

**HOUSING AUTHORITY OF THE
CITY OF ORANGE**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

March 31, 2010

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My audit was performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended March 31, 2010 is presented on page 23 for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements. The accompanying Schedule of Actual Capital Fund Program Costs and Advances presented on page 25 and the Financial Data Schedule presented on pages 26-33 are also not required parts of the basic financial statements are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development. Such information has been subjected to the auditing procedures applied to my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Cranford, New Jersey

December 27, 2010


FRANK GLIEN, LLC, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Housing Authority of the City of Orange

As management of the Housing Authority of the City of Orange, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A- Financial Highlights

- 1- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,441,512 (net assets) as opposed to \$5,386,085 for the prior fiscal year. The primary reason for this decrease is the demolition of Walter G. Alexander Court.
- 2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported a deficit in ending Unrestricted Net Assets of \$1,578,621.
- 3 – The Authority's unrestricted cash and cash equivalent balances at March 31, 2010 were \$378,031, representing a decrease of \$567,683 from the prior fiscal year.
- 4 - Restricted cash balances of \$1,033,449 at March 31, 2010 represents unexpended housing assistance payments received from HUD which may be used in the future only to make housing assistance payments on behalf of eligible families.
- 5 – The Authority had Total Operating Revenues of \$9,796,551 and Total Operating Expenses of \$9,832,940 (including depreciation \$82,070) for the year ended March 31, 2010.
- 6 – The Authority's capital outlays for the fiscal year were \$863,763.
- 7 – The Authority's Expenditures of Federal Awards amounted to \$8,859,731 for the fiscal year.
- 8 – The Authority reported a loss on the demolition of Walter G. Alexander Court of \$3,151,046 during the fiscal year ended March 31, 2010.

B – Using the Annual Report

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's Financial Statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

2 –Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Assets, Statement of Revenue, Expenses and Changes in Net Assets and Statement of Cash Flows.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

2 – Financial Statements (Continued)

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

The Statement of Cash Flows presents information showing how the Authority's cash and cash equivalents position changed during the year. The statement classifies cash receipts and cash payments as resulting from operating activities, capital and related financing activities and investing activities.

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 9 through 11.

3 – Notes To Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found in this Report after the financial statements.

4 – Supplemental Information

The schedule of expenditures of Federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 23 of this report.

C – The Authority as a Whole

The Authority's Net Assets decreased by \$2,944,573 during the fiscal year ended March 31, 2010 as detailed below. \$3,151,046 of that decrease is due to the loss on demolition reported in connection with the demolition of Walter G. Alexander Court. The Authority reported a loss from operations of \$36,389, including depreciation expense of \$82,070, and also received capital grants under the capital fund program in the amount of \$257,502. These operating results reflect a vast improvement over 2009 operating results, which reported a \$909,038 loss from operations, including depreciation expense of \$565,778. The primary reason for this improvement is management's initiative to reduce expenditures, particularly payroll and benefit costs due to the demolition of the Walter G. Alexander development. In response to the 2009 deficit and operating deficits incurred in prior years, management has taken the initiative to redevelop the Walter G. Alexander site. Subsequent to March 31, 2009 management has received funding from the US Department of Housing and Urban Development (HUD) to demolish the project and is filing an application to obtain low income housing tax credits in order to procure funds to redevelop the site. Management's budgets indicate that the housing authority will be able to achieve positive cash flow and eliminate its deficit within a five to seven year period after the Walter G. Alexander project is removed from its inventory.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

C – The Authority as a Whole (Continued)

The Authority's revenues consist primarily of subsidies and grants received from HUD and rental payments received from tenants. 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. Management's budgets indicate that the housing authority will be able to achieve positive cash flow and eliminate its deficit within a five to seven year period after the Walter G. Alexander project is removed from its inventory.

By far, the largest portion of the Authority's net assets reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services. The demolition of the Walter G. Alexander project will enable management to focus its resources on those assets that provide both a positive cash flow and a valuable service to its residents.

D – Budgetary Highlights

For the year ended March 31, 2010 individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. (Also, the Authority adopted a comprehensive annual budget for the General Fund.) The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the excess of operating revenues over expenses of \$45,681 after adjusting for depreciation expense of \$82,070, the Authority's Net Assets increased as a result of ongoing operations during the fiscal year ended March 31, 2010.

E – Capital Assets and Debt Administration

1 – Capital Assets

As of March 31, 2010, the Authority's investment in capital assets for its Proprietary Fund was \$2,986,684 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$257,502 during the fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. These activities are funded by grants from HUD. Other

An additional \$606,261 of expenditures were made for capital improvements, primarily due to the acquisition and rehabilitation of two family homes in the city of East Orange which are house eligible low income families that are assisted by the Authority's housing choice voucher program.

Additional informational on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this Report

2 – Long Term Debt

The Authority does not have any long-term debt outstanding at this time.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

F – Significant Changes from FYE March 31, 2009 to March 31, 2010

Changes in the Statement of Net Assets

Total cash and cash equivalents (restricted and unrestricted) decreased by \$449,965 due primarily to the acquisition of rental properties previously noted. Restricted cash, which was \$915,731 at March 31, 2009, increased to \$1,033,449 at March 31, 2010 due the receipt of unspent housing assistance payments within the housing choice voucher program. Accounts payable decreased by \$228,434 to \$985,515 during the fiscal year ended March 31 2010. Approximately \$700,000 of the outstanding accounts payable at March 31, 2010 represents unpaid water bills from the City of Orange.

Management of the Authority believes that these water usage charges are incorrect and has retained the services of a consultant to review the charges and negotiate a reasonable settlement with the city

As of March 31, 2009 the Authority had a deficit in unrestricted net assets of \$1,578,621, which is a result of the Authority recording a payable to HUD of \$1,138,200 in 2006 due to an error in its computation of operating subsidies for the fiscal year ended March 31, 2005 and for the nine month period ended December 31, 2005. Those requisitions contained errors in the computation of allowable utilities expense level that resulted in the over-funding of subsidy and a recapture in subsidy for those periods of \$757,500 and \$380,700. Thus, the Authority is required to refund the overpayment of \$1,138,200 to HUD over a forty year period without interest. Annual payments under the repayment agreement are \$28,455. Management has requested that HUD forgive this debt in order to give the Authority the ability to move forward in its efforts to restructure its operations in light of the demolition of Walter G. Alexander Gardens. The disputed payable to the City of Orange for water usage of approximately \$700,000 noted above contributes to the deficit. Subsequent to March 31, 2010 the Authority negotiated a settlement with the city of Orange that will substantially reduce the payable. The terms of that agreement have not yet been finalized.

Total operating revenues for the year ended March 31, 2010 increased by \$1,414,679 over the year ended March 31, 2009. That increase is attributable primarily to the increase in HUD operating grants of \$588,621 within the capital fund and the receipt of operating grants of \$126,550 under the Formula Capital Fund stimulus Grant. The increased in funding within the capital fund program was used primarily to pay for relocation costs for tenants in Walter G. Alexander Court due to the demolition of that project. The operating funds received under the stimulus grant were used primarily to pay professional fees incurred in connection with the plan to redevelop the former Walter G. Alexander site. HUD operating grants within the housing choice voucher increased by \$1,013,344 due to increased utilization under the program and HUD's decrease of the subsidy in 2009, in order to have the Authority utilize its restricted net assets during 2009.

Operating expenses (excluding depreciation expense) increased from \$8,725,402 for the fiscal year ended March 31, 2009 to \$9,750,870 for the fiscal year ended March 31, 2010. This increase of \$1,025,468 (11.7%) is due primarily to the following:

- Housing assistance payments under the housing choice voucher program increased by \$817,475 due to the increase in the number of unit months under lease.
- Other general expenses increased by \$294,469 due primarily to the relocation process at Walter G. Alexander Gardens
- Administrative expenses increased by \$392,832 as a result of professional fees incurred in developing a plan to redevelop the Walter G. Alexander site.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Changes in the Statement of Revenues, Expenses and Changes in Net Assets (Continued)

- Utilities expense decreased by \$202,725 due to the reduction in usage as Walter G Alexander Court was vacated in preparation for demolition.
- Maintenance labor and employee benefit costs and other maintenance costs decreased by \$210,494 as employees were terminated due to the demolition of Walter G Alexander Court. Protective services costs decreased by \$68,928 for the same reason.

G – Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2011.

- 1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.
- 2 – The changes in staffing that will be required due to the demolition of the Walter G. Alexander development.
- 3 – The Authority's financially troubled position has resulted in management planning to reduce costs to the level where current operating revenues can meet expenses.

H – Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Orange, 340 Thomas Boulevard, Orange, New Jersey 07051, or call (973) 675-1250.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Composition of Net Assets is as follows:

	<u>Year Ended</u>		Increase / Decrease	Percentage Change
	<u>March 31, 2010</u>	<u>March 31, 2009</u>		
Cash and Other Current Assets	\$ 1,802,906	\$ 2,239,642	\$ (436,736)	-19.5%
Capital Assets - Net and Other Assets	3,047,541	5,356,001	(2,308,460)	-43.1%
Total Assets	<u>4,850,447</u>	<u>7,595,643</u>	<u>\$ (2,745,196)</u>	<u>-36.1%</u>
Less: Total Liabilities	<u>(2,408,935)</u>	<u>(2,209,558)</u>	<u>199,377</u>	<u>-9.0%</u>
Net Assets	<u>\$ 2,441,512</u>	<u>\$ 5,386,085</u>	<u>\$ (2,545,819)</u>	<u>-47.3%</u>
Net Assets				
Invested in Capital Assets	2,986,684	5,356,001	(2,369,317)	-44.2%
Restricted Net Assets	1,033,449	915,731	117,718	12.9%
Unrestricted Net Assets	<u>(1,578,621)</u>	<u>(885,647)</u>	<u>(692,974)</u>	<u>78.2%</u>
Total Net Assets	<u>\$ 2,441,512</u>	<u>\$ 5,386,085</u>	<u>\$ (2,944,573)</u>	<u>-54.7%</u>

Computations of Changes in Net Assets are as follows:

	<u>Year Ended</u>		Increase / Decrease	Percentage Change
	<u>March 31, 2010</u>	<u>March 31, 2009</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 887,465	\$ 1,090,187	\$ (202,722)	-18.6%
HUD Subsidies and Other Government Grants	8,658,946	7,158,016	1,500,930	21.0%
Other Income	250,140	133,669	116,471	87.1%
Total Operating Revenues	<u>9,796,551</u>	<u>8,381,872</u>	<u>\$ 1,414,679</u>	<u>16.9%</u>
<u>Expenses</u>				
Operating Expenses excluding depreciation	9,750,870	8,725,402	1,025,468	11.8%
Depreciation Expense	82,070	565,778	(483,708)	-85.5%
Total Operating Expenses	<u>9,832,940</u>	<u>9,291,180</u>	<u>\$ 541,760</u>	<u>5.8%</u>
Deficiency of Operating Revenues Over Expenses	(36,389)	(909,308)	872,919	-96.0%
<u>Non-Operating Revenues</u>				
Loss on Demolition of Walter G. Alexander Ct.	(3,151,046)	-	(3,151,046)	100.0%
Casualty Losses	(24,069)			
Interest on Investments	9,429	18,509	(9,080)	-49.1%
Deficiency of Revenues Over Expenses Before Capital Grants Received	<u>(3,202,075)</u>	<u>(890,799)</u>	<u>(2,311,276)</u>	<u>259.5%</u>
<u>Capital Grants</u>				
HUD Capital Grants	<u>257,502</u>	<u>350,845</u>	<u>(93,343)</u>	<u>-26.6%</u>
Excess Revenues/(Deficiency)	(2,944,573)	(539,954)	(2,404,619)	445.3%
Prior Period Adjustments	-	(28,464)	28,464	
Net Assets at Beginning of Period	<u>5,386,085</u>	<u>5,954,503</u>	<u>(568,418)</u>	<u>-9.5%</u>
Total Net Assets	<u>\$ 2,441,512</u>	<u>\$ 5,386,085</u>	<u>\$ (2,944,573)</u>	<u>-54.7%</u>

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF ORANGE

STATEMENTS OF NET ASSETS

As of March 31,

ASSETS	<u>Primary Unit</u> <u>Orange Housing</u> <u>Authority</u>	<u>Component Unit</u> <u>Orange Housing</u> <u>Development</u>	<u>Total 2010</u>	<u>Total 2009</u>
Current assets:				
Cash and cash equivalents-unrestricted	\$ 360,910	\$ 17,121	\$ 378,031	\$ 945,714
Cash and cash equivalents-restricted	1,033,449	-	1,033,449	915,731
Accounts receivable:		-		
Tenants	24,066	-	24,066	24,528
HUD	286,787	-	286,787	223,202
Other	23,979	-	23,979	3,462
Inventories	22,020	-	22,020	27,934
Prepaid expenses	34,574	-	34,574	38,214
	<u>1,785,785</u>	<u>17,121</u>	<u>1,802,906</u>	<u>2,178,785</u>
Capital assets, net	2,986,684	-	2,986,684	5,356,001
Other assets	60,857	-	60,857	60,857
	<u>4,833,326</u>	<u>\$ 17,121</u>	<u>\$ 4,850,447</u>	<u>\$ 7,595,643</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	985,515	\$ -	\$ 985,515	\$ 757,081
Accounts payable-other governments	30,848	-	30,848	30,848
Accrued wages and payroll taxes	32,642	-	32,642	72,984
Accrued compensated absences-current portion	20,744	-	20,744	12,204
Accounts payable-HUD	22,764	-	22,764	56,910
Tenant security deposits	54,990	-	54,990	80,902
Other current liabilities	68,146	20,000	88,146	7,500
	<u>1,215,649</u>	<u>20,000</u>	<u>1,235,649</u>	<u>1,018,429</u>
Accrued compensated absences, non-current	109,069	-	109,069	109,839
Other long term liabilities	1,064,217	-	1,064,217	1,081,290
	<u>2,388,935</u>	<u>20,000</u>	<u>2,408,935</u>	<u>2,209,558</u>
Net Assets:				
Invested in capital assets, net of related debt	2,986,684	-	2,986,684	5,356,001
Restricted	1,033,449	-	1,033,449	915,731
Unrestricted	(1,575,742)	(2,879)	(1,578,621)	(885,647)
	<u>2,444,391</u>	<u>(2,879)</u>	<u>2,441,512</u>	<u>5,386,085</u>
	<u>\$ 4,833,326</u>	<u>\$ 17,121</u>	<u>\$ 4,850,447</u>	<u>\$ 7,595,643</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF ORANGE

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

For the Years Ended March 31,

	<u>Primary Unit</u>	<u>Component Unit</u>		
	<u>Orange Housing</u>	<u>Orange Housing</u>	<u>Total 2010</u>	<u>Total 2009</u>
	<u>Authority</u>	<u>Development</u>		
OPERATING REVENUES				
Tenant revenue	\$ 887,465	\$ -	\$ 887,465	\$ 1,090,187
HUD operating grants	8,658,946	-	8,658,946	7,158,016
Other revenues	250,140	-	250,140	133,669
	<u>9,796,551</u>	<u>-</u>	<u>9,796,551</u>	<u>8,381,872</u>
OPERATING EXPENSE				
Administrative	1,647,625	2,879	1,650,504	1,257,672
Tenant services	80,064	-	80,064	77,225
Utilities	835,669	-	835,669	1,038,394
Ordinary repairs and maintenance	891,660	-	891,660	1,102,154
Protective services	40,899	-	40,899	109,827
General expenses	711,641	-	711,641	417,172
Housing assistance payments	5,540,433	-	5,540,433	4,722,958
Depreciation	82,070	-	82,070	565,778
	<u>9,830,061</u>	<u>2,879</u>	<u>9,832,940</u>	<u>9,291,180</u>
Operating loss	(33,510)	(2,879)	(36,389)	(909,308)
NON OPERATING REVENUES				
Loss on disposal of assets	(3,151,046)	-	(3,151,046)	-
Casualty loss-non capitalized	(24,069)	-	(24,069)	-
Investment income	9,429	-	9,429	18,509
Operating loss before capital grant:	(3,199,196)	(2,879)	(3,202,075)	(890,799)
CAPITAL GRANTS	257,502	-	257,502	350,845
Change in net assets	(2,941,694)	(2,879)	(2,944,573)	(539,954)
Net assets at beginning of year	5,386,085	-	5,386,085	5,954,503
Prior period adjustment	-	-	-	(28,464)
Net assets at end of year	\$ 2,444,391	\$ (2,879)	\$ 2,441,512	\$ 5,386,085

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF ORANGE

STATEMENTS OF CASH FLOWS

March 31,

	<u>Primary Unit</u> <u>Orange Housing</u> <u>Authority</u>	<u>Component Unit</u> <u>Orange Housing</u> <u>Development</u>	<u>Total 2010</u>	<u>Total 2009</u>
NET CASH PROVIDED BY(USED IN)				
Operating activities:				
Cash received from:				
Tenants	\$ 922,711	\$ -	\$ 922,711	\$ 1,025,926
Grantors	8,804,984	20,000	8,824,984	7,288,572
Cash paid for:				
Employees	(1,391,346)	-	(1,391,346)	(1,228,530)
Vendors and contractors	(1,037,699)	(2,879)	(1,040,578)	(1,316,409)
Utilities	(835,669)	-	(835,669)	(1,038,394)
Insurance	(60,353)	-	(60,353)	(232,067)
General expenses	(708,344)	-	(708,344)	(119,485)
Housing assistance payments	(5,540,433)	-	(5,540,433)	(4,722,958)
	<u>153,851</u>	<u>17,121</u>	<u>170,972</u>	<u>(343,345)</u>
Capital and related financing activities:				
Purchase of capital assets	(257,502)	-	(257,502)	(350,845)
Capital grants	257,502	-	257,502	350,845
Purchase of land and building	(606,297)	-	(606,297)	-
Casualty loss	(24,069)	-	(24,069)	-
Deposits into insurance reserve	-	-	-	(2,787)
Capital grants adjustment	-	-	-	(28,464)
	<u>(630,366)</u>	<u>-</u>	<u>(630,366)</u>	<u>(31,251)</u>
Investing activities:				
Interest received on investments	9,429	-	9,429	18,509
	<u>9,429</u>	<u>-</u>	<u>9,429</u>	<u>18,509</u>
Net decrease in cash and cash equivalents	(467,086)	17,121	(449,965)	(356,087)
Cash and cash equivalents, beginning of year	1,861,445	-	1,861,445	2,217,532
Cash and cash equivalents, end of year	\$ <u>1,394,359</u>	\$ <u>17,121</u>	\$ <u>1,411,480</u>	\$ <u>1,861,445</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF ORANGE

STATEMENTS OF CASH FLOWS

March 31,

	<u>Primary Unit</u> <u>Orange Housing</u> <u>Authority</u>	<u>Component Unit</u> <u>Orange Housing</u> <u>Development</u>	<u>Total 2010</u>	<u>Total 2009</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (33,510)	\$ (2,879)	\$ (36,389)	\$ (909,308)
Items which did not (provide) use cash:				
Depreciation	82,070	-	82,070	565,778
Bad debt	-	-	-	60,696
Increase(decrease) in cash from:				
Accounts receivable	(83,640)	-	(83,640)	(68,448)
Inventories	5,914	-	5,914	(15,730)
Prepaid expenses	3,640	-	3,640	4,924
Accounts payable	174,288	20,000	194,288	(26,978)
Accrued expenses	(31,802)	-	(31,802)	51,647
Security deposits	(25,912)	-	(25,912)	1,074
Other liabilities	62,803	-	62,803	(7,000)
	\$ 153,851	\$ 17,121	\$ 170,972	\$ (343,345)

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Note 1. Nature of Organization and Description of Programs

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

Programs of the Authority include:

Low Rent Public Housing Program

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

Housing Assistance Payments Program – Section 8

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

Public Housing Capital Fund Program

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

Congregate Housing Services Program

The Congregate Housing Services Program offers grants to states, units of general local government, public housing authorities (PHAs), tribally designated housing entities (TDHES), and local nonprofit housing sponsors to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. It is a project-based rather than a tenant-based program.

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Note 2. Summary of Significant Accounting Policies

Reporting Entity

In accordance with statement No. 39 Government Accounting Standards Board ("GASB"), the Authority's financial statements include those of the Housing Authority of the City of Orange and any component units. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

- The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority.
- The Authority has the ability to access a majority of the economic resources held by the separate organization.
- The economic resources referred to above are significant to the Authority.

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. The component unit required to be included in the reporting entity under these criteria is described below. The Authority is not included in any other reporting entity on the basis of such criteria.

Component Unit

The Orange Housing Development Corporation is a not-for-profit corporation formed in 2009 by the Orange Housing Authority to pursue the promotion and development of low and moderate income housing in the City of Orange, New Jersey. It is a legally separate entity and meets the criteria of a component unit as described above. Based on the criteria and in accordance with GASB 39, the transactions of the Orange Housing Development Corporation are included in the financial statement of the Authority as a discrete presentation.

Basis of Accounting

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

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

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Note 2. Summary of Significant Accounting Policies(Continued)

All enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, and losses resulting from exchange and exchange-like transactions are recognized when exchanges take place.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority had complied with the grant and subsidy requirements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board pronouncements, Accounting Principles Board Opinions and Accounting Research Bulletins issued that do not conflict with or contradict GASB Pronouncements.

Other Post Employment Benefits

Statement No. 45 of the Government Accounting Standards Board ("GASB 45") *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension* was issued in June 2004. This Statement requires the Authority to account for its "other postemployment benefits" (OPEB) in essentially the same way as it accounts for pension benefits. OPEB include medical, prescription drug, dental, vision, life insurance and disability benefits provided to retirees and certain terminated employees. This standard became effective for fiscal years beginning December 15, 2008.

As of March 31, 2010, the Authority had not adopted this standard. Accordingly, no adjustments have been made in these financial statements to reflect the effects of the adoption of this standard.

Use of Estimates

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

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Cash and Cash Equivalents

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

N.J.S.A. 17:9-42 requires governmental units to deposits public funds only in public depositories located in New Jersey, when the funds are secured in accordance with the act.

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. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investment with a maturity of three months or less at time of purchase.

Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

Prepaid Expenses

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

Inventory

The Authority's inventory is comprised of office supplies and maintenance materials and supplies. Inventory is valued at the lower cost or market, and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. At March 31, 2010 and 2009, inventory is shown net of an allowance for obsolescence of \$7,340 and \$9,311 respectively.

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Note 2. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

- | | |
|---------------------------|-----------|
| • Furniture and Equipment | 3-5 Years |
| • Site Improvements | 15 Years |
| • Buildings | 40 Years |

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

Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's personnel policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary up to a maximum of 25 days. Employees may be compensated for sick leave at retirement at the current salary to a maximum of 120 days, plus 20% of the days in excess of 120.

Deferred Revenue

The Authority's deferred revenue primarily consists of the prepayment of rent by residents and the receipt of HUD and other governmental program funding applicable to future periods.

Taxes

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, inter-program receivables and payables are eliminated for financial statement purposes. However, they are reflected in the accompanying Financial Data Schedule as required by HUD.

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Note 2. Summary of Significant Accounting Policies (Continued)

Operating Revenues and Expenses

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

Equity Classifications

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

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

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

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

Note 3. Cash and Cash Equivalents

At March 31, 2010 and 2009, the Authority had funds on deposit in checking and money market accounts.

All bank deposits as of the balance sheet date are covered by the Government Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

For the fiscal years ended March 31, 2010 and 2009, the carrying amount of the Authority's cash was \$1,411,480 and \$1,861,445 and the bank balances approximated \$1,683,084 and \$2,093,010 respectively.

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Note 4. Accounts Receivable

As of March 31, accounts receivable consisted of the following:

	<u>2010</u>	<u>2009</u>
Accounts receivable - HUD	\$ 286,787	\$ 223,202
Accounts receivable - tenants, net	24,066	24,528
Accounts receivable - other	23,979	3,462

Accounts receivable - HUD

Consists of expenditures from the Capital Fund Program, Housing Choice Vouchers, and Capital Fund Stimulus Grant that are due to be reimbursed to the Authority from HUD. The Authority considers these amounts fully collectible and accordingly, has made no allowance for doubtful accounts.

Accounts receivable - tenants, net

Is stated net of an allowance of \$29,276 and \$24,499 at March 31, 2010 and 2009.

Accounts receivable - other

Consists of expenditures from the congregate housing services program that are due to be reimbursed to the Authority from program funds. The Authority considers these amounts fully collectible and accordingly, has made no allowance for doubtful accounts. Accounts receivable-other also include an advance due the Authority from the Orange Housing Development Corporation.

Note 5. Capital Assets

A summary of the changes in fixed assets during 2010 is as follows:

	March 31 2009	Additions	Disposals	March 31 2010
Land	\$ 472,671	\$ 300,000	\$ -	\$ 772,671
Building and improvements	14,175,075	306,297	(8,717,517)	5,763,855
Furniture and equipment	565,194	-	(137,331)	427,863
	15,212,940	606,297	(8,854,848)	6,964,389
Less: accumulated depreciation	(10,279,234)	(82,070)	5,730,189	(4,631,115)
	4,933,706	524,227	(3,124,659)	2,333,274
Construction in progress	422,295	231,115	-	653,410
	<u>\$ 5,356,001</u>	<u>\$ 755,342</u>	<u>\$(3,124,659)</u>	<u>\$ 2,986,684</u>

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Note 6. Other Assets

Other assets consist of surplus insurance deposits held with the Housing Authority Risk Retention Group & Housing Authority Property Insurance, Inc. Amounts are initially invested to provide excess insurance to Housing Authorities and equity dividends are earned and reinvested annually.

Note 7. Tenant Security Deposits

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

Note 8. Payments in Lieu of Taxes

Under Federal, State, and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Housing Program in accordance with the provisions of its Cooperation Agreement with the City of Orange. Under the Cooperation Agreement, the Authority must pay the City the smaller of 10% of its net shelter rent or the approximate full real property taxes. For the years ended March 31, 2010 and 2009 the Authority did not incur any PILOT expense as net shelter rent was less than \$ -0-. At March 31, 2010 and 2009, PILOT liability from previous years of \$30,848 remained payable.

Note 9. Accounts Payable-HUD and Other

During the fiscal year ending March 31, 2007, the Authority received \$1,138,200 in excess funding due to an error in calculating utility expenses. During the same fiscal year, the Authority reached a preliminary agreement to pay the amount back to HUD over a period of 40 years at 0% interest, with payments of \$28,455 due annually. As of March 31, 2010 and 2009, the Authority shows current amounts due of \$ - 0 - and \$56,910 and recorded as Accounts Payable - HUD and non-current amounts due of \$1,064,217 and \$1,081,290 and recorded as Other Liabilities in relation to this agreement.

Note 10. Pension Plan

Public Employee's Retirement System

The Authority participates in the Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Division of Pensions within the Department of Treasury, State of New Jersey. PERS provides retirement, death and disability benefits, as well as medical benefits for certain qualified members and beneficiaries.

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Note 10. Pension Plan(Continued)

The PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. The PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting the State of New Jersey, Division of Pensions CN-295, Trenton, NJ 08625, (609) 777-1777.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2010 and 2009 amounted to \$76,434 and \$43,219.

Post Employment Retirement Benefits

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

Expenditures are recognized as the premiums are incurred. For the years ended March 31, 2010 and 2009, the Authority incurred \$ 124,716 and \$112,921 for post employment health care benefits on 10 retired employees.

Note 11. Construction Commitments

At March 31, 2010, the Authority retained outstanding construction commitments pertaining to its capital fund. The costs 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 12. Economic Dependency

The Housing Choice Voucher and the Low Rent Public Housing Programs are economically dependent on annual grants from HUD.

Note 13. Risk Management

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for the years ended 2007, 2006, and 2005.

HOUSING AUTHORITY OF THE CITY OF ORANGE

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2010 and 2009

Note 14. Contingencies

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of March 31, 2010, the Authority estimates that no material liabilities will result from such audits.

Note 15. Housing Choice Voucher Program Unrestricted Net Assets

The Authority adheres to HUD Notices PIH 2006-3 and PIH 2008-15 which state, in part, that for calendar years 2008 and thereafter any budget authority that exceeds actual program expenses for the same period must be maintained in the Authority's Net Restricted Assets Account for HAP. Excess administrative fees must be maintained in the Authority's Net Unrestricted Asset Account for Administrative Fee. Accordingly, for periods ended March 31, 2010 and 2009, the Housing Choice Voucher Program maintained the following components of net assets:

	<u>2010</u>	<u>2009</u>
Restricted Net Assets- HAP Equity	\$ 1,033,499	\$ 915,731
Administrative Fee Equity	469,138	660,144
	<u>\$ 1,502,637</u>	<u>\$ 1,575,875</u>

Note 16. Prior Period Adjustment

Beginning net assets were adjusted in 2009 to correct an error in reporting certain capital grant costs. As a result of the correction, beginning net assets decreased by \$28,464 and accounts receivable-HUD decreased by \$28,464.

Note 17. Subsequent Events

During the month of December 2010, the Authority reached a settlement with the City of Orange for excess utility charges by the City for the years 2004 through 2008. Under the terms of the settlement, the Authority will receive a \$211,016 against its outstanding liability of \$452,596. The full liability is reflected in these financial statements. The Authority will record the adjustment in fiscal year 2011.

No other events or transactions have occurred subsequent to the date of the financial statements that would require adjustment to, or disclosure in the financial statements. All other subsequent events have been evaluated by management through December 27, 2010, which is the date of the financial statements.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF ORANGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended March 31, 2010

Federal/State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant/Contract Number	Current Year Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct programs:			
Low-Income Public Housing	14.850	NA	\$ 1,753,114 (m)
Section 8 Housing Choice Vouchers	14.871	NA	6,121,350 (m)
Public Housing Capital Fund	14.872	NA	833,781 (m)
Public Housing Capital Fund Stimulus-ARRA	14.885	NA	151,486
Passed through:			
New Jersey Department of Health and Senior Services/			
Congregate Housing Service	14.170	08-2586-CHP-M-0	56,717
			\$ 8,916,448

(m)=Major program

See accompanying notes to schedule of expenditures of federal and state awards.

HOUSING AUTHORITY OF THE CITY OF ORANGE

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

March 31, 2010

Note 1. General Information

The accompanying Schedule of Expenditures of Federal Awards presents the activities in all the federal and state programs of the Housing Authority of the City of Orange. All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies is included on the schedules.

Note 2. Basis of Accounting

The accompanying schedule is presented on the accrual basis of accounting. The amounts reported in this schedule are presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 3. Non-Cash Federal Assistance

The Authority did not receive any non-cash federal assistance for the year ended March 31, 2010.

Note 4. Loan Guarantees

At March 31, 2010, the Authority is not the guarantor of any loans outstanding.

HOUSING AUTHORITY OF ORANGE

SCHEDULE OF ACTUAL CAPITAL FUND
PROGRAM COSTS AND ADVANCES

For the Year Ended March 31, 2010

	CF6 501-06	CR6 501-06	CF7 501-07	CF8 501-08	2006-RHF	2007-RHF	2008-RHF	Totals
Budget	\$ 524,111	\$ -	\$ 544,620	\$ 524,909				4,337,595
<u>Advances:</u>								
Cumulative through 3/31/09	445,542	-	372,744	118,476	-	-	-	936,762
Current year	75,395	-	124,784	324,122	100,162	22,325	-	646,788
Cumulative through 3/31/010	520,937	-	497,528	442,598	100,162	22,325	-	1,583,550
<u>Costs:</u>								
Cumulative through 3/31/09	465,897	-	387,653	132,284	24,251	-	-	1,010,085
Current year	55,040	-	112,340	310,314	104,781	227,054	-	809,529
Cumulative through 3/31/10	520,937	-	499,993	442,598	129,032	227,054	-	1,819,614
Excess/(Deficiency)	-	-	(2,465)	-	(28,870)	(204,729)	-	(236,064)
<u>Summary</u>								
<u>Soft Costs</u>								
Cumulative through 3/31/09	205,007	-	102,423	-	24,251	-	-	331,681
Current year	34,473	-	29,622	194,939	104,781	227,054	-	590,869
Cumulative through 3/31/10	239,480	-	132,045	194,939	129,032	227,054	-	922,550
<u>Hard Costs</u>								
Cumulative through 3/31/09	260,890	-	285,230	132,284	-	-	-	678,404
Current year	20,567	-	82,718	115,375	-	-	-	218,660
Cumulative through 3/31/10	281,457	-	367,948	247,659	-	-	-	897,064
Cumulative	\$ 520,937	\$ -	\$ 499,993	\$ 442,598	\$ 129,032	\$ 227,054	\$ -	\$ 1,819,614

Housing Authority of the City of Orange (NJ025)
ORANGE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	6 Component Units	14,885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$15,463	\$117,964			\$17,121		\$172,493	\$323,041		\$323,041
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	\$54,990	\$1,033,449						\$1,033,449		\$1,033,449
114 Cash - Tenant Security Deposits								\$54,990		\$54,990
115 Cash - Restricted for Payment of Current Liabilities	\$70,453	\$1,151,413	\$0	\$0	\$17,121	\$0	\$172,493	\$1,411,480	\$0	\$1,411,480
100 Total Cash										
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	\$236,065	\$20,772				\$29,950		\$286,787		\$286,787
124 Accounts Receivable - Other Government			\$3,979				\$156,409	\$160,388		\$160,388
125 Accounts Receivable - Miscellaneous		\$20,000						\$20,000		\$20,000
126 Accounts Receivable - Tenants	\$53,342							\$53,342		\$53,342
126.1 Allowance for Doubtful Accounts - Tenants	-\$29,276							-\$29,276		-\$29,276
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0			\$0	-\$156,409	-\$156,409		-\$156,409
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery										
128.1 Allowance for Doubtful Accounts - Fraud										
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$260,131	\$40,772	\$3,979	\$0	\$0	\$29,950	\$0	\$334,832	\$0	\$334,832
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability	\$82,085	\$4,149					\$9,197	\$95,431		\$95,431
142 Prepaid Expenses and Other Assets	\$29,360							\$29,360		\$29,360
143 Inventories	-\$7,340							-\$7,340		-\$7,340
143.1 Allowance for Obsolete Inventories		\$439,058					\$898,921	\$1,137,979	-\$1,137,979	\$0
144 Inter Program Due From										
145 Assets Held for Sale	-\$434,689	\$1,635,392	\$3,979	\$0	\$17,121	\$29,950	\$860,611	\$3,001,742	-\$1,137,979	\$1,863,763
150 Total Current Assets										
161 Land	\$472,671			\$300,000				\$772,671		\$772,671

Housing Authority of the City of Orange (NJ025)
ORANGE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	6 Component Units	14,885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
162 Buildings	\$5,457,558			\$306,297				\$5,763,855		\$5,763,855
163 Furniture, Equipment & Machinery - Dwellings		\$31,614						\$31,614		\$31,614
164 Furniture, Equipment & Machinery - Administration	\$198,901							\$198,901		\$198,901
165 Leasehold Improvements	\$197,348							\$197,348		\$197,348
166 Accumulated Depreciation	-\$4,598,942	-\$28,991		-\$2,182				-\$4,631,115		-\$4,631,115
167 Construction in Progress	\$653,410							\$653,410		\$653,410
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,379,946	\$2,623	\$0	\$604,115	\$0	\$0	\$0	\$2,986,684	\$0	\$2,986,684
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										
178 Investments in Joint Ventures										
180 Total Non-Current Assets	\$2,379,946	\$2,623	\$0	\$604,115	\$0	\$0	\$0	\$2,986,684	\$0	\$2,986,684
190 Total Assets	\$2,814,635	\$1,638,015	\$3,979	\$604,115	\$17,121	\$29,950	\$880,611	\$5,988,426	-\$1,137,979	\$4,850,447
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$82,308	\$65,733					\$837,474	\$985,515		\$985,515
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$16,416	\$8,166					\$8,060	\$32,642		\$32,642
322 Accrued Compensated Absences - Current Portion	\$11,644	\$4,973					\$4,127	\$20,744		\$20,744
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs	\$22,764							\$22,764		\$22,764
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government							\$30,848	\$30,848		\$30,848
341 Tenant Security Deposits	\$54,990							\$54,990		\$54,990
342 Deferred Revenues	\$4,575							\$4,575		\$4,575
343 Current Portion of Long-term Debt - Capital Projects/Mortgage										

Housing Authority of the City of Orange (NJ025)

ORANGE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	6 Component Units	14,885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities	\$51,219			\$552	\$20,000			\$71,771		\$71,771
346 Accrued Liabilities - Other		\$11,800						\$11,800		\$11,800
347 Inter Program - Due To	\$515,434		\$3,979	\$588,616		\$29,950		\$1,137,979	-\$1,137,979	\$0
348 Loan Liability - Current										
310 Total Current Liabilities	\$759,350	\$90,672	\$3,979	\$589,168	\$20,000	\$29,950	\$880,509	\$2,373,628	-\$1,137,979	\$1,235,649
351 Long-term Debt, Net of Current - Capital Projects/Mortgage										
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other	\$1,064,217							\$1,064,217		\$1,064,217
354 Accrued Compensated Absences - Non Current	\$27,166	\$44,756					\$37,147	\$109,069		\$109,069
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	\$1,091,383	\$44,756	\$0	\$0	\$0	\$0	\$37,147	\$1,173,286	\$0	\$1,173,286
300 Total Liabilities	\$1,850,733	\$135,428	\$3,979	\$589,168	\$20,000	\$29,950	\$917,656	\$3,546,914	-\$1,137,979	\$2,408,935
508.1 Invested in Capital Assets, Net of Related Debt										
509.2 Fund Balance Reserved	\$2,379,946	\$2,623	\$0	\$604,115	\$0	\$0		\$2,986,684		\$2,986,684
511.2 Unreserved, Designated Fund Balance										
511.1 Restricted Net Assets		\$1,033,449	\$0		\$0	\$0		\$1,033,449		\$1,033,449
512.1 Unrestricted Net Assets	-\$1,416,044	\$468,515	\$0	-\$589,168	-\$2,879	\$0	-\$37,045	-\$1,578,621		-\$1,578,621
512.2 Unreserved, Undesignated Fund Balance										
513 Total Equity/Net Assets	\$963,902	\$1,502,587	\$0	\$14,947	-\$2,879	\$0	-\$37,045	\$2,441,512	\$0	\$2,441,512
600 Total Liabilities and Equity/Net Assets	\$2,814,635	\$1,638,015	\$3,979	\$604,115	\$17,121	\$29,950	\$880,611	\$5,988,428	-\$1,137,979	\$4,850,447

Housing Authority of the City of Orange (NJ025)
ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A- Fiscal Year End: 03/31/2010

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	6 Component Units	14.885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$856,363			\$23,407				\$879,770		\$879,770
70400 Tenant Revenue - Other	\$7,695							\$7,695		\$7,695
70500 Total Tenant Revenue	\$864,058	\$0	\$0	\$23,407	\$0	\$0	\$0	\$887,465	\$0	\$887,465
70600 HUD PHA Operating Grants	\$2,354,329	\$6,121,350				\$126,550		\$8,602,229		\$8,602,229
70610 Capital Grants	\$232,566					\$24,936		\$257,502		\$257,502
70710 Management Fee							\$458,046	\$458,046	-\$458,046	\$0
70720 Asset Management Fee										
70730 Book Keeping Fee							\$90,217	\$90,217	-\$90,217	\$0
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue							\$548,263	\$548,263	-\$548,263	\$0
70800 Other Government Grants			\$56,717					\$56,717		\$56,717
71100 Investment Income - Unrestricted	\$24	\$3,938					\$5	\$3,967		\$3,967
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery										
71500 Other Revenue	\$20,856	\$150,539	\$3,302				\$75,443	\$250,140		\$250,140
71600 Gain or Loss on Sale of Capital Assets	-\$3,151,046							-\$3,151,046		-\$3,151,046
72000 Investment Income - Restricted		\$5,462						\$5,462		\$5,462
70000 Total Revenue	\$320,787	\$6,281,289	\$60,019	\$23,407	\$0	\$151,486	\$623,711	\$7,460,699	-\$548,263	\$6,912,436
91100 Administrative Salaries	\$174,060	\$321,813					\$353,563	\$849,436		\$849,436
91200 Auditing Fees	\$11,000	\$7,000					\$6,000	\$24,000		\$24,000
91300 Management Fee	\$362,443	\$95,603						\$458,046	-\$458,046	\$0
91310 Book-Keeping Fee	\$34,562	\$55,635						\$90,217	-\$90,217	\$0
91400 Advertising and Marketing										
91500 Employee Benefit Contributions - Administrative	\$83,524	\$128,373						\$362,859		\$362,859
91600 Office Expenses	\$25,362	\$72,392			\$144			\$159,472		\$159,472

Housing Authority of the City of Orange (NJ025)
ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-
133

Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	6 Component Units	14,885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
91700 Legal Expense	\$56,687						\$34,168	\$90,855		\$90,855
91800 Travel	\$264	\$1,551	\$1,926				\$12,961	\$16,702		\$16,702
91810 Allocated Overhead										
91900 Other	\$70,038		\$58,093		\$2,735		\$16,314	\$147,180		\$147,180
91000 Total Operating - Administrative	\$817,960	\$863,367	\$60,019	\$0	\$2,879	\$0	\$634,542	\$2,198,767	-\$548,263	\$1,650,504
92000 Asset Management Fee										
92100 Tenant Services - Salaries		\$11,000						\$11,000		\$11,000
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services		\$5,688						\$5,688		\$5,688
92400 Tenant Services - Other	\$47,804	\$312					\$15,260	\$63,376		\$63,376
92500 Total Tenant Services	\$47,804	\$17,000	\$0	\$0	\$0	\$0	\$15,260	\$80,064	\$0	\$80,064
93100 Water	\$340,659			\$923				\$341,582		\$341,582
93200 Electricity	\$363,766			\$966			\$3,150	\$367,882		\$367,882
93300 Gas	\$135,337			\$868				\$136,205		\$136,205
93400 Fuel										
93500 Labor										
93600 Sewer										
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities	\$829,762	\$0	\$0	\$2,757	\$0	\$0	\$3,150	\$835,669	\$0	\$835,669
94100 Ordinary Maintenance and Operations - Labor	\$493,803							\$493,803		\$493,803
94200 Ordinary Maintenance and Operations - Materials and	\$65,564	\$914		\$3,521			\$1,806	\$71,805		\$71,805
94300 Ordinary Maintenance and Operations Contracts	\$83,068						\$6,031	\$89,099		\$89,099
94500 Employee Benefit Contributions - Ordinary Maintenance	\$236,953							\$236,953		\$236,953
94000 Total Maintenance	\$879,388	\$914	\$0	\$3,521	\$0	\$0	\$7,837	\$891,660	\$0	\$891,660
95100 Protective Services - Labor	\$4,535							\$4,535		\$4,535
95200 Protective Services - Other Contract Costs										

Housing Authority of the City of Orange (NJ025)
ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-
433

Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	6 Component Units	14,885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
95300 Protective Services - Other	\$36,364							\$36,364		\$36,364
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	\$40,899	\$0	\$0	\$0	\$0	\$0	\$0	\$40,899	\$0	\$40,899
96110 Property Insurance	\$21,860	\$8,615						\$30,475		\$30,475
96120 Liability Insurance										
96130 Workmen's Compensation	\$32,744						\$774	\$33,518		\$33,518
96140 All Other Insurance	\$54,604	\$8,615	\$0	\$0	\$0	\$0	\$774	\$63,993	\$0	\$63,993
96100 Total Insurance Premiums										
96200 Other General Expenses	\$342,892	\$97,524				\$126,550		\$566,966		\$566,966
96210 Compensated Absences	\$5,558	\$4,101						\$9,659		\$9,659
96300 Payments in Lieu of Taxes										
96400 Bad debt - Tenant Rents	\$71,023							\$71,023		\$71,023
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96900 Total Other General Expenses	\$419,473	\$101,625	\$0	\$0	\$0	\$126,550	\$0	\$647,648	\$0	\$647,648
96710 Interest of Mortgage (or Bonds) Payable										
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$3,069,890	\$811,521	\$60,019	\$6,278	\$2,879	\$126,550	\$661,563	\$4,758,700	-\$548,263	\$4,210,437
97000 Excess of Operating Revenue over Operating Expenses	-\$2,769,103	\$5,469,768	\$0	\$17,129	-\$2,879	\$24,936	-\$37,852	\$2,701,999	\$0	\$2,701,999
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized	\$24,069							\$24,069		\$24,069
97300 Housing Assistance Payments		\$5,402,124						\$5,402,124		\$5,402,124

Housing Authority of the City of Orange (NJ025)
ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: 133 Audited/A-

Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	6 Component Units	14,885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
97350 HAP Portability-In		\$138,309						\$138,309		\$138,309
97400 Depreciation Expense	\$77,265	\$2,623		\$2,182				\$82,070		\$82,070
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$3,191,224	\$6,354,577	\$60,019	\$8,460	\$2,879	\$126,550	\$661,563	\$10,405,272	-\$548,263	\$9,857,009
10010 Operating Transfer In										
10020 Operating Transfer Out										
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit										
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)										
10091 Inter Project Excess Cash Transfer In										
10092 Inter Project Excess Cash Transfer Out										
10093 Transfers between Program and Project - In	\$77,427							\$77,427		\$77,427
10094 Transfers between Project and Program - Out	-\$77,427							-\$77,427		-\$77,427
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$2,870,437	-\$73,288	\$0	\$14,947	-\$2,879	\$24,936	-\$37,852	-\$2,944,573	\$0	-\$2,944,573
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$3,809,403	\$1,575,875	\$0	\$0	\$0	\$0	\$807	\$5,386,085		\$5,386,085
11040 Prior Period Adjustments, Equity Transfers and Correction	\$24,936					-\$24,936		\$0		\$0
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										

Housing Authority of the City of Orange (NJ025)
 ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: 133 Audited/A- Fiscal Year End: 03/31/2010

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	6 Component Units	14.885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
11090 Changes in Allowance for Doubtful Accounts - Dwelling										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity		\$469,138						\$469,138		\$469,138
11180 Housing Assistance Payments Equity		\$1,033,449						\$1,033,449		\$1,033,449
11190 Unit Months Available	3360	7647		36				11043		11043
11210 Number of Unit Months Leased	3350	7418		36				10804		10804
11270 Excess Cash	-\$640,529							-\$640,529		-\$640,529
11610 Land Purchases	\$0						\$0	\$0		\$0
11620 Building Purchases	\$0						\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0						\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0						\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$232,566						\$0	\$232,566		\$232,566
11660 Infrastructure Purchases	\$0						\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0						\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$356,086						\$0	\$356,086		\$356,086

COMPLIANCE AND INTERNAL CONTROL

FRANK GLIEN, LLC
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**REPORT OF INDEPENDENT AUDITOR 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 City of Orange

I have audited the financial statements of the Housing Authority of the City of Orange (the "Authority") and the discretely presented component unit which collectively comprise the basic financial statements as of and for the year ended March 31, 2010, and have issued my report thereon dated December 27, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above. However, I identified a deficiency in internal control over financial reporting, described as item 2010-1 in the accompanying schedule of findings and questioned costs that I consider to be a significant deficiency in internal over financial reporting. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-2 and 2010-3.

The Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Authority's responses and, accordingly, I express no opinion on them.

This report is intended for the information and use of the Housing Authority of the City of Orange's management and Board of Commissioners, the U.S. Department of Housing and Urban Development, other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cranford, New Jersey

December 27, 2010


FRANK GLIEN, LLC, CPA

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**REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE WITH THE REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of the City of Orange

Compliance

I have audited the compliance of the Housing Authority of the City of Orange (the "Authority"), with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2010. The Housing Authority of the City of Orange's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. My responsibility is to express an opinion on the Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Authority's compliance with those requirements.

In my opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2010. However, the results of my auditing procedures disclosed two instances of non-compliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questioned costs as items 2010-2 and 2010-3.

Internal Control over Compliance

The management of the Housing Authority of the City of Orange is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Authority's responses and, accordingly, I express no opinion on them.

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

Cranford, New Jersey

December 27, 2010


FRANK GLIEN, LLC, CPA

HOUSING AUTHORITY OF THE CITY OF ORANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended March 31, 2010

SECTION I-SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

- | | |
|--|---------------------|
| 1. Type of auditor's report issued | Unqualified opinion |
| 2. Internal control over financial reporting | |
| • Material weakness (es) identified? | None noted |
| • Were significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Non-compliance material to the financial statements? | None noted |

Federal Awards Section

- | | |
|---|----------------------|
| 1. Dollar threshold used to determine Type A programs | \$ 300,000 |
| 2. Dollar threshold used to determine Type B programs | Not applicable |
| 3. Auditee qualified as a low-risk auditee | No |
| 4. Type of auditor's report on compliance | Unqualified |
| 5. Internal control over compliance | |
| • Material weakness (es) identified? | None noted |
| • Were significant deficiencies identified not considered to be material weaknesses? | None noted |
| • Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 | Findings 2010-02, 03 |
| 6. Identification of major programs | |

CFDA Number

Name of Federal Program

14.850	Low Rent Public Housing
14.871	Section-8 Housing Choice Voucher Program
14.872	Capital Fund Program