

**Housing Authority of the  
City of Orange**

Financial Statements and  
Supplementary Information

March 31, 2019

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## Independent Auditor's Report

To the Board of Commissioners 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, 2019 and 2018, and the related statements of revenue, 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, 2019 and 2018 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 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, 2019 is presented on page 25 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 27 and the Financial Data Schedule presented on pages 28 through 34 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 November 13, 2019 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.



FRANK GLIEN, LLC, CPA  
Cranford, New Jersey

November 13, 2019

A Housing Authority of the City of Orange  
Management Discussion and Analysis  
March 31, 2019

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, 2019. 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 \$1,022,693 which is line with last year's results.
- The Authority's total cash and cash equivalent balances at March 31, 2019 were \$2,020,385 which was in line with last fiscal year end.
- The Authority's restricted cash balance of \$1,027,914 at March 31, 2019 reflects an increase of \$149,815 from the prior year. Restricted cash includes \$607,329 of Replacement Housing Factor funds received as a part of HUD's capital fund program; unexpended housing assistance payments of \$268,520 received from HUD which may be used in the future only to make housing assistance payments on behalf of eligible families; family self-sufficiency escrow funds of \$86,175 and tenant security deposits of \$65,890.
- The Authority had Total Operating Revenues of \$8,831,375 and Total Operating Expenses of \$8,708,300 (including depreciation of \$111,680) for the year ended March 31, 2019. Operating Revenues decreased by \$373,362 when compared to the prior fiscal year. Tenant revenue decreased \$28,525 HUD operating grants decreased \$391,021, and other revenue increased \$46,184. These changes are discussed in detail later in this analysis.
- The Authority's capital outlays for the fiscal year totaled \$375,045. \$360,220 of these additions were funded by HUD capital grants.
- The Authority's Expenditures of Federal Awards amounted to \$7,979,915 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, 2019

**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 Financial Statements**

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to 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 26 of this report.

**C. The Authority as a Whole**

The Authority's Net Position decreased by \$3,662,260 during the fiscal year ended March 31, 2019. The decrease 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. During the fiscal year ended March 31, 2019, the Authority recorded a prior period adjustment of \$4,149,301 related to the increase in accrued post-employment benefit liabilities. The Authority experienced a current operating gain of \$487,041 which includes the receipt of capital grants of \$360,220. The operating gain of \$487,041 includes depreciation expense of \$111,680.

Housing Authority of the City of Orange  
Management Discussion and Analysis (Continued)  
March 31, 2019

**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, 2019 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, 2019, the Authority was able to operate within its budgetary guideline.

**E. Capital Assets and Debt Administration**

**Capital Assets**

As of March 31, 2019, the Authority's investment in capital assets for its Proprietary Fund was \$4,685,792 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

Major capital assets purchased from grants of \$360,220 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, 2019

**F. Significant Changes from FYE March 31, 2018 to March 31, 2019**

Changes in the Statement of Net Position

Total cash and cash equivalents (restricted and unrestricted) decreased by \$65,214. The primary reason for the decrease is the Housing Choice Voucher Housing Assistance Payments received that exceeded the expense was less in 2019 than 2018. This increase in cash is restricted for the purpose of providing housing assistance to qualified Housing Choice Voucher recipients.

As of March 31, 2019, the Authority had a deficit in unrestricted net position of (\$8,305,913, a decrease of \$4,060,345 from its deficit of \$4,245,568 at March 31, 2018. As previously noted, the Authority recorded a prior period adjustment of \$4,149,301 related to the increase in accrued post-employment. The Authority experienced a current operating gain of \$487,041 which includes the receipt of capital grants of \$360,220. The operating gain of \$487,041 includes depreciation expense of \$111,680. 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 overfunding 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 decreased from \$9,204,737 for the fiscal year ended March 31, 2018 to \$8,831,375 for the fiscal year ended March 31, 2019, a decrease of \$373,362 because of the following:

- HUD operating grants within the housing choice voucher program decreased by \$230,448 due to the rental subsidies paid within the program.
- Public Housing Operating Fund decreased by \$138,362 due to Congress holding back less subsidy due to proration.
- In FY 2019 the Authority did not operate the Congregate Housing Program which resulted in a loss of \$5,455 in Federal funding.
- The Authority also experienced a \$16,739 decrease in funding for its Resident Opportunity and Supportive Services grant.
- Tenant rents and other revenues experienced a net increase of \$17,659 primarily due to an increase in other revenues.

Housing Authority of the City of Orange  
Management Discussion and Analysis (Continued)  
March 31, 2019

**F. Significant Changes from FYE March 31, 2018 to March 31, 2019 (Continued)**

Operating expenses (including depreciation expense) decreased from \$9,617,354 for the fiscal year ended March 31, 2018 to \$8,708,300 for the fiscal year ended March 31, 2019. This decrease of \$909,054 is due primarily to a decrease in utilities and salaries and related employee benefits.

**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, 2019.

- 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 Discussion and Analysis  
For the Year Ended March 31, 2019

Composition of Net Position is as follows:	March 31, 2019	March 31, 2018	Increase / (Decrease)	% Change
Cash and Other Current Assets	\$ 2,451,256	\$ 2,532,557	\$ (81,301)	-3.3%
Capital Assets - Net and Other Assets	4,829,722	4,560,147	269,575	5.6%
Deferred Outflows of Resources	752,388	736,976	15,412	2.0%
Total Assets and Deferred Outflows of Resources	8,033,366	7,829,680	203,686	2.5%
Total Liabilities and Deferred Inflows of Resources	11,384,967	7,519,021	3,865,946	34.0%
Net Position	\$ (3,351,601)	\$ 310,659	\$ (3,662,260)	109.3%
Net Investment in Capital Assets	\$ 4,685,792	\$ 4,422,427	\$ 263,365	5.6%
Restricted Net Position	268,520	133,800	134,720	50.2%
Unrestricted Net Position	(8,305,913)	(4,245,568)	(4,060,345)	-48.9%
Total Net Position	\$ (3,351,601)	\$ 310,659	\$ (3,662,260)	109.3%
Computations of Changes in Net Position are as follows:			Increase / Decrease	% Change
<u>Revenues</u>				
Tenant Revenue	\$ 1,058,990	\$ 1,087,515	\$ (28,525)	-2.7%
HUD Operating Grants	7,619,695	8,010,716	(391,021)	-5.1%
Other Income	152,690	106,506	46,184	30.2%
Total Operating Revenues	8,831,375	9,204,737	\$ (373,362)	-4.2%
<u>Expenses</u>				
Operating Expenses excluding depreciation	8,596,620	9,502,225	(905,605)	-10.5%
Depreciation Expense	111,680	115,129	(3,449)	-3.1%
Total Operating Expenses	8,708,300	9,617,354	\$ (909,054)	-10.4%
Deficiency of Operating Revenues Over Expenses	123,075	(412,617)	535,692	125.0%
<u>Non-Operating Revenues</u>				
Investment Income	3,746	1,730	2,016	53.8%
Net Income Before Capital Grants	126,821	(410,887)	537,708	-130.9%
Capital Grants	360,220	111,465	248,755	223.2%
Change in Net Position	487,041	(299,422)	786,463	161.5%
Prior Period Adjustments	(4,149,301)	-	(4,149,301)	100.0%
Net Position at Beginning of Period	310,659	610,081	(299,422)	-96.4%
Total Net Position	\$ (3,351,601)	\$ 310,659	\$ (3,662,260)	109.3%

Housing Authority of the City of Orange

Statements of Net Position

As of March 31,

	2019	2018
<b>Assets</b>		
<u>Current assets:</u>		
Cash and cash equivalents-unrestricted	\$ 992,471	\$ 1,207,500
Cash and cash equivalents-restricted	1,027,914	878,099
Accounts receivable tenants, net	12,483	7,572
Due from HUD	6,211	21,252
Other receivables	355,773	368,483
Inventories	28,160	23,629
Prepaid expenses	28,244	26,022
<b>Total current assets</b>	<u>2,451,256</u>	<u>2,532,557</u>
Capital assets, net	4,685,792	4,422,427
Other assets	143,930	137,720
<b>Total assets</b>	<u>\$ 7,280,978</u>	<u>\$ 7,092,704</u>
<b>Deferred outflows of resources</b>	<u>\$ 752,388</u>	<u>\$ 736,976</u>
<b>Liabilities and net position</b>		
<u>Current liabilities:</u>		
Accounts payable	\$ 130,751	\$ 302,994
Accrued wages and payroll taxes	-	37,161
Accrued compensated absences-current portion	32,660	45,109
Accounts payable-other governments	274,252	226,237
Tenant security deposits	65,890	60,419
Unearned revenue	612,005	611,064
Other current liabilities	313,005	284,550
<b>Total current liabilities</b>	<u>1,428,563</u>	<u>1,567,534</u>
Accrued pension and OPEB liability	7,799,366	3,898,998
Accrued compensated absences, non-current	293,945	405,974
Other long term liabilities	911,370	965,201
<b>Total liabilities</b>	<u>\$ 10,433,244</u>	<u>\$ 6,837,707</u>
<b>Deferred inflows of resources</b>	<u>\$ 951,723</u>	<u>\$ 681,314</u>
<u>Net position:</u>		
Invested in capital assets, net of related debt	4,685,792	4,422,427
Restricted	268,520	133,800
Unrestricted	(8,305,913)	(4,245,568)
<b>Total net position</b>	<u>\$ (3,351,601)</u>	<u>\$ 310,659</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,

	2019	2018
<b>Operating revenues</b>		
Tenant revenue	\$ 1,058,990	\$ 1,087,515
HUD operating grants	7,619,695	8,010,716
Other revenues	152,690	106,506
<b>Total operating revenues</b>	<u>8,831,375</u>	<u>9,204,737</u>
<b>Operating expenses</b>		
Administrative	1,417,793	1,772,800
Tenant services	91,877	56,067
Utilities	406,340	410,029
Ordinary repairs and maintenance	530,607	705,310
Protective services	257,848	247,131
General expenses	340,025	511,412
Housing assistance payments	5,552,130	5,799,476
Depreciation	111,680	115,129
<b>Total operating expenses</b>	<u>8,708,300</u>	<u>9,617,354</u>
<b>Operating income(loss)</b>	123,075	(412,617)
<b>Non operating revenues</b>		
Investment income	<u>3,746</u>	<u>1,730</u>
<b>Net income(loss) before capital grants</b>	126,821	(410,887)
<b>Capital grants</b>	<u>360,220</u>	<u>111,465</u>
<b>Change in net position</b>	487,041	(299,422)
Net position at beginning of year	310,659	610,081
Prior period adjustment	(4,149,301)	-
<b>Net position at end of year</b>	<u>\$ (3,351,601)</u>	<u>\$ 310,659</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,

2019

2018

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

**Operating activities:**

Cash received from:

Tenants	\$ 1,224,950	\$ 1,155,430
Grantors	7,634,736	7,990,578

Cash paid for:

Employees	(1,415,408)	(1,189,878)
Vendors and contractors	(1,197,550)	(1,673,637)
Utilities	(406,340)	(410,029)
Insurance	(2,222)	300
General expenses	(588,958)	(928,992)
Housing assistance payments	<u>(5,552,130)</u>	<u>(5,799,476)</u>

**Cash flows from operating activities**

	<u>(302,922)</u>	<u>(855,704)</u>
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**Capital and related financing activities:**

Purchase of capital assets	(375,045)	(117,240)
Capital grants	360,220	111,465
Deferred outflows of resources	(15,412)	336,104
Increase in insurance reserve	<u>(6,210)</u>	<u>(6,120)</u>

**Cash flows from capital and financing activities**

	<u>(36,447)</u>	<u>324,209</u>
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**Investing activities:**

Interest received on investments	3,746	1,730
Deferred inflows of resources	<u>270,409</u>	<u>576,586</u>

**Cash flows from investing activities**

	<u>274,155</u>	<u>578,316</u>
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Net increase(decrease) in cash and cash equivalents

	(65,214)	46,821
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Cash and cash equivalents, beginning of year

	<u>2,085,599</u>	<u>2,038,778</u>
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**Cash and cash equivalents, end of year**

<b>\$</b>	<b><u>2,020,385</u></b>	<b><u>\$ 2,085,599</u></b>
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*The accompanying notes are an integral part of the financial statements.*

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

2019

2018

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

Operating loss	\$ 123,075	\$ (412,617)
<b>Items which did not (provide) use cash:</b>		
Depreciation	111,680	115,129
<b>Increase(decrease) in cash from:</b>		
Accounts receivable	22,840	(60,048)
Inventories	(4,531)	(4,097)
Prepaid expenses	(1,281)	1,640
Accounts payable	(124,228)	(155,853)
Accrued expenses	(161,639)	63,891
Security deposits	5,471	1,319
Unfunded pension and OPEB obligation	(248,933)	(454,162)
Other liabilities	(25,376)	49,094
	<u>\$ (302,922)</u>	<u>\$ (855,704)</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 housing authority's Board 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. The primary programs of the Authority include:

Low Rent Public Housing Program

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

Housing Choice Vouchers Program - Section 8

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

Public Housing Capital Fund Program

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

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 as Required Supplementary Information.

The Authority's financial statements are also prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Authority has adopted GASB Statement 62 and accordingly has elected to apply all of the applicable pre-November 30, 1989 FASB and AICPA standards.

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 has also adopted 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.

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)**

The Authority reports unused HAP under proprietary fund reporting as restricted net position, with the associated cash and investments also being reported on HUD's Financial Data Schedule (FDS) as restricted. Unused administrative fees are required to be reported as unrestricted net position, with the associated cash and investments being reported on the FDS as unrestricted.

**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**

For the statement of cash flows, cash and cash equivalents include all cash in banks, petty cash, certificates of deposit, and other highly liquid investments with a maturity of three months or less at time of purchase.

**Accounts Receivable and Collection Losses**

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

**Prepaid Expenses**

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

**Inventory**

The Authority's inventory is comprised of office supplies and maintenance materials. 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.

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

Capital Assets

Fixed assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net 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, 2019, the Authority has not recognized any reduction in the carrying value of its fixed 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.

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.

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

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

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)

The Authority accounts for its other postemployment benefits in essentially the same way as it accounts for pension benefits and in accordance with GASB Statement No. 75. 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.

**Note 3. Cash and Cash Equivalents**

At March 31, 2019 and 2018, 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, 2019 and 2018, the carrying amount of the Authority’s cash was \$2,020,385 and \$2,085,599 and the bank balances approximated \$ 2,076,978 and \$2,185,547 respectively.

Housing Authority of the City of Orange  
Notes to the Financial Statements  
March 31, 2019 and 2018

**Note 4. Accounts Receivable**

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

	<u>2019</u>	<u>2018</u>
Accounts receivable – HUD	\$ 6,211	\$ 21,252
Accounts receivable – tenants, net	12,483	7,572
Accounts receivable – other	355,773	368,483

Accounts receivable – HUD

These receivables consist of expenditures from the Capital Fund Program that are due to be reimbursed to the Authority from HUD. The Authority considers these amounts fully collectible and accordingly, has made no allowance for doubtful accounts.

Accounts receivable – tenants, net

Is stated net of an allowance of \$ 18,477 and \$ 11,125 at March 31, 2019 and 2018.

Accounts receivable – other

Accounts receivable –other at March 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Due from State of NJ Congregate Housing	\$ -	\$ 1,240
Due from Orange Housing Development Corp.	331,265	331,265
Telephones	24,508	24,508
Checks cashed in error	-	11,470
	<u>\$ 355,773</u>	<u>\$ 368,483</u>

**Note 5. Capital Assets**

A summary of the changes in fixed assets during the period ended March 31, 2019 is as follows:

	March 31, 2018	Additions (Retirements)	Reclasses/ Transfers	March 31 2019
Land	\$ 772,671	\$ -	\$ -	\$ 772,671
Building and improvements	6,818,227	-	(35,329)	6,782,898
Furniture and equipment	346,989	-	-	346,989
	<u>7,937,887</u>	<u>-</u>	<u>(35,329)</u>	<u>7,902,558</u>
Less: accumulated depreciation	(5,580,144)	(111,680)	14,825	(5,676,999)
	<u>2,357,743</u>	<u>(111,680)</u>	<u>(20,504)</u>	<u>2,225,559</u>
Construction in progress	2,064,684	360,220	35,329	2,460,233
	<u>\$ 4,422,427</u>	<u>\$ 248,540</u>	<u>\$ 14,825</u>	<u>\$ 4,685,792</u>

**Note 6. Other Assets**

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

**Note 7. Tenant Security Deposits**

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

**Note 8. Payments in Lieu of Taxes**

Under Federal, state, and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Housing Program in accordance with the provisions of its Cooperation Agreement with the City of Orange. Under the Cooperation Agreement, the Authority must pay the City the smaller of 10% of its net shelter rent or the approximate full real property taxes. For the years ended March 31, 2019 and 2018 liability for PILOT amounted to \$ 48,015 and \$45,811 respectively. The Authority is currently negotiating with the city of Orange to have the PILOT forgiven.

**Note 9. Accounts Payable-HUD and Other**

During the fiscal year ending March 31, 2007, the Authority received \$1,138,200 in excess funding due to an error in calculating utility expenses. During the same fiscal year, the Authority reached a preliminary agreement to pay the amount back to HUD over a period of 40 years at 0% interest, with payments of \$ 28,455 due annually. As of March 31, 2019 and 2018, the Authority has recorded current amounts due of \$ 313,005 and \$ 284,550, recorded as Other Current Liabilities and non-current amounts due of \$ 825,195 and \$ 853,650 recorded as Other 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 10. 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 administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS 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.

**Note 10. Pension Plan (Continued)**

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, 2019 amounted to \$131,916.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At March 31, 2019 and 2018, the Authority reported \$2,817,778 and \$2,611,260, 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, 2019 and 2108 were 0.0001326220% and 0.012046873%, respectively. For the year ended March 31, 2019, the Authority recognized pension expense of \$180,396. At March 31, 2019 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 430,292	\$ (834,942)
Net differences between projected and actual earnings on plan investments	49,797	(37,959)
Changes in proportion	272,299	(78,822)
<b>Total</b>	<b>\$ 752,388</b>	<b>\$ (951,723)</b>

**Note 10. Pension Plan (Continued)**

There is no amount reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date and \$37,824 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, 2017. 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, 2018 measurement date was determined by an actuarial evaluation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial evaluation as of July 1, 2016. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases through 2026	1.65%-4.15% based on age
Salary increases thereafter	2.65%-5.16% based on age
Investment rate of return	7.00%

Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base years 2012 to 2013 based on projection Scale AA. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

In accordance with State statute, the long-term expected rate of return on plan investments 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Expected Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50	1.00
U.S. Treasuries	3.00	1.87
Investment Grade Credit	10.00	3.78
High Yield	2.50	6.82
Global Diversified Credit	5.00	7.10
Credit Oriented Hedge Funds	1.00	6.60
Debt Related Private Equity	2.00	10.63
Debt Related Real Estate	1.00	6.61
Private Real Asset	2.50	11.83
Equity Related Real Estate	6.25	9.23
U.S. Equity	30.00	8.19
Non-U.S. Developed Markets Equities	11.50	9.00
Emerging Markets Equity	6.50	11.64
Buyouts/Venture Capital	8.25	13.08

**Note 10. Pension Plan (Continued)**

Discount Rate - The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal rate of 3.87% as of June 30, 2018, based on 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. 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 will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. 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 through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining 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, 2018, 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:

<u>At 1% decrease(4.66%)</u>	<u>At current discount rate(5.66%)</u>	<u>At 1% increase (6.66%)</u>
\$ 3,283,360	\$2,611,261	2,047,413

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Note 11. Construction Commitments**

At March 31, 2019, the Authority retained outstanding construction commitments pertaining to its capital fund. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

**Note 12. Economic Dependency**

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

**Note 13. Risk Management**

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in any of the past three fiscal years.

**Note 14. Contingencies**

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of March 31, 2019 and 2018, the Authority estimates that no material liabilities will result from such audits.

**Note 15. Restricted Net Position**

As of March 31, 2019, the Authority's restricted net position consisted of the Housing Assistance Payments reserves which are restricted for rent payments to landlords part of the Housing Choice Vouchers program.

**Note 16. Other Post-Employment Benefits (OPEB)**

The Housing Authority provides subsidized benefits at retirement for medical insurance and reimbursement for Medicare Part B premium reimbursement for individuals meeting eligibility requirements for the coverage. All benefits are provided for the lifetime of the retiree. The funding policy for the Authority's OPEB contributions was established by and may be amended only by Board resolution.

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of the working lifetime of the individual employee.

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

Balance at beginning of year	\$ 1,081,220
GASB 75 balance recognized April 1, 2018	<u>4,129,825</u>
Adjusted balance at beginning of year	5,211,045
Service cost	14,931
Interest on OPEB obligation	<u>178,598</u>
Annual OPEB Cost(Expense)	5,404,574
Contribution made during the year	<u>(216,467)</u>
OPEB balance end of year	<u>\$ 5,188,107</u>

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2019 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost, Net	% of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2017	\$ 86,017	0.0	\$ 666,485
3/31/2018	414,735	0.0	1,081,220
3/31/2019	4,106,887	0.0500692%	5,188,107

**Note 16. Other Post-Employment Benefits (OPEB)**

Detailed summaries of assumptions, benefit provisions and demographic census information including in the actuarial report are prepared by Aquarius Capital. The opining actuary, Michael Frank, President at Aquarius Capital, is a member of the American Academy of Actuaries, Associate of the Society of Actuaries, and Fellow of the Conference of Consulting Actuaries, and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion the Housing Authority of the City of Orange.

**Note 17. 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, 2019 and 2018. However, as of March 31, 2019 and 2018 the Authority had advanced approximately \$ 331,265 to OHDC for the development of various properties. These amounts are reflected in Other Receivables in the Statements of Net Position.

**Note 18. 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 19. 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 November 13, 2019, 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, 2019

Federal Grantor Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant/Contract Number	Current Year Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
<u>Direct programs:</u>			
Low-Income Public Housing	14.850	NA	\$ 1,025,994
Section 8 Housing Choice Vouchers	14.871	NA	6,301,779
Public Housing Capital Fund	14.872	NA	600,762
Resident Opportunity and Supportive Services	14.870	NA	51,380
			<u>\$ 7,979,915</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 and state programs of the Housing Authority of the City of Orange. All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies is included on the 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, 2019.

**Note 4. Loan Guarantees**

At March 31, 2019, 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, 2019

There were no Capital Grant Fund projects closed in the fiscal year ended March 31, 2019

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

Entity Wide Balance Sheet Summary

Submission Type: Unaudited/Single Audit

Fiscal Year End: 03/31/2019

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$357,693		\$499,956			\$134,822	\$992,471		\$992,471
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted		\$86,175	\$268,520				\$354,695		\$354,695
114 Cash - Tenant Security Deposits	\$64,161				\$1,729		\$65,890		\$65,890
115 Cash - Restricted for Payment of Current Liabilities	\$607,329						\$607,329		\$607,329
100 Total Cash	\$1,029,183	\$86,175	\$768,476	\$0	\$1,729	\$134,822	\$2,020,385	\$0	\$2,020,385
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$6,211						\$6,211		\$6,211
124 Accounts Receivable - Other Government									
125 Accounts Receivable - Miscellaneous	\$22,425				\$8,535	\$355,773	\$355,773		\$355,773
126 Accounts Receivable - Tenants	-\$14,209				-\$4,268		-\$18,477		-\$18,477
126.1 Allowance for Doubtful Accounts - Tenants	\$0						\$0		\$0
126.2 Allowance for Doubtful Accounts - Other									
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
129 Accrued Interest Receivable	\$14,427	\$0	\$0	\$0	\$4,267	\$355,773	\$374,467	\$0	\$374,467
120 Total Receivables, Net of Allowances for Doubtful Accounts									
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability	\$18,923		\$7,061		\$565	\$1,695	\$28,244		\$28,244
142 Prepaid Expenses and Other Assets	\$29,986					\$2,604	\$32,590		\$32,590
143 Inventories	-\$4,039					-\$391	-\$4,430		-\$4,430
143.1 Allowance for Obsolete Inventories	\$1,381,414		\$432,339				\$1,813,753	-\$1,813,753	\$0
144 Inter Program Due From									
145 Assets Held for Sale	\$2,469,894	\$86,175	\$1,207,876	\$0	\$6,561	\$529,503	\$4,300,009	-\$1,813,753	\$2,486,256
150 Total Current Assets									
161 Land	\$472,671				\$300,000		\$772,671		\$772,671
162 Buildings	\$6,173,816				\$411,339		\$6,585,155		\$6,585,155
163 Furniture, Equipment & Machinery - Dwellings	\$47,534						\$47,534		\$47,534

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
164 Furniture, Equipment & Machinery - Administration	\$214,740		\$32,994			\$51,721	\$299,455		\$299,455
165 Leasehold Improvements	\$197,743						\$197,743		\$197,743
166 Accumulated Depreciation	-\$5,511,693		-\$32,205		-\$93,606	-\$39,495	-\$5,676,999		-\$5,676,999
167 Construction in Progress	\$2,424,904				\$35,329		\$2,460,233		\$2,460,233
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,019,715	\$0	\$789	\$0	\$653,062	\$12,226	\$4,685,792	\$0	\$4,685,792
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current	\$98,037					\$10,893	\$108,930		\$108,930
174 Other Assets									
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$4,117,752	\$0	\$789	\$0	\$653,062	\$23,119	\$4,794,722	\$0	\$4,794,722
200 Deferred Outflow of Resources	\$242,221		\$194,013			\$316,154	\$752,388		\$752,388
290 Total Assets and Deferred Outflow of Resources	\$6,829,867	\$86,175	\$1,402,678	\$0	\$659,623	\$868,776	\$9,847,119	-\$1,813,753	\$8,033,366
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$14,018		\$2,413			\$114,320	\$130,751		\$130,751
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable									
322 Accrued Compensated Absences - Current Portion	\$12,147		\$1,304			\$19,209	\$32,660		\$32,660
324 Accrued Contingency Liability									
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects	\$274,252						\$274,252		\$274,252
333 Accounts Payable - Other Government	\$64,161				\$1,729		\$65,890		\$65,890
341 Tenant Security Deposits	\$611,620				\$385		\$612,005		\$612,005
342 Unearned Revenue									
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities						\$313,005	\$313,005		\$313,005
346 Accrued Liabilities - Other									
347 Inter Program - Due To					\$609,062	\$1,204,691	\$1,813,753	-\$1,813,753	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$976,198	\$0	\$3,717	\$0	\$611,176	\$1,651,225	\$3,242,316	-\$1,813,753	\$1,428,563

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,170 Congregate Housing Service Program	1 Business Activities	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		\$86,175				\$825,195	\$911,370		\$911,370
354 Accrued Compensated Absences - Non Current	\$109,325		\$11,737			\$172,883	\$293,945		\$293,945
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities	\$2,873,330		\$2,447,789			\$2,478,247	\$7,799,366		\$7,799,366
350 Total Non-Current Liabilities	\$2,982,655	\$86,175	\$2,459,526	\$0	\$0	\$3,476,325	\$9,004,681	\$0	\$9,004,681
300 Total Liabilities	\$3,958,853	\$86,175	\$2,463,243	\$0	\$611,176	\$5,127,550	\$12,246,997	-\$1,813,753	\$10,433,244
400 Deferred Inflow of Resources	\$376,486		\$225,235			\$350,002	\$951,723		\$951,723
508 4 Net Investment in Capital Assets	\$4,019,715	\$0	\$789	\$0	\$653,062	\$12,226	\$4,685,792		\$4,685,792
511 4 Restricted Net Position	\$0	\$0	\$268,520	\$0	\$0	\$0	\$268,520		\$268,520
512 4 Unrestricted Net Position	-\$1,525,187	\$0	-\$1,555,109	\$0	-\$604,615	-\$4,621,002	-\$8,305,913		-\$8,305,913
513 Total Equity - Net Assets / Position	\$2,494,528	\$0	-\$1,285,800	\$0	\$48,447	-\$4,608,776	-\$3,351,601	\$0	-\$3,351,601
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,829,867	\$86,175	\$1,402,678	\$0	\$659,623	\$868,776	\$9,847,119	-\$1,813,753	\$8,033,366

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

Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/Single Audit

Fiscal Year End: 03/31/2019

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$870,117				\$181,963		\$1,052,080		\$1,052,080
70400 Tenant Revenue - Other	\$6,910						\$6,910		\$6,910
70500 Total Tenant Revenue	\$877,027	\$0	\$0	\$0	\$181,963	\$0	\$1,058,990	\$0	\$1,058,990
70600 HUD PHA Operating Grants	\$1,266,536	\$51,380	\$6,301,779				\$7,619,695		\$7,619,695
70610 Capital Grants	\$360,220						\$360,220		\$360,220
70710 Management Fee						\$304,283	\$304,283	-\$304,283	\$0
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue						\$304,283	\$304,283	-\$304,283	\$0
70800 Other Government Grants									
71100 Investment Income - Unrestricted			\$3,513			\$233	\$3,746		\$3,746
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets			\$2,125				\$2,125		\$2,125
71400 Fraud Recovery			\$21,483				\$21,483		\$21,483
71500 Other Revenue	\$3,502					\$125,580	\$129,082		\$132,584
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted									
70000 Total Revenue	\$2,507,285	\$51,380	\$6,328,900	\$0	\$181,963	\$430,096	\$9,499,624	-\$304,283	\$9,195,341
91100 Administrative Salaries	\$276,025		\$172,407		\$78,000	\$240,522	\$766,954		\$766,954
91200 Auditing Fees	\$3,200		\$2,723			\$2,778	\$8,701		\$8,701
91300 Management Fee	\$220,403		\$83,880				\$304,283	-\$304,283	\$0
91310 Book-keeping Fee									
91400 Advertising and Marketing									
91500 Employee Benefit contributions - Administrative	\$120,941		\$94,825		\$31,963	\$139,613	\$387,342		\$387,342
91600 Office Expenses			\$36,302			\$35,413	\$71,715		\$71,715
91700 Legal Expense	\$10,772				\$104	\$31,399	\$42,275		\$42,275

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
91800 Travel	\$3,372		\$1,557			\$17,321	\$22,250		\$22,250
91810 Allocated Overhead									
91900 Other	\$43,468		\$22,372		\$400	\$52,316	\$118,556		\$118,556
91000 Total Operating - Administrative	\$678,181	\$0	\$414,066	\$0	\$110,467	\$519,362	\$1,722,076	-\$304,283	\$1,417,793
92000 Asset Management Fee									
92100 Tenant Services - Salaries		\$44,673					\$44,673		\$44,673
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services		\$6,707					\$6,707		\$6,707
92400 Tenant Services - Other	\$9,095					\$31,402	\$40,497		\$40,497
92500 Total Tenant Services	\$9,095	\$51,380	\$0	\$0	\$0	\$31,402	\$91,877	\$0	\$91,877
93100 Water	\$92,037				\$8,644		\$100,681		\$100,681
93200 Electricity	\$205,714				\$819		\$206,533		\$206,533
93300 Gas	\$99,126						\$99,126		\$99,126
93400 Fuel									
93500 Labor									
93600 Sewer									
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$396,877	\$0	\$0	\$0	\$9,463	\$0	\$406,340	\$0	\$406,340
94100 Ordinary Maintenance and Operations - Labor	\$233,274				\$20,916		\$254,190		\$254,190
94200 Ordinary Maintenance and Operations - Materials and Other	\$43,616				\$6,621		\$50,237		\$50,237
94300 Ordinary Maintenance and Operations Contracts	\$92,966				\$18,420	\$4,014	\$115,400		\$115,400
94500 Employee Benefit Contributions - Ordinary Maintenance	\$102,209				\$8,571		\$110,780		\$110,780
94000 Total Maintenance	\$472,065	\$0	\$0	\$0	\$54,528	\$4,014	\$530,607	\$0	\$530,607
95100 Protective Services - Labor	\$179,291						\$179,291		\$179,291
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services	\$78,557						\$78,557		\$78,557
95000 Total Protective Services	\$257,848	\$0	\$0	\$0	\$0	\$0	\$257,848	\$0	\$257,848
96110 Property Insurance									
96120 Liability Insurance									
96130 Workmen's Compensation									

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
96140 All Other Insurance									
96100 Total Insurance Premiums	\$71,844	\$0	\$26,329	\$0	\$2,054	\$6,144	\$106,371		\$106,371
	\$71,844	\$0	\$26,329	\$0	\$2,054	\$6,144	\$106,371	\$0	\$106,371
96200 Other General Expenses	\$115,465						\$115,465		\$115,465
96210 Compensated Absences	\$8,581					\$58,312	\$66,893		\$66,893
96300 Payments in Lieu of Taxes	\$48,015						\$48,015		\$48,015
96400 Bad debt - Tenant Rents	\$2,775				\$506		\$3,281		\$3,281
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$174,836	\$0	\$0	\$0	\$506	\$58,312	\$233,654	\$0	\$233,654
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96500 Total Operating Expenses	\$2,060,746	\$51,360	\$440,395	\$0	\$177,018	\$619,234	\$3,348,773	-\$304,283	\$3,044,490
97000 Excess of Operating Revenue over Operating Expenses	\$446,539	\$0	\$5,888,505	\$0	\$4,945	-\$189,138	\$6,150,851	\$0	\$6,150,851
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments			\$5,546,965				\$5,546,965		\$5,546,965
97350 HAP Portability-In			\$5,165				\$5,165		\$5,165
97400 Depreciation Expense	\$99,079		\$197		\$10,283	\$2,121	\$111,680		\$111,680
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$2,159,825	\$51,380	\$5,992,722	\$0	\$187,301	\$621,355	\$9,012,583	-\$304,283	\$8,708,300
10010 Operating Transfer In									
10020 Operating transfer Out									
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.170 Congregate Housing Service Program	1 Business Activities	COCC	Subtotal	ELIM	Total
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In	\$182,126						\$182,126	-\$182,126	\$0
10094 Transfers between Project and Program - Out	-\$182,126						-\$182,126	\$182,126	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$347,460	\$0	\$336,178	\$0	-\$5,338	-\$191,259	\$487,041	\$0	\$487,041
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$3,758,343	\$0	-\$4,091	\$0	\$53,785	-\$3,497,378	\$310,659		\$310,659
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,611,275		-\$1,617,887			-\$920,139	-\$4,149,301		-\$4,149,301
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity			-\$1,554,320				-\$1,554,320		-\$1,554,320
11180 Housing Assistance Payments Equity			\$268,520				\$268,520		\$268,520
11190 Unit Months Available	3108	0	7256	0	121		10485		10485
11210 Number of Unit Months Leased	3086	0	6981	0	121		10188		10188
11270 Excess Cash	\$1,286,720						\$1,286,720		\$1,286,720
11610 Land Purchases	\$0					\$0	\$0		\$0
11620 Building Purchases	\$0					\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$360,220					\$0	\$360,220		\$360,220
11660 Infrastructure Purchases	\$0					\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0					\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0	\$0		\$0

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 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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated November 13, 2019.

**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) to determine 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

November 13, 2019

*Frank Glien LLC, CPA*  
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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 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, 2019. 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 program for the year ended March 31, 2019.

## 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

November 13, 2019

*Frank Glien LLC, CPA*  
FRANK GLIEN, LLC, CPA

Housing Authority of the City of Orange  
 Schedule of Findings and Questioned Costs  
 For the Year Ended March 31, 2019

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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

Housing Authority of the City of Orange  
Schedule of Findings and Questioned Costs  
For the Year Ended March 31, 2019

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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, 2018 audit.