Operating Income before Non Operating Income	(1,378,642)	(763,347)	(615,295)
Investment Income	148,501	34,323	114,178
HUD Capital Grants	328,031	406,824	(78,793)
Change in Net Position	(902,110)	(322,200)	(579,910)
Prior Period Adjustment	550,207	490,257	59,950
Net Position Prior Year	5,885,931	5,717,874	168,057
Total Net Position	\$ 5,534,028	\$ 5,885,931	\$ (351,903)

Approximately 77% percent of the Authority's total revenue was provided by HUD operating subsidy, while 20% percent resulted from tenant revenue. Charges for various services and fraud recovery provided for the remaining 3% percent of the total operating income.

The Housing Authority of the County of Morris received capital fund improvement grant money during the year in the amount of \$328,031 as compared to \$406,824 for the previous year 2022. The Authority had capital expenditures of \$1,103,647. The current year additions included new fire alarm and prevention system, floor replacement in the apartments and common areas, bathroom renovations, maintenance vehicles, installation of new lighting, and new walls.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 49% percent of total operating expenses. Administrative expenses accounted for 18% percent, tenant services accounted for 1% percent, utilities expense accounted for 4% percent, maintenance expense accounted for 12% percent, other operating expenses accounted for 5% percent, and depreciation accounted for the remaining 11% of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$1,378,642 from operations as compared to excess expenses from operations of \$763,437 for the previous year. The key elements for the increase in deficit in comparison to the prior year are as follow:

- Overall, the Authority's Operating Revenue increased \$473,133 or 4% percent as listed below:
 - Tenant rental revenue increased \$120,219 or 5% percent.
 - The Authority experienced an increase in HUD operating grants in the amount of \$354,682 or 4% percent.
 - Other government grants decreased \$962 or 2% percent.
 - Fraud revenue decreased \$14,882 or 8% percent.
 - Other revenue increased \$14,076 or 6% percent.

- Administrative expenses increased \$275,086 or 12% percent.
- Tenant services expense increased \$12,135 or 7% percent.
- Utilities expenses decreased \$64,039 or 9% percent.
- Maintenance expenses increased \$205,856 or 13% percent.
- Other operating expenses increased \$138,524 or 22% percent.
- Housing Assistance Payments increased \$405,080 or 6% percent.
- Depreciation expense increased \$115,786 or 8% percent.

Total net cash provided by operating activities during the year was \$80,403 as compared to cash provided by operations of \$246,390 from the previous year. A full detail of this amount can be found in the Statement of Cash Flows on page 23-24 of this report.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four-year period of time ending on December 31, 2023:

	December-23	December-22	December-21	December-20
Significant Income				
Total Tenant Revenue	\$ 2,720,626	\$ 2,600,407	\$ 2,505,614	\$ 2,246,491
HUD Operating Grants	10,373,519	10,018,837	9,539,690	8,600,076
HUD Capital Grants	328,031	406,824	724,411	268,159
Investment Income	148,501	34,323	6,252	19,306
Other Income	459,430	461,198	657,857	507,609
Total	\$ 14,030,107	\$ 13,521,589	\$ 13,433,824	\$ 11,641,641
Payroll Expense				
Administrative Salaries	\$ 976,329	\$ 866,501	\$ 726,276	\$ 857,011
Tenant Services Salaries	65,245	67,617	58,672	16,861
Utilities Labor	71,517	81,747	68,791	95,531
Maintenance Labor	295,310	255,600	280,385	275,200
Employee Benefits Expense	1,642,892	1,355,316	1,948,470	1,898,437
Total Payroll Expense	\$ 3,051,293	\$ 2,626,781	\$ 3,082,594	\$ 3,143,040
Other Significant Expenses				
Other Administrative Expenses	\$ 496,089	\$ 522,553	\$ 476,693	\$ 401,211
Utilities Expense	604,578	621,601	561,701	536,673
Maintenance Materials Cost	189,659	123,560	118,433	126,066
Maintenance Contract Cost	889,051	854,957	769,052	597,439
Insurance Premiums	308,974	190,420	227,929	212,713
Housing Assistance Payments	7,268,682	6,955,277	6,726,305	6,195,431
Total	\$ 9,757,033	\$ 9,268,368	\$ 8,880,113	\$ 8,069,533
Total Operating Expenses	\$ 14,932,217	\$ 13,843,789	\$ 14,198,540	\$ 13,166,929
Total of Federal Awards	\$ 10,701,550	\$ 10,425,661	\$ 10,264,101	\$ 8,890,647

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses. By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress).

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

THE AUTHORITY AS A WHOLE - CONTINUED

The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS

Public and Indian Housing Program

Under the Public and Indian 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.

Section 8 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.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. 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 to keep them clean, safe and in good condition.

Rural Development (RD) Programs

The RD programs consist of two projects. The Morris Mews project has 101 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy. HUD and RD provide 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.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS - CONTINUED

State - Congregate Housing Services Program

The Congregate Housing Services Program offers States grants 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.

PIH -Family Self-Sufficiency Program:

The FSS program promotes local strategies that leverage public and private resources which enables HUD-assisted families to increase earned income and reduce the need for welfare assistance. FSS provides funds to Public Housing Authorities (PHAs) to support for the salaries of service coordinators, who connect participating families to an array of services provided by other State, city and local programs for job training, financial counseling, and other supportive services.

HOME Investment Partnerships Program

The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2023, individual programs 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 Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

NEW INITIATIVES

For the year 2023 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 76% percent of its revenue from the Department of Housing and Urban Development, (2022 was 77% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the County of Morris all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2023, was \$18,393,436 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$469,027 or 2% percent.

Major capital expenditures of \$1,103,647 were made during the year. Major capital assets events during the year included the following:

- Installation of New Fire Alarm & Prevention System
- Floor Replacement in the Apartments and Common Areas
- New Maintenance Vehicles
- Installation of LED Lighting
- Kitchen Upgrades
- Wall Mounts HVAC units RRAP Building

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED

	December-23	December-22	Change
Land	\$ 1,735,369	\$ 1,735,369	\$ -
Building	45,066,028	43,964,892	1,101,136
Furniture, Equipment - Dwelling	1,531,439	1,436,155	95,284
Furniture, Equipment - Administration	168,261	152,250	16,011
Construction in Process	1,481,890	1,590,674	(108,784)
Total Fixed Assets	49,982,987	48,879,340	1,103,647
Accumulated Depreciation	(31,589,551)	(30,016,877)	(1,572,674)
Net Book Value	<u>\$ 18,393,436</u>	<u>\$ 18,862,463</u>	<u>\$ (469,027)</u>

1 – Capital Assets

Additional information on the Authority's capital assets can be found in Note 7 of the financial statements, which is included in this report.

2 - Debt Administration

Long Term Debt

a. The Authority has participated in the New Jersey pooled leveraging program. Restricted Cash relating to the bonded debt stood at \$-0- at the end of the fiscal year, with Capital Project Bond payable of \$65,000 in outstanding debt. A full disclosure of loans payable on December 31, 2023, can be found in Note-15.

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 on December 31, 2023, was \$1,725,965. 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 on December 31, 2023, was \$447,670.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of 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. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2024 fiscal year have already been submitted to HUD for approval and no major changes are expected. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES -CONTINUED

The following factors were considered in preparing the Authority's budget for the year ending December 31, 2024.

- 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.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

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 Ms. Kelly Stephens, 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 POSITION -1
AS OF DECEMBER 31, 2023

	2023
Assets	
Current Assets:	
Cash and Cash Equivalents- Unrestricted	\$ 1,173,247
Cash and Cash Equivalents- Restricted	1,188,592
Cash and Cash Equivalents	2,361,839
Accounts Receivables, Net of Allowances	436,681
Investments	2,383,074
Total Current Assets	5,181,594
Noncurrent Assets	
Capital Assets	
Land	1,735,369
Building	45,066,028
Furniture, Equipment - Dwelling	1,531,439
Furniture, Equipment - Administration	168,261
Construction in Process	1,481,890
Total Capital Assets	49,982,987
Less: Accumulated Depreciation	(31,589,551)
Net Book Value	18,393,436
Total Noncurrent Assets	18,393,436
Total Assets	23,575,030
Deferred Outflow of Resources	
Total Deferred Outflows of Resources	1,747,461
Total Assets and Deferred Outflow of Resources	\$ 25,322,491

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET POSITION -2
AS OF DECEMBER 31, 2023

	2023
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 367,048
Accrued Liabilities	103,120
Tenant Security Deposit Payable	222,185
Unearned Revenue	5,394
Mortgage Payable - Current Portion	241,841
Total Current Liabilities	939,588
Noncurrent Liabilities	
Mortgage Payable - Long Term	1,996,793
Other Noncurrent Liabilities -FSS Escrows	404,115
Accrued Compensated Absences - Long-Term	275,596
Accrued Pension Liability	13,895,248
Total Noncurrent Liabilities	16,571,752
Total Liabilities	17,511,340
Deferred Inflow of Resources	
Total Deferred Inflow of Resources	2,277,123
Net Position:	
Net Investments in Capital Assets	16,154,802
Restricted Net Position	803,624
Unrestricted Net Position	(11,424,398)
Total Net Position	5,534,028
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 25,322,491

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023

	2023
Revenue:	
Tenant Rental Revenue	\$ 2,720,626
HUD PHA Operating Grants	10,373,519
Other Governmental Grants	47,712
Fraud Recovery	162,165
Other Revenue	249,553
Total Revenue	13,553,575
 Operating Expenses:	
Administrative Expense	2,617,615
Tenant Services	188,219
Utilities Expense	676,095
Maintenance Expense	1,751,947
Other Operating Expenses	765,311
Housing Assistance Payments	7,360,357
Depreciations Expense	1,572,673
Total Operating Expenses	14,932,217
 Excess Expenses Over Revenue From Operations	 (1,378,642)
 Non Operating Income	
Investment Income	148,501
Total Non Operating Income	148,501
 Excess Expenses Before Capital Grant Contributions	 (1,230,141)
 Capital Grant Contributions	 328,031
 Change in Net Position	 (902,110)
 Beginning Net Position	5,885,931
Prior Period Adjustments	550,207
Beginning Net Position, Restated	6,436,138
 Ending Net Position	 \$ 5,534,028

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOWS -1
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023

	2023
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 2,746,757
Receipts from Federal Grants	10,256,679
Receipts from Other Grants	17,524
Receipts from Misc. Sources	394,171
Payments to Vendors and Suppliers	(3,008,193)
Payments for Housing Assistance Payments	(7,360,357)
Payments to Employees	(1,356,178)
Payment of Employee Benefits	(1,037,604)
Payments for Utilities	(572,396)
Net Cash Provided by Operating Activities	80,403
 Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	328,031
Acquisitions and Construction of Capital Assets	(1,103,647)
Principal Paid on Debt	(222,742)
Change in Accrued Pension and OPEB Liabilities	1,262,129
Net Effect of Deferred Inflows and Outflows	(1,170,358)
Prior Period Adjustment	550,207
Net Cash (Used) by Capital and Related Financing Activities	(356,380)
 Cash Flow From Investing Activities	
Interest Income	148,501
Purchase of Investments	(263,987)
Net Cash (Used) by Investing Activities	(115,486)
Net Decrease in Cash and Cash Equivalents	(391,463)
 Beginning Cash, Cash Equivalents and Restricted Cash	2,753,302
 Ending Cash, Cash Equivalents and Restricted Cash	\$ 2,361,839
 Reconciliation of Cash Balances:	
Cash and Cash Equivalents - Unrestricted	\$ 1,173,247
Cash and Cash Equivalents - Restricted	1,188,592
Total Ending Cash	\$ 2,361,839

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOWS -2
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023

	2023
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expense from - Operations	\$ (1,378,642)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	1,572,673
(Increase) Decrease in:	
Accounts Receivables	(125,532)
Increase (Decrease) in:	
Accounts Payable	18,835
Accrued Liabilities	1,864
Unearned Revenue	(21,089)
Tenant Security Deposit	8,177
Other Non Current Liabilities	(24,975)
Compensated Absences - Long Term	29,092
Net Cash Provided by Operating Activities	\$ 80,403
Interest expense paid during the year	\$ 201,424

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

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

Organization - The Authority is a governmental, public 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. 40A:12A-1 et al 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. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in the County of Morris. 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.

The Authority's financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

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.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

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 employers 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.

Basis of Accounting –

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner like private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Basis of Accounting -Continued

Revenue Recognition

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, U.S. Department of Agriculture, HAP portability payments for the tenant, tenants dwelling rents and various charges to tenants and laundry income. The Authority recognizes short-term rental income from tenants who have signed a lease agreement for less than one year, in accordance with HUD guidelines. The Authority considers both rental income and subsidies to be exempt from compliance with ASC 606 as they are covered under current and future lease standards. However, tenant reimbursements for costs like utilities, which are based on consumption, are subject to ASC 606 and recognized as revenue when incurred. Additionally, the Authority also generates revenue from tenant charges and fees, laundry machine income and HAP portability payments all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

The Authority provides housing assistance payments to participating owners on behalf of eligible tenants. The Authority also provides decent, safe, and sanitary housing for extremely low and very low-income families. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. 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 accounts receivable and any amounts received for subsequent period are recorded as deferred 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 amounts:

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

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 contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Report Presentation –

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

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. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts.

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 fiscal year.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Other accounting policies - Continued

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

9 – 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.

10- Advertising cost is charged to expense when incurred.

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

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- 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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Other accounting policies - Continued

14 - Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Under federal, state, and local law, the Authority's program is 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 pay the municipality a 10% of its net shelter rent.

15 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Other accounting policies - Continued

16 - Operating and non-operating revenues and expenses

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, U.S. Department of Agriculture, HAP portability payments for the tenant, tenants dwelling rents and various charges to tenants and laundry income.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Non-Operating Revenue and Expenses

Authority's nonoperating revenues relate primarily to capital grants provided by HUD and interest income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2023.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Budgetary and Policy Control –

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

Activities - The programs administered by the Authority were:

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Public and Indian Housing Program	14.850	NJ92-1,2,3,5,7	304
Public Housing Capital Fund Program	14.872	NJ92	N/A
PIH Family Self-Sufficiency Program	14.896	NJ92	N/A
HOME Investment Partnerships Program	14.239	NJ92	N/A
<u>Section 8</u>			
Section 8 Housing Choice Vouchers	14.871	NJ39-VO92	642
New Construction and Substantial Rehabilitation Program - Section 8 Program	14.182	NJ39-R000-003	100
Mainstream Vouchers	14.879		43
<u>RD Programs</u>			
1- Morris Mews Development	10.427	35-14-08045997	
2- Congregate Housing Development	10.427	35-14-08045997	19

Public and Indian Housing Program

Under the Public and Indian 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% of the family’s adjusted monthly income, (b) 10% of the family’s monthly income, or (c) the Housing Authority of County of Morris flat rent amount.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2023

Activities – continued

Public Housing Capital Fund Program

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. 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 to keep them clean, safe and in good condition.

Section 8 Housing Choice Voucher Program

Under the section 8 Housing Choice Voucher 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% of household income subject to certain restrictions.

Section 8 New construction and Substantial Rehabilitation Program

The objective of the Section 8 New construction and Substantial Rehabilitation rental assistance programs is to help eligible low-income families or individuals obtain decent, safe, and sanitary housing through a system of rental subsidies.

Rural Development (RD) Programs

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

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

PIH -Family Self-Sufficiency Program:

The FSS program promotes local strategies that leverage public and private resources which enables HUD-assisted families to increase earned income and reduce the need for welfare assistance. FSS provides funds to Public Housing Authorities (PHAs) to support for the salaries of service coordinators, who connect participating families to an array of services provided by other State, city and local programs for job training, financial counseling, and other supportive services.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Activities – continued

HOME Investment Partnerships Program

The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

State - Congregate Housing Services Program

The Congregate Housing Services Program offers State grants 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.

Mainstream Vouchers Program

Mainstream Vouchers (MS5) enable families for whom the household has any family member with disabilities to lease affordable private housing of their choice.

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 fiscal matters.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit.

The lease agreement has similar terms therefore; all lease contract revenue has been aggregated in the caption rental income in the statement of income. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the buildings(s). Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be charged a late fee. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

Morris Mews and Congregate Housing Program

Morris Mews and Congregate housing program recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant (s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit the tenant(s) may also income qualify for a Housing Assistance Payment (HAP). HAP payments are used to subsidize the tenants(s) rental payment to allow them the ability to afford a unit in the development.

Tenant(s) lease payments, including the HAP payment, are due the first day of each month of the lease term. The monthly unit rental charge is determined based on local market conditions but cannot exceed the monthly rental amount set annually by the New Jersey Mortgage and Finance Agency (NJHMFA) and U.S. Department of Agriculture (RD). Any tenant(s) rental payment not received by the fifth day of each month. Will be charged a late fee. HAP payments received directly from a sponsoring governmental agency are not subject to late fees. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Rent Increases

Under the regulatory agreement, the Morris Mews and Congregate housing program may not increase rents charged to tenants without the New Jersey Mortgage and Finance Agency (NJHMFA) and U.S. Department of Agriculture (RD) approval.

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 collectability 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 N.J. S.A. 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. 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.

On the web: <http://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-pers18.pdf>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 3 - PENSION PLAN -CONTINUED

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 7.5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2023 amounted to \$179,703.

Further information on the Pension Plan and its effects due to the adoption of GASB 68 can be found in Note 17- Accrued Pension Liability.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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.

Concentration of Credit Risk

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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Risk Disclosures

Collateral for Deposits

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. On December 31, 2023, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

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

<u>Depository Accounts</u>	<u>December-23</u>	<u>December-22</u>
Insured	\$ 1,003,057	\$ 1,004,386
Collateralized held by pledging bank's trust department in the Authority's name	3,741,856	3,868,003
Total Cash, Cash Equivalents, and Investments	<u>\$ 4,744,913</u>	<u>\$ 4,872,389</u>

Investments

The Authority's investments on December 31, 2023, included the following:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market Accounts	Upon Demand	\$ 2,383,075

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements
December 31, 2023

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Restricted Deposits and Funded Reserves

Below is the detail of the restricted cash amounts for December 31, 2023, in the amount of \$1,188,592:

	December-23	December-22
Tenant Security Deposit	\$ 219,974	\$ 214,008
FSS Escrow Deposits	404,115	429,090
HAP Restricted Reserves	-	55,668
Rural Housing Reserve	144,006	140,299
Morris Mews Reserves	417,997	402,712
Mainstream - Unearned Revenue	-	9,304
Morris Mews Escrow	2,500	2,500
Total Restricted Deposits and Funded Reserves	\$ 1,188,592	\$ 1,253,581

The tenant security deposit restricted cash on December 31, 2023, was in the amount of \$219,974. These amounts were held as security deposits for tenants of the Low-Income Housing program, Rural Housing Program, and Morris Mews in interest bearing accounts.

The Authority is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. The amount of restricted cash held for this program on December 31, 2023, was in the amount of \$404,115.

The restricted cash in the amount of \$-0- was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD’s PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

Rural Development (RD) Programs Rural Housing requires the Authority to maintain two (2) accounts which does require payments to be made by the Authority. The accounts earn interest, and the accounts are controlled by Rural Development.

	Congregate Residual Receipt Account	Morris Mews Residual Receipt Account
Beginning Balance	\$ 140,229	\$ 402,712
Deposit Made	-	-
Interest earned	3,777	15,285
Withdrawals Made	-	-
Ending Balance	\$ 144,006	\$ 417,997

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements
December 31, 2023

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on December 31, 2023, consisted of the following:

	December-23	December-22
Tenants Accounts Receivable - Present	\$ 223,222	\$ 262,073
Less Allowance for Doubtful Accounts	(42,577)	(51,773)
Net Tenants Accounts Receivable	<u>180,645</u>	<u>210,300</u>
Accounts Receivable - Tenants Fraud Recovery	289,247	170,853
Less Allowance for Doubtful Accounts	(239,952)	(140,711)
Net Accounts Receivable - Fraud Recovery	<u>49,295</u>	<u>30,142</u>
Accounts Receivable - Local Government Agencies	98,995	68,807
Accounts Receivable - HUD	107,452	-
Accounts Receivable - Other	294	1,900
Less Allowance for Doubtful Accounts	-	-
Total Other Receivables	<u>206,741</u>	<u>70,707</u>
Total Net Accounts Receivable	<u>\$ 436,681</u>	<u>\$ 311,149</u>

Tenant rents are due on the first day of each month. If a rent payment is not received by the 5th day of the month, it is considered past due and late fees are applied. The Authority records its accounts receivable at cost minus an allowance for doubtful accounts, which is established as needed based on factors such as historical collection experience, the current state of accounts receivable, economic conditions, and other considerations. This process involves assessing the creditworthiness of individual tenants and the portfolio. The determination of the collectability of amounts due requires the Authority to make judgments about future events and trends. Management continually monitors tenant payment patterns, investigates past-due accounts, and stays informed of industry and economic trends to estimate the necessary allowances.

NOTE 6 - 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 on December 31, 2023, are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 7 - 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 \$4,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

Depreciation Expense

Depreciation expense on December 31, 2023, was \$1,572,673 and \$1,456,887 for 2022. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

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

The Housing Authority of the County of Morris Authority reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery's reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2023.

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2023:

	December-22	Additions	Transfer	December-23
Land	\$ 1,735,369	\$ -	\$ -	\$ 1,735,369
Building	43,964,892	683,521	417,615	45,066,028
Furniture, Equipment - Dwelling	1,436,155	91,084	4,200	1,531,439
Furniture, Equipment - Administration	152,250	16,011	-	168,261
Construction in Process	1,590,674	313,031	(421,815)	1,481,890
Total Fixed Assets	48,879,340	1,103,647	-	49,982,987
Accumulated Depreciation	(30,016,877)	(1,572,673)	(1)	(31,589,551)
Net Book Value	\$ 18,862,463	\$ (469,026)	\$ (1)	18,393,436

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements
December 31, 2023

NOTE 7 - FIXED ASSETS – CONTINUED

Below is a schedule of the net book value of the fixed assets for the Authority as of December 31, 2023:

<u>Net Book Value</u>	<u>December-23</u>
Land	\$ 1,735,369
Building	14,606,412
Furniture, Equipment - Dwelling	542,306
Furniture, Equipment - Administration	27,459
Construction in Process	1,481,890
Net Book Value	<u>\$ 18,393,436</u>

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The OPEB and Pension Liability discussed in Note 16-17 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net OPEB and pension liability, is amortized over a five-year closed period for OPEB and PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as OPEB and pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

The Authority’s deferred outflows and inflows are as follows:

Deferred Outflows of Resources	<u>OPEB</u>	<u>Pension</u>	<u>Total</u>
Differences Between Expected and Actual Experiences	\$ -	\$ 15,522	\$ 15,522
Changes in Assumptions	1,305,528	6,663	1,312,191
Net Difference Between Projected and Actual Earning on Pension Plan Investments	326,224	89,010	415,234
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	4,514	4,514
Total	<u>\$ 1,631,752</u>	<u>\$ 115,709</u>	<u>\$ 1,747,461</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements
December 31, 2023

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 13,688	\$ 13,688
Changes in Assumptions	1,670,068	322,025	1,992,093
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	271,342	271,342
Total	\$ 1,670,068	\$ 607,055	\$ 2,277,123

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$15,522 and \$13,688.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$1,312,191 and \$1,992,093.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$415,234 and \$-0-.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements
December 31, 2023

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES-CONTINUED

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$4,514 and \$271,342.

NOTE 9 – ACCOUNTS PAYABLE

Accounts payable is a liability account that represents the amount owed by the Authority to its creditors for goods or services received but not yet paid for. When the Authority receives goods or services on credit, it incurs a liability to pay the vendor or supplier in the future. This liability is recorded as an accounts payable on the Authority's financial statements, specifically on the Statement of Net Position under the category of current liabilities. Accounts payable is an important aspect of a company's financial management, as it represents its short-term obligations to its vendors and suppliers. Accounts payable on December 31, 2023, consist of the following:

	<u>December-23</u>	<u>December-22</u>
Accounts Payable Vendors	\$ 211,371	\$ 201,030
Accounts Payable - P.I.L.O.T.	155,677	147,183
Total Accounts Payable	<u>\$ 367,048</u>	<u>\$ 348,213</u>

NOTE 10 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the County of Morris. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent for real property taxes. During the fiscal year ended December 31, 2023, there was PILOT accrued of \$155,677.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements
December 31, 2023

NOTE 11 – ACCRUED EXPENSES

Accrued expenses are Authority expenses that have been incurred but not yet paid. These expenses are recognized in the financial statements before payment has actually been made, and typically refer to items such as salaries, interest, and taxes. Accrued expenses on December 31, 2023, consisted of the following:

	<u>December-23</u>	<u>December-22</u>
Accrued Interest Payable	\$ 16,182	\$ 17,834
Accrued Wages / Payroll Taxes Payable	56,317	56,033
Compensated Absences - Current Portion	30,621	27,389
Total Accrued Liabilities	<u>\$ 103,120</u>	<u>\$ 101,256</u>

NOTE 12 – 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:

Balance				Balance	Current
<u>December-22</u>	<u>Additions</u>	<u>Payments</u>		<u>December-23</u>	<u>Portion</u>
\$ 273,893	\$ 32,324	\$ -		\$ 306,217	\$ 30,621

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 13 – UNEARNED REVENUE

Unearned 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. Subject to ASC 606, rental payments with acceptance provisions and future delivery commitments, wherein the Authority has not completed its obligations under the lease, are also offset against the associated accounts receivable since the requirements for revenue recognition have not been met. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The Authority primary government unearned revenue for December 31, 2023, consisted of January 2024 rent payments.

NOTE 14 – NON CURRENT LIABILITY - FSS ESCROW PAYABLE

The Authority administers 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 on December 31, 2023, is \$404,115 which was accounted for in Note 4.

NOTE 15 – LONG TERM DEBT

The Authority has three (3) loans outstanding on December 31, 2023. The details are as follows:

	Balance December-22	Payments Made	Balance December-23	Current Portion	Non-Current Portion
Morris Mews Project	\$ 1,913,079	\$ (187,115)	\$ 1,725,964	\$ 204,667	\$ 1,521,297
Congregate Housing Project	468,298	(20,628)	447,670	22,174	425,496
Capital Fund Bond Leveraging	80,000	(15,000)	65,000	15,000	50,000
Total Loans Outstanding	<u>\$ 2,461,377</u>	<u>\$ (222,743)</u>	<u>\$ 2,238,634</u>	<u>\$ 241,841</u>	<u>\$ 1,996,793</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 15- LONG TERM DEBT- CONTINUED

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 (50) 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 on December 31, 2023, was \$1,725,964 and is current. The debt service requirement, as to principal reduction of the mortgage, is a follow:

<u>Year</u>	<u>Principal</u>
2024	\$ 204,667
2025	223,866
2026	244,867
2027	267,837
2028	<u>292,962</u>
Subtotal	1,234,199
Therafter Until Maturity	<u>491,765</u>
Total	<u><u>\$ 1,725,964</u></u>

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 on December 31, 2023, was \$447,670 and is current. The debt service requirement, as to principal reduction of the mortgage, is a follow:

<u>Year</u>	<u>Principal</u>
2024	\$ 22,174
2025	23,836
2026	25,623
2027	27,544
2028	<u>29,608</u>
Subtotal	128,785
Therafter Until Maturity	<u>318,885</u>
Total	<u><u>\$ 447,670</u></u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 15- LONG TERM DEBT- CONTINUED

C- 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.

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

<u>Year</u>	<u>Principal</u>
2024	\$ 15,000
2025	15,000
2026	15,000
2027	20,000
Total	<u>65,000</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements
December 31, 2023

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of December 31, 2023, reported accrued pension and OPEB liability amounts as follows:

	<u>December-23</u>	<u>December-22</u>
Accrued OPEB Liability	\$ 11,744,683	\$ 10,892,393
Accrued Pension Liability	2,150,565	1,740,726
Total OPEB and Pension Liability	<u>\$ 13,895,248</u>	<u>\$ 12,633,119</u>

These amounts arose due to adoption of GASB #75 (OPEB) in 2019 year as well as GASB #68 (Pension) which was adopted in 2014 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 17 will discuss the effect of GASB #68 pension liability which arose from that.

OPEB Liability – Plan Description and Benefits Provided

Plan Description: The Authority administers a single-employer defined-benefit post-employment healthcare plan. Spouses are eligible for coverage under the plan and benefits may continue to the surviving spouses.

OPEB Liability

The Authority as of December 31, 2023, reported a net OPEB liability in the amount of \$11,744,683 due to GASB #75. The component of the current year net OPEB liability of the Authority as of December 31, 2023, the last evaluation date, is as follows:

	<u>December-23</u>	<u>December-22</u>
Employer OPEB Liability	\$ 11,744,683	\$ 10,892,393
Plan Net Position	-	-
Employer Net OPEB Liability	<u>\$ 11,744,683</u>	<u>\$ 10,892,393</u>

The Authority’s net OPEB liability was measured as of January 1, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. This liability reflects the roll forward calculation for the fiscal year January 1, 2023, to December 31, 2023.

Benefits Provided: Retirees, that are vested, are eligible for post-employment medical benefits, including prescription drug benefits, as part of the medical plan on a fully insured basis through New Jersey Health Benefits Program. Employees will pay Medicare Part B premium and reimbursed by Authority. Dental coverage and vision coverage are also provided to retirees. All coverage is 100% subsidized by the Authority.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 16 –OPEB LIABILITIES - CONTINUED

Assets: The Authority has not accumulated plan assets in an irrevocable trust designated for plan participants.

Employees covered by benefits terms: On January 1, 2023 (the census date), the following employees were covered by the benefits terms:

Retired Employees Receiving Benefits	11
Actives Eligible for Benefits	<u>11</u>
Total Employees	<u><u>22</u></u>

Actuarial Assumptions: The Authority’s net OPEB liability was measured as of January 1, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. This liability reflects the roll forward calculation for the fiscal year January 1, 2023, to December 31, 2023.

All assumptions are the same as the prior valuation, including for the starting plan cost health care cost, retiree contribution rates, salary (payroll), salary increase assumptions, healthcare inflation (trend) rates, decrement tables, actuarial cost method, and other provisions as reported in the prior valuations report with an issue date of January 2023. All assumptions are the same except for discount rate.

Change in Assumptions: Effective January 1, 2023.

Change from Prior Valuation: The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 75 based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of December 31, 2023 and rounded to the nearest 0.1%. This average discount rate is 3.26%, which is a change from the prior valuation discount rate of 3.65%.

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority’s OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.26%) or one percentage point higher (4.26%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.26%	3.26%	4.26%
Total OPEB Liability	<u>\$ 13,709,161</u>	<u>\$ 11,744,683</u>	<u>\$ 10,155,809</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 16 –OPEB LIABILITIES - CONTINUED

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority’s OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 9,962,857	\$ 11,744,683	\$ 13,979,395

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2023</u>
Service Cost	\$ 166,590
Interest	396,891
Changes in Benefit Terms	-
Difference Between Expected and Actual Experiences	-
Changes in Assumptions or Other Inputs	659,311
Benefit Payments	<u>(370,502)</u>
Net Change in Total OPEB Liability	852,290
Total OPEB Liability, Beginning	<u>10,892,393</u>
Total OPEB Liability, Ending	<u><u>\$ 11,744,683</u></u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the Authority recognized an OPEB expense of \$852,290. As of December 31, 2023, the Authority report a deferred outflow of resources in the amount of \$1,747,461 in relation to OPEB.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 16 – OPEB LIABILITIES - CONTINUED

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31, 2024	\$	237,554
Year Ending December 31, 2025		(124,245)
Year Ending December 31, 2026		(316,941)
Year Ending December 31, 2027		(362,133)
Thereafter		
Total	\$	<u>(565,765)</u>

NOTE 17 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of December 31, 2023, reported a net pension liability in the amount of \$2,150,565 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	<u>December-23</u>	<u>December-22</u>
Employer Total Pension Liability	\$ 10,000,018	\$ 5,930,441
Plan Net Position	(7,849,453)	(4,189,715)
Employer Net Pension Liability	<u>\$ 2,150,565</u>	<u>\$ 1,740,726</u>

The Authority allocation percentage is 0.01425029% as of June 30, 2022.

Plan Description

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. The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Net Pension Liability Information

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

The following represents the membership tiers for PERS:

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

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Allocation Percentage Methodology - continued

NOTE 17 – ACCRUED PENSION LIABILITY - CONTINUED

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2022, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2022.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2022 the State's pension contribution was less than the actuarial determined amount.

Actuarial Assumptions

The total pension liability for June 30, 2022, measurement dates were determined by using an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

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

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

Actuarial Assumptions - continued

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022, as summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements
December 31, 2023

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0% percent) or 1 percentage-point higher (8.0% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,570,600	\$ 2,150,565	\$ 1,780,585

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2023	\$ (184,473)
Year Ending June 30, 2024	(93,983)
Year Ending June 30, 2025	(45,834)
Year Ending June 30, 2026	99,992
Year Ending June 30, 2027	(220)
Total	<u>\$ (224,518)</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 17 – ACCRUED PENSION LIABILITY – CONTINUED

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.04, 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for the 2022, 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2022, are as follows:

Service Cost	\$	161,325
Interest on the Total Pension Liability		679,955
Benefits Changes		-
Member Contributions		(658,074)
Administrative Expenses		2,760
Expected Investment Return Net of Investment Expenses		(23,687)
Pension Expense Related to Specific Liabilities of Individual Employers		(2,220)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		(62,931)
Changes of Assumptions		(35,694)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		60,171
Total	\$	<u>121,605</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements
December 31, 2023

NOTE 18 – NET INVESTMENT IN CAPITAL ASSETS

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

Balance December 31, 2022	\$	16,401,086
Acquisition in Fixed Assets		1,103,647
Depreciation Expense		(1,572,673)
Payment of Debt		222,742
Balance December 31, 2023	\$	<u>16,154,802</u>

NOTE 19 – RESTRICTED NET POSITION

The Authority restricted net position account balance on December 31, 2023, is \$803,624. The detail of the reserve account balances are as follows:

	<u>December-23</u>	<u>December-22</u>
PIH FSS Tenants Accounts	\$ 241,621	\$ 267,216
HAP Restricted for HUD	-	55,668
Rural Development Reserve	144,006	140,299
Morris Mews Reserves	417,997	402,712
Total Restricted Net Position	<u>\$ 803,624</u>	<u>\$ 865,895</u>

The restricted cash in the amount of \$-0- was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD’s PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The Authority is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family.

Rural Development (RD) Programs Rural Housing requires the Authority to maintain two (2) accounts which does require payments to be made by the Authority. The accounts earn interest and the accounts are controlled by Rural Development.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 19 – RESTRICTED NET POSITION - CONTINUED

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on December 31, 2023, is \$1,631,716.

NOTE 20 – UNRESTRICTED NET POSITION

The Authority’s unrestricted net position account balance on December 31, 2023, is a deficit (\$11,424,398). The detail of the account balance is as follows:

Program	Balance December-22	Increase (Decrease) During Year	Balance December-23
PIH Program	\$ (5,709,014)	\$ (62,594)	\$ (5,771,608)
HCV Program	(3,535,663)	26,257	(3,509,406)
Congregate Program	(465,501)	(815)	(466,316)
Morris Mews Program	(1,670,872)	(9,740)	(1,680,612)
HCV Mainstream	-	3,544	3,544
Total	\$ (11,381,050)	\$ (43,348)	\$ (11,424,398)

NOTE 21 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended December 31, 2023, were \$638,380.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program, Mainstream and the Section 8 New Construction and Substantial Rehabilitation 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 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. HUD contributions for the Housing Choice Voucher program for December 31, 2023, were in the amount of \$7,365,100, Mainstream program were in the amount of \$578,492, and for the Section 8 N/C - S/R program \$1,052,195.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 22 – 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, 2023, 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 its buildings for the purpose of determining potential liability issues.

NOTE 23 - 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 Federal support was \$10,701,550 to the Authority which represents approximately 76% percent of the Authority's total revenue for the year ended December 31, 2023.

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Litigation – On December 31, 2023, the Authority was not involved in any threatened litigation.

Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the years ended December 31, 2023.

Other Insurance

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 24 – CONTINGENCIES AND COMMITMENTS -CONTINUED

Construction Commitments

On December 31, 2023, the Authority outstanding construction commitments pertaining to its capital fund were not material. The cost pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 25 - PRIOR PERIOD ADJUSTMENTS

For year ending December 31, 2023

As of December 31, 2023, the Authority had a prior period adjustment in the amount of \$550,207 while recording the opening OPEB and Pension Liability as of January 1, 2023, for the change in the discount rate from the prior year.

NOTE 26 – 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.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 26 – SUPPLEMENTAL INFORMATION – (RD) - CONTINUED

- There have been no changes in project ownership. The Housing Authority of the County of Morris certifies that the board is active and maintains oversight of the property.
- The real estate taxes are paid in accordance with state and/or local requirements. There are currently no delinquent taxes.
- The Housing Authority of the County of Morris has maintained proper insurance in accordance with the requirements of 7 CFR 3560.105.
- Insurance and Bonding on December 31, 2023, was:

<u>Type</u>	<u>Coverage</u>	<u>Expiration Date</u>
▪ Fidelity Bond	\$50,000	December 31, 2023
▪ Property Insurance	15,000,000	December 31, 2023
▪ Liability Insurance	5,000,000	December 31, 2023
▪ Workman’s Comp.	5,000,000	December 31, 2023
- Morris Mews on December 31, 2023, and 2022 had Tenants Accounts Receivable of \$6,419 and \$3,196 and Prepaid Rents of \$1,787 for 2023 and \$1,254 for 2022.
- Congregate Housing Project on December 31, 2023, and 2022 had Tenants Accounts Receivable of \$432 and \$-0- respectively. Prepaid Rents of \$670 on December 31, 2023, and \$670 for 2022.
- 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 is no other information that we believe are necessary for full disclosure.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2023

NOTE 27 – SUBSEQUENT EVENTS

The events described in the statements pertain to the period between the statement of net assets date and the availability of the financial statements for issuance. During this interim period, any events that occurred must be assessed for potential recognition or disclosure. The effects of subsequent events serve as evidence regarding conditions that existed after the statement of net assets date, necessitating disclosure in the accompanying notes.

Management has conducted an evaluation of the Authority's activity up to June 28, 2024, which is the date when the financial statements became available for issuance. Following this assessment, it has been determined that no subsequent events have transpired that would require recognition in the financial statements or disclosure in the notes accompanying the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Required Supplementary Information

December 31, 2023

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

<u>Total OPEB Liability</u>	2023	2022	2021	2020	2019
Service Cost	\$ 166,590	\$ 291,557	\$ 273,379	\$ 277,142	\$ 178,923
Interest	396,891	265,299	266,283	299,821	341,079
Changes in Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experiences	-	332,304	-	-	-
Changes in Assumptions or Other Inputs	659,311	(2,505,102)	271,162	1,156,174	2,170,782
Benefit Payments	(370,502)	(283,000)	(262,760)	(230,600)	(180,231)
Net Change in Total OPEB Liability	852,290	(1,898,942)	548,064	1,502,537	2,510,553
Total OPEB Liability, Beginning	10,892,393	12,791,335	12,243,271	10,740,734	8,230,181
Total OPEB Liability, Ending	\$ 11,744,683	\$ 10,892,393	\$ 12,791,335	\$ 12,243,271	\$ 10,740,734
Covered, Employee Payroll	\$ 1,408,401	\$ 1,126,007	\$ 1,240,204	\$ 1,367,835	
Total OPEB Liability as a percentage of covered employee payroll	833.90%	967.35%	1031.39%	895.08%	

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Required Supplementary Information
December 31, 2023

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2023	2022	2021	2020	2019
Housing Authority's proportion of the net pension liability	0.01425029%	0.01469402%	0.01568080%	0.01568080%	0.01563289%
Housing Authority's proportionate share of the net pension liability	\$ 2,150,565	\$ 1,740,726	\$ 2,557,128	\$ 2,557,128	\$ 2,816,810
Housing Authority's covered employee payroll	\$ 1,408,401	\$ 1,291,467	\$ 1,126,007	\$ 1,240,204	\$ 1,367,835
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	152.70%	134.79%	227.10%	206.19%	205.93%
Plan fiduciary net position as a percentage of the total pension liability	78.49%	70.64%	74.26%	75.91%	56.57%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Required Supplementary Information
December 31, 2023

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2018	2017	2016	2015	2014
Housing Authority's proportion of the net pension liability	0.01652767%	0.01753035%	0.01750388%	0.01640674%	0.01724133%
Housing Authority's proportionate share of the net pension liability	\$ 3,254,216	\$ 4,080,786	\$ 5,184,148	\$ 3,682,985	\$ 3,228,048
Housing Authority's covered employee payroll	\$ 1,683,009	\$ 1,355,399	\$ 1,319,050	\$ 1,481,354	\$ 1,408,648
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.36%	301.08%	393.02%	248.62%	229.16%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.01%	59.86%	52.07%	52.08%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Required Supplementary Information

December 31, 2023

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 179,703	\$ 172,084	\$ 171,540	\$ 171,540	\$ 152,062
Contribution in relation to the contractually required contribution	(179,703)	(172,084)	(171,540)	(171,540)	(152,062)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 1,408,401	\$ 1,291,467	\$ 1,126,007	\$ 1,240,204	\$ 1,367,835
Contribution as a percentage of covered employee payroll	12.76%	13.32%	15.23%	13.83%	11.12%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Required Supplementary Information
December 31, 2023

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 164,397	\$ 162,400	\$ 155,502	\$ 141,054	\$ 33,189
Contribution in relation to the contractually required contribution	(164,397)	(162,400)	(155,502)	(141,054)	(33,189)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,683,009	\$ 1,355,399	\$ 1,319,050	\$ 1,481,354	\$ 1,408,648
Contribution as a percentage of covered employee payroll	9.77%	11.98%	11.79%	9.52%	2.36%

The amounts determined for each fiscal year were determined as of June 30.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023**

Programs funded by:

U.S. Department of Housing and Urban Development

	<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>N/C S/R Section 8 Program</u>					
NJ39-R000-003	14.182	\$ -	\$ 1,052,195	\$ 1,052,195	\$ -
Grant Total 14.182		-	1,052,195	1,052,195	-
<u>HOME Investment Partnership Program</u>					
NJ39	14.239	-	196,353	196,353	-
Grant Total 14.239		-	196,353	196,353	-
<u>Public and Indian Housing Program</u>					
NJ092	14.850	-	638,380	638,380	-
Grant Total 14.850		-	638,380	638,380	-
Section 8 Cluster					
<u>Section 8 Housing Choice Voucher Program</u>					
NJ39P092	14.871	-	7,365,100	7,365,100	-
<u>Mainstream Voucher</u>	14.879	-	578,492	578,492	-
Total Section 8 Cluster Programs		-	7,943,592	7,943,592	-
<u>PIH - Family Self-Sufficiency Program</u>					
FSS22NJ4688	14.896	-	210,000	210,000	-
Grant Total 14.896		-	210,000	210,000	-
<u>Public Housing Capital Fund Program</u>					
NJ39P092	14.872	-	417,959	417,959	-
Grant Total 14.872		-	417,959	417,959	-
Total Awards Funded by U.S. Department of Housing and Urban Development		\$ -	\$ 10,458,479	\$ 10,458,479	\$ -

Programs funded by:

US Department of Agriculture

<u>Rural Rental Assistance Payments</u>					
NJ39	10.427	\$ -	\$ 243,071	\$ 243,071	\$ -
Grant Total 10.427		-	243,071	243,071	-
Total Awards Funded by U.S. Department of Agriculture		\$ -	\$ 243,071	\$ 243,071	\$ -
Total Expenditures of Federal Awards		\$ -	\$ 10,701,550	\$ 10,701,550	\$ -

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023**

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the County of Morris which is under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the County of Morris, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the County of Morris.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Housing Authority of the County of Morris has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:

The Housing Authority of the County of Morris had \$2,238,634 as a loan balance outstanding on December 31, 2023. Note 15 presented on pages 46-48 of this report has full disclosure regarding the loan activity for the Housing Authority of the County of Morris.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2023.

Note 6. 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.

**MORRIS COUNTY HOUSING AUTHORITY
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF DECEMBER 31, 2023**

	NJ39P092501-19		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 35,000	\$ 35,000	\$ -
Management Improvement	5,000	5,000	-
Administration	1,000	1,000	-
General Capital Activity	408,417	408,417	-
Bond Debt Obligations	19,805	19,805	-
Total	\$ 469,222	\$ 469,222	\$ -
Funds Advanced	\$ 469,222		
Funds Expended	469,222		
Excess of Funds Advanced	\$ -		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-19 was completed on March 11, 2024.
4. There were no budget overruns noted.

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

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2023

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.182 N/C S/R Section 8 Programs	2 State/Local	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$318,304		\$312,015		\$768		\$393,058	\$149,102	\$1,173,247		\$1,173,247
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted	\$241,621		\$420,497				\$162,494	\$144,006	\$968,618		\$968,618
114 Cash - Tenant Security Deposits	\$169,541		\$42,229					\$8,204	\$219,974		\$219,974
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	\$729,466	\$0	\$774,741	\$0	\$768	\$0	\$555,552	\$301,312	\$2,361,839		\$2,361,839
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects	\$64,000	\$0			\$2,776		\$40,676		\$107,452		\$107,452
124 Accounts Receivable - Other Government				\$17,389			\$81,606		\$98,995		\$98,995
125 Accounts Receivable - Miscellaneous							\$294		\$294		\$294
126 Accounts Receivable - Tenants	\$216,371		\$6,419					\$432	\$223,222		\$223,222
126.1 Allowance for Doubtful Accounts - Tenants	-\$42,577		\$0					\$0	-\$42,577		-\$42,577
126.2 Allowance for Doubtful Accounts - Other	\$0								\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery	\$197,181						\$92,066		\$289,247		\$289,247
128.1 Allowance for Doubtful Accounts - Fraud	-\$147,886						-\$92,066		-\$239,952		-\$239,952
129 Accrued Interest Receivable											
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$287,089	\$0	\$6,419	\$17,389	\$2,776	\$0	\$122,576	\$432	\$436,681		\$436,681
131 Investments - Unrestricted	\$942,273		\$1,287,243				\$102,372	\$51,186	\$2,383,074		\$2,383,074
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets											
143 Inventories											
143.1 Allowance for Obsolete Inventories											
144 Inter Program Due From											
145 Assets Held for Sale											
150 Total Current Assets	\$1,958,828	\$0	\$2,068,403	\$17,389	\$3,544	\$0	\$780,500	\$352,930	\$5,181,594		\$5,181,594
161 Land	\$1,735,369								\$1,735,369		\$1,735,369
162 Buildings	\$33,289,933		\$9,275,570					\$2,500,525	\$45,066,028		\$45,066,028
163 Furniture, Equipment & Machinery - Dwellings	\$1,259,564		\$233,613					\$38,262	\$1,531,439		\$1,531,439
164 Furniture, Equipment & Machinery - Administration	\$94,458						\$73,803		\$168,261		\$168,261
165 Leasehold Improvements											
166 Accumulated Depreciation	-\$22,621,606		-\$7,560,587				-\$55,990	-\$1,351,368	-\$31,589,551		-\$31,589,551
167 Construction in Progress	\$1,481,890								\$1,481,890		\$1,481,890
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$15,239,608	\$0	\$1,948,596	\$0	\$0	\$0	\$17,813	\$1,187,419	\$18,393,436		\$18,393,436
171 Notes, Loans and Mortgages Receivable - Non-Current											
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due											
173 Grants Receivable - Non-Current											
174 Other Assets											
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$15,239,608	\$0	\$1,948,596	\$0	\$0	\$0	\$17,813	\$1,187,419	\$18,393,436		\$18,393,436
200 Deferred Outflow of Resources	\$749,064		\$406,095				\$471,252	\$121,050	\$1,747,461		\$1,747,461

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

Submission Type: Audited/Single Audit	Fiscal Year End: 12/31/2023										
	Project Total	14.896 PIH Family Self-Sufficiency Program	14.182 N/C S/R Section 8 Programs	2 State/Local	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$17,947,500	\$0	\$4,423,094	\$17,389	\$3,544	\$0	\$1,269,565	\$1,661,399	\$25,322,491		\$25,322,491
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	\$116,049		\$43,470	\$17,389			\$1,984	\$32,479	\$211,371		\$211,371
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable	\$26,071		\$13,810				\$13,363	\$3,073	\$56,317		\$56,317
322 Accrued Compensated Absences - Current Portion	\$14,086		\$7,349				\$9,186		\$30,621		\$30,621
324 Accrued Contingency Liability	\$532		\$12,945					\$2,705	\$16,182		\$16,182
325 Accrued Interest Payable											
331 Accounts Payable - HUD PHA Programs											
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government	\$155,677								\$155,677		\$155,677
341 Tenant Security Deposits	\$171,752		\$42,229					\$8,204	\$222,185		\$222,185
342 Unearned Revenue	\$3,554		\$1,787					\$53	\$5,394		\$5,394
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$15,000		\$204,667					\$22,174	\$241,841		\$241,841
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities											
346 Accrued Liabilities - Other											
347 Inter Program - Due To											
348 Loan Liability - Current											
310 Total Current Liabilities	\$502,721	\$0	\$326,257	\$17,389	\$0	\$0	\$24,533	\$68,688	\$939,588		\$939,588
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$50,000		\$1,521,297					\$425,496	\$1,996,793		\$1,996,793
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other	\$241,621						\$162,494		\$404,115		\$404,115
354 Accrued Compensated Absences - Non Current	\$126,774		\$66,143				\$82,679		\$275,596		\$275,596
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities	\$6,306,373		\$3,108,204				\$3,811,619	\$669,052	\$13,895,248		\$13,895,248
350 Total Non-Current Liabilities	\$6,724,768	\$0	\$4,695,644	\$0	\$0	\$0	\$4,056,792	\$1,094,548	\$16,571,752		\$16,571,752
300 Total Liabilities	\$7,227,489	\$0	\$5,021,901	\$17,389	\$0	\$0	\$4,081,325	\$1,163,236	\$17,511,340		\$17,511,340
400 Deferred Inflow of Resources	\$1,075,390		\$441,176				\$679,833	\$80,724	\$2,277,123		\$2,277,123
508.4 Net Investment in Capital Assets	\$15,174,608		\$222,632				\$17,813	\$739,749	\$16,154,802		\$16,154,802
511.4 Restricted Net Position	\$241,621		\$417,997				\$0	\$144,006	\$803,624		\$803,624
512.4 Unrestricted Net Position	-\$5,771,608	\$0	-\$1,680,612	\$0	\$3,544	\$0	-\$3,509,406	-\$466,316	-\$11,424,398		-\$11,424,398
513 Total Equity - Net Assets / Position	\$9,644,621	\$0	-\$1,039,983	\$0	\$3,544	\$0	-\$3,491,593	\$417,439	\$5,534,028		\$5,534,028
600 Total Liabilities, Deferred Inflows of Resources and	\$17,947,500	\$0	\$4,423,094	\$17,389	\$3,544	\$0	\$1,269,565	\$1,661,399	\$25,322,491		\$25,322,491

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

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2023

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.182 N/C S/R Section 8 Programs	2 State/Local	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,080,812		\$429,117					\$113,799	\$2,623,728		\$2,623,728
70400 Tenant Revenue - Other	\$92,770		\$4,070					\$58	\$96,898		\$96,898
70500 Total Tenant Revenue	\$2,173,582	\$0	\$433,187	\$0	\$0	\$0	\$0	\$113,857	\$2,720,626	\$0	\$2,720,626
70600 HUD PHA Operating Grants	\$728,308	\$210,000	\$1,052,195		\$578,492	\$196,353	\$7,365,100	\$243,071	\$10,373,519		\$10,373,519
70610 Capital Grants	\$328,031								\$328,031		\$328,031
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	\$0
70800 Other Government Grants				\$47,712					\$47,712		\$47,712
71100 Investment Income - Unrestricted	\$47,194		\$64,160				\$14,926	\$3,229	\$129,509		\$129,509
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery	\$74,213		\$9,990		\$3,544		\$74,418		\$162,165		\$162,165
71500 Other Revenue	\$50,190		\$67,161	\$24,189			\$105,830	\$2,183	\$249,553		\$249,553
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted			\$15,285					\$3,707	\$18,992		\$18,992
70000 Total Revenue	\$3,401,518	\$210,000	\$1,641,978	\$71,901	\$582,036	\$196,353	\$7,560,274	\$366,047	\$14,030,107	\$0	\$14,030,107
91100 Administrative Salaries	\$193,158	\$137,000	\$194,420		\$37,500	\$7,500	\$392,758	\$13,993	\$976,329		\$976,329
91200 Auditing Fees	\$6,685		\$1,070				\$5,348	\$267	\$13,370		\$13,370
91300 Management Fee											
91310 Book-keeping Fee											
91400 Advertising and Marketing											
91500 Employee Benefit contributions - Administrative	\$314,156	\$73,000	\$223,872		\$15,352	\$3,000	\$498,177	\$17,640	\$1,145,197		\$1,145,197
91600 Office Expenses	\$30,000								\$30,000		\$30,000
91700 Legal Expense	\$141,581		\$5,957				\$35,394	\$1,415	\$184,347		\$184,347
91800 Travel											
91810 Allocated Overhead											
91900 Other	\$90,342		\$39,790			\$600	\$130,334	\$7,306	\$268,372		\$268,372
91000 Total Operating - Administrative	\$775,922	\$210,000	\$465,109	\$0	\$52,852	\$11,100	\$1,062,011	\$40,621	\$2,617,615	\$0	\$2,617,615
92000 Asset Management Fee											
92100 Tenant Services - Salaries	\$44,145			\$21,100					\$65,245		\$65,245
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services	\$72,173			\$15,413					\$87,586		\$87,586
92400 Tenant Services - Other	\$116,318	\$0	\$0	\$35,388	\$0	\$0	\$0	\$0	\$35,388		\$35,388
92500 Total Tenant Services	\$116,318	\$0	\$0	\$71,901	\$0	\$0	\$0	\$0	\$188,219	\$0	\$188,219
93100 Water	\$78,703		\$23,021					\$4,181	\$105,905		\$105,905
93200 Electricity	\$57,458		\$43,255					\$10,881	\$111,594		\$111,594
93300 Gas	\$206,031		\$3,584					\$9,496	\$219,111		\$219,111
93400 Fuel											
93500 Labor	\$71,517								\$71,517		\$71,517
93600 Sewer	\$78,156		\$48,986					\$8,644	\$135,786		\$135,786

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.182 N/C S/R Section 8 Programs	2 State/Local	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
93700 Employee Benefit Contributions - Utilities	\$32,182								\$32,182		\$32,182
93800 Other Utilities Expense	\$524,047	\$0	\$118,846	\$0	\$0	\$0	\$0	\$33,202	\$676,095	\$0	\$676,095
93000 Total Utilities	\$71,517		\$193,454					\$30,339	\$295,310		\$295,310
94100 Ordinary Maintenance and Operations - Labor	\$151,843		\$29,547					\$8,269	\$189,659		\$189,659
94200 Ordinary Maintenance and Operations - Materials and Other	\$645,180		\$173,537					\$70,334	\$889,051		\$889,051
94300 Ordinary Maintenance and Operations Contracts	\$116,922		\$222,760					\$38,245	\$377,927		\$377,927
94500 Employee Benefit Contributions - Ordinary Maintenance	\$985,462	\$0	\$619,298	\$0	\$0	\$0	\$0	\$147,187	\$1,751,947	\$0	\$1,751,947
94000 Total Maintenance											
95100 Protective Services - Labor											
95200 Protective Services - Other Contract Costs											
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
95000 Total Protective Services											
96110 Property Insurance											
96120 Liability Insurance											
96130 Workmen's Compensation											
96140 All Other Insurance	\$153,112		\$77,244				\$66,259	\$12,359	\$308,974		\$308,974
96100 Total Insurance Premiums	\$153,112	\$0	\$77,244	\$0	\$0	\$0	\$66,259	\$12,359	\$308,974	\$0	\$308,974
96200 Other General Expenses	\$363						\$11,537		\$11,900		\$11,900
96210 Compensated Absences											
96300 Payments in Lieu of Taxes	\$155,677								\$155,677		\$155,677
96400 Bad debt - Tenant Rents	\$86,679		\$2,185						\$88,864		\$88,864
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses	\$242,719	\$0	\$2,185	\$0	\$0	\$0	\$11,537	\$0	\$256,441	\$0	\$256,441
96710 Interest of Mortgage (or Bonds) Payable	\$3,565		\$163,180					\$33,151	\$199,896		\$199,896
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$3,565	\$0	\$163,180	\$0	\$0	\$0	\$0	\$33,151	\$199,896	\$0	\$199,896
96900 Total Operating Expenses	\$2,801,145	\$210,000	\$1,445,862	\$71,901	\$52,852	\$11,100	\$1,139,807	\$266,520	\$5,999,187	\$0	\$5,999,187
97000 Excess of Operating Revenue over Operating Expenses	\$600,373	\$0	\$196,116	\$0	\$529,184	\$185,253	\$6,420,467	\$99,527	\$8,030,920	\$0	\$8,030,920
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments					\$525,640	\$185,253	\$6,557,789		\$7,268,682		\$7,268,682
97350 HAP Portability-In							\$91,675		\$91,675		\$91,675
97400 Depreciation Expense	\$1,133,478		\$368,770				\$3,319	\$67,106	\$1,572,673		\$1,572,673
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	Project Total	14,896 PIH Family Self-Sufficiency Program	14,182 N/C S/R Section 8 Programs	2 State/Local	14,879 Mainstream Vouchers	14,239 HOME Investment Partnerships Program	14,871 Housing Choice Vouchers	10,427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
97800 Dwelling Units Rent Expense	\$3,934,623	\$210,000	\$1,814,632	\$71,901	\$578,492	\$196,353	\$7,792,590	\$333,626	\$14,932,217	\$0	\$14,932,217
90000 Total Expenses											
10010 Operating Transfer In	\$85,000								\$85,000	-\$85,000	\$0
10020 Operating Transfer Out	-\$85,000								-\$85,000	\$85,000	\$0
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In											
10092 Inter Project Excess Cash Transfer Out											
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$533,105	\$0	-\$172,654	\$0	\$3,544	\$0	-\$232,316	\$32,421	-\$902,110	\$0	-\$902,110
11020 Required Annual Debt Principal Payments	\$15,000	\$0	\$187,114	\$0	\$0	\$0	\$0	\$20,628	\$222,742		\$222,742
11030 Beginning Equity	\$0	\$0	-\$1,036,637	\$0	\$0	\$0	-\$3,456,863	\$372,592	-\$4,122,908		-\$4,122,908
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$10,177,726		\$169,308				\$199,586	\$12,426	\$10,559,046		\$10,559,046
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Term/Severance Benefits Liability											
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity							-\$3,491,593		-\$3,491,593		-\$3,491,593
11180 Housing Assistance Payments Equity							\$0		\$0		\$0
11190 Unit Months Available	3648		1200		516	156	7704	228	13452		13452
11210 Number of Unit Months Leased	3577		1196		478	142	7447	226	13066		13066
11270 Excess Cash	\$981,468								\$981,468		\$981,468
11610 Land Purchases	\$0								\$0		\$0
11620 Building Purchases	\$0								\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0								\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0								\$0		\$0
11650 Leasehold Improvements Purchases	\$313,031								\$313,031		\$313,031
11660 Infrastructure Purchases	\$0								\$0		\$0
13510 CFFP Debt Service Payments	\$18,928								\$18,928		\$18,928
13901 Replacement Housing Factor Funds	\$0								\$0		\$0

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Housing Authority of the County of Morris, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Housing Authority of the County of Morris's basic financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the County of Morris's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Lincroft, New Jersey
Date: June 28, 2024

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

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

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

We have audited Housing Authority of the County of Morris's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the County of Morris's major federal programs for the year ended December 31, 2023. Housing Authority of the County of Morris's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Authority of the County of Morris complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the County of Morris's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Authority of the County of Morris's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the County of Morris's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Lincroft, New Jersey
Date: June 28, 2024

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Schedule of Findings and Questioned Cost

Year Ended December 31, 2023

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements,

_____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
	Cluster	
14.871	Housing Choice Vouchers Program	\$ 7,365,100
14.879	Mainstream Program	578,492
	Total Cluster	<u>7,943,592</u>
14.239	Home Investment Partnership Program	196,353

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as a low-risk auditee X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING 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 Housing Authority of the County of Morris (the PHA) and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. The PHA is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure 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 the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by The PHA as of and for the year ended December 31, 2023, and have issued our report thereon dated June 28, 2024. 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 supplementary information dated June 28, 2024, was expressed in relation to the basic financial statements of the PHA taken as a whole.

A copy of the reporting package required by Uniform Guidance, which includes the auditor's reports, is available in its entirety from the PHA. We have not performed any additional 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, PIH-REAC.

This report is intended solely for the information and use of the PHA and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Giampardo Associates

Lincroft, New Jersey
June 28, 2024

Procedure	UFRS Rule Information	Hard Copy Document(s)	Findings
1	Balance Sheet and Revenue Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's, if applicable	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental report on FDS	Agrees
4	Audit findings narrative (data element G5200-010)	Schedule of findings and Questioned Costs	Agrees
5	General information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Agrees
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Agrees
9	Basic financial statements and auditor reports required to be submitted electronically	Basic Financial Statements (inclusive of auditor reports)	Agrees