

Report On Audit

**HOUSING AUTHORITY OF THE
CITY OF EAST ORANGE**

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

Housing Authority of the City of East Orange

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of East Orange
160 Halsted Street
East Orange, New Jersey 07018

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business type activities and the aggregate discretely present component unit of the Housing Authority of the City of East Orange, (a governmental public corporation) in Essex County, New Jersey, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of East Orange basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the City of East Orange and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 5 through 20 and pages 71-75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of East Orange's basic financial statements. The accompanying supplemental information on pages 76-82 is presented for additional analysis and is not required part of the basic financial statements.

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

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024, in our consideration of the Housing Authority of the City of East Orange's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of East Orange's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of East Orange's internal control over financial reporting and compliance.



Lincroft, New Jersey

Date: May 31, 2024

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

The Management of the Housing Authority of the City of East Orange (the Authority) presents the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 21 of this report. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The assets of the Authority primary government exceeded its liabilities at the close of the most recent fiscal year by \$10,368,410, representing a decrease in financial position of \$1,680,001 or 14% percent as compared to the prior year.

As noted above, the net position of the Authority primary government was \$10,368,410 as of December 31, 2023. Of this amount, the unrestricted net position is \$7,570,134 representing an increase of \$217,052 or 3% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 23 to the financial statements, which is included in this report.

The Authority primary government restricted position decreased \$280,235 or 67% percent from the previous year for an ending balance of \$134,949. Additional information on the Authority's restricted net position can be found in Note 22 to the financial statements, which is included in this report.

The Authority's primary government net investment in capital assets decreased \$1,616,818 or 38% percent for an ending balance of \$2,663,327. Additional information on the Authority's restricted net position can be found in Note 21 to the financial statements, which is included in this report.

The Authority's primary government total cash and cash equivalents on December 31, 2023, is \$4,440,302 representing a decrease of \$495,224 or 10% percent from the prior year. The Authority's primary government total unrestricted cash decreased \$361,740 or 8% percent for an ending balance of \$4,134,842. The Authority primary government's total restricted cash decreased \$133,484 or 30% percent for an ending balance of \$305,460. The full detail of these amounts can be found in the Statement of Cash Flows on pages 24-25 of this report.

The Authority's total assets and deferred outflows for the primary government are \$22,441,411 of which capital assets net book value is \$2,663,327, deferred outflows in the amount of \$4,103,361, mortgage receivable – long term of \$10,692,899, other assets of \$10,853, leaving total current assets at \$4,970,971.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL HIGHLIGHTS - CONTINUED

Total primary government current assets decreased from the previous year by \$226,007 or 4% percent. Unrestricted cash and cash equivalents decreased by \$361,740, restricted deposits and funded reserves decreased by \$133,484, accounts receivables, net of allowances, increased by \$281,064, and prepaid expenses decreased \$11,847.

The Authority's primary government capital assets reported a decrease in the net book value of the capital assets in the amount of \$1,616,818 or 38% percent. The major factor that contributed to the decrease was the fixed asset additions of \$390,562, less the disposal of fixed assets in the amount of \$358,390. In addition, the Authority's primary government recorded depreciation in the amount of \$56,048, as well as an adjustment to fixed assets in the amount of \$1,592,942. The Authority is involved with the process of converting their remaining units to RAD on an ongoing basis. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note - 8 Fixed Assets.

Mortgage receivable - Noncurrent increased by \$40,969 for an ending balance of \$10,692,899. This is related to a mortgage agreement with Genesis Concord Vista LLC in relation to converting AMP 3 to RAD. Additional details can be found in the Notes to the Financial Statements Section Note 9 - Mortgage Receivable - Noncurrent.

The Authority primary government reported a decrease in right to use assets in the amount of \$6,841 for an ending balance of \$10,853. Additional details can be found in the Notes to the Financial Statements Section Note 10 - Other Assets.

The Authority's primary government reported no change in the deferred outflow for the pension liability for an ending balance of \$4,103,361. The Authority primary government also did not report a change in the deferred inflow for an ending balance of \$2,839,104. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note - 11 Deferred Outflows/Inflows of Resources.

The Authority's primary government total liabilities are reported at \$9,233,897 of which current liabilities are stated at \$488,783, and noncurrent liabilities are stated at \$8,745,114. Total liabilities decreased during the year as compared to the prior year in the amount of \$128,696 or 1% percent. Total current liabilities decreased during the year by \$163,197 or 25% percent, leaving noncurrent liabilities for an increase of \$34,501 or less than 1% percent as compared to the previous fiscal year.

As previously stated, the Authority primary government's total current liabilities decreased from the previous year by \$163,197 or 25% percent. Accounts payable decreased by \$186,415, accrued liabilities increased by \$21,078, tenant security deposits payable increased by \$470, unearned revenue increased \$3,974, and the current portion of the lease payable decreased by \$2,304.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority's primary government total noncurrent liabilities increased by \$34,501 or less than 1% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$128,790, with no offsetting assets, increased \$7,534 from the previous year. Noncurrent other liabilities with an ending balance of \$146,281 increased \$32,835. The Authority's primary government reported a decrease in the non-current portion of the lease payable in the amount of \$5,868 or 52% percent for an ending balance of \$5,312. Full details of the Authority's primary government lease liability at December 31, 2023, can be found in Note 10 to the financial statements, which is included in this report.

The Authority primary government's accrued pension and OPEB liability remained the same for an ending balance of \$8,464,731. Additional information on the Authority's accrued pension as well as the increase in accrued OPEB liability at December 31, 2023, can be found in Notes 19-20 to the financial statements, which is included in this report.

The Authority primary government had total operating revenue of \$15,580,249 as compared to \$15,940,193 from the prior year for a decrease of \$359,944 or 2% percent. The Authority primary government had total operating expenses of \$17,973,936 as compared to \$15,987,437 from the previous year for an increase of \$1,986,499 or 12% percent, resulting in a deficiency of revenue from operations in the amount of \$2,393,687 for the current year as compared to a deficiency of revenue from operations in the amount of \$47,244 for a decrease in excess revenue over expenses in the amount of \$2,346,443 or over 100% percent from the previous year.

The Authority's total capital improvements contributions from HUD were in the amount of \$149,980 as compared to \$341,993 from the previous year for a decrease of \$192,013 or 56% percent. The Authority primary government had no capital outlays for the calendar year ended December 31, 2023. A full detail of capital improvements activity can be found in the Notes to the Financial Statements Section Note - 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$14,451,695 for the calendar year 2023 as compared to \$15,378,756 the previous year for a decrease of \$927,061 or 6% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing Program
2. Section 8 Housing Choice Voucher Program
3. Public Housing Capital Fund Program

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

USING THIS ANNUAL REPORT (CONTINUED)

The Housing Authority's auditors provided assurance in their independent auditor's report, with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Primary government types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 21 through 25.

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

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current 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 inflows and cash outflows in the future periods.

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

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 26 through 70.

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 76-77 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of East Orange are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended December 31, 2023. Type B programs for the Housing Authority of the City of East Orange are those which are less than \$750,000 in expenditures for the fiscal year ended December 31, 2023.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position Authority primary government between December 31, 2023, and December 31, 2022.

Computations of Net Position of the Authority primary government are as follows:

	Year Ended		Increase (Decrease)
	December-23	December-22	
Cash	\$ 4,440,302	\$ 4,935,526	\$ (495,224)
Other Current Assets	530,669	261,452	269,217
Capital Assets - Net	2,663,327	4,280,145	(1,616,818)
Mortgage Receivable - Long Term	10,692,899	10,651,930	40,969
Other Assets	10,853	17,694	(6,841)
Deferred Outflows	4,103,361	4,103,361	-
Total Assets	<u>22,441,411</u>	<u>24,250,108</u>	<u>(1,808,697)</u>
Less: Current Liabilities	(488,783)	(651,980)	163,197
Less: Non Current Liabilities	(8,745,114)	(8,710,613)	(34,501)
Less: Deferred Inflows	(2,839,104)	(2,839,104)	-
Net Position	<u>\$ 10,368,410</u>	<u>\$ 12,048,411</u>	<u>\$ (1,680,001)</u>
Net Investment in Capital Assets	\$ 2,663,327	\$ 4,280,145	\$ (1,616,818)
Restricted Net Position	134,949	415,184	(280,235)
Unrestricted Net Position	7,570,134	7,353,082	217,052
Net Position	<u>\$ 10,368,410</u>	<u>\$ 12,048,411</u>	<u>\$ (1,680,001)</u>

Total cash decreased by \$495,224 or 10% percent. Net cash used by operating activities was \$2,720,539, net cash provided by capital and related financing activities was \$1,845,987, and net cash provided by investing activities was \$379,328. The full detail of this amount can be found in the Statement of Cash Flows on pages 24-25 of this audit report.

Other current assets increased by \$269,217 or over 100% percent. Accounts receivables, net of allowances, increased by \$281,064 or over 100% percent, and prepaid expenses decreased by \$11,847 or 5% percent.

The Authority's primary government capital assets reported a decrease in the net book value of the capital assets in the amount of \$1,616,818 or 38% percent. The major factor that contributed to the decrease was the fixed asset additions of \$390,562, less the disposal of fixed assets in the amount of \$358,390. In addition, the Authority's primary government recorded depreciation in the amount of \$56,048, as well as an adjustment to fixed assets in the amount of \$1,592,942. The Authority is involved with the process of converting their remaining units to RAD on an ongoing basis. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Mortgage receivable – Noncurrent increased by \$40,969 for an ending balance of \$10,692,899. This is related to a mortgage agreement with Genesis Concord Vista LLC in relation to converting AMP 3 to RAD. Additional details can be found in the Notes to the Financial Statements Section Note 9 – Mortgage Receivable – Noncurrent.

The Authority primary government reported a decrease in right to use assets in the amount of \$6,841 for an ending balance of \$10,853. Additional details can be found in the Notes to the Financial Statements Section Note 10 – Other Assets.

The Authority's primary government reported no change in the deferred outflow for the pension liability for an ending balance of \$4,103,361. The Authority primary government also did not report a change in the deferred inflow for an ending balance of \$2,839,104. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 11 Deferred Outflows/Inflows of Resources.

The Authority primary government's total current liabilities decreased from the previous year by \$163,197 or 25% percent. Accounts payable decreased by \$186,415, accrued liabilities increased by \$21,078, tenant security deposits payable increased by \$470, unearned revenue increased \$3,974, and the current portion of the lease payable decreased by \$2,304.

The Authority's primary government total noncurrent liabilities increased by \$34,501 or less than 1% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$128,790, with no offsetting assets, increased \$7,534 from the previous year. Noncurrent other liabilities with an ending balance of \$146,281 increased \$32,835. The Authority's primary government reported a decrease in the non-current portion of the lease payable in the amount of \$5,868 or 52% percent for an ending balance of \$5,312. Full details of the Authority's primary government lease liability at December 31, 2023, can be found in Note 10 to the financial statements, which is included in this report.

The Authority primary government's accrued pension and OPEB liability remained the same for an ending balance of \$8,464,731. Additional information on the Authority's accrued pension as well as the increase in accrued OPEB liability at December 31, 2023, can be found in Notes 19-20 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority primary government's reported net position of \$10,368,410 is made up of three categories. The net investment in capital assets in the amount of \$2,663,327 represents 26% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current fiscal year:

	Primary Government
Balance December 31, 2022	\$ 4,280,145
Fixed Asset Acquisitions	390,562
Fixed Asset Adjustments	(1,592,942)
Disposal of Assets	(358,390)
Depreciation Expense	(56,048)
Balance December 31, 2023	\$ 2,663,327

The Authority reported a restricted net position in the amount of \$134,949 which decreased \$280,235 or 67% percent compared to the prior fiscal year. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 22.

The Housing Authority of the City of East Orange primary government operating results for December 31, 2023, reported an increase in unrestricted net position of \$217,052 or 3% percent for an ending balance of \$7,570,134. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 23.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

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

Computation of Changes in Net Position of the Authority primary government are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	December-23	December-22	
<u>Revenues</u>			
Tenant Revenues	\$ 290,728	\$ 267,461	\$ 23,267
HUD Subsidies	14,301,715	15,036,763	(735,048)
Other Government Grants	65,049	50,608	14,441
Other Revenues	922,757	585,361	337,396
Total Operating Income	15,580,249	15,940,193	(359,944)
<u>Expenses</u>			
Operating Expenses	17,793,419	15,918,917	1,874,502
Depreciation Expense	62,889	68,520	(5,631)
Total Operating Expenses	17,856,308	15,987,437	1,868,871
Operating Income before Non Operating Income	(2,276,059)	(47,244)	(2,228,815)
Interest Income	49,478	19,792	29,686
Mortgage Interest Income	329,850	329,850	-
Other Government Grants	66,750		66,750
HUD Capital Grants	149,980	341,993	(192,013)
Change in Net Position	(1,680,001)	644,391	(2,324,392)
Net Position Prior Year	12,048,411	11,404,020	644,391
Total Net Position	\$ 10,368,410	\$ 12,048,411	\$ (1,680,001)

Approximately 92% percent of the Authority's primary government total revenue was provided by HUD operating subsidy, while 2% percent resulted from tenant revenue. Charges for various services and other governmental grants provided the remaining 6% percent of the total income. The Housing Authority of the City of East Orange received capital fund improvement grant money during the year in the amount of \$149,980 as compared to \$341,993 for the previous year.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority primary government operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 72% percent of total operating expenses. Administrative expenses accounted for 13% percent, tenant services accounted for 1% percent, utilities expense accounted for 1% percent, maintenance expense accounted for 1% percent, protective services accounted for 1% percent, other operating expenses accounted for 10% percent, and depreciation accounted for less than 1% of the total operating expenses.

The Authority primary government's operating expenses exceeded its operating revenue resulting in an excess of expenses from operations in the amount of \$2,393,687 for the current year as compared to an excess of expenses from operations in the amount of \$47,244 for a decrease in excess revenue over expenses in the amount of \$2,346,443 or over 100% percent from the previous year.

The key elements for the decrease in excess revenue over expenses in comparison to the prior fiscal year are as follows:

- Tenant Rental Revenue increased in the amount of \$23,267 or 9% percent.
- HUD PHA operating grants decreased in the amount of \$735,048 or 5% percent.
- Other government grants increased in the amount of \$14,441 or 29% percent.
- Other Revenue increased in the amount of \$337,396 or 58% percent.
- The Authority primary government experienced increases in the following expenses as listed below:
 - Administrative expenses increased \$251,730 or 12% percent.
 - Utility expenses increased \$15,500 or 13% percent.
 - Maintenance expenses increased \$23,573 or 12% percent.
 - Protective services expenses increased \$10,799 or 10% percent.
 - Other operating expenses increased \$1,415,533 or over 100% percent.
 - Housing Assistance Payments increased \$302,176 or 2% percent.
- The Authority primary government experienced decreases in the following accounts:
 - Tenant services expenses decreased \$27,181 or 16% percent.
 - Depreciation expense decreased \$5,631 or 8% percent.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total net cash used by operating activities during the year was \$2,720,539 as compared to cash provided in the amount of \$240,602 in the prior fiscal year 2021. A full detail of this amount can be found on the Statement of Cash Flows on pages 24-25 of this report.

The following are the Authority primary government financial highlights of significant items for a four-year period ending on December 31, 2023.

	December-23	December-22	December-21	December-20
Significant Income				
Total Tenant Revenue	\$ 290,728	\$ 267,461	\$ 245,145	\$ 227,112
HUD Operating Grants	14,301,715	15,036,763	15,579,168	14,940,026
HUD Capital Grants	149,980	341,993	-	174,842
Other HUD Grants	414,804	-	-	-
Investment Income	49,478	19,792	4,370	12,453
Other Government Grants	65,049	50,608	36,000	36,840
Other Income	922,757	585,361	1,935,992	2,273,061
Total	\$ 16,194,511	\$ 16,301,978	\$ 17,800,675	\$ 17,664,334
Payroll Expense				
Administrative Salaries	\$ 1,151,975	\$ 1,088,397	\$ 1,120,465	\$ 1,029,455
Tenant Services Salaries	67,870	106,689	93,779	139,362
Utilities Labor	-	-	-	-
Maintenance Labor	58,812	54,102	70,158	82,206
Protective Services Labor	93,903	87,853	103,540	103,021
Employee Benefits Expense	696,006	571,617	724,754	279,870
Total Payroll Expense	\$ 2,068,566	\$ 1,908,658	\$ 2,112,696	\$ 1,633,914
Other Significant Expenses				
Other Administrative Expenses	\$ 330,520	\$ 498,346	\$ 562,566	\$ 755,146
Utilities Expense	131,361	115,861	98,757	105,688
Maintenance Materials Cost	42,232	38,956	128,014	53,849
Maintenance Contract Cost	95,392	84,343	49,716	70,065
Insurance Premiums	89,253	75,341	65,934	62,916
Housing Assistance Payments	12,864,530	12,774,630	13,809,643	13,652,875
Total	\$ 13,553,288	\$ 13,587,477	\$ 14,714,630	\$ 14,700,539
Total Operating Expenses	\$ 17,973,936	\$ 15,987,437	\$ 17,077,543	\$ 16,637,555
Total of Federal Awards	\$ 14,866,499	\$ 15,378,756	\$ 15,579,168	\$ 15,114,868

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

THE AUTHORITY AS A WHOLE

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

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

THE HOUSING AUTHORITY OF THE CITY OF EAST ORANGE PROGRAMS

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the City of East Orange flat rent amount.

Section 8 Housing Choice Voucher Program:

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

**THE HOUSING AUTHORITY OF THE CITY OF EAST ORANGE PROGRAMS -
CONTINUED**

Emergency Housing Voucher Program

The HUD Emergency Housing Voucher Program, also known as Emergency Solutions Grants (ESG), provides assistance to individuals and families facing homelessness by offering short-term and medium-term rental assistance. The program helps families who are at imminent risk of becoming homeless to obtain and maintain stable housing. The assistance can also be used to help homeless individuals and families to move into permanent housing as quickly as possible. The program provides funding to local governments, non-profit organizations, and other eligible entities to support activities such as emergency shelter operations, street outreach, and rapid re-housing services.

Rental Assistance Demonstration Program

The Rental Assistance Demonstration was created to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties. RAD allows public housing agencies to leverage public and private debt and equity to reinvest in the public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

State - Congregate Housing Services Program

The Congregate Housing Services Program offers States grants to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. This program prevents premature and unnecessary institutionalization of frail elderly, non-elderly disabled, and temporarily disabled persons. It provides a variety of innovative approaches for the delivery of meals and non-medical supportive services while making use of existing service programs, fills gaps in existing service systems, and ensures availability of funding for meals and other programs necessary for independent living. Assistance is in the form of grants to provide at least one hot meal per day in a group setting, 7 days per week, plus other supportive services necessary for independent living.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2023, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

NEW INITIATIVES

For the year 2023 and carrying over to 2024, the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 92% percent of its revenue from the Department of Housing and Urban Development, (2022 was 94% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority just completed the Rental Assistance Application (RAD) on phase 3.

The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of East Orange all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's primary government investment in capital assets as of December 31, 2023, was \$2,663,327 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$1,616,818 or 38% percent. There were major capital expenditures, including site improvements and flooring renovations, during the fiscal year ended December 31, 2023.

	December-23	December-22	Variance
Land	\$ 1,649,750	\$ 1,769,615	\$ (119,865)
Building	1,998,109	2,206,699	(208,590)
Furniture, Equipment - Dwelling	355,754	484,599	(128,845)
Furniture, Equipment - Administration	282,525	153,680	128,845
Construction in Process	1,177,887	2,410,202	(1,232,315)
Total Fixed Assets	5,464,025	7,024,795	(1,560,770)
Accumulated Depreciation	(2,800,698)	(2,744,650)	(56,048)
Net Book Value	\$ 2,663,327	\$ 4,280,145	\$ (1,616,818)

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 - Debt Administration

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the City of East Orange is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

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

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2023**

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

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

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- Converting the remaining Public and Indian Housing Program rental units into RAD subsidy units.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

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 Mr. Wilbert Gill, Executive Director, Housing Authority of the City of East Orange, 160 Halsted Street, East Orange, New Jersey 07018, or call (973) 678-0250.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF NET POSITION - 1
AS OF DECEMBER 31, 2023

	December 31, 2023		
	Primary Government	Component Unit	Total (Memorandum)
Assets			
Current Assets:			
Cash and Cash Equivalents- Unrestricted	\$ 4,134,842	\$ 66,199	\$ 4,201,041
Cash and Cash Equivalents- Restricted	305,460	198,507	503,967
Cash and Cash Equivalents	<u>4,440,302</u>	<u>264,706</u>	<u>4,705,008</u>
Accounts Receivables, Net of Allowances	325,067	225,887	550,954
Prepaid Expenses	<u>205,602</u>	<u>10,384</u>	<u>215,986</u>
Total Current Assets	<u>4,970,971</u>	<u>500,977</u>	<u>5,471,948</u>
Noncurrent Assets			
Capital Assets			
Land	1,649,750	154,170	1,803,920
Building	1,998,109	2,733,376	4,731,485
Furniture, Equipment - Dwelling	355,754	257,501	613,255
Furniture, Equipment - Administration	282,525	-	282,525
Construction in Process	<u>1,177,887</u>	<u>2,650</u>	<u>1,180,537</u>
Total Capital Assets	5,464,025	3,147,697	8,611,722
Less: Accumulated Depreciation	<u>(2,800,698)</u>	<u>(177,400)</u>	<u>(2,978,098)</u>
Net Book Value	<u>2,663,327</u>	<u>2,970,297</u>	<u>5,633,624</u>
Mortgage Receivable - Long Term	10,692,899	-	10,692,899
Right to Use Assets	10,853	-	10,853
Other Assets	<u>1,592,942</u>	<u>-</u>	<u>1,592,942</u>
Total Other Assets	<u>12,296,694</u>	<u>-</u>	<u>12,296,694</u>
Total Assets	19,930,992	3,471,274	23,402,266
Deferred Outflow of Resources			
State of New Jersey P.E.R.S. and OPEB	<u>4,103,361</u>	<u>-</u>	<u>4,103,361</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 24,034,353</u>	<u>\$ 3,471,274</u>	<u>\$ 27,505,627</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023

	December 31, 2023		
	Primary Government	Component Unit	Total (Memorandum)
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 207,655	\$ 26,203	\$ 233,858
Accrued Liabilities	248,331	1,794	250,125
Tenant Security Deposits	24,230	28,681	52,911
Unearned Revenue	3,974	-	3,974
Lease Payable - Current Portion	4,593	-	4,593
Loan Liability - Current Portion	-	9,906	9,906
Total Current Liabilities	488,783	66,584	555,367
Noncurrent Liabilities			
Accrued Compensated Absences - Long-Term	128,790	-	128,790
Non Current Liabilities - Other	146,281	171,038	317,319
Loan Liability - Non Current	-	1,513,167	1,513,167
Lease Payable - Non current	5,312	-	5,312
Accrued Pension and OPEB Liabilities	8,464,731	-	8,464,731
Total Noncurrent Liabilities	8,745,114	1,684,205	10,429,319
Total Liabilities	9,233,897	1,750,789	10,984,686
Deferred Inflow of Resources			
State of New Jersey P.E.R.S. and OPEB	2,839,104	-	2,839,104
Net Position:			
Net Investment in Capital Assets	2,663,327	1,447,224	4,110,551
Restricted	134,949	250,000	384,949
Unrestricted	9,163,076	23,261	9,186,337
Total Net Position	11,961,352	1,720,485	13,681,837
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 24,034,353	\$ 3,471,274	\$ 27,505,627

See accompanying notes to the financial statements.

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

	December 31, 2023		
	Primary Government	Component Unit	Total (Memorandum)
Revenue:			
Tenant Rental Revenue	\$ 290,728	\$ 145,539	\$ 436,267
HUD PHA Operating Grants	14,301,715	-	14,301,715
Other Government Grants	65,049	219,222	284,271
Other Revenue	922,757	251	923,008
Total Revenue	<u>15,580,249</u>	<u>365,012</u>	<u>15,945,261</u>
Operating Expenses:			
Administrative Expense	2,325,178	58,877	2,384,055
Tenant Services	147,230	-	147,230
Utilities Expense	131,361	3,185	134,546
Maintenance Expense	213,539	15,748	229,287
Protective Services Expense	120,492	-	120,492
Other Operating Expenses	185,871	94,686	280,557
Housing Assistance Payments	13,076,806	-	13,076,806
Depreciations Expense	62,889	93,656	156,545
Total Operating Expenses	<u>16,263,366</u>	<u>266,152</u>	<u>16,529,518</u>
Excess (Expense) Income From Operations	<u>(683,117)</u>	<u>98,860</u>	<u>(584,257)</u>
Non Operating Income:			
Investment Income	49,478	4,457	53,935
Mortgage Interest Income	329,850	-	329,850
Transfer in	66,750	-	66,750
Total Non Operating Income	<u>446,078</u>	<u>4,457</u>	<u>450,535</u>
Excess Income Before Capital Grant Contributions	(237,039)	103,317	(133,722)
Capital Grant Contributions	<u>149,980</u>	<u>-</u>	<u>149,980</u>
Change in Net Position	(87,059)	103,317	16,258
Beginning Net Position	<u>12,048,411</u>	<u>1,617,168</u>	<u>13,665,579</u>
Ending Net Position	<u>\$ 11,961,352</u>	<u>\$ 1,720,485</u>	<u>\$ 13,681,837</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF CASH FLOWS - 1
FOR TWELVE MONTHS ENDED DECEMBER 31, 2023

	December 31, 2023		
	Primary Government	Component Unit	Total (Memorandum)
Cash Flow From Operating Activities			
Receipts from Tenants	\$ 290,728	\$ 141,661	\$ 432,389
Receipts from Federal Grants	14,301,715	-	14,301,715
Receipts from Other Grants	65,049	219,473	284,522
Receipts from Misc. Sources	922,757	-	922,757
Payments to Vendors and Suppliers	(980,999)	-	(980,999)
Payments for Housing Assistance Payments	(13,076,806)	-	(13,076,806)
Payments to Employees	(1,705,046)	-	(1,705,046)
Payment of Employee Benefits	(696,006)	-	(696,006)
Payment of Utilities Expenses	(131,361)	-	(131,361)
Payment of Program Cost		(193,806)	(193,806)
Net Cash (Used) Provided by Operating Activities	<u>(1,009,969)</u>	<u>167,328</u>	<u>(842,641)</u>
Cash Flow From Capital and Related Financing Activities			
Receipts from Capital Grants	149,980	-	149,980
Acquisitions and Construction of Capital Assets	(785,170)	(756,901)	(1,542,071)
Construction Loan Proceeds		586,849	586,849
Payments on Loan Payable		(3,066)	(3,066)
Receipts of Notes Receivable	(40,969)	-	(40,969)
Right to Use Assets	6,841	-	6,841
Transfer In	66,750	-	66,750
Other Assets	(1,592,942)	-	
Operating Lease Payable	(5,868)	-	(5,868)
Change in Accrued Pension and OPEB Liabilities	1,232,315	-	1,232,315
Net Effect of Deferred Inflows and Outflows	1,104,480	-	1,104,480
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>135,417</u>	<u>(173,118)</u>	<u>1,555,241</u>
Cash Flow From Investing Activities			
Interest Income	379,328	4,457	383,785
Net Cash Provided by Investing Activities	<u>379,328</u>	<u>4,457</u>	<u>383,785</u>
Net (Decrease) in Cash and Cash Equivalents	(495,224)	(1,333)	(496,557)
Beginning Cash	<u>4,935,526</u>	<u>266,039</u>	<u>5,201,565</u>
Ending Cash	<u>\$ 4,440,302</u>	<u>\$ 264,706</u>	<u>\$ 4,705,008</u>
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	\$ 4,134,842	\$ 66,199	\$ 4,201,041
Cash and Cash Equivalents - Restricted	305,460	198,507	503,967
Total Ending Cash	<u>\$ 4,440,302</u>	<u>\$ 264,706</u>	<u>\$ 4,705,008</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF CASH FLOWS - 2
FOR TWELVE MONTHS ENDED DECEMBER 31, 2023

	December 31, 2023		
	Primary Government	Component Unit	Total (Memorandum)
(Used) Provided by Operating Activities			
Excess Expenses From Operations	\$ (683,117)	\$ 98,860	\$ (584,257)
Adjustments to reconcile excess revenue over expenses to net cash (used) provided by operating activities:			
Depreciation Expense	62,889	93,656	156,545
(Increase) Decrease in:			
Accounts Receivables	(281,064)	(222,685)	(503,749)
Prepaid Expenses	11,847	(10,384)	1,463
Increase (Decrease) in:			
Accounts Payable	(186,415)	188,414	1,999
Accrued Liabilities	21,078	-	21,078
Unearned Revenue	3,974	-	3,974
Compensated Absences - Non current	7,534	-	7,534
Non-Current Liabilities	32,835	-	32,835
Security Deposit Accounts	470	19,467	19,937
Net Cash (Used) Provided by Operating Activities	<u>\$ (1,009,969)</u>	<u>\$ 167,328</u>	<u>\$ (842,641)</u>
Interest expense paid during the year	<u>\$ 249</u>	<u>\$ 56,060</u>	<u>\$ 56,309</u>
Lease Payments paid during the year	<u>\$ 4,578</u>	<u>\$ -</u>	<u>\$ 4,578</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

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

1. Organization - The Authority is a non-profit corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq. the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low- and moderate-income families residing in the City of East Orange in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low- and moderate-income families residing in the city of East Orange. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of East Orange and City Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the City of East Orange reporting entity.

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

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

Based on the following criteria, the Authority has identified one (1) entity which should be subject to evaluation for inclusion in the Authority's reporting entity.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Organization - Continued

The Authority manages the financial affairs of the East Orange Housing and Community Development Corporation, and the corporation is financial burden on the Authority to provide support.

Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is like that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

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

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

The Authority adopted in January 2022, GASB Statement No. 87, *Accounting for Leases*. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease receivables and liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Significant Accounting Policies -Continued

Component Unit – Discretely Presented

The Authority has identified the East Orange Housing and Community Development Corporation as a component unit. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this nonprofit corporation and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as a component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. This corporation operates on a calendar year that ended on December 31. East Orange Housing and Community Development Corporation was formed for the purpose of developing, operating, and managing low- and moderate-income housing in the City of East Orange

Basis of Accounting

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

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

Revenue Recognition

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue is composed primarily of management fees, portability income for the Housing Choice Voucher program, and resident's charges and late fees. The Authority recognizes short-term rental income from tenants who have signed a lease agreement for less than one year, in accordance with HUD guidelines. The Authority considers both rental income and subsidies to be exempt from compliance with ASC 606 as they are covered under current and future lease standards. However, tenant reimbursements for costs like utilities, which are based on consumption, are subject to ASC 606 and recognized as revenue when incurred. Additionally, the Authority also generates revenue from tenant charges and fees, management fees and HAP portability payments all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Basis of Accounting - Continued

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

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities. Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

Report Presentation -

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The Authority's financial statements are prepared in accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are included as Supplemental information.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Financial Reporting Entity

The financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined based on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

All governmental activities and functions performed for the Authority are its direct responsibility. The financial reporting entity consists of:

- (a) the primary government, which is the Authority,
- (b) organizations for which the primary government is financially accountable, and
- (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 61.

The decision to include a potential unit in the Authority's reporting entity is based on several criteria set forth in GASB Statement No. 61, including legal standing, fiscal dependency, and financial accountability. The Authority has identified the East Orange Housing and Community Development Corporation as a component unit due to the Authority manages the financial affair of this nonprofit corporation and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. This corporation operates on a calendar year that ended on December 31.

East Orange Housing and Community Development Corporation was formed for the purpose of developing, operating, and managing low- and moderate-income housing in the City of East Orange

Other accounting policies are as follows:

1 - Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

3 - Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight-line basis.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Other accounting policies - Continued

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

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

9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

10- Advertising cost is charged to expense when incurred.

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

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

13 - Taxes

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Other accounting policies - Continued

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

15 - Net Position

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Other accounting policies - Continued

16 - Operating Revenue and Expenses

Operating revenue includes HUD operating subsidies, tenants dwelling rents, HAP portability payments, and all other revenue. Other revenue composed primarily of management fees, portability income for the Housing Choice Voucher program, and resident's charges and late fees. Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent, and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Nonoperating Revenue and Expenses

The Authority's nonoperating revenue relates primarily to interest income and extraordinary expenses. For reporting purposes. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

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

17-Impairment Losses

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

18- Recent Accounting Pronouncements

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Budgetary and Policy Control

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

Activities - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
Public Housing			
Public and Indian Housing Program	14.850	NJ50	64
Public Housing Capital Fund	14.872	NJ50	
Resident Opportunity and Supportive Services	14.870		
PIH FSS Program	14.896		
Section 8 Housing			
Section 8 Housing Choice Vouchers	14.871	NJ50	1615
Emergency Housing Vouchers	14.EHV		27
Business Activities			0

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low-income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the City of East Orange flat rent amount.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Activities- Continued

Section 8 Housing Choice Voucher Program:

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Section 8 Emergency Housing Voucher Program:

The Emergency Housing Voucher (EHV) program is available through the American Rescue Plan Act (ARPA). Through EHV, HUD is providing housing choice vouchers to local Public Housing Authorities (PHAs) to assist individuals and families who are homeless, at-risk of homelessness, fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking, or were recently homeless or have a high risk of housing instability.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Rental Assistance Demonstration Program

The Rental Assistance Demonstration was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties. RAD allows public housing agencies to leverage public and private debt and equity in order to reinvest in the public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Activities - Continued

State - Congregate Housing Services Program

The Congregate Housing Services Program offers States grants to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. This program prevents premature and unnecessary institutionalization of frail elderly, non-elderly disabled, and temporarily disabled persons. It provides a variety of innovative approaches for the delivery of meals and non-medical supportive services while making use of existing service programs, fills gaps in existing service systems, and ensures availability of funding for meals and other programs necessary for independent living. Assistance is in the form of grants to provide at least one hot meal per day in a group setting, 7 days per week, plus other supportive services necessary for independent living.

PIH Family Self Sufficiency Program

FSS is a program that enables HUD-assisted families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies. Public Housing Agencies (PHAs) work in collaboration with a Program Coordinating Committee (PCC) to secure commitments of public and private resources for the operation of the FSS program, to develop the PHA's FSS Action Plan (the FSS policy framework), and to implement the program. The term of the FSS contract is generally 5 years, but it may be extended for another 2 years by the PHA for good cause. An interest-bearing escrow account is established by the PHA for each participating family.

Business Activities

The Authority is in the process of developing sixty (60) senior units in the City of East Orange.

Component Unit – Discretely Presented

The Authority has identified the East Orange Housing and Community Development Corporation as a component unit. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this nonprofit corporation and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as a component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. This corporation operates on a calendar year that ended on December 31. East Orange Housing and Community Development Corporation was formed for the purpose of developing, operating, and managing low- and moderate-income housing in the City of East Orange

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

Revenue from Rental Contracts

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

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

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

Sources of Income

Housing Authority

The major sources of revenue are HUD operating subsidies, tenants dwelling rents, HAP portability payments, and other revenue. Other revenue composed primarily of miscellaneous fees from the tenant, management fees and HAP portability payments. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants. The Authority also provides provide decent, safe, and sanitary housing for extremely low and very low-income families. The revenue is recorded as earned since it is measurable and available.

Component Unit

The Corporation's revenues consist primarily of dwelling rental income, other government grants and donations.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

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

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 - ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates, particularly given that the COVID-19 pandemic continues to create financial uncertainty throughout the economy. The most significant estimates included in the preparation of the financial statements are allowance for doubtful accounts and estimated fixed asset lives.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 3 - PENSION PLAN

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

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

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

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2023 amounted to \$251,314.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects due to the adoption of GASB 68 can be found in Note 20 – Accrued Pension Liability.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 4 – CASH, CASH EQUIVALENTS

The Housing Authority of the City of East Orange cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment include cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

Concentration of Credit Risk

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

Risk Disclosures

Collateral for Deposits

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

Interest Rate Risk

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2023

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Credit Risk

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

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

<u>Depository Accounts</u>	<u>Primary Government</u>	<u>Component Unit</u>
Insured	\$ 250,000	\$ 250,000
Collateralized held by pledging bank's trust department in the Authority's name	4,190,302	-
Uninsured -Component Unit	-	14,706
Total Cash, Cash Equivalents	<u>\$ 4,440,302</u>	<u>\$ 264,706</u>

Component Unit

The East Orange Housing and Community Development Corporation maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.

Restricted Cash

The Authority has restricted cash on December 31, 2023, in the amount of \$24,230. This amount is held as security deposits for the tenants of the Public and Indian Housing program in an interest-bearing account.

The restricted cash in the amount of \$111,198 for 2023 was reported under the Emergency Housing Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. The amount on deposit was \$170,031 on December 31, 2023.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

The restricted cash in the amount of \$23,751 for 2023 was reported under the Housing Voucher Program as a HAP reserve for fund use. In accordance with HUD’s PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

Restricted Cash -Component Unit

The East Orange Housing and Community Development Corporation placed \$250,000 in a Certificate of Deposit for the purpose of funding future construction costs. There was also a restricted cash balance of \$28,681. This is held as security deposits for the tenants.

Investments

The Component Unit investments on December 31, 2023, included the following:

<u>Investments</u>	<u>Date of Maturity</u>	<u>Fair Value December-23</u>
Certificate of Deposit	24-Apr-24	\$ 250,403
Money Market Account	Upon Demand	30,210
Total Investments		<u>\$ 280,613</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 5 - ACCOUNTS RECEIVABLE

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

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

	Primary Government	Component Unit
Tenants Accounts Receivable - Present	\$ 36,179	\$ 4,180
Less: Allowance for Doubtful Accounts	(23,370)	-
Net Tenants Accounts Receivable	<u>12,809</u>	<u>4,180</u>
Tenants Fraud Repayment Agreements	462,850	-
Less: Allowance for Doubtful Accounts	(462,850)	-
Net Tenants Fraud Repayment Agreements	<u>-</u>	<u>-</u>
Accounts Receivable - HUD	40,264	
Accounts Receivable - HCV Portabilities	63,422	
Accounts Receivable - Misc Fees and Deposits	204,377	221,707
Accounts Receivable - Halstead Development	4,195	-
Net Accounts Receivable - Other Receivables	<u>312,258</u>	<u>221,707</u>
Net Accounts Receivables - December 31, 2023	<u>\$ 325,067</u>	<u>\$ 225,887</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2023

NOTE 5 - ACCOUNTS RECEIVABLE -CONTINUED

Accounts Receivable on December 31, 2022, consisted of the following:

	Primary Government	Component Unit
Tenants Accounts Receivable - Present	\$ 27,762	\$ 302
Less: Allowance for Doubtful Accounts	(8,494)	-
Net Tenants Accounts Receivable	<u>19,268</u>	<u>302</u>
Tenants Fraud Repayment Agreements	446,454	-
Less: Allowance for Doubtful Accounts	(446,454)	-
Net Tenants Fraud Repayment Agreements	<u>-</u>	<u>-</u>
Accounts Receivable - Misc Fees and Deposits	21,062	3,972
Accounts Receivable - Halstead Development	3,673	-
Net Accounts Receivable - Other Receivables	<u>24,735</u>	<u>3,972</u>
Net Accounts Receivables - December 31, 2022	<u>\$ 44,003</u>	<u>\$ 4,274</u>

NOTE 6 - PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off monthly. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses on December 31, 2023, and 2022 consisted of the following:

	December-23 Primary Government	December-22 Primary Government	December-23 Component Unit
Prepaid Insurance	\$ 64,204	\$ 60,636	\$ 10,384
Insurance Deposits	135,516	135,520	-
Maintenance Room Inventory	5,882	5,883	-
Predevelopment Cost	-	15,410	-
Total Prepaid Expenses	<u>\$ 205,602</u>	<u>\$ 217,449</u>	<u>\$ 10,384</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short-term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority on December 31, 2023, are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated at cost.

Housing Authority

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized.

Expenditures are capitalized when they meet the Capitalization Policy requirements.

Under the policy, assets purchased or constructed at a cost not exceeding \$5,000 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

Housing Authority

Depreciation Expense

Depreciation expense for December 31, 2023, was \$62,889 and for 2022 was \$68,520.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 8 - FIXED ASSETS -CONTINUED

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

<u>Housing Authority</u>	<u>December-22</u>	<u>Additions</u>	<u>Transfer</u>	<u>Disposal</u>	<u>December-23</u>
Land	\$ 1,769,615	\$ 240,762	\$ 1,219,315	\$ (1,579,942)	\$ 1,649,750
Building	2,206,699	-	149,800	(358,390)	1,998,109
Furniture, Equipment - Dwelling	484,599	-	(128,845)	-	355,754
Furniture, Equipment - Administration	153,680	-	128,845	-	282,525
Construction in Process	2,410,202	149,800	(1,369,115)	(13,000)	1,177,887
Total Fixed Assets	7,024,795	390,562	-	(1,951,332)	5,464,025
Accumulated Depreciation	(2,744,650)	(56,048)	-	-	(2,800,698)
Net Book Value	\$ 4,280,145	\$ 334,514	\$ -	\$ (1,951,332)	\$ 2,663,327

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

	<u>December-23</u>
Land	\$ 1,649,750
Building	-
Furniture, Equipment - Dwelling	-
Furniture, Equipment - Administration	-
Construction in Process	1,013,577
Net Book Value	\$ 2,663,327

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 8 - FIXED ASSETS – CONTINUED

Component Unit

Fixed assets consist primarily of expenditures to acquire, and construct affordable housing in the City of East Orange. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred. Depreciation of capital assets is provided using the straight-line basis over the useful lives of the respective assets.

Depreciation

Buildings are depreciated over 15-40 years and furniture, equipment, and machinery are being depreciated over 3-7 years. Depreciation expense for December 31, 2023, was \$93,656 and for 2022 was \$35,940.

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

<u>Component Unit</u>	December-22	Additions	Transfer	Disposal	December-23
Land	\$ 154,170	\$ -	\$ -	\$ -	\$ 154,170
Building	761,407	-	1,971,969	-	2,733,376
Furniture, Equipment - Dwelling	37,554	-	221,545	(1,598)	257,501
Construction in Process	1,438,024	758,500	(2,193,514)	(360)	2,650
Total Fixed Assets	2,391,155	758,500	-	(1,958)	3,147,697
Accumulated Depreciation	(83,744)	(93,656)	-	-	(177,400)
Net Book Value	\$ 2,307,411	\$ 664,844	\$ -	\$ (1,958)	\$ 2,970,297

NOTE 9- MORTGAGE NOTE RECEIVABLE - LONG TERM

The Authority as of December 31, 2023, has the following Mortgage receivable:

	Mortgage Balance December-23	Accrued Interest December-23	Total December-23
Genesis Note #1	\$ 4,320,265	\$ 646,161	\$ 4,966,426
Genesis Note #2 and #3	5,181,335	545,138	5,726,473
Total Mortgage Receivable	\$ 9,501,600	\$ 1,191,299	\$ 10,692,899

	Balance December-22	Accrued Interest December-23	Payment Made	Total December-23
Genesis Note #1				
Genesis Note #2 and #3	\$ 5,060,895	\$ 194,412	\$ (288,881)	\$ 4,966,426
Total Mortgage Receivable	5,591,035	135,438	-	5,726,473
	\$ 10,651,930	\$ 329,850	\$ (288,881)	\$ 10,692,899

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 9- MORTGAGE NOTE RECEIVABLE - LONG TERM -CONTINUED

First Note

As of August 23, 2018, the Authority entered into an agreement with Genesis Concord Vista LLC (First Note) for a mortgage note in relation to the conversion AMP 3 to RAD (Rental Assistance Demonstration), in the amount of \$4,320,265. The maturity date of the note is August 23, 2050, and the note accrues interest annually at a rate of 4.50%. The amount accrued as of December 31, 2023, was \$646,161. Management believes that they will receive the accrued interest once the total conversion has been completed.

Second Note

As of August 23, 2018, the Authority entered into an agreement with Genesis Concord Vista LLC (Second Note) for a mortgage note in relation to the conversion AMP 3 to RAD (Rental Assistance Demonstration), in the amount of \$3,009,735. The maturity date of the note is August 23, 2050, and the note accrues interest annually at a rate of 4.50%. The amount accrued as of December 31, 2023, was \$545,138. Management believes that they will receive the accrued interest once the total conversion has been completed.

Third Note

As of August 23, 2018, the Authority entered into an agreement with Genesis Concord Vista LLC (Third Note) for a mortgage note in relation to the conversion AMP 3 to RAD (Rental Assistance Demonstration), in the amount of \$2,171,600. The maturity date of the note is August 23, 2050, and the note accrues interest annually at a rate of 4.50%. The amount accrued as of December 31, 2023, was \$-0-. Management believes that they will receive the accrued interest once the total conversion has been completed.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2023

NOTE 10 – RIGHT TO USE ASSETS

Right of use (ROU) assets represent the Authority’s right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. The lease liability is based on the future estimated cash payments discounted over the non-cancellable portion of the lease term. An implicit discount rate is included in the Authority’s lease agreement. The operating lease ROU assets also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term ROU asset (operating lease) and on the straight-line basis over lease term.

The Authority entered several leases with a copy company to lease three (3) copiers as well as a postage machine. The copier’s lease agreement requires 60 monthly payments of \$445 in total. The postage machine requires 60 monthly payments of \$154. The Authority has recorded the right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The discount rate used was 2.00 % for all the leases. As of December 31, 2023, the weighted average discount rate for the remaining lease term is 0.97%. The right to use assets are amortized on a straight-line basis over the life of the related lease. The amount of amortization expense for the fiscal year ended December 31, 2023, was \$16,575.

	Copiers	Postage	Total
Initial Present Value	\$ 25,473	\$ 8,796	\$ 34,269
Less: Accumulated Depreciation	(19,922)	(3,494)	(23,416)
Net Right to Use Asset	<u>\$ 5,551</u>	<u>\$ 5,302</u>	<u>\$ 10,853</u>

Future minimum lease payments under operating leases as of December 31, 2023, are as follows:

	Copiers	Postage	Total
December-24	\$ 2,915	\$ 1,678	\$ 4,593
December-25	1,678	1,791	3,469
December-26	-	1,843	1,843
Total Lease Payable	<u>\$ 4,593</u>	<u>\$ 5,312</u>	<u>\$ 9,905</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2023

NOTE 11 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

The OPEB and Pension Liability discussed in Note 19 and 20 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for OPEB and PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense and OPEB with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

The Authority's deferred outflows and inflows are as of December 31, 2023, follows:

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 122,452	\$ 21,707	\$ 144,159
Changes in Assumptions	785,031	9,618	794,649
Net Difference Between Projected and Actual Earning on Pension Plan Investments	2,609	124,480	127,089
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	2,057,649	979,815	3,037,464
Total	<u>\$ 2,967,741</u>	<u>\$ 1,135,620</u>	<u>\$ 4,103,361</u>
 Deferred Inflows of Resources	 OPEB	 Pension	 Total
Differences Between Expected and Actual Experiences	\$ 1,141,721	\$ 19,143	\$ 1,160,864
Changes in Assumptions	964,620	450,350	1,414,970
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	191,122	72,148	263,270
Total	<u>\$ 2,297,463</u>	<u>\$ 541,641</u>	<u>\$ 2,839,104</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES -CONTINUED

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$144,159 and \$1,160,864.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$794,649 and \$1,414,970.

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

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB 68 and GASB 75. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$127,089 and \$-0-.

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

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for OPEB and PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$3,037,464 and \$263,270.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 12 – ACCOUNTS PAYABLE

Accounts payable is a liability account that represents the amount owed by the Authority to its creditors for goods or services received but not yet paid for. When the Authority receives goods or services on credit, it incurs a liability to pay the vendor or supplier in the future. This liability is recorded as an account payable on the Authority's financial statements, specifically on the Statement of Net Position under the category of current liabilities. Accounts payable is an important aspect of a company's financial management, as it represents its short-term obligations to its vendors and suppliers. Accounts payable on December 31, 2023, and 2022 consist of the following:

Primary Government	<u>December-22</u>	<u>December-22</u>
Accounts Payable Vendors	\$ 79,142	\$ 280,192
Accounts Payable - P.I.L.O.T.	128,513	113,878
Total Accounts Payable -Primary Government	<u>207,655</u>	<u>394,070</u>
Component Unit		
Accounts Payable Vendors	26,203	9,994
Total Accounts Payable	<u>\$ 233,858</u>	<u>\$ 404,064</u>

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

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of East Orange. Under the Cooperation Agreements, the Authority must pay the municipality 10% of its net shelter rent. The total amount of PILOT payable on December 31, 2023, was as detailed below:

P.I.L.O.T. Expense 2017	44,346
P.I.L.O.T. Expense 2018	26,721
P.I.L.O.T. Expense 2019	6,863
P.I.L.O.T. Expense 2020	9,327
P.I.L.O.T. Expense 2021	13,189
P.I.L.O.T. Expense 2022	13,432
P.I.L.O.T. Expense 2023	14,635
P.I.L.O.T. Payable as of December 31, 2023	<u>\$ 128,513</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2023

NOTE 14 – ACCRUED EXPENSES

Accrued expenses are Authority expenses that have been incurred but not yet paid. These expenses are recognized in the financial statements before payment has actually been made, and typically refer to items such as salaries, interest, and taxes. Accrued expenses on December 31, 2023, and 2022 consisted of the following:

Primary Government	<u>December-23</u>	<u>December-22</u>
Accrued Wages/Payroll Taxes	\$ 58,477	\$ 68,215
Compensated Absences - Current Portion	127,879	124,878
Accrued Vendor Invoices	<u>61,975</u>	<u>34,160</u>
Total Accrued Expenses -Primary Government	248,331	227,253
Component Unit		
Accrued Interest Payable	<u>1,794</u>	<u>1,794</u>
Total Accrued Expenses	<u>\$ 250,125</u>	<u>\$ 229,047</u>

NOTE 15 – ACCRUED COMPENSATED ABSENCES

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

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

In 2017 the Authority reached an agreement to allow nonunion employees to accumulate vacation time beforehand was only allowed for union employees.

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

Balance on December-22	Additions	Payments	Balance on December-23	Current Portion
\$ 246,134	\$ 10,535	\$ -	\$ 256,669	\$ 127,879

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 16 – UNEARNED REVENUE

Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. Subject to ASC 606, rental payments with acceptance provisions and future delivery commitments, wherein the Authority has not completed its obligations under the lease, are also offset against the associated accounts receivable since the requirements for revenue recognition have not been met. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized.

NOTE 17 – NON-CURRENT LIABILITY

The Authority reported noncurrent liabilities on December 31, 2023, which consisted of FSS Escrow Accounts held by the Authority in the amount of \$146,281.

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

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited.

NOTE 18 – LOAN LIABILITY – COMPONENT UNIT

The Corporation has the following loans outstanding on December 31, 2023

Amherst Loan	\$	323,073
LISC Loan		1,200,000
Total Loans Outstanding	\$	<u>1,523,073.00</u>

	Balance December-22	Proceeds Received	Payments Made	Balance December-23	Current Portion
Amherst Loan	\$ 326,139	\$ -	\$ (3,066)	\$ 323,073	\$ 9,906
LISC Loan	613,151	586,849	-	1,200,000	-
Total Loans Outstanding	<u>\$ 939,290.00</u>	<u>\$ 586,849.00</u>	<u>\$ (3,066.00)</u>	<u>\$ 1,523,073.00</u>	<u>\$ 9,906.00</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 18 - LOAN LIABILITY - COMPONENT UNIT - CONTINUED

Amherst Loan

The Corporation obtain temporary financing with the New Jersey Community Capital (Lender) in the amount of not to exceed \$332,485 for the acquisition and construction cost for the two (2) two-unit rental properties located at 108 and 114 Amherst Street, East Orange, New Jersey. The term of the construction loan is for twelve (12) months with one optional six (6) month extension at the request of the Corporation. The Mini-permanent term is for seventy -two (72) months based on a three hundred (300) month amortization schedule. Upon a certificate of occupancy, the loan will convert to a seventy -two (72) month mini-permanent loan, with payments based on the outstanding principal balance and a two-hundred and forty (240) month amortization schedule. At maturity, all outstanding principal, accrued interest and fees, shall be due and payable in full.

The temporary financing loan in the amount of \$332,485 was converted to a permanent loan on October 1, 2021, when the Corporation obtain a Certificate of Occupancy for the units. The loan bears an interest rate applicable to 7.00% with a maturity date of September 1, 2026. The loan has two hundred forty (240) month amortization with a seventy-two (72) month payout.

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

December 31, 2024	\$	9,906
December 31, 2025		10,622
December 31, 2026		11,390
December 31, 2027		12,213
December 31, 2028		13,096
Subtotal		<u>57,227</u>
Therafter		265,846
Total	\$	<u><u>323,073</u></u>

LISC Loan

The Corporation obtain temporary financing with the Local Initiative Support Corporation (Lender) on April 13, 2021 in the amount of not to exceed \$1,200,000 for the acquisition and construction cost for the six (6) single family row homes rental properties located at 43 Eaton Place, East Orange, New Jersey. The term of the construction loan is seventy five (75) month. The loan bears an interest rate applicable to 5.81% with a maturity date of July 2027.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 18 – LOAN LIABILITY – COMPONENT UNIT - CONTINUED

LISC Loan -Continued

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

December 31, 2023	\$	-
December 31, 2024		-
December 31, 2025		-
December 31, 2026		-
December 31, 2027		1,200,000
Subtotal		<u>1,200,000</u>
Therafter		-
Total	\$	<u><u>1,200,000</u></u>

NOTE 19 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

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

	<u>December-23</u>	<u>December-22</u>
Accrued OPEB Liability	\$ 5,457,174	\$ 5,457,174
Accrued Pension Liability	<u>3,007,557</u>	<u>3,007,557</u>
Total OPEB and Pension Liability	\$ <u>8,464,731</u>	\$ <u>8,464,731</u>

These amounts arose due to adoption of GASB #75 (OPEB) in 2017 year as well as GASB #68 (Pension) which was adopted in 2014 year. This note will discuss the liability associated with GASB #75, which is accrued other postemployment benefits. Note - 20 will discuss the effect of GASB #68 pension liability which arose from that.

OPEB Liability

The Authority as of December 31, 2023, reported a net OPEB liability in the amount of \$5,457,174 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2021, the last evaluation date, is as follows:

	<u>June-21</u>	<u>June-20</u>
Employer Total OPEB Liability	\$ 5,472,415	\$ 4,866,916
Plan Net Position	<u>(15,241)</u>	<u>(44,302)</u>
Employer Net OPEB Liability	\$ <u>5,457,174</u>	\$ <u>4,822,614</u>

The Authority allocation percentage is 0.030318% as of June 30, 2021.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

OPEB Liability – Plan Description and Benefits Provided

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

Benefits Provided: The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

OPEB Liability – Plan Description and Benefits Provided - Continued

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who:

- 1) retired on a disability pension; or
- 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or
- 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation's agreement.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

OPEB Liability – Plan Description and Benefits Provided - Continued

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended December 31, 2023, was \$5,457,174.

Employees covered by benefits terms: On June 30, 2021 (the census date), the following employees were covered by the benefits terms:

Plan Members

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Net OPEB Liability

The total OPEB liability as of June 30, 2021, latest report, was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions: The total OPEB Liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.16%

Salary Increases

Through 2026 = 2.00% to 6.00%

Thereafter = 3.00% to 7.00%

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - Continued

Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale.

Certain actuarial assumptions used in the June 30, 2021, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2021 and July 1, 2014 to June 30, 2021, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2021, was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	1.16%	2.16%	3.16%
Total OPEB Liability	\$ 6,422,047	\$ 5,457,174	\$ 4,692,491

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

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

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 4,553,121	\$ 5,457,174	\$ 6,636,851

Change in Assumptions: Effective June 30, 2021.

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 year for the 2021.

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2021</u>
Service Cost	\$ 256,513
Interest on Total OPEB liability	125,467
Expected Investment Return	(722)
Administrative Expenses	3,436
Changes in Benefits Term	615
Current Period Deferred	
Inflows/Outflows of Resources	361,523
Inputs	(113,779)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	1,507
Benefit Payments	-
Change in Plan	-
Net Change in Total OPEB Liability	634,560
Total OPEB Liability, Beginning	4,822,614
Total OPEB Liability, Ending	\$ 5,457,174

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

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

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

Year Ending June 30, 2022	\$	(325,844)
Year Ending June 30, 2023		(326,272)
Year Ending June 30, 2024		(326,664)
Year Ending June 30, 2025		(233,272)
Year Ending June 30, 2023		(39,215)
Therafter		55,018
Total	\$	<u>(1,196,249)</u>

NOTE 20 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of December 31, 2023, reported a net pension liability in the amount of \$3,007,557 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2022, the last evaluation date, is as follows:

	<u>June-22</u>	<u>June-21</u>
Employer Total Pension Liability	\$ 13,984,990	\$ 13,984,990
Plan Net Position	(10,977,433)	(11,030,962)
Employer Net Pension Liability	<u>\$ 3,007,557</u>	<u>\$ 2,954,028</u>

The Authority allocation percentage is 0.0199289740% as of June 30, 2022.

Plan Description

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Net Pension Liability Information

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

The following represents the membership tiers for PERS:

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

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

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

Allocation Percentage Methodology

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Allocation Percentage Methodology -Continued

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

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

Actuarial Assumptions

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions -continued

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	4.00%	4.91%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Investment Grade Credit	7.00%	3.38%
High Yield	4.00%	4.95%
Private Credit	7.00%	8.10%
Real Assets	8.00%	11.19%
Real Estate	3.00%	7.60%
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Discount Rate -Continued

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

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

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

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,594,975	\$ 3,007,557	\$ 2,490,142

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

Year Ending June 30, 2023	\$ (257,985)
Year Ending June 30, 2024	(131,435)
Year Ending June 30, 2025	(64,098)
Year Ending June 30, 2026	139,838
Year Ending June 30, 2027	(307)
Total	<u>\$ (313,987)</u>

Changes in Proportion

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2023

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Pension Expense

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

Service Cost	\$	225,612
Interest on the Total Pension Liability		950,915
Benefits Changes		2,133
Member Contributions		(920,315)
Administrative Expenses		3,859
Expected Investment Return Net of Investment Expenses		(33,126)
Pension Expense Related to Specific Liabilities of Individual Employers		(3,104)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience Changes of Assumptions		(88,008) (49,918)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		84,149
Total	\$	<u>172,197</u>

NOTE 21 – NET INVESTMENT IN CAPITAL ASSETS

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

	<u>Primary Government</u>	<u>Component Unit</u>
Balance December 31, 2022	\$ 4,280,145	\$ 1,368,121
Fixed Asset Acquisitions	390,562	758,500
Disposal of Assets	(1,951,332)	(1,958)
Acquisition of Debt	-	(586,849)
Payment of Debt	-	3,066
Depreciation Expense	(56,048)	(93,656)
Balance December 31, 2023	\$ <u>2,663,327</u>	\$ <u>1,447,224</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 22 – RESTRICTED NET POSITION

The Authority's Restricted Net Position account balance on December 31, 2023, is \$665,184. The balance pertains to the HAP reserve.

	Primary Government	Component Unit
Authority HCV HAP Reserve	\$ 23,751	\$ -
Authority EHV HAP Reserve	111,198	-
Reserve for Construction Project	-	250,000
Total Restricted Net Position	<u>\$ 134,949</u>	<u>\$ 250,000</u>

The restricted cash in the amount of \$23,751 for 2023 was reported under the Emergency Housing Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

Component Unit

The East Orange Housing and Community Development Corporation at the board meeting on October 24, 2018, approved placing funds in a certificate of deposit for future construction.

Housing Choice Voucher Program HUD Held Reserves Funds

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2023

NOTE 23 - UNRESTRICTED NET POSITION

The Authority's primary government Unrestricted Net Position account balance on December 31, 2023, is \$7,570,134. The detail of the account balance is as follows:

	Low Rent PIH Reserve	HCV ADM Reserve	Total
Balance December 31, 2022	\$ 6,978,928	\$ 374,154	\$ 7,353,082
Increase During the Year	496,838	-	496,838
(Decrease) During the Year	-	(279,786)	(279,786)
Balance December 31, 2023	<u>\$ 7,475,766</u>	<u>\$ 94,368</u>	<u>\$ 7,570,134</u>

NOTE 24 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended December 31, 2023, were \$315,072.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The programs provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Section 8 Housing Choice Voucher for December 31, 2023, were \$14,296,196.

NOTE 25 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

Total financial support by HUD was \$14,866,499 to the Authority which represents approximately 92% percent of the Authority's total revenue for the year ended December 31, 2023.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 26 – GROUND LEASE

On August 23, 2018, the Authority entered into a ground lease agreement with a Developer for AMP #3 conversion and constructing rehab of existing 178 dwelling rental unit, known as the Genesis Concord Vista, LLC. The base rent shall be \$1.00 per annum, payable at the signing of the agreement. The term of the lease is 32 years, unless sooner termination in accordance with the provisions of the lease.

On October 30, 2020, the Authority entered into a ground lease agreement with a Developer for the construction of existing 60 dwelling rental unit, known as the East Orange Housing Senior Supportive Housing. The base rent shall be \$1.00 per annum, payable at the signing of the agreement. The term of the lease is 99 years, unless sooner termination in accordance with the provisions of the lease.

On June 24, 2021, the Authority entered into a ground lease agreement with a Developer for the construction of existing 172 dwelling rental unit, known as the North Walnut Street development. The term of the lease is 99 years, unless sooner termination in accordance with the provisions of the lease with an initial rent of \$1,500,000 and fixed rent of \$30,000. The fixed rent shall be paid annually and shall be increased by two percent (2.0%) on the first day of the Second Lease Year and continue each Lease Year until the first date of the thirtieth (30th) Lease Year, thereafter the fixed rent shall not be subject to any further increases through the term of the Lease.

NOTE 27 – CONTINGENCIES AND COMMITMENTS

Litigation – On December 31, 2023, the Authority, from time-to-time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Authority's management, any liability resulting from such litigation would not be material in relation to the Authority's financial position and results of operations.

Contingencies

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

Other Insurance

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2023

NOTE 27 – CONTINGENCIES AND COMMITMENTS -CONTINUED

Construction Commitments

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

NOTE 28 – SUBSEQUENT EVENTS

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

Management has conducted an evaluation of the Authority's activity up to May 31, 2024, which is the date when the financial statements became available for issuance. Following this assessment, it has been determined that no subsequent events have transpired that would require recognition in the financial statements or disclosure in the notes accompanying the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
December 31, 2023

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

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

<u>Total OPEB Liability</u>	2021	2020	2019	2018	2017
Service Cost	\$ 256,513	\$ 162,831	\$ 137,094	\$ 351,969	\$ 312,929
Interest on Total OPEB liability	125,467	133,673	130,823	160,281	160,285
Expected Investment Return	(722)	(2,051)	(2,321)	-	-
Administrative Expenses	3,436	2,664	1,949	-	-
Changes in Benefits Term Current Period Deferred	615	278	(392)	-	-
Inflows/Outflows of Resources Inputs	361,523 (113,779)	1,850,481 (112,501)	(127,393) (166,465)	-	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	1,507	1,219	736	-	-
Benefit Payments	-	-	-	(39,038)	(53,446)
Change in Plan	-	-	(2,964,793)	-	-
Net Change in Total OPEB Liability	634,560	2,036,594	(2,990,762)	473,212	419,768
Total OPEB Liability, Beginning	4,822,614	2,786,020	5,776,782	5,303,570	4,883,802
Total OPEB Liability, Ending	<u>\$ 5,457,174</u>	<u>\$ 4,822,614</u>	<u>\$ 2,786,020</u>	<u>\$ 5,776,782</u>	<u>\$ 5,303,570</u>
Covered, Employee Payroll	\$ 1,269,150	\$ 1,308,402	\$ 1,251,767	\$ 1,281,327	\$ 1,798,945
Total OPEB Liability as a percentage of covered employee payroll	429.99%	368.59%	222.57%	450.84%	294.82%

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
December 31, 2023

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Housing Authority's proportion of the net pension liability	0.019928979%	0.017703538%	0.014966879%	0.012689684%
Housing Authority's proportionate share of the net pension liability	\$ 3,007,557	\$ 2,097,249	\$ 2,441,018	\$ 2,286,521
Housing Authority's covered employee payroll	\$ 1,607,884	\$ 1,269,150	\$ 1,308,402	\$ 1,251,767
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.05%	165.25%	186.56%	182.66%
Plan fiduciary net position as a percentage of the total pension liability	78.88%	74.09%	75.91%	43.43%

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
December 31, 2023

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

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

	2018	2017	2016	2015	2014
Housing Authority's proportion of the net pension liability	0.01406135%	0.01161213%	0.00323170%	0.01176402%	0.01280554%
Housing Authority's proportionate share of the net pension liability	\$ 2,768,610	\$ 2,703,119	\$ 3,669,596	\$ 2,640,786	\$ 2,397,547
Housing Authority's covered employee payroll	\$ 1,264,827	\$ 1,123,076	\$ 1,358,040	\$ 1,346,339	\$ 1,270,191
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	218.89%	240.69%	270.21%	196.15%	188.75%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.01%	59.86%	52.07%	52.08%

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
December 31, 2023

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 251,314	\$ 207,329	\$ 163,751	\$ 123,435
Contribution in relation to the contractually required contribution	(251,314)	(207,329)	(163,751)	(123,435)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,607,884	\$ 1,269,150	\$ 1,308,402	\$ 1,251,767
Contribution as a percentage of covered employee payroll	15.63%	16.34%	12.52%	9.86%

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
December 31, 2023

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 139,865	\$ 107,574	\$ 110,072	\$ 101,139	\$ 105,567
Contribution in relation to the contractually required contribution	(139,865)	(107,574)	(110,072)	(101,139)	(105,567)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,264,827	\$ 1,123,076	\$ 1,358,040	\$ 1,346,339	\$ 1,270,191
Contribution as a percentage of covered employee payroll	11.06%	9.58%	8.11%	7.51%	8.31%

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

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

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023**

Programs funded by:
U.S. Department of Housing and Urban Development

<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>Public and Indian Housing Program</u>				
NJ050	\$ -	\$ 315,072	\$ 315,072	\$ -
Grant Total 14.850	-	315,072	315,072	-
<u>Section 8 Housing Choice Voucher Program</u>				
NJ39P050	-	13,982,204	13,982,204	-
Emergency Housing Vouchers	-	313,992	313,992	-
Cluster Grant Total 14.871	-	14,296,196	14,296,196	-
<u>Public Housing Capital Fund Program</u>				
NJ39P050	-	149,980	149,980	-
Grant Total 14.872	-	149,980	149,980	-
<u>PIH Family Self Sufficiency Program</u>				
FSS18NJ2189	-	105,251	105,251	-
Grant Total 14.896	-	105,251	105,251	-
Total Expenditures of Federal Awards	\$ -	\$ 14,866,499	\$ 14,866,499	\$ -

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023**

Note 1. Presentation:

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

Note 2. Summary of Significant Accounting Policies:

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

Note 3. Indirect Cost Rate

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

Note 4. Loans Outstanding:

The Housing Authority of the City of East Orange had no loans outstanding on December 31, 2023.

Note 5. Non- Cash Federal Assistance:

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

Note 6. Sub recipients:

Of the federal expenditures presented in the schedule above, the Housing Authority of the City of East Orange did not provide federal awards to any sub recipients.

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self- Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$775,673	\$66,199				\$3,359,169				\$4,201,041		\$4,201,041
112 Cash - Restricted - Modernization and Development												
113 Cash - Other Restricted		\$169,826				\$170,032			\$111,198	\$451,056		\$451,056
114 Cash - Tenant Security Deposits	\$24,230	\$28,681								\$52,911		\$52,911
115 Cash - Restricted for Payment of Current Liabilities												
100 Total Cash	\$799,903	\$264,706	\$0	\$0	\$0	\$3,529,201	\$0	\$0	\$111,198	\$4,705,008	\$0	\$4,705,008
121 Accounts Receivable - PHA Projects												
122 Accounts Receivable - HUD Other Projects						\$40,264				\$40,264		\$40,264
124 Accounts Receivable - Other Government		\$219,222				\$63,422				\$282,644		\$282,644
125 Accounts Receivable - Miscellaneous	\$212,752	\$2,485								\$215,237		\$215,237
126 Accounts Receivable - Tenants	\$31,999	\$4,180								\$36,179		\$36,179
126.1 Allowance for Doubtful Accounts - Tenants	-\$23,370	\$0								-\$23,370		-\$23,370
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0				\$0				\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current												
128 Fraud Recovery						\$462,850				\$462,850		\$462,850
128.1 Allowance for Doubtful Accounts - Fraud						-\$462,850				-\$462,850		-\$462,850
129 Accrued Interest Receivable												
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$221,381	\$225,887	\$0	\$0	\$0	\$103,686	\$0	\$0	\$0	\$550,954	\$0	\$550,954
131 Investments - Unrestricted												
132 Investments - Restricted												
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets	\$199,719	\$10,384								\$210,103		\$210,103
143 Inventories	\$5,883									\$5,883		\$5,883
143.1 Allowance for Obsolete Inventories	\$0									\$0		\$0
144 Inter Program Due From	\$84,877									\$84,877	-\$84,877	\$0
145 Assets Held for Sale												
150 Total Current Assets	\$1,311,763	\$500,977	\$0	\$0	\$0	\$3,632,887	\$0	\$0	\$111,198	\$5,556,825	-\$84,877	\$5,471,948
161 Land	\$69,808	\$154,170		\$1,579,942						\$1,803,920		\$1,803,920
162 Buildings	\$1,998,109	\$2,733,376								\$4,731,485		\$4,731,485
163 Furniture, Equipment & Machinery - Dwellings	\$355,754	\$257,501								\$613,255		\$613,255
164 Furniture, Equipment & Machinery - Administration	\$153,680					\$128,845				\$282,525		\$282,525
165 Leasehold Improvements												
166 Accumulated Depreciation	-\$2,674,783	-\$177,400				-\$125,915				-\$2,978,098		-\$2,978,098
167 Construction in Progress	\$1,164,887	\$2,650		\$13,000						\$1,180,537		\$1,180,537
168 Infrastructure												
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,067,455	\$2,970,297	\$0	\$1,592,942	\$0	\$2,930	\$0	\$0	\$0	\$5,633,624	\$0	\$5,633,624
171 Notes, Loans and Mortgages Receivable - Non-Current	\$10,692,899									\$10,692,899		\$10,692,899
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due												
173 Grants Receivable - Non Current												
174 Other Assets	\$1,603,795									\$1,603,795		\$1,603,795
176 Investments in Joint Ventures												
180 Total Non-Current Assets	\$13,364,149	\$2,970,297	\$0	\$1,592,942	\$0	\$2,930	\$0	\$0	\$0	\$17,930,318	\$0	\$17,930,318
200 Deferred Outflow of Resources	\$658,919					\$3,444,442				\$4,103,361		\$4,103,361
290 Total Assets and Deferred Outflow of Resources	\$15,334,831	\$3,471,274	\$0	\$1,592,942	\$0	\$7,080,259	\$0	\$0	\$111,198	\$27,590,504	-\$84,877	\$27,505,627
311 Bank Overdraft												
312 Accounts Payable <= 90 Days	\$978	\$26,203								\$27,181		\$27,181

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self- Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	Subtotal	ELIM	Total
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable	\$58,477									\$58,477		\$58,477
322 Accrued Compensated Absences - Current Portion						\$127,879				\$127,879		\$127,879
324 Accrued Contingency Liability												
325 Accrued Interest Payable		\$1,794								\$1,794		\$1,794
331 Accounts Payable - HUD PHA Programs												
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government	\$128,513									\$128,513		\$128,513
341 Tenant Security Deposits	\$24,230	\$28,681								\$52,911		\$52,911
342 Unearned Revenue	\$3,974									\$3,974		\$3,974
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$9,906								\$9,906		\$9,906
344 Current Portion of Long-term Debt - Operating Borrowings												
345 Other Current Liabilities	\$4,670					\$78,087				\$82,757		\$82,757
346 Accrued Liabilities - Other	\$35,426					\$26,549				\$61,975		\$61,975
347 Inter Program - Due To						\$84,877				\$84,877	-\$84,877	\$0
348 Loan Liability - Current												
310 Total Current Liabilities	\$256,268	\$66,584	\$0	\$0	\$0	\$317,392	\$0	\$0	\$0	\$640,244	-\$84,877	\$555,367
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$1,513,167								\$1,513,167		\$1,513,167
352 Long-term Debt, Net of Current - Operating Borrowings												
353 Non-current Liabilities - Other		\$171,038				\$146,281				\$317,319		\$317,319
354 Accrued Compensated Absences - Non Current	\$128,790									\$128,790		\$128,790
355 Loan Liability - Non Current	\$5,312	\$0								\$5,312		\$5,312
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities	\$4,229,146					\$4,235,585				\$8,464,731		\$8,464,731
350 Total Non-Current Liabilities	\$4,363,248	\$1,684,205	\$0	\$0	\$0	\$4,381,866	\$0	\$0	\$0	\$10,429,319	\$0	\$10,429,319
300 Total Liabilities	\$4,619,516	\$1,750,789	\$0	\$0	\$0	\$4,699,258	\$0	\$0	\$0	\$11,069,563	-\$84,877	\$10,984,686
400 Deferred inflow of Resources	\$579,152					\$2,259,952				\$2,839,104		\$2,839,104
508.4 Net Investment in Capital Assets	\$1,067,455	\$1,447,224		\$1,592,942	\$0	\$2,930	\$0		\$0	\$4,110,551	\$0	\$4,110,551
511.4 Restricted Net Position	\$0	\$250,000	\$0	\$0	\$0	\$23,751	\$0	\$0	\$111,198	\$384,949	\$0	\$384,949
512.4 Unrestricted Net Position	\$9,068,708	\$23,261	\$0	\$0	\$0	\$94,368	\$0	\$0	\$0	\$9,186,337	\$0	\$9,186,337
513 Total Equity - Net Assets / Position	\$10,136,163	\$1,720,485	\$0	\$1,592,942	\$0	\$121,049	\$0	\$0	\$111,198	\$13,681,837	\$0	\$13,681,837
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$15,334,831	\$3,471,274	\$0	\$1,592,942	\$0	\$7,080,259	\$0	\$0	\$111,198	\$27,590,504	-\$84,877	\$27,505,627

East Orange Housing Authority (NJ050)
EAST ORANGE, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self- Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$258,780	\$145,539								\$404,319		\$404,319
70400 Tenant Revenue - Other	\$31,948									\$31,948		\$31,948
70500 Total Tenant Revenue	\$290,728	\$145,539	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$436,267		\$436,267
70600 HUD PHA Operating Grants	\$315,072		\$105,251			\$13,567,400			\$313,992	\$14,301,715		\$14,301,715
70610 Capital Grants	\$149,980									\$149,980		\$149,980
70710 Management Fee												
70720 Asset Management Fee												
70730 Book Keeping Fee												
70740 Front Line Service Fee												
70750 Other Fees												
70700 Total Fee Revenue												
70800 Other Government Grants		\$219,222			\$65,049					\$284,271		\$284,271
71100 Investment Income - Unrestricted	\$7,198	\$4,457				\$42,280				\$53,935		\$53,935
71200 Mortgage Interest Income	\$329,850									\$329,850		\$329,850
71300 Proceeds from Disposition of Assets Held for Sale												
71310 Cost of Sale of Assets												
71400 Fraud Recovery						\$116,082				\$116,082		\$116,082
71500 Other Revenue	\$584,472	\$251				\$222,203				\$806,926		\$806,926
71600 Gain or Loss on Sale of Capital Assets												
72000 Investment Income - Restricted												
70000 Total Revenue	\$1,677,300	\$369,469	\$105,251	\$0	\$65,049	\$13,947,985	\$0	\$0	\$313,992	\$16,479,026		\$16,479,026
91100 Administrative Salaries	\$315,275	\$27,000			\$29,328	\$807,372				\$1,178,975		\$1,178,975
91200 Auditing Fees	\$10,797	\$4,700				\$8,198				\$23,695		\$23,695
91300 Management Fee	\$2,230	\$20,308								\$22,538		\$22,538
91310 Book-keeping Fee												
91400 Advertising and Marketing		\$345								\$345		\$345
91500 Employee Benefit contributions - Administrative	\$133,912					\$486,435				\$620,347		\$620,347
91600 Office Expenses	\$28,174					\$74,507				\$102,681		\$102,681
91700 Legal Expense	\$8,133	\$688				\$6,206				\$15,027		\$15,027
91800 Travel	\$12,427					\$12,063				\$24,490		\$24,490
91810 Allocated Overhead						\$59,501				\$59,501		\$59,501
91900 Other	\$154,805	\$5,836				\$173,265			\$2,550	\$336,456		\$336,456
91000 Total Operating - Administrative	\$665,753	\$58,877	\$0	\$0	\$29,328	\$1,627,547	\$0	\$0	\$2,550	\$2,384,055		\$2,384,055
92000 Asset Management Fee												
92100 Tenant Services - Salaries			\$67,870							\$67,870		\$67,870
92200 Relocation Costs												
92300 Employee Benefit Contributions - Tenant Services			\$33,747		\$16,657					\$50,404		\$50,404
92400 Tenant Services - Other	\$6,258		\$3,634		\$19,064					\$28,956		\$28,956
92500 Total Tenant Services	\$6,258	\$0	\$105,251	\$0	\$35,721	\$0	\$0	\$0	\$0	\$147,230		\$147,230
93100 Water	\$21,998	\$1,926								\$23,924		\$23,924
93200 Electricity	\$47,414	\$1,259				\$9,633				\$58,306		\$58,306
93300 Gas	\$49,831					\$2,485				\$52,316		\$52,316
93400 Fuel												
93500 Labor												
93600 Sewer												
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense												
93000 Total Utilities	\$119,243	\$3,185	\$0	\$0	\$0	\$12,118	\$0	\$0	\$0	\$134,546		\$134,546

East Orange Housing Authority (NJ050)
EAST ORANGE, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self- Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$58,812									\$58,812		\$58,812
94200 Ordinary Maintenance and Operations - Materials and Other	\$38,886	\$15,748				\$3,346				\$57,980		\$57,980
94300 Ordinary Maintenance and Operations Contracts	\$95,392									\$95,392		\$95,392
94500 Employee Benefit Contributions - Ordinary Maintenance	\$17,103									\$17,103		\$17,103
94000 Total Maintenance	\$210,193	\$15,748	\$0	\$0	\$0	\$3,346	\$0	\$0	\$0	\$229,287		\$229,287
95100 Protective Services - Labor	\$93,903									\$93,903		\$93,903
95200 Protective Services - Other Contract Costs	\$16,940									\$16,940		\$16,940
95300 Protective Services - Other						\$1,497				\$1,497		\$1,497
95500 Employee Benefit Contributions - Protective Services	\$8,152									\$8,152		\$8,152
95000 Total Protective Services	\$118,995	\$0	\$0	\$0	\$0	\$1,497	\$0	\$0	\$0	\$120,492		\$120,492
96110 Property Insurance		\$4,570								\$4,570		\$4,570
96120 Liability Insurance		\$2,244								\$2,244		\$2,244
96130 Workmen's Compensation												
96140 All Other Insurance	\$61,594	\$1,734				\$27,659				\$90,987		\$90,987
96100 Total insurance Premiums	\$61,594	\$8,548	\$0	\$0	\$0	\$27,659	\$0	\$0	\$0	\$97,801		\$97,801
96200 Other General Expenses		\$29,280				\$66,802				\$96,082		\$96,082
96210 Compensated Absences	\$10,535									\$10,535		\$10,535
96300 Payments in Lieu of Taxes	\$14,635									\$14,635		\$14,635
96400 Bad debt - Tenant Rents	\$4,646	\$808								\$5,454		\$5,454
96500 Bad debt - Mortgages												
96600 Bad debt - Other												
96800 Severance Expense												
96000 Total Other General Expenses	\$29,816	\$30,088	\$0	\$0	\$0	\$66,802	\$0	\$0	\$0	\$126,706		\$126,706
96710 Interest of Mortgage (or Bonds) Payable		\$56,050								\$56,050		\$56,050
96720 Interest on Notes Payable (Short and Long Term)												
96730 Amortization of Bond Issue Costs												
96700 Total Interest Expense and Amortization Cost	\$0	\$56,050	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$56,050		\$56,050
96900 Total Operating Expenses	\$1,211,852	\$172,496	\$105,251	\$0	\$65,049	\$1,738,969	\$0	\$0	\$2,550	\$3,296,167		\$3,296,167
97000 Excess of Operating Revenue over Operating Expenses	\$465,448	\$196,973	\$0	\$0	\$0	\$12,208,996	\$0	\$0	\$311,442	\$13,182,859		\$13,182,859
97100 Extraordinary Maintenance												
97200 Casualty Losses - Non-capitalized												
97300 Housing Assistance Payments						\$12,575,735			\$288,795	\$12,864,530		\$12,864,530
97350 HAP Portability-In						\$212,276				\$212,276		\$212,276
97400 Depreciation Expense	\$56,305	\$93,656				\$6,584				\$156,545		\$156,545
97500 Fraud Losses												
97600 Capital Outlays - Governmental Funds												
97700 Debt Principal Payment - Governmental Funds												
97800 Dwelling Units Rent Expense												
90000 Total Expenses	\$1,268,157	\$266,152	\$105,251	\$0	\$65,049	\$14,533,564	\$0	\$0	\$291,345	\$16,529,518		\$16,529,518
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												

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2023

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self- Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	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				\$66,750						\$66,750		\$66,750
10094 Transfers between Project and Program - Out												
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$66,750	\$0	\$0	\$0	\$0	\$0	\$66,750		\$66,750
10000 Excess (Deficiency) of Total Revenue Over (Under)												
Total Expenses	\$409,143	\$103,317	\$0	\$66,750	\$0	-\$585,599	\$0	\$0	\$22,647	\$16,258		\$16,258
11020 Required Annual Debt Principal Payments	\$0	\$2,860	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,860		\$2,860
11030 Beginning Equity	\$9,727,020	\$1,617,168	\$0	\$1,526,192	\$0	\$706,648	\$0	\$0	\$88,551	\$13,665,579		\$13,665,579
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0								\$0		\$0
11050 Changes in Compensated Absence Balance												
11060 Changes in Contingent Liability Balance												
11070 Changes in Unrecognized Pension Transition Liability												
11080 Changes in Special Term/Severance Benefits Liability												
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents												
11100 Changes in Allowance for Doubtful Accounts - Other												
11170 Administrative Fee Equity						\$535,853				\$535,853		\$535,853
11180 Housing Assistance Payments Equity						-\$414,804				-\$414,804		-\$414,804
11190 Unit Months Available	768	84				19380		0		20232		20232
11210 Number of Unit Months Leased	768	84				16668		0		17520		17520
11270 Excess Cash	\$748,906									\$748,906		\$748,906
11610 Land Purchases	\$0									\$0		\$0
11620 Building Purchases	\$149,980									\$149,980		\$149,980
11630 Furniture & Equipment - Dwelling Purchases	\$149,980									\$149,980		\$149,980
11640 Furniture & Equipment - Administrative Purchases	\$0									\$0		\$0
11650 Leasehold Improvements Purchases	\$0									\$0		\$0
11660 Infrastructure Purchases	\$0									\$0		\$0
13510 CFFP Debt Service Payments	\$0									\$0		\$0
13901 Replacement Housing Factor Funds	\$0									\$0		\$0

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of East Orange
160 Halsted Street
East Orange, New Jersey 07018

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities and the aggregate discretely present component unit of Housing Authority of the City of East Orange, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of East Orange's basic financial statements, and have issued our report thereon dated May 31, 2024.

Report on Internal Control over Financial Reporting

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

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

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

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

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


Report on Compliance and Other Matters

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

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

Purpose of This Report

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


Lincroft, New Jersey
Date: May 31, 2024

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

Board of Commissioners
Housing Authority of the City of East Orange
160 Halsted Street
East Orange, New Jersey 07018

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

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance


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

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

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

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

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


Lincroft, New Jersey
Date: May 31, 2024

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Schedule of Findings and Questioned Cost
Year Ended December 31, 2023

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

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

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

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

Type of audit report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Vouchers Program	\$ 13,982,204
14.EHV	Emergency Housing Vouchers	\$ 313,992

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

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

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of East Orange
160 Halsted Street
East Orange, New Jersey 07018


We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the City of East Orange (the PHA) and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. The PHA is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

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

We were engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by The PHA as of and for the year ended December 31, 2023, and have issued our report thereon dated May 31, 2024. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated May 31, 2024, was expressed in relation to the basic financial statements of the PHA taken as a whole.

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

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


 Lincroft, New Jersey
 May 31, 2024

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