

**Housing Authority of the  
City of Orange**

**Financial Statements and  
Supplementary Information**

**March 31, 2021 and 2020**

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## Independent Auditor's Report

To the Board of Commissioners and Management of  
Housing Authority of the City of Orange

### Report on the Financial Statements

I have audited the accompanying financial statements of the aggregate enterprise funds and business type activities of the Housing Authority of the City of Orange (the "Authority") which comprise the statements of net position as of March 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation of the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### *Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each enterprise fund and business type activities of the Housing Authority of the City of Orange as of March 31, 2021 and 2020 and its changes in net position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required pension and OPEB information presented on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended March 31, 2021 is presented on page 28 for purposes 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) and is not a required part of the basic financial statements. The accompanying Statement and Certification of Actual Capital Grant Costs presented on page 30 and the Financial Data Schedule presented on pages 33 through 39 are also not required parts of the financial statements and 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 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditures of Federal Awards, the Statement and Certification of Actual Capital Grant Costs and the Financial Data Schedule are 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*, I have also issued my report dated March 25, 2022 on my consideration of the Housing Authority of the City of Orange's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Orange's internal control over financial reporting and compliance.

Cranford, New Jersey

*Frank Glien LLC, CPA*

Frank Glien, LLC

Certified Public Accountant

March 25, 2022

The Housing Authority of the City of Orange  
Management Discussion and Analysis  
March 31, 2021

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, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

**A. Financial Highlights**

- The current assets of the Authority exceeded its current liabilities at the close of the most recent fiscal year by \$968,546 which is line with last year's results.
- The Authority's total cash and cash equivalent balances at March 31, 2021 were \$3,023,544, representing an increase of \$1,234,545 during the fiscal year.
- The Authority's unrestricted cash and cash equivalent balances at March 31, 2021 were \$2,570,344, representing an increase of \$1,035,372 during the fiscal year.
- The Authority's restricted cash balance of \$453,200 at March 31, 2021 reflects an increase of \$199,173 from the prior year. Restricted cash includes \$383,793 of Replacement Housing Factor funds received as a part of HUD's Capital Fund Program and tenant security deposits of \$69,407.
- The Authority had Total Operating Revenues of \$10,087,529 and Total Operating Expenses of \$10,395,652 (including depreciation of \$112,741) for the year ended March 31, 2021. Operating Revenues increased by \$878,846 when compared to the prior fiscal year. Tenant revenue increased \$66,228. HUD operating grants increased \$823,148, and other revenue decreased \$ 10,530. These changes are discussed in detail later in this analysis.
- The Authority's capital outlays for the fiscal year totaled \$357,041, all of which were funded by HUD capital grants.
- The Authority's expenditures of federal awards amounted to \$8,915,271 for the fiscal year.

**B. Using the Annual Report**

**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 the 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 proprietary fund types.

**Financial Statements**

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

Housing Authority of the City of Orange  
Management Discussion and Analysis (Continued)  
March 31, 2021

**B. Using the Annual Report (Continued)**

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

The Statement of Revenue, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related 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 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 12.

**Notes to the Financial Statements**

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

**Supplemental Information**

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). The Schedule of Expenditures of Federal Awards can be found on page 28 of this report.

**C. The Authority as a Whole**

The Authority's net position increased by \$106,531 during the fiscal year ended March 31, 2021. The increase in net position is attributable primarily to the adoption of Government Accounting Standards Board Statement No. 75 "Accounting and Financial Reporting for Post-Employment Benefit Excluding Pensions" (GASB 75). GASB 75 requires government entities to include its net unfunded post benefit liability and the related deferred inflows and deferred outflows of resources in its financial statements. The Authority experienced a current operating gain of \$106,531 which includes the receipt of capital grants of \$357,041. The operating gain of \$106,531 also includes depreciation expense of \$112,741.

Housing Authority of the City of Orange  
Management Discussion and Analysis (Continued)  
March 31, 2021

**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 an amount pre-approved by HUD. Grants are drawn down based on need against a pre-authorized funding level. Management's budgets indicate that the housing authority has been able to manage its cash flows now that Walter G. Alexander Development has been officially removed from its inventory.

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). 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 position of the Authority is available for future use to provide program services.

**D. Budgetary Highlights**

For the year ended March 31, 2021 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.

During the fiscal year ended March 31, 2021, the Authority was able to operate within its budgetary guideline.

**E. Capital Assets and Debt Administration**

**Capital Assets**

As of March 31, 2021, the Authority's investment in capital assets for its proprietary fund was \$5,257,858 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$357,041 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.

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

**Long Term Debt**

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

Housing Authority of the City of Orange  
Management Discussion and Analysis (Continued)  
March 31, 2021

**F. Significant Changes from FYE March 31, 2020 to March 31, 2021**

**Changes in the Statement of Net Position**

Total cash and cash equivalents (restricted and unrestricted) increased by \$1,234,545 during the fiscal year ended March 31, 2021. The Authority's unrestricted cash and cash equivalent balances at March 31, 2021 were \$2,570,344, representing an increase of \$1,035,372 during the fiscal year. The Authority's restricted cash balance of \$453,200 at March 31, 2021 reflects an increase of \$199,173 from the prior year.

As of March 31, 2021, the Authority had a deficit in unrestricted net position of (\$7,362,791), an increase of \$105,908 from its deficit of \$(7,256,883) at March 31, 2020. As of March 31, 2021, the Authority had a restricted net position of \$13,478, an increase of \$13,478 or 100% percent from the prior fiscal year. The Authority experienced a current operating gain of \$106,531 which includes the receipt of capital grants of \$357,041. The operating gain of \$106,531 also includes depreciation expense of \$112,741. As noted in previous discussions, the Authority recorded a payable to HUD of \$1,138,200 in 2006 due to an error in its operating subsidy computation for the fiscal year ended March 31, 2005 and for the nine-month period ended December 31, 2005. Those requisitions contained errors in the allowable utilities expense levels 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. The Authority continues to await a response to its request to have this debt forgiven.

**Changes in the Statement of Revenues, Expenses and Changes in Net Position**

Operating revenue increased from \$9,208,683 for the fiscal year ended March 31, 2020 to \$10,087,529 for the fiscal year ended March 31, 2021, representing an increase of \$878,846 because of the following:

- Tenant revenue increased \$66,228 or 6% percent for an ending balance of \$1,125,666.
- HUD operating grants increased by \$823,148 or 11% for an ending balance of \$8,558,230 due to an increase in Housing Choice Voucher program subsidy.
- Other operating revenues decreased \$10,530 or 2.5% percent.

Housing Authority of the City of Orange  
Management Discussion and Analysis (Continued)  
March 31, 2021

**F. Significant Changes from FYE March 31, 2020 to March 31, 2021 (Continued)**

Operating expenses (including depreciation expense) increased from \$10,299,458 for the fiscal year ended March 31, 2020 to \$10,395,652 for the fiscal year ended March 31, 2021. This increase of \$95,074 or less than 1% percent is due primarily to an increase in tenant services expense and Housing Assistance Payments expense.

**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, 2022.

- The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.
- Funding allocations from HUD cannot be predetermined before the expense budget is prepared.

**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.

Housing Authority of the City of Orange  
Management's Discussion and Analysis  
For the Year Ended March 31, 2021

Composition of net position is as follows:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>	<u>Increase / (Decrease)</u>	<u>% Change</u>
Cash and other current assets	\$ 3,343,963	\$ 2,505,977	\$ 837,986	25.1%
Capital assets, net and other assets	5,292,858	5,093,897	198,961	3.8%
Deferred Outflows of Resources	<u>1,800,074</u>	<u>1,238,069</u>	<u>562,005</u>	<u>31.2%</u>
Total assets and Deferred Outflows of Resources	10,436,895	8,837,943	1,598,952	15.3%
Total Liabilities and Deferred Inflows of resources	<u>12,528,350</u>	<u>11,035,929</u>	<u>1,492,421</u>	<u>11.9%</u>
Net Position	<u><u>\$ (2,091,455)</u></u>	<u><u>\$ (2,197,986)</u></u>	<u><u>\$ 106,531</u></u>	<u><u>-5.1%</u></u>
Net Investment in Capital Assets	\$ 5,257,858	\$ 5,058,897	\$ 198,961	3.8%
Restricted Net Position	13,478	-	13,478	100.0%
Unrestricted Net Position	<u>(7,362,791)</u>	<u>(7,256,883)</u>	<u>(105,908)</u>	<u>-1.4%</u>
Total Net Position	<u><u>\$ (2,091,455)</u></u>	<u><u>\$ (2,197,986)</u></u>	<u><u>\$ 106,531</u></u>	<u><u>-5.1%</u></u>
<u>Revenues</u>				
Tenant Revenue	\$ 1,125,666	\$ 1,059,438	\$ 66,228	5.9%
HUD Operating Grants	8,558,230	7,735,082	823,148	9.6%
Other Income	<u>403,633</u>	<u>414,163</u>	<u>(10,530)</u>	<u>-2.6%</u>
Total Operating Revenues	10,087,529	9,208,683	\$ 878,846	8.7%
<u>Expenses</u>				
Operating Expenses excluding depreciation	10,282,911	10,198,257	84,654	0.8%
Depreciation Expense	<u>112,741</u>	<u>101,201</u>	<u>11,540</u>	<u>10.2%</u>
Total Operating Expenses	10,395,652	10,299,458	\$ 96,194	0.9%
Deficiency of Operating Revenues Over Expenses	(308,123)	(1,090,775)	782,652	125.0%
<u>Non-Operating Revenues</u>				
Investment Income	6,988	21,101	(14,113)	-202.0%
Gain on sale of assets	<u>50,625</u>	<u>-</u>	<u>50,625</u>	<u>100.0%</u>
Net Income Before Capital Grants	(250,510)	(1,069,674)	819,164	-76.6%
Capital Grants	357,041	608,746	(251,705)	-41.3%
Change in Net Position	<u>106,531</u>	<u>(460,928)</u>	<u>567,459</u>	<u>532.7%</u>
Net position, beginning of year	(2,197,986)	(3,351,601)	1,153,615	100.0%
Prior period adjustment	<u>-</u>	<u>1,614,543</u>	<u>(1,614,543)</u>	<u>#DIV/0!</u>
Beginning net position as restated	<u>(2,197,986)</u>	<u>(1,737,058)</u>	<u>(460,928)</u>	<u>21.0%</u>
Total net position, end of year	<u><u>\$ (2,091,455)</u></u>	<u><u>\$ (2,197,986)</u></u>	<u><u>\$ 106,531</u></u>	<u><u>-5.1%</u></u>

Housing Authority of the City of Orange

Statements of Net Position

As of March 31,

2021

2020

**Assets**

Current assets:

Cash and cash equivalents-unrestricted	\$ 2,570,344	\$1,534,972
Cash and cash equivalents-restricted	453,200	254,027
Acccounts receivable	88,802	543,159
Inventories	35,066	30,099
Prepaid expenses	196,551	143,720
<b>Total current assets</b>	<u>3,343,963</u>	<u>2,505,977</u>

Capital assets, net	5,257,858	5,058,897
Other assets	35,000	35,000
<b>Total assets</b>	<u>8,636,821</u>	<u>7,599,874</u>

<b>Deferred outflows of resources</b>	<u>1,800,074</u>	<u>1,238,069</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$10,436,895</u>	<u>\$8,837,943</u>

**Liabilities and net position**

Current liabilities:

Accounts payable and accrued liabilities	\$ 1,333,237	\$ 593,596
Tenant security deposits	69,407	75,011
Unearned revenue	204,487	12,043
<b>Total current liabilities</b>	<u>1,607,131</u>	<u>680,650</u>

Net pension liability	2,086,010	2,286,521
Net OPEB liability	4,133,643	3,028,224
Accrued compensated absences, non-current	366,929	350,821
Other long term liabilities	942,567	961,890
<b>Total liabilities</b>	<u>9,136,280</u>	<u>7,308,106</u>

<b>Deferred inflows of resources</b>	3,392,070	3,727,823
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Net position:

Invested in capital assets, net of related debt	5,257,858	5,058,897
Restricted	13,478	-
Unrestricted	(7,362,791)	(7,256,883)
<b>Total net position</b>	<u>(2,091,455)</u>	<u>(2,197,986)</u>
<b>Total liabilities, net position and deferred inflows of resources</b>	<u>\$10,436,895</u>	<u>\$8,837,943</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 Position  
 For the Year Ended March 31,

	2021	2020
<b>Operating revenues</b>		
Tenant revenue	\$ 1,125,666	\$ 1,059,438
HUD operating grants	8,558,230	7,735,082
Other revenues	403,633	414,163
<b>Total operating revenues</b>	<u>10,087,529</u>	<u>9,208,683</u>
<b>Operating expenses</b>		
Administrative	2,177,603	2,279,762
Tenant services	209,943	124,966
Utilities	415,241	449,428
Ordinary repairs and maintenance	584,122	594,599
Protective services	151,079	136,179
General expenses	299,079	526,036
Housing assistance payments	6,445,844	6,087,287
Depreciation	112,741	101,201
<b>Total operating expenses</b>	<u>10,395,652</u>	<u>10,299,458</u>
<b>Operating loss</b>	(308,123)	(1,090,775)
<b>Non operating revenues</b>		
Investment income	6,988	21,101
Gain on sale of assets	50,625	-
Investment income	<u>57,613</u>	<u>21,101</u>
<b>Loss before capital grants</b>	(250,510)	(1,069,674)
<b>Capital grants</b>	<u>357,041</u>	<u>608,746</u>
<b>Change in net position</b>	106,531	(460,928)
Net position at beginning of year	(2,197,986)	(3,351,601)
Prior period adjustment	-	1,614,543
<b>Net position at end of year</b>	<u>\$(2,091,455)</u>	<u>\$(2,197,986)</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,

2021

2020

**Net cash provided by(used in)**

**Operating activities:**

Cash received from:

Tenants	\$1,978,052	\$1,314,030
Grantors	8,558,230	7,735,082

Cash paid for:

Employees	(1,272,790)	(1,232,022)
Vendors and contractors	(976,679)	(2,555,061)
Utilities	(415,241)	(449,428)
Insurance	(52,831)	(115,476)
General expenses	605,829	(1,396,114)
Housing assistance payments	<u>(6,445,844)</u>	<u>(6,087,287)</u>

**Cash flows from operating activities**

1,978,726      (2,786,276)

**Capital and related financing activities:**

Purchase of capital assets	(374,796)	(474,306)
Capital grants	357,041	608,746
Deferred outflows of resources	(562,005)	(485,681)
Increase in insurance reserve	-	108,930
<b>Cash flows from capital and financing activities</b>	<u>(579,760)</u>	<u>(242,311)</u>

**Investing activities:**

Interest received on investments	6,988	21,101
Proceeds from disposal of assets	164,344	-
Deferred inflows of resources	<u>(335,753)</u>	<u>2,776,100</u>
<b>Cash flows from investing activities</b>	<u>(164,421)</u>	<u>2,797,201</u>

Net increase(decrease) in cash and cash equivalents      1,234,545      (231,386)

Cash and cash equivalents, beginning of year      1,788,999      2,020,385  
**Cash and cash equivalents, end of year**      \$3,023,544      \$1,788,999

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

Housing Authority of the City of Orange  
 Statements of Cash Flows  
 March 31,

2021

2020

**Reconciliation of operating income to net cash  
 used in operating activities:**

Operating loss	\$ (308,123)	\$(1,090,775)
<b>Items which did not use cash:</b>		
Depreciation	112,741	101,201
Gain on sale of asset	(50,625)	-
<b>Increase(decrease) in cash from:</b>		
Accounts receivable	454,357	(168,692)
Inventories	(4,967)	(1,939)
Prepaid expenses	(52,831)	(115,476)
Accounts payable	1,507,926	(157,072)
Accrued liabilities and unearned revenue	208,552	(543,086)
Security deposits	(5,604)	9,121
Unfunded pension and OPEB obligations	904,908	(870,078)
Other liabilities	(787,608)	50,520
	<u>\$ 1,978,726</u>	<u>\$(2,786,276)</u>

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

#### **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 governed by a board of seven members who serve five year terms. The governing board 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 Authority's board of commissioners to manage the day-to-day operations of the Authority. 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. Significant programs of the Authority include:

##### Low Rent Public Housing Program

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

##### Section-8 Housing Choice Vouchers Program

The Authority administers a program of rental assistance payments to private owners on behalf of income eligible 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.

##### Resident Opportunity and Supportive Service Program

The Resident Opportunity and Supportive Services (ROSS) grant provides funds for job training and supportive services to help residents of public housing transition from welfare to work. The program also provides funding to connect elderly/disabled residents to critical services which help them continue to live independently.

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

##### Reporting Entity

The Authority's financial statements include those of the Housing Authority of the City of Orange and any component unit. 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.

**Note 2. Summary of Significant Accounting Policies(Continued)**

Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

Basis of Accounting

Financial statements of the Authority are prepared in accordance the Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The GASB is responsible for establishing GAAP for state and local governments through its pronouncements. In following this standard, the Authority prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. The standard 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 and it requires the Authority to include management's discussion and analysis and pension and OPEB information as required supplementary information.

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

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

The Authority accounts for non-exchange transaction in accordance with GASB Statement 33, *Accounting and Financial Reporting for Non-exchange Transactions*, which 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 revenues are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

The Authority follows HUD's *PIH Notice 2008-9* which requires unused housing assistance payments(HAP) under proprietary fund reporting to be reported as restricted net position, with the associated cash and investments also reported on HUD's Financial Data Schedule(FDS) as unrestricted. Any unused administrative fees are reported as unrestricted net position, with the associated assets reported on the FDS as unrestricted.

Revenues from administrative fees and Housing Assistance Payments (HAP) of the Section 8 Housing Choice Vouchers program continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when funds are expended. The Housing Choice Vouchers program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fees in the reporting period as revenue from financial statement reporting.

**Note 2. Summary of Significant Accounting Policies(Continued)**

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. The budgets are submitted to the State of New Jersey Department of Community Affairs (DCA) in accordance with New Jersey statute. After the New Jersey DCA approves the budget, it is formally adopted by resolution by the Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the adopted budget when unexpected modifications are required in estimated revenues and expenses. 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.

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.

Taxes

The Authority is a federally subsidized unit of local government under New Jersey law and is not subject to Federal or state income , real estate, or sales taxes.

Cash and Cash Equivalents

New Jersey statutes require authorities 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. State law provides a list of securities that may be purchased by New Jersey authorities.

In accordance with the statutes, the Authority deposits funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act(GUDPA). GUDPA was enacted to protect governmental units from loss of funds on deposit with failed banking institutions in New Jersey. All of the Authority's funds are deposited in accordance with N.J.S.A. 17:9-42, which requires government units to deposit public funds only in public depositories located in New Jersey, when funds are secured in accordance with the act.

HUD requires housing authorities to invest excess funds in obligations of the United State, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an affiliated bank or trust company for the account of the Authority. The Authority maintains collateralization in accordance with state and HUD requirements.

For statement of cash flow purposes, cash and cash equivalents include all cash balances and highly liquid investments with initial maturity of three months or less.

**Note 2. Summary of Significant Accounting Policies(Continued)**

Accounts Receivable and Collection Losses

Accounts receivable includes tenant rents which are due from tenants on the first day of each month. Tenants' receivable balances primarily consist of rents past due and vacated tenants. The Authority periodically reviews for the collectability of tenant accounts. When accounts are deemed to be uncollectible the Authority establishes an appropriate reserve. Write offs of tenant accounts must be approved by the Board of Commissioners. When this occurs the amounts are charged against the allowance account.

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. 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.

Capital Assets

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

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

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

Asset Impairment

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of March 31, 2021 and 2020, the Authority has not recognized any reduction in the carrying value of its capital assets.

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.

Unearned Revenue

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

**Note 2. Summary of Significant Accounting Policies(Continued)**

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. 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.

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 position and is 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 Position* - 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 Position includes the Housing Assistance Payment reserve.

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

Pensions(GASB 68)

The Authority has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. Accordingly, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the Public Employees Retirement System(PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post Employment Benefits-OPEB(GASB 75)

In accordance with GASB 75, the Authority accounts for its other postemployment benefits in essentially the same way as it accounts for pension benefits. Other post-employment benefits include medical, prescription drug, dental, vision, life insurance and disability benefits provided to retirees and certain terminated employees.

New GASB Pronouncements

The Authority is in the process of reviewing recent GASB pronouncements that are expected to become effective in year 2020 and thereafter. Currently, the Authority has not determined whether or not the adoption of any of these pronouncements will have a material effect on the Authority's financial statements. A final determination will be made upon the completion of the evaluation.

Housing Authority of the City of Orange  
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**Note 3. Cash and Cash Equivalents**

At March 31, 2021 and 2020, 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, 2021 and 2020, the carrying amount of the Authority's cash was \$3,023,544 and \$1,788,999 and the bank balances approximated \$ 2,377,090 and \$2,076,978 respectively.

**Note 4. Accounts Receivable**

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

	2021	2020
Due from HUD other projects	\$ -	\$ 55,131
Due from State of New Jersey, Congregate Housing	-	3,657
Tenant receivables, net	22,398	25,086
Due from Orange Housing Development Corporation	-	331,265
Fraud recovery receivables, net	66,404	99,555
Other receivables	-	28,465
	<u>\$ 88,802</u>	<u>\$ 543,159</u>

**Note 5. Capital Assets**

A summary of the changes in capital assets during the period ended March 31, 2021 is as follows:

	April 1, 2020	Additions (Disposals)	Transfers	March 31, 2021
Land	\$ 772,671	\$ -		\$ 772,671
Buildings and Improvements	9,105,979	(44,375)	-	9,061,604
Furniture and equipment	347,381	(589)	-	346,792
	<u>10,226,031</u>	<u>(44,964)</u>	<u>-</u>	<u>10,181,067</u>
Less; accumulated depreciation	<u>(5,775,881)</u>	<u>(113,116)</u>	<u>-</u>	<u>(5,888,997)</u>
	4,450,150	(158,080)	-	4,292,070
Construction in progress	608,747	357,041	-	965,788
	<u>\$5,058,897</u>	<u>\$ 198,961</u>	<u>\$ -</u>	<u>\$5,257,858</u>

Depreciation expense for the years ended March 31, 2021 and 2020 amounted to \$ 112,741 and 101,201 respectively.

**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.

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**Note 7. Non-current Liabilities**

Non-current liabilities as of March 31, 2021 and 2020 consist of the following:

Description	Balance at March 31, 2020	Additions	Deletions	Balance at March 31, 2021	Due Within One Year
Pension liability	\$ 2,286,521		\$ 200,511	\$ 2,086,010	\$ -
OPEB liability	3,028,224	1,105,419	-	4,133,643	-
Compensated absences	367,587	38,295	-	405,882	38,953
Other long term liabilities	961,890	-	19,323	942,567	28,455
	<u>\$ 6,644,222</u>	<u>\$1,143,714</u>	<u>\$ 219,834</u>	<u>\$ 7,568,102</u>	<u>\$ 67,408</u>

**Note 8. Tenant Security Deposits**

Tenant security deposits represent amounts held by the Authority on behalf of tenants participating in the Low Income 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 9. Payments in Lieu of Taxes**

Under Federal, state, and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for 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, 2021 and 2020 liability for PILOT amounted to \$ 51,759 and \$45,772 respectively. The Authority is currently negotiating with the city of Orange to have the PILOT forgiven.

**Note 10. 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, 2021 and 2020, the Authority has recorded current amounts due of \$ 369,915 and \$ 341,460 recorded as other current liabilities and non-current amounts due of \$ 768,285 and \$ 796,740 recorded as other long term liabilities in relation to this agreement. 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 one of its low income housing projects. The Authority continues to await a response to have this debt forgiven.

**Note 11. Construction Commitments**

At March 31, 2021 and 2020, 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. Pension Plan

### General Information about the Pension Plan

Plan Description - The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer, defined benefits pension plan. ERS issues a publicly available report that can be obtained at the following website: [www.state.nj.us/terasury/pensions/annrpts.shtml](http://www.state.nj.us/terasury/pensions/annrpts.shtml).

Benefits Provided - The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and to tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by N.J.S.A. 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 includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on the actuarially determined rate which includes normal cost and unfunded accrued liability. Chapter 9, 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. Contributions to the pension plan from the Authority for the year ended March 31, 2021 and 2020 amounted to \$ 250,000 and \$123,435 respectively.

**Note 12. Pension Plan(Continued)**

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions- At March 31, 2021 and 2020, the Authority reported \$2,086,010 and \$2,286,521, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of March 31, 2021 and 2020 were 0.0127918146% and 0.01268986430%, respectively. For the year ended March 31, 2021 and 2020, the Authority recognized pension expense of \$ 25,226 and \$ 179,710 respectively. At March 31, 2021 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Change in assumptions	\$ 67,673	\$ (873,432)
Net difference between projected and actual earnings	105,285	(7,377)
Change in proportion	309,576	(329,243)
Total	<u>\$ 482,534</u>	<u>\$ (1,210,052),</u>

There is no amount reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date and \$41,040 reported as deferred outflows related to changes in the housing authority's proportion will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods.

Actuarial assumptions - The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial evaluation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial evaluation as of July 1, 2019. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

	<u>6/30/2020</u>	<u>6/30/2019</u>
Inflation rate, based on price/wage	2.75%/3.25%	2.75%/3.25%
Salary increase through 2026, based on age	2.00% - 6.00%	2.00% - 6.00%
Salary increases thereafter, based on age	3.00% - 7.00%	3.00% - 7.00%
Investment rate of return	7.00%	7.00%

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 the Scale MP-2020.

**Note 12. Pension Plan (Continued)**

In accordance with State statute, the long-term expected rate of return on plan investments(7.0% at June 30, 2020) is determined by the State Treasurer after consultation with the Director of the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Lont Term Expected Real Rate of Return
US Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

Discount rate - The discount rate used to measure the total pension liability was 7.0% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the collective net pension liability of the Authority as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At 1% decrease(6.00%)	At current discount rate(7.00%)	At 1% increase (8.00%)
<u>\$ 2,646,594</u>	<u>\$2,086,010</u>	<u>\$ 1,640,671</u>

**Note 12. Pension Plan (Continued)**

Collective deferred outflows of resources and deferred inflows of resources

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 ended June 30	
2021	\$ (261,757)
2022	(238,643)
2023	(136,378)
2024	(55,149)
2025	(11,928)
	<u>\$ (703,854)</u>

Pension Plan Fiduciary Net Position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report issued by the State of New Jersey, Division of Pension and Benefits, Public Employees Retirement System Employer Allocations and Schedule of Pension Amounts.

**Note 13. Economic Dependency**

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

**Note 14. 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 in any of the past three fiscal years.

**Note 15. 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, 2021 and 2020, the Authority estimates that no material liabilities will result from such audits.

**Note 16. Restricted Net Position**

As of March 31, 2021, the Authority had a restricted net position of \$13,478. For the year ended March 31, 2020, the Authority’s had no restricted net position.

**Note 17. Other Post-Employment Benefits-OPEB**

Plan description

The Authority participates in the New Jersey State Health Benefit Local Government Retired Employees Plan (the Plan), a cost-sharing multiple-employer defined benefit other post employment benefit (OPEB) plan with a special funding situation. The Plan covers employees of local government employers that have adopted a resolution to participate in it. Additional information about the Plan, can be found on the State of New Jersey Division of Pensions and Benefits' Comprehensive Annual Financial Report (CAFR), <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

OPEB liabilities, expense and deferred outflows and deferred inflows of resources related to OPEB

For the years ended March 31, 2021 and 2020 the Authority reported a liability of \$4,133,643 and \$3,028,224 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and rolled forward to June 30, 2020 for the March 31, 2021 fiscal year and June 30, 2018 rolled forward to June 30, 2019 for the March 31, 2020 fiscal year.

**Note 17. Other Post-Employment Benefits-OPEB(Continued)**

For the year ended March 31, 2021 the Authority recognized OPEB benefit of \$18,086. At March 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows	Deferred Inflows
Change in assumptions	\$ 618,263	\$ (919,258)
Net difference between projected and actual earnings	111,502	(769,762)
Change in proportion	587,775	(492,997)
Total	<u>\$1,317,540</u>	<u>\$(2,182,017)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2021	(123,405)
2022	(123,517)
2023	(123,698)
2024	(123,863)
2025	(84,459)
Thereafter	46,202
	<u>\$ (532,742)</u>

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increase	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%

**Health care trend assumptions**

For pre medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.35% respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.5% long-term trend rate after years.

**Discount rate**

The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**Note 17. Other Post-Employment Benefits-OPEB(Continued)**

Sensitivity of net OPEB liability to changes in the discount rate

The following presents the collective net OPEB liability as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Current Discount Rate (2.21%)	At 1% Increase (3.21%)
At 1% Decrease (1.21%)		
\$ 4,886,840	\$ 4,133,643	\$ 3,537,420

Sensitivity of net OPEB liability to changes in the healthcare trends rate

The following presents the collective net OPEB liability as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	Healthcare cost trend rate	1% Increase
1% Decrease		
\$ 3,420,594	\$ 4,133,643	\$ 5,067,391

**Note 18. Related Parties**

The Housing Authority of the City of Orange and the Orange Housing Development Corporation (OHDC) are related parties. The Authority appoints the majority of OHDC’s governing board and shares common management. Management has determined that OHDC does not meet the requirement of a component unit as set forth by GASB 39. Consequently, these financial statements do not include the activities of OHDC.

Since 2009, the OHDC has been involved with numerous housing construction projects throughout the City of Orange, New Jersey. These projects involve construction and/or rehabilitation of low income, multi-family and single family dwelling units with funding from the U.S. Department of Housing and Urban Development, State of New Jersey and the County of Essex. From time to time the Authority advances funds to the OHDC as initial funding for the projects. There were no significant transactions between the two organizations for the years ended March 31, 2021 and 2020. However, as of March 31, 2020 the Authority had advanced approximately \$ 331,265 to OHDC for the development of various properties. The amount was reflected in Other Receivables in the Statements of Net Position in 2020 but was paid back to the Authority in 2021.

**Note 19. Litigation**

The Housing Authority and the Orange Housing Development Corporation are two of multiple defendants in a case entitled *Feld vs. The City of Orange, Orange Housing Development Corporation, Orange Housing Authority, et al.* Among other actions, Feld has challenged the City of Orange's ordinances that granted tax abatements for certain construction projects undertaken by the Orange Housing Development Corporation and has challenged the payment in lieu of taxes agreement related to these projects. Feld is seeking to have the ordinances rescinded. Although the lower and appellate courts have dismissed most of these claims, Feld continues to file suits challenging the ordinances. The Authority is not directly involved with the litigation. However significant amounts of time and legal counsel have been required in preparing a defense. Most of the legal costs will be borne by the OHDC but the Authority could incur legal expenses if Feld continues to pursue legal action in this matter. No amount has been reflected in the financial statements for potential legal costs as the amount is not readily determinable and cannot be reasonably estimated.

**Note 20. Risks and Uncertainties**

The COVID-19 pandemic in the United States has continued to cause business disruption and a reduction in economic activity. With current efforts by the U.S. government to get a large part of the population vaccinated, the disruption may soon come to an end. Although the Authority has experienced some reduction in revenues from its tenant rents, it continues to receive sufficient funding from the U.S. Department of Housing and Urban Development. Accordingly, management does not anticipate a significant financial impact or disruption in services as a result of the virus. However the full impact of the coronavirus cannot be reasonably estimated at this time and will depend on future developments, which currently are still uncertain.

**Note 21. Subsequent Events**

No 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 subsequent events have been evaluated by management through March 25, 2022, which is the date of the financial statements.

Housing Authority of the City of Orange  
 Schedule of Expenditures of Federal Awards  
 Year Ended March 31, 2021

Federal Grantor Pass-Through Grantor/ Program Title	Federal CFDA Number	Current Year Expenditures
<b>U.S. Department of Housing and Urban Development</b>		
<u>Direct programs:</u>		
Public Housing CARES Act Funding	14.PHC	\$ 88,228
Low-Income Public Housing	14.850	1,003,375
Section 8 Housing Choice Vouchers	14.871	7,089,517
Public Housing Capital Fund	14.872	554,572
Resident Opportunity and Supportive Services	14.870	68,000
HCV CARES Act Funding	14.HCC	111,578
		<u>\$ 8,915,270</u>

*See accompanying notes to schedule of expenditures of federal awards.*

**Note 1. General Information**

The accompanying Schedule of Expenditures of Federal Awards presents the activities in all the federal 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 schedule.

**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 the Uniform Guidance. 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, 2021.

**Note 4. Loan Guarantees**

At March 31, 2021, the Authority is not the guarantor of any loans outstanding.

**Note 5. Sub-Recipients**

Of the federal expenditures presented in this schedule, no expenditures were used to provide federal awards to sub-recipients.

**Note 6. Indirect Cost Rate**

The Authority has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Housing Authority of the City of Orange  
Statement and Certification of Actual Capital Grant Costs  
For the Year Ended March 31, 2021

	NJ39P-025 501-06	NJ39P-025 501-07	NJ39P-025 501-08	NJ3P-025 501-09	NJ39P-025 501-10
Funds Approved	\$ 524,111	\$ 544,620	\$ 524,909	\$ 552,092	\$ 550,306
Funds Expended	524,111	544,620	524,909	552,092	550,306
Excess(Deficiency) of Approved	\$ -	\$ -	\$ -	\$ -	\$ -
Funds Advanced	\$ 524,111	\$ 544,620	\$ 524,909	\$ 552,092	\$ 550,306
Funds Expended	524,111	544,620	524,909	552,092	550,306
Excess(Deficiency) of Advances	\$ -	\$ -	\$ -	\$ -	\$ -
	NJ39P-025 501-11	NJ39P-025 501-12	NJ39P-025 501-13	NJ3RP-025 501-14	NJ39R-025 501-15
Funds Approved	\$ 471,790	\$ 421,126	\$ 388,926	\$ 534,568	\$ 502,862
Funds Expended	471,790	421,126	388,926	534,568	502,862
Excess(Deficiency) of Approved	\$ -	\$ -	\$ -	\$ -	\$ -
Funds Advanced	\$ 471,790	\$ 421,126	\$ 388,926	\$ 534,568	\$ 502,862
Funds Expended	471,790	421,126	388,926	534,568	502,862
Excess(Deficiency) of Advances	\$ -	\$ -	\$ -	\$ -	\$ -

1. All Capital Fund Program work done in connection with these programs has been completed.
2. All liabilities in connection with programs have been paid.
3. Capital Fund Program costs included on the Actual Capital Grant Cost Certificate submitted to HUD are in agreement with the housing authority's records.

Housing Authority of the City of Orange  
 Required Pension Information  
 As of March 31, 2021

**Schedule of the Authority's Contributions for the Last Ten Fiscal Years(a)**

Year ended March 31	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 250,000	\$ 123,435	\$ 131,916	\$ 146,196	\$ 114,947	\$ 107,106
Contributions in relation to the contractual required contribution	250,000	123,435	131,916	146,196	\$ 114,947	\$ 107,106
(Over)/ underfunded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 1,434,209	\$ 1,356,606	\$ 1,424,110	\$ 1,253,769	\$ 1,245,498	\$ 1,136,040
Contributions as a percentage of covered employee payroll	17.43%	9.10%	9.26%	11.66%	9.23%	9.43%

**Schedule of the Authority's Proportionate Share of Net Pension Liability for the Last Ten Fiscal Years**

Authority's proportion of net pension liability	0.01279181%	0.0126899%	0.0132622%	0.0121000%	0.0118000%	0.0126600%
Authority's proportionate share of net pension liability	\$ 2,086,010	\$ 2,286,521	\$ 2,611,260	\$ 2,817,778	\$ 3,650,092	\$ 2,655,513
Authority's covered-employee payroll	\$ 1,434,209	\$ 1,356,606	\$ 1,424,110	\$ 1,253,769	\$ 1,245,498	\$ 1,136,040
Authority's proportionate share of net pension liability(asset) as percentage of covered employee payroll	145.45%	168.55%	183.36%	224.74%	293.06%	233.75%
Plan fiduciary net position as percentage of total pension liability	58.32%	56.3%	53.6%	48.1%	43.5%	47.9%

(a)=Ten year trend has not been compiled. The Authority is presenting the years that are available

Housing Authority of the City of Orange  
 Required Other Post Employment Benefits Information  
 March 31, 2021

Schedule of Authority's Contributions for the Past Ten Fiscal Years(a)

Measurement date	6/30/2020	6/30/2019	6/30/2018
Authority's Fiscal Year End March 31,	2021	2020	2019
Service cost	\$ 139,570	\$ 149,013	\$ 110,794
Interest on total OPEB liability	114,577	142,196	94,457
Expected investment return	(1,758)	-	-
Administrative expense	2,283	-	-
Changes in benefits terms	238	(426)	-
Current period recognition(amortization of deferred inflows/outflows of resources	-	-	-
Difference between expected and actual experience	(126,820)	(312,953)	(173,061)
Changes in assumptions	(96,430)	(365,674)	(202,216)
Difference between projected and actual earnings on OPEB plan investments	1,045	-	-
Contribution made during the year	-	9,669	6,674
Benefits payments	-	(105,109)	(52,122)
Other changes in pension liability	1,072,714	(1,676,599)	4,322,360
Total OPEB expense(benefit)	1,105,419	(2,159,883)	4,106,887
OPEB liability, beginning	3,028,224	5,188,107	1,081,220
OPEB liability, ending	<u>\$ 4,133,643</u>	<u>\$ 3,028,224</u>	<u>\$ 5,188,107</u>
Authority's proportion of net OPEB liability	<u>0.0230%</u>	0.0224%	0.0124%
Authority's covered payroll	<u>\$ 1,434,209</u>	<u>\$ 1,356,606</u>	<u>\$ 1,424,110</u>
Total OPEB liability as a percentage of covered payroll	288.22%	223.22%	364.31%

(a)=Ten year trend has not been compiled. The Authority is presenting the years that are available

Housing Authority of the City of Orange (NJ025)

ORANGE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2021

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,498,528		\$0	\$1,071,816				\$2,570,344		\$2,570,344
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted		\$18,621		\$187,760	\$11,332	\$166,080		\$383,793		\$383,793
114 Cash - Tenant Security Deposits	\$67,905		\$1,502					\$69,407		\$69,407
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$1,566,433	\$18,621	\$1,502	\$1,259,576	\$11,332	\$166,080	\$0	\$3,023,544		\$3,023,544
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects										
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous	\$11,470							\$11,470		\$11,470
126 Accounts Receivable - Tenants	\$81,258		\$26,640					\$107,898		\$107,898
126.1 Allowance for Doubtful Accounts - Tenants	-\$66,234		-\$19,266					-\$85,500		-\$85,500
126.2 Allowance for Doubtful Accounts - Other	-\$11,470							-\$11,470		-\$11,470
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery				\$109,882				\$109,882		\$109,882
128.1 Allowance for Doubtful Accounts - Fraud				-\$43,478				-\$43,478		-\$43,478
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$15,024	\$0	\$7,374	\$66,404	\$0	\$0	\$0	\$88,802		\$88,802
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$142,110		\$45,000	\$7,614			\$1,827	\$196,551		\$196,551
143 Inventories	\$33,188		\$9,462					\$42,650		\$42,650
143.1 Allowance for Obsolete Inventories	-\$6,638		-\$946					-\$7,584		-\$7,584
144 Inter Program Due From										
145 Assets Held for Sale							\$35,000	\$35,000		\$35,000
150 Total Current Assets	\$1,750,117	\$18,621	\$62,392	\$1,333,594	\$11,332	\$166,080	\$36,827	\$3,378,963		\$3,378,963
161 Land	\$472,671		\$300,000					\$772,671		\$772,671
162 Buildings	\$8,455,668		\$408,193					\$8,863,861		\$8,863,861
163 Furniture, Equipment & Machinery - Dwellings	\$47,534		\$5,222					\$52,756		\$52,756

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
164 Furniture, Equipment & Machinery - Administration	\$214,740		\$17,755	\$32,797			\$28,744	\$294,036		\$294,036
165 Leasehold Improvements	\$197,743							\$197,743		\$197,743
166 Accumulated Depreciation	-\$5,709,850		-\$117,606	-\$32,797			-\$28,744	-\$5,888,997		-\$5,888,997
167 Construction in Progress	\$965,788							\$965,788		\$965,788
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,644,294	\$0	\$613,564	\$0	\$0	\$0	\$0	\$5,257,858		\$5,257,858
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	\$4,644,294	\$0	\$613,564	\$0	\$0	\$0	\$0	\$5,257,858		\$5,257,858
200 Deferred Outflow of Resources	\$756,031			\$491,626			\$552,417	\$1,800,074		\$1,800,074
290 Total Assets and Deferred Outflow of Resources	\$7,150,442	\$18,621	\$675,956	\$1,825,220	\$11,332	\$166,080	\$589,244	\$10,436,895		\$10,436,895
311 Bank Overdraft							\$38,427	\$38,427		\$38,427
312 Accounts Payable <= 90 Days	\$15,544		\$513,439	\$16,677			\$7,409	\$553,069		\$553,069
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$23,477			\$7,961			\$16,628	\$48,066		\$48,066
322 Accrued Compensated Absences - Current Portion	\$12,486		\$0	\$3,616			\$22,851	\$38,953		\$38,953
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs							\$1,138,200	\$1,138,200		\$1,138,200
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$143,342							\$143,342		\$143,342
341 Tenant Security Deposits	\$67,905		\$1,502					\$69,407		\$69,407
342 Unearned Revenue	\$7,269	\$18,621	\$1,185		\$11,332	\$166,080		\$204,487		\$204,487
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue										
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities							\$105,345	\$105,345		\$105,345
346 Accrued Liabilities - Other							\$35,000	\$35,000		\$35,000
347 Inter Program - Due To							\$0	\$0		\$0
348 Loan Liability - Current										
310 Total Current Liabilities	\$270,023	\$18,621	\$516,126	\$28,254	\$11,332	\$166,080	\$1,363,860	\$2,374,296		\$2,374,296

	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue										
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other				\$174,282	\$0			\$174,282		\$174,282
354 Accrued Compensated Absences - Non Current	\$108,343		\$74,144	\$32,549			\$151,893	\$366,929		\$366,929
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	\$2,612,254			\$1,322,642			\$2,284,757	\$6,219,653		\$6,219,653
350 Total Non-Current Liabilities	\$2,720,597	\$0	\$74,144	\$1,529,473	\$0	\$0	\$2,436,650	\$6,760,864		\$6,760,864
300 Total Liabilities	\$2,990,620	\$18,621	\$590,270	\$1,557,727	\$11,332	\$166,080	\$3,800,510	\$9,135,160		\$9,135,160
400 Deferred Inflow of Resources	\$1,424,670			\$491,947			\$1,475,453	\$3,392,070		\$3,392,070
508.4 Net Investment in Capital Assets	\$4,644,294		\$613,564	\$0			\$0	\$5,257,858		\$5,257,858
511.4 Restricted Net Position				\$13,478			\$0	\$13,478		\$13,478
512.4 Unrestricted Net Position	-\$1,909,142	\$0	-\$527,878	-\$237,932	\$0	\$0	-\$4,686,719	-\$7,361,671		-\$7,361,671
513 Total Equity - Net Assets / Position	\$2,735,152	\$0	\$85,686	-\$224,454	\$0	\$0	-\$4,686,719	-\$2,090,335		-\$2,090,335
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$7,150,442	\$18,621	\$675,956	\$1,825,220	\$11,332	\$166,080	\$589,244	\$10,436,895		\$10,436,895





	Project Total	14.PHC Public Housing CARES Act Funding	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	COCC	Subtotal	ELIM	Total
95500 Employee Benefit Contributions - Protective Services	\$852							\$852		\$852
95000 Total Protective Services	\$149,959	\$0	\$0	\$0	\$0	\$0	\$0	\$149,959	\$0	\$149,959
96110 Property Insurance										
96120 Liability Insurance				\$31,929				\$31,929		\$31,929
96130 Workmen's Compensation										
96140 All Other Insurance	\$70,202		\$4,746				\$9,367	\$84,315		\$84,315
96100 Total insurance Premiums	\$70,202	\$0	\$4,746	\$31,929	\$0	\$0	\$9,367	\$116,244	\$0	\$116,244
96200 Other General Expenses										
96210 Compensated Absences	-\$26,080			\$24,048			\$33,146	\$31,114		\$31,114
96300 Payments in Lieu of Taxes	\$51,759							\$51,759		\$51,759
96400 Bad debt - Tenant Rents	\$31,848		\$17,486	\$43,478				\$92,812		\$92,812
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	\$57,527	\$0	\$17,486	\$67,526	\$0	\$0	\$33,146	\$175,685	\$0	\$175,685
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	\$2,124,647	\$88,228	\$301,528	\$600,862	\$72,115	\$111,578	\$907,510	\$4,206,468	-\$370,521	\$3,835,947
97000 Excess of Operating Revenue over Operating Expenses	\$388,004	\$0	\$38,988	\$6,517,282	-\$4,115	\$0	-\$273,923	\$6,666,236	\$0	\$6,666,236
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments				\$6,445,844				\$6,445,844		\$6,445,844
97350 HAP Portability-In										
97400 Depreciation Expense	\$99,079		\$12,873	\$789				\$112,741		\$112,741
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										



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*

Independent Auditor's Report

To the Board of Commissioners and Management of  
Housing Authority of the City of Orange

I have audited, 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, the financial statements of the aggregate enterprise funds and business activities of the Housing Authority of the City of Orange (the "Authority") as of and for the year ended March 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated March 25, 2022.

**Internal Control over Financial Reporting**

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

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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 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 my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cranford, New Jersey

*Frank Glien LLC, CPA*

Frank Glien, LLC

Certified Public Accountant

March 25, 2022

## Report on Compliance for Each Major Program and on Internal Control over Compliance as Required by the Uniform Guidance

### Independent Auditor's Report

To the Board of Commissioners and Management of  
Housing Authority of the City of Orange

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

I have audited the Housing Authority of the City of Orange's (the "Authority") compliance with the types of compliance requirements described in the *OMB 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, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal programs.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. 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 the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, my audit does not provide a legal determination on the Authority's compliance.

### *Opinion on Each Major Federal Program*

In my opinion, the Housing Authority of the City of Orange 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 March 31, 2021.

### **Report on Internal Control over Compliance**

Management of the Housing Authority of the City of Orange is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of the City of Orange's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Orange's internal control over compliance.

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

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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Cranford, New Jersey

*Frank Glien LLC, CPA*

Frank Glien, LLC  
Certified Public Accountant  
March 25, 2022

Housing Authority of the City of Orange  
 Schedule of Findings and Questioned Costs  
 For the Year Ended March 31, 2021

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**Section I-Summary of Auditor's Results**

Financial Statement Section

1. Type of auditor's report issued	Unmodified 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	\$ 750,000
2. Dollar threshold used to determine Type B programs	Not applicable
3. Auditee qualified as a low-risk auditee	Yes
4. Type of auditor's report on compliance	Unmodified
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 Uniform Guidance	None noted
6. Identification of major programs	

CFDA Number

Name of Federal Program

14.871

Section-8 Housing Choice Voucher Program

14.872

Public Housing Capital Fund Program

Housing Authority of the City of Orange  
Schedule of Findings and Questioned Costs  
For the Year Ended March 31, 2021

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**Section II- Financial Statement Findings**

None

**Section III-Federal Award Findings and Questioned Costs**

None

**Section IV-Follow up on Prior Audit Findings**

There were no Federal awards findings or questioned costs in the March 31, 2020 audit.