

**Report On Audit**

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

**For the Year Ended  
December 31, 2024**

# **Housing Authority of the City of East Orange**

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**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2024**

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's 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 17 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 \$13,222,883, representing a decrease in financial position of \$2,854,473 or 28% percent as compared to the prior year.

As noted above, the net position of the Authority primary government was \$13,222,883 as of December 31, 2024. Of this amount, the unrestricted net position is \$8,887,005 representing an increase of \$1,313,941 or 17% percent from the previous year.

Additional information on the Authority's unrestricted net positions can be found in Note 23 of 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 increased \$1,487,268 or 38% percent for an ending balance of \$4,147,665. 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, 2024, is \$3,936,961 representing a decrease of \$503,341 or 11% percent from the prior year. The Authority's primary government total unrestricted cash decreased \$773,536 or 19% percent for an ending balance of \$3,361,306. The Authority primary government's total restricted cash increased \$270,195 or 88% percent for an ending balance of \$575,655. The full details 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 \$22,410,989 of which capital assets net book value is \$4,147,665, deferred outflows in the amount of \$3,328,177, mortgage receivable – long term of \$11,472,081, other assets of \$386,582, leaving total current assets at \$5,076,484.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2024**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Total primary government current assets increased from the previous year by \$105,513 or 2% percent. Unrestricted cash and cash equivalents decreased by \$773,536, restricted deposits and funded reserves increased by \$270,195, accounts receivables, net of allowances, increased by \$641,430, and prepaid expenses decreased \$32,576.

The Authority's primary government capital assets reported an increase in the net book value of the capital assets in the amount of \$1,484,338 or 56% percent. The major factor that contributed to the decrease was the fixed asset additions of \$1,601,609, less the disposal of fixed assets in the amount of \$232,132. In addition, the Authority's primary government recorded depreciation in the amount of \$117,271. 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 \$779,182 for an ending balance of \$11,472,081. 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 an increase in other assets, the amount of \$375,729 for an ending balance of \$386,582. Additional details can be found in the Notes to the Financial Statements Section Note 10 – Other Assets.

The Authority's primary government reported a change in the deferred outflow for the pension liability for an ending balance of \$3,328,177. The Authority primary government also reports a change in the deferred inflow for an ending balance of \$4,152,956. 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 \$7,035,150 of which current liabilities are stated at \$502,683, and noncurrent liabilities are stated at \$6,532,467. Total liabilities decreased during the year as compared to the prior year in the amount of \$2,198,747 or 24% percent. Total current liabilities increased during the year by \$13,900 or 3% percent, leaving noncurrent liabilities for a decrease of \$2,212,647 or 25% percent as compared to the previous fiscal year.

As previously stated, the Authority primary government's total current liabilities increased from the previous year by \$13,900 or 3% percent. Accounts payable decreased by \$64,840, accrued liabilities increased by \$86,547, tenant security deposits payable increased by \$760, unearned revenue decreased \$3,974, and the current portion of the lease payable decreased by \$4,593.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2024**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority's primary government total noncurrent liabilities decreased by \$2,212,647 or 25% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$-0-, with no offsetting assets, decreased \$128,790 from the previous year. Noncurrent other liabilities with an ending balance of \$208,226 increased \$61,945. The Authority's primary government reported a decrease in the non-current portion of the lease payable in the amount of \$3,469 for an ending balance of \$1,843.

The Authority primary government's accrued pension and OPEB liability decreased \$2,142,333 for an ending balance of \$6,322,398. Additional information on the Authority's accrued pension as well as the increase in accrued OPEB liability on December 31, 2024, can be found in Notes 19-20 to the financial statements, which are included in this report.

The Authority primary government had total operating revenue of \$16,945,426 as compared to \$15,580,249 from the prior year for an increase of \$1,365,177 or 9% percent. The Authority primary government had total operating expenses of \$17,670,895 as compared to \$17,856,308 from the previous year for a decrease of \$185,413 or 1% percent, resulting in a deficiency of revenue from operations in the amount of \$725,469 for the current year as compared to a deficiency of revenue from operations in the amount of \$2,276,059 for a decrease in excess revenue over expenses in the amount of \$1,550,590 or over 68% percent from the previous year.

The Authority's total capital improvements contributions from HUD were in the amount of \$352,314 as compared to \$149,980 from the previous year for an increase of \$202,334. The Authority primary government had capital outlays in the amount of \$1,601,609 for the calendar year ended December 31, 2024. 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 \$15,904,405 for the calendar year 2024 as compared to \$14,866,499 the previous year for an increase of \$1,037,096 or 7% 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, 2024**

**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, 2024**

**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 77-78 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, 2024. Type B programs for the Housing Authority of the City of East Orange are those which are less than \$750,000 in expenditure for the fiscal year ended December 31, 2024.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2024**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Position Authority primary government between December 31, 2024, and December 31, 2023.

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

	<u>Year Ended</u>		Increase (Decrease)
	December-24	December-23	
Cash	\$ 3,936,961	\$ 4,440,302	\$ (503,341)
Other Current Assets	1,139,523	530,669	608,854
Capital Assets - Net	4,147,665	2,663,327	1,484,338
Mortgage Receivable - Long Term	11,472,081	10,692,899	779,182
Other Assets	386,582	10,853	375,729
Deferred Outflows	3,328,177	4,103,361	(775,184)
<b>Total Assets</b>	<b>24,410,989</b>	<b>22,441,411</b>	<b>1,969,578</b>
Less: Current Liabilities	(502,683)	(488,783)	(13,900)
Less: Non Current Liabilities	(6,532,467)	(8,745,114)	2,212,647
Less: Deferred Inflows	(4,152,956)	(2,839,104)	(1,313,852)
<b>Net Position</b>	<b>\$ 13,222,883</b>	<b>\$ 10,368,410</b>	<b>\$ 2,854,473</b>
Net Investment in Capital Assets	\$ 4,147,665	\$ 2,663,327	\$ 1,484,338
Restricted Net Position	188,213	134,949	53,264
Unrestricted Net Position	8,887,005	7,570,134	1,316,871
<b>Net Position</b>	<b>\$ 13,222,883</b>	<b>\$ 10,368,410</b>	<b>\$ 2,854,473</b>

Total cash decreased by \$503,341 or 11% percent. Net cash used by operating activities was \$1,265,404, net cash provided by capital and related financing activities was \$135,386, and net cash provided by investing activities was \$131,453. The full details 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 \$608,854 or over 100% percent. Accounts receivable, net of allowances, increased by \$641,430 or over 100% percent, and prepaid expenses decreased by \$32,576 or 16% percent.

The Authority's primary government capital assets reported an increase in the net book value of the capital assets in the amount of \$1,484,338 or 56% percent. The major factor that contributed to the decrease was the fixed asset additions of \$1,601,609, less the disposal of fixed assets in the amount of \$232,132. In addition, the Authority's primary government recorded depreciation in the amount of \$117,271. 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, 2024**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Mortgage receivable – Noncurrent increased by \$779,182 for an ending balance of \$11,472,081. 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 an increase in other assets, the amount of \$375,729 for an ending balance of \$386,582. Additional details can be found in the Notes to the Financial Statements Section Note 10 – Other Assets.

The Authority's primary government reported a change in the deferred outflow for the pension liability for an ending balance of \$3,328,177. The Authority primary government also reports a change in the deferred inflow for an ending balance of \$4,152,956. 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 increased from the previous year by \$13,900 or 3% percent. Accounts payable decreased by \$64,840, accrued liabilities increased by \$86,547, tenant security deposits payable increased by \$760, unearned revenue decreased \$3,974, and the current portion of the lease payable decreased by \$4,593.

The Authority's primary government total noncurrent liabilities decreased by \$2,212,647 or 25% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$-0-, with no offsetting assets, decreased \$128,790 from the previous year. Noncurrent other liabilities with an ending balance of \$208,226 increased \$61,945. The Authority's primary government reported a decrease in the non-current portion of the lease payable in the amount of \$3,469 for an ending balance of \$1,843.

The Authority primary government's accrued pension and OPEB liability decreased \$2,142,333 for an ending balance of \$6,322,398. Additional information on the Authority's accrued pension as well as the increase in accrued OPEB liability on December 31, 2024, can be found in Notes 19-20 to the financial statements, which are included in this report.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2024**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The Authority primary government's reported net position of \$13,222,883 is made up of three categories. The net investment in capital assets in the amount of \$4,147,665 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:

	<b>Primary Government</b>
Balance December 31, 2023	\$ 2,663,327
Fixed Asset Acquisitions	1,601,609
Depreciation Expense	<u>(117,271)</u>
Balance December 31, 2024	<u>\$ 4,147,665</u>

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 Housing Authority of the City of East Orange primary government operating results for December 31, 2024, reported an increase in unrestricted net position of \$1,313,941 or 17% percent for an ending balance of \$8,887,005. 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, 2024**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following summarizes the changes in Net Position Authority primary government between December 31, 2024, and December 31, 2023:

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

	<u>Year Ended</u>		Increase (Decrease)
	December-24	December-23	
<u>Revenues</u>			
Tenant Revenues	\$ 303,980	\$ 290,728	\$ 13,252
HUD Subsidies	15,552,091	14,301,715	1,250,376
Other Government Grants	44,678	65,049	(20,371)
Other Revenues	1,044,677	922,757	121,920
<b>Total Operating Income</b>	<b>16,945,426</b>	<b>15,580,249</b>	<b>1,365,177</b>
<u>Expenses</u>			
Operating Expenses	17,553,624	17,793,419	(239,795)
Depreciation Expense	117,271	62,889	54,382
<b>Total Operating Expenses</b>	<b>17,670,895</b>	<b>17,856,308</b>	<b>(185,413)</b>
Operating Income before Non Operating Income	(725,469)	(2,276,059)	1,550,590
Interest Income	131,453	49,478	81,975
Mortgage Interest Income	336,150	329,850	6,300
Inter-Program Transfers	-	66,750	(66,750)
HUD Capital Grants	352,314	149,980	202,334
<b>Change in Net Position</b>	<b>94,448</b>	<b>(1,680,001)</b>	<b>1,774,449</b>
<b>Net Position Prior Year</b>	<b>13,128,435</b>	<b>12,048,411</b>	<b>1,080,024</b>
<b>Total Net Position</b>	<b>\$ 13,222,883</b>	<b>\$ 10,368,410</b>	<b>\$ 2,854,473</b>

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 \$352,314 as compared to \$149,980 for the previous year.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2024**

**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 76% percent of total operating expenses. Administrative expenses accounted for 20% 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 less than 1% 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 \$725,469 for the current year as compared to an excess of expenses from operations in the amount of \$2,276,059 for a decrease in excess revenue over expenses in the amount of \$1,550,590 or over 100% from the previous year.

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

- Tenant Rental Revenue increased by \$13,252 or 5% percent.
- HUD PHA operating grants increased in the amount of \$1,250,376 or 9% percent.
- Other government grants decrease in the amount of \$20,371 or 31% percent.
- Other Revenue increased in the amount of \$121,920 or 13% percent.
- The Authority Primary Government experienced increases in the following expenses as listed below:
  - Administrative expenses increased \$1,168,138 or 50% percent.
  - Tenant services expenses increased \$8,473 or 6% percent.
  - Utility expenses increased \$16,589 or 13% percent.
  - Maintenance expenses increased \$49 or less than 1%.
  - Protective services expenses increased \$25,596 or 21% percent.
  - Housing Assistance Payments increased \$296,624 or 2% percent.
  - Depreciation expense increased \$54,382 or 86% percent.
- The Authority primary government experienced decreases in the following account:
  - Other operating expenses decreased \$1,755,264 or over 99% percent.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

Total net cash used by operating activities during the year was \$1,265,404 as compared to cash provided in the amount of \$1,993,844 in the prior fiscal year 2023. 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, 2024.

	December-24	December-23	December-22	December-21
<b>Significant Income</b>				
Total Tenant Revenue	\$ 303,980	\$ 290,728	\$ 267,461	\$ 245,145
HUD Operating Grants	15,552,091	14,301,715	15,036,763	15,579,168
HUD Capital Grants	352,314	149,980	341,993	-
Investment Income	467,603	49,478	19,792	4,370
Other Government Grants	44,678	65,049	50,608	36,000
Other Income	1,044,677	922,757	585,361	1,935,992
<b>Total</b>	<b>\$ 17,765,343</b>	<b>\$ 15,779,707</b>	<b>\$ 16,301,978</b>	<b>\$ 17,800,675</b>

**Payroll Expense**

Administrative Salaries	\$ 1,440,143	\$ 1,151,975	\$ 1,088,397	\$ 1,120,465
Tenant Services Salaries	86,852	67,870	106,689	93,779
Maintenance Labor	63,497	58,812	54,102	70,158
Protective Services Labor	120,120	93,903	87,853	103,540
Employee Benefits Expense	764,272	696,006	571,617	724,754
<b>Total Payroll Expense</b>	<b>\$ 2,474,884</b>	<b>\$ 2,068,566</b>	<b>\$ 1,908,658</b>	<b>\$ 2,112,696</b>

**Other Significant Expenses**

Other Administrative Expenses	\$ 522,456	\$ 330,520	\$ 498,346	\$ 562,566
Utilities Expense	147,950	131,361	115,861	98,757
Maintenance Materials Cost	55,503	42,232	38,956	128,014
Maintenance Contract Cost	79,022	95,392	84,343	49,716
Insurance Premiums	127,323	89,253	75,341	65,934
Housing Assistance Payments	13,373,430	12,864,530	12,774,630	13,809,643
<b>Total</b>	<b>\$ 14,305,684</b>	<b>\$ 13,553,288</b>	<b>\$ 13,587,477</b>	<b>\$ 14,714,630</b>

**Total Operating Expenses**

\$ 17,670,895	\$ 17,973,936	\$ 15,987,437	\$ 17,077,543
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**Total of Federal Awards**

\$ 15,904,405	\$ 14,451,695	\$ 15,378,756	\$ 15,579,168
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**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON DECEMBER 31, 2024**

**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 can 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, 2024**

**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, 2024**

**BUDGETARY HIGHLIGHTS**

For the year ended December 31, 2024, 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 2024 and carrying over to 2025, the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 90% percent of its revenue from the Department of Housing and Urban Development, (2023 was 92% 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).

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, 2024**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**1 – Capital Assets**

The Authority's primary government capital assets reported an increase in the net book value of the capital assets in the amount of \$1,484,338 or 56% percent. The major factor that contributed to the decrease was the fixed asset additions of \$1,601,609, less the disposal of fixed assets in the amount of \$232,132. In addition, the Authority's primary government recorded depreciation in the amount of \$117,271. 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.

	December-23	December-23	Variance
Land	\$ 1,656,932	\$ 1,649,750	\$ 7,182
Building	3,335,504	1,998,109	1,337,395
Furniture, Equipment - Dwelling	355,754	355,754	-
Furniture, Equipment - Administration	282,525	282,525	-
Leasehold Improvements	24,900	-	24,900
Construction in Process	1,177,887	1,177,887	-
<b>Total Fixed Assets</b>	<b>6,833,502</b>	<b>5,464,025</b>	<b>1,369,477</b>
Accumulated Depreciation	(2,685,837)	(2,800,698)	114,861
<b>Net Book Value</b>	<b>\$ 4,147,665</b>	<b>\$ 2,663,327</b>	<b>\$ 1,484,338</b>

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 year 2025 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, 2024**

**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, 2025.

- State of New Jersey economy includes 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 on employee benefits over the next several years.
- Inflationary pressure on utility rates, supplies and other costs.
- 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.

## 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, 2024, 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, 2024, 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 1 through 16 and pages 71-76 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 77-84 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 September 12, 2025, 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.



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Lincroft, New Jersey  
Date: September 12, 2025

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**STATEMENT OF NET POSITION - 1**  
**AS OF DECEMBER 31, 2024**

	December 31, 2024		
	Primary Government	Component Unit	Total (Memorandum)
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents- Unrestricted	\$ 3,361,306	\$ 60,891	\$ 3,422,197
Cash and Cash Equivalents- Restricted	575,655	211,900	787,555
Cash and Cash Equivalents	<u>3,936,961</u>	<u>272,791</u>	<u>4,209,752</u>
Accounts Receivables, Net of Allowances	966,497	221,461	1,187,958
Prepaid Expenses	173,026	-	173,026
Total Current Assets	<u>5,076,484</u>	<u>494,252</u>	<u>5,570,736</u>
<b>Noncurrent Assets</b>			
Capital Assets			
Land	1,656,932	154,170	1,811,102
Building	3,335,504	2,733,376	6,068,880
Furniture, Equipment - Dwelling	355,754	257,501	613,255
Furniture, Equipment - Administration	282,525	-	282,525
Leasehold Improvements	24,900		24,900
Construction in Process	1,177,887	82,976	1,260,863
Total Capital Assets	<u>6,833,502</u>	<u>3,228,023</u>	<u>10,061,525</u>
Less: Accumulated Depreciation	(2,685,837)	(327,349)	(3,013,186)
Net Book Value	<u>4,147,665</u>	<u>2,900,674</u>	<u>7,048,339</u>
Mortgage Receivable - Long Term	11,472,081	-	11,472,081
Other Assets	386,582	25,477	412,059
Total Other Assets	<u>11,858,663</u>	<u>25,477</u>	<u>11,884,140</u>
Total Assets	21,082,812	3,420,403	24,503,215
<b>Deferred Outflow of Resources</b>			
State of New Jersey P.E.R.S. and OPEB	3,328,177	-	3,328,177
Total Assets and Deferred Outflow of Resources	<u>\$ 24,410,989</u>	<u>\$ 3,420,403</u>	<u>\$ 27,831,392</u>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2024**

	December 31, 2024		
	Primary Government	Component Unit	Total (Memorandum)
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 142,815	\$ 10,101	\$ 152,916
Accrued Liabilities	334,878	-	334,878
Tenant Security Deposits	24,990	30,240	55,230
Loan Liability - Current Portion	-	31,850	31,850
Total Current Liabilities	<u>502,683</u>	<u>72,191</u>	<u>574,874</u>
<b>Noncurrent Liabilities</b>			
Non Current Liabilities - Other	208,226	171,038	379,264
Loan Liability - Non Current	-	1,279,112	1,279,112
Lease Payable - Non current	1,843	-	1,843
Accrued Pension and OPEB Liabilities	<u>6,322,398</u>	<u>-</u>	<u>6,322,398</u>
Total Noncurrent Liabilities	<u>6,532,467</u>	<u>1,450,150</u>	<u>7,982,617</u>
Total Liabilities	<u>7,035,150</u>	<u>1,522,341</u>	<u>8,557,491</u>
<b>Deferred Inflow of Resources</b>			
State of New Jersey P.E.R.S. and OPEB	<u>4,152,956</u>	<u>-</u>	<u>4,152,956</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	4,147,665	1,615,189	5,762,854
Restricted	188,213	250,000	438,213
Unrestricted	<u>8,887,005</u>	<u>32,873</u>	<u>8,919,878</u>
Total Net Position	<u>13,222,883</u>	<u>1,898,062</u>	<u>15,120,945</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 24,410,989</u>	<u>\$ 3,420,403</u>	<u>\$ 27,831,392</u>

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, 2024**

	December 31, 2024		
	Primary Government	Component Unit	Total (Memorandum)
<b>Revenue:</b>			
Tenant Rental Revenue	\$ 303,980	\$ 229,710	\$ 533,690
HUD PHA Operating Grants	15,552,091	-	15,552,091
Other Governement Grants	44,678	-	44,678
Other Revenue	1,044,677	3,011	1,047,688
Total Revenue	<u>16,945,426</u>	<u>232,721</u>	<u>17,178,147</u>
<b>Operating Expenses:</b>			
Administrative Expense	3,493,316	56,681	3,549,997
Tenant Services	155,703	-	155,703
Utilities Expense	147,950	2,523	150,473
Maintenance Expense	213,588	12,765	226,353
Protective Services Expense	146,088	-	146,088
Other Operating Expenses	23,549	87,600	111,149
Housing Assistance Payments	13,373,430	-	13,373,430
Depreciations Expense	117,271	149,949	267,220
Total Operating Expenses	<u>17,670,895</u>	<u>309,518</u>	<u>17,980,413</u>
Excess Income (Expenses) From Operations	<u>(725,469)</u>	<u>(76,797)</u>	<u>(802,266)</u>
<b>Non Operating Income:</b>			
Investment Income	131,453	4,374	135,827
Mortgage Interest Income	336,150	-	336,150
Transfer From Component Unit	-	250,000	250,000
Total Non Operating Income	<u>467,603</u>	<u>-</u>	<u>254,374</u>
Excess Income Before Capital Grant Contributions	<u>(257,866)</u>	<u>177,577</u>	<u>(80,289)</u>
Capital Grant Contributions	<u>352,314</u>	<u>-</u>	<u>352,314</u>
<b>Change in Net Position</b>	<u>94,448</u>	<u>177,577</u>	<u>272,025</u>
Beginning Net Position	11,961,352	1,720,485	13,681,837
Prior Period Adjustment	1,167,083	-	1,167,083
Net Position Restated	<u>13,128,435</u>	<u>1,720,485</u>	<u>14,848,920</u>
Ending Net Position	<u>\$ 13,222,883</u>	<u>\$ 1,898,062</u>	<u>\$ 15,120,945</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, 2024**

	December 31, 2024		
	Primary Government	Component Unit	Total (Memorandum)
<b>Cash Flow From Operating Activities</b>			
Receipts from Tenants	\$ 303,980	\$ 227,475	\$ 531,455
Receipts from Federal Grants	14,940,575	-	14,940,575
Receipts from Other Grants	44,678	3,011	47,689
Receipts from Misc. Sources	1,044,677	-	1,044,677
Payments to Vendors and Suppliers	(1,603,050)	-	(1,603,050)
Payments for Housing Assistance Payments	(13,373,430)	-	(13,373,430)
Payments to Employees	(1,710,612)	-	(1,710,612)
Payment of Employee Benefits	(764,272)	-	(764,272)
Payment of Utilities Expenses	(147,950)	-	(147,950)
Payment of Program Cost	-	(158,655)	(158,655)
Net Cash (Used) Provided by Operating Activities	<u>(1,265,404)</u>	<u>71,831</u>	<u>(1,193,573)</u>
<b>Cash Flow From Capital and Related Financing Activities</b>			
Receipts from Capital Grants	352,314	-	352,314
Acquisitions and Construction of Capital Assets	(1,601,609)	(82,977)	(1,684,586)
Payments on Loan Payable	-	(212,112)	(212,112)
Loan Issuance Cost	-	(22,827)	(22,827)
Receipts of Notes Receivable	195,000	-	195,000
Change in Accrued Pension and OPEB Liabilities	(2,142,333)	-	(2,142,333)
Net Effect of Deferred Inflows and Outflows	2,164,931	-	2,164,931
Prior Period Adjustment	1,167,083	-	1,167,083
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>135,386</u>	<u>(317,916)</u>	<u>(1,349,613)</u>
<b>Cash Flow From Investing Activities</b>			
Interest Income	131,453	4,374	135,827
Transfer to Donor Restriction	-	250,000	250,000
Net Cash Provided by Investing Activities	<u>131,453</u>	<u>254,374</u>	<u>385,827</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(998,565)	8,289	(990,276)
<b>Beginning Cash</b>	<u>4,935,526</u>	<u>264,502</u>	<u>5,200,028</u>
<b>Ending Cash</b>	<u><b>\$ 3,936,961</b></u>	<u><b>\$ 272,791</b></u>	<u><b>\$ 4,209,752</b></u>
<b>Reconciliation of Cash Balances:</b>			
Cash and Cash Equivalents - Unrestricted	\$ 3,361,306	\$ 60,891	\$ 3,422,197
Cash and Cash Equivalents - Restricted	575,655	211,900	787,555
Total Ending Cash	<u>\$ 3,936,961</u>	<u>\$ 272,791</u>	<u>\$ 4,209,752</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, 2024**

	December 31, 2024		
	Primary Government	Component Unit	Total (Memorandum)
(Used) Provided by Operating Activities			
Excess Expenses From Operations	\$ (725,469)	\$ (76,797)	\$ (802,266)
Adjustments to reconcile excess revenue over expenses to net cash (used) provided by operating activities:			
Depreciation Expense	117,271	149,949	267,220
(Increase) Decrease in:			
Accounts Receivables	(641,430)	176,273	(465,157)
Prepaid Expenses	32,576	10,384	42,960
Increase (Decrease) in:			
Accounts Payable	(64,840)	(189,638)	(254,478)
Accrued Liabilities	86,547	100	86,647
Unearned Revenues	(3,974)	-	(3,974)
Compensated Absences - Non current	(128,790)	-	(128,790)
Non-Current Liabilities	61,945	-	61,945
Security Deposit Accounts	760	1,559	2,319
Net Cash (Used) Provided by Operating Activities	<u><u>\$ (1,265,404)</u></u>	<u><u>\$ 71,830</u></u>	<u><u>\$ (1,193,574)</u></u>
Interest expense paid during the year	<u><u>\$ -</u></u>	<u><u>\$ 73,617</u></u>	<u><u>\$ 73,617</u></u>
Lease Payments paid during the year	<u><u>\$ 12,401</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,401</u></u>

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2024

### **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 and 2300 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, 2024

### **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 2023, 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, 2024

### **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 affairs 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 residents' 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, 2024

#### **Basis of Accounting - Continued**

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

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

#### **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, 2024

#### **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. 2100 and 2300, and AU-C 230 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, 2024

#### **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, 2024

### **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, 2024

#### **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**

In accordance with the Financial Accounting Standards Codification No. 360, *"Accounting for the Impairment or Disposal of Long-Lived Assets,"* the Authority reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying value amount of the real property to the future net un-discounted cash flow expected to be generated by the rental property including and any estimated proceeds from the eventual disposition of the real property. If the real property is considered 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. As of December 31, 2024, the Authority believes that there has been no impairment of its long-lived assets.

##### **18- Recent Accounting Pronouncements**

The Authority has implemented all new accounting pronouncements that are in effect and that may impact on 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, 2024

### **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
<b>Public Housing</b>			
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		
<b>Section 8 Housing</b>			
Section 8 Housing Choice Vouchers	14.871	NJ50	1615
Emergency Housing Vouchers	14.EHV		27
<b>Business Activities</b>			
			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, 2024

#### **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 (QHWR). 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, 2024

#### **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 decision to include a potential unit in the Authority's reporting entity is based on several criteria set forth in GASB Statement No. 2100 and 2300, and AU-C 230 including legal standing, fiscal dependency, and financial accountability. The Authority has identified the East Orange Housing and Community Development Corporation as a component unit. In accordance with GASB Statement No. 2100 and 2300, and AU-C 230, due to the Authority manages the financial affairs 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, 2024

#### **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, 2024

**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. 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, 2024

#### **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 2024 amounted to \$204,167 and \$251,314 for 2023.

#### 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, 2024

### **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 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 pledges 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, 2024, 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, 2024

### **NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED**

#### Credit Risk

This is risk that a security or a portfolio will lose some or all 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:

Depository Accounts	Primary Government	Component Unit
Insured	\$ 250,000	\$ 250,000
Collateralized held by pledging bank's trust department in the Authority's name	3,686,661	-
Uninsured -Component Unit	-	22,491
<b>Total Cash, Cash Equivalents</b>	<b>\$ 3,936,661</b>	<b>\$ 272,491</b>

#### 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, 2024, in the amount of \$26,237. 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 \$188,213 for 2024 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 \$208,226 on December 31, 2024.

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements December 31, 2024

#### **NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED**

The restricted cash in the amount of \$-0- for 2024 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.

The Authority has restricted cash on December 31, 2024, in the amount of \$124,906. This amount is held as restricted payments for the Housing Choice Voucher Program

#### **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 \$30,240. This is held as security deposits for the tenants.

#### **Investments**

The Component Unit investments on December 31, 2024, included the following:

Investments	Maturities	31-Dec-24		31-Dec-23	
		Fair Value		Fair Value	
Fixed Income Account	Various	\$ 181,660		\$ 169,826	
Money Market Account	Upon Demand	8,650		8,640	
Total		\$ 190,310		\$ 178,466	

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2024

### **NOTE 5 - ACCOUNTS RECEIVABLE**

Tenant rent is 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. Tenant receivables are reported at the amount management expects to collect from outstanding balances and are recorded net of allowance for doubtful accounts. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debt; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Any bad debt recovered is shown as income in the year it is received. The Authority recorded an allowance of \$22,713 as of December 31, 2024. In the year ended December 31, 2024, management has determined a direct write-off to bad debt expense (recovery) was 9,562.

Accounts Receivable on December 31, 2024, and 2023 consisted of the following:

	Primary Government	Component Unit
Tenants Accounts Receivable - Present	\$ 26,847	\$ 2,235
Less: Allowance for Doubtful Accounts	(22,713)	-
Net Tenants Accounts Receivable	<u>4,134</u>	<u>2,235</u>
Accounts Receivable - HUD	611,516	
Accounts Receivable - Other Government	67,205	
Accounts Receivable - Misc Fees and Deposits	<u>286,905</u>	<u>219,226</u>
Net Accounts Receivable - Other Receivables	<u>965,626</u>	<u>219,226</u>
Net Accounts Receivables - December 31, 2024	<u>\$ 969,760</u>	<u>\$ 221,461</u>

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2024

### **NOTE 5 - ACCOUNTS RECEIVABLE -CONTINUED**

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><u>\$ 325,067</u></u>	<u><u>\$ 225,887</u></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 is accounted for by the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses on December 31, 2024, and 2023 consisted of the following:

	December-24 Primary Government	December-23 Primary Government	December-23 Component Unit
Prepaid Insurance	\$ 31,685	\$ 64,204	\$ 10,384
Insurance Deposits	135,458	135,516	-
Maintenance Room Inventory	5,883	5,882	-
Predevelopment Cost	-	-	-
Total Prepaid Expenses	<u>\$ 173,026</u>	<u>\$ 205,602</u>	<u>\$ 10,384</u>

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

### Notes to Financial Statements December 31, 2024

#### **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 receivable and payable as appropriate. The amounts between the various programs administered by the Authority on December 31, 2024, are detailed in 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 on 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, 2024, was \$117,271 and for 2023 was \$62,889. 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 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 2024.

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements  
December 31, 2024

### 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, 2024:

Housing Authority	December-23	Additions	Transfer	Disposal	December-24
Land	\$ 1,649,750	\$ 7,182	\$ -	\$ (232,132)	\$ 1,656,932
Building	1,998,109	1,569,527	-	-	3,335,504
Furniture, Equipment - Dwelling	355,754	-	-	-	355,754
Furniture, Equipment - Administration	282,525	-	-	-	282,525
Leasehold Improvements	-	24,900	-	-	24,900
Construction in Process	1,177,887	-	-	-	1,177,887
Total Fixed Assets	5,464,025	1,601,609	-	(232,132)	6,833,502
Accumulated Depreciation	(2,800,698)	(117,271)	-	232,132	(2,685,837)
Net Book Value	<u>\$ 2,663,327</u>	<u>\$ 1,484,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,147,665</u>

Below is a schedule of the netbook value of the fixed assets for the Authority as of December 31, 2024:

	December-24
Land	\$ 1,656,932
Building	1,291,503
Furniture, Equipment - Dwelling	-
Furniture, Equipment - Administration	-
Leasehold Improvements	21,343
Construction in Process	1,177,887
Net Book Value	<u>\$ 4,147,665</u>

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2024

### **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, 2024, was \$149,304 and for 2023 was \$96,656.

Below is a schedule of changes in fixed assets for the component unit for the twelve months ending December 31, 2024:

	December-23	Additions	Disposals	Transfer	December-24
Land	\$ 124,541	\$ -	\$ -	\$ 29,629	\$ 154,170
Land Improvements	29,629	-	-	(29,629)	-
Building and Contents	2,993,527	-	-	(260,151)	2,733,376
Furniture, Equipment, Dwelling	-	-	(2,650)	260,151	257,501
Construction in Process	-	82,976	-	-	82,976
Total Capital Assets	3,147,697	82,976	(2,650)	-	3,228,023
Less Accumulated Depreciation	(177,400)	(149,304)	(645)	-	(327,349)
Net Book Value	\$ 2,970,297	\$ (66,328)	\$ (3,295)	\$ -	\$ 2,900,674

Below is a schedule of the netbook value of the fixed assets for the Corporation as of December 31, 2024:

	December-24
Land Improvements and Improvements	\$ 154,170
Building and Contents	2,443,232
Furniture, Equipment, Dwelling	220,296
Construction in Process	82,976
Net Book Value	<u><u>\$ 2,900,674</u></u>

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2024

### **NOTE 9- MORTGAGE NOTE RECEIVABLE - LONG TERM**

The Authority as of December 31, 2024, has the following Mortgage receivable:

	Mortgage Balance	Accrued Interest	Total
	December-24	December-24	December-24
Genesis Note #1	\$ 4,320,265	\$ 725,640	\$ 5,045,905
Genesis Note #2 and #3	5,181,335	600,508	5,781,843
160 Halstead Street	630,000	14,333	644,333
<b>Total Mortgage Receivable</b>	<b>\$ 10,131,600</b>	<b>\$ 1,340,481</b>	<b>\$ 11,472,081</b>

	Balance	Advances	Accrued Interest	Payment	Total
	December-23	December-24	December-24	Made	December-24
Genesis Note #1	\$ 4,966,426	\$ -	\$ 194,412	\$ (114,932)	\$ 5,045,906
Genesis Note #2 and #3	5,726,473	-	135,437	(80,068)	5,781,842
160 Halstead Street	-	630,000	14,333	-	644,333
<b>Total Mortgage Receivable</b>	<b>\$ 10,692,899</b>	<b>\$ 630,000</b>	<b>\$ 344,182</b>	<b>\$ (195,000)</b>	<b>\$ 11,472,081</b>

#### 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, 2024, was \$725,640. Management believes that they will receive the accrued interest.

#### 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, 2024, was \$600,508. Management believes that they will receive the accrued interest.

#### 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, 2024, was \$-0-. Management believes that they will receive the accrued interest.

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

Notes to Financial Statements  
December 31, 2024

### **NOTE 9- MORTGAGE NOTE RECEIVABLE - LONG TERM -CONTINUED**

#### Fourth Note

In October 2020 the Authority provided a Note for the 160 Halstead Street project in the amount of \$630,000. The interest rate is 1.00%. The maturity date is Thirty Years (30) from the date of advance of funds. Interest shall accrue on the outstanding principal balance of the Note. On the maturity date the entire unpaid principal balance of the note and all unpaid interest shall be immediately due and payable. The maturity date of the note is October 2055, and the note accrues interest annually at a rate of 1.00%. The amount accrued as of December 31, 2024, was \$14,333. Management believes that they will receive the accrued interest.

### **NOTE 10 – OTHER ASSETS**

The Authority records its Capital Fund open programs cost in this account. Once the Capital Program is finished and closed out the cost is transferred to buildings and additions and depreciated. The cost of all opened Capital Fund Program is \$386,582.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2024

### **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, 2024, follows:

<b>Deferred Outflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 197,241	\$ 40,841	\$ 238,082
Changes in Assumptions	554,053	2,533	556,586
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	1,933,435	600,074	2,533,509
Total	\$ 2,684,729	\$ 643,448	\$ 3,328,177
<b>Deferred Inflows of Resources</b>	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 1,161,538	\$ 5,428	\$ 1,166,966
Changes in Assumptions	1,209,017	23,197	1,232,214
Net Difference Between Projected and Actual Earning on Pension Plan Investments	706	94,533	95,239
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	927,684	730,853	1,658,537
Total	\$ 3,298,945	\$ 854,011	\$ 4,152,956

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements December 31, 2024

#### **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 \$238,082 and \$1,166.966.

##### 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 \$556,586 and \$1,232,214.

##### 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 \$-0- and \$95,239.

##### 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 \$2,533,509 and \$1,658,537.

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements December 31, 2024

#### **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 they represent its short-term obligations to its vendors and suppliers. Accounts payable on December 31, 2024, and 2023 consist of the following:

<b>Primary Government</b>	<b>December-24</b>	<b>December-23</b>
Accounts Payable Vendors	\$ 128,375	\$ 79,142
Accounts Payable - P.I.L.O.T.	14,440	128,513
Total Accounts Payable -Primary Government	142,815	207,655
<b>Component Unit</b>		
Accounts Payable Vendors	10,101	26,203
Total Accounts Payable	\$ 152,916	\$ 233,858

#### **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, 2024, was \$14,440. The PILOT expense for December 2024 is \$14,440.

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2024

### **NOTE 14 – ACCRUED EXPENSES**

Accrued expenses are Authority expenses that have been incurred but have not yet paid. These expenses are recognized in the financial statements before payment has been made, and typically refer to items such as salaries, interest, and taxes. Accrued expenses on December 31, 2024, and 2023 consisted of the following:

<b>Primary Government</b>	<b>December-24</b>	<b>December-23</b>
Accrued Wages/Payroll Taxes	\$ 9,915	\$ 58,477
Compensated Absences - Current Portion	281,328	127,879
Accrued Vendor Invoices	43,635	61,975
Total Accrued Expenses -Primary Government	334,878	248,331

### **Component Unit**

Accrued Interest Payable	-	1,794
Total Accrued Expenses	\$ 334,878	\$ 250,125

### **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-23	Additions	Payments	Balance on December-24	Current Portion
\$ 256,668	\$ 24,660	\$ -	\$ 281,328	\$ 281,328

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2024

### **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, 2024, which consisted of FSS Escrow Accounts held by the Authority in the amount of \$208,226.

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, 2024

Amherst Loan		\$ 319,912
PNC Loan		991,050
Total Loans Outstanding		<u>\$ 1,310,962</u>

	Balance December-23	Proceeds Received	Payments Made	Balance December-24	Current Portion
Amherst Loan	\$ 323,074	\$ -	\$ (3,162)	\$ 319,912	\$ 10,622
PNC Loan	1,200,000	-	(208,950)	991,050	21,228
Total Loans Outstanding	\$ 1,523,074	\$ -	\$ (212,112)	\$ 1,310,962	\$ 31,850

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements December 31, 2024

#### **NOTE 18 – LOAN LIABILITY – COMPONENT UNIT - CONTINUED**

##### Amherst Loan

The Corporation obtained 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, 2025	\$ 10,622
December 31, 2026	11,390
December 31, 2027	12,213
December 31, 2028	13,096
December 31, 2029	<u>14,043</u>
Subtotal	61,364
Therafter	<u>258,548</u>
Total	<u><u>\$ 319,912</u></u>

##### PNC Bank Loan

The Corporation obtain financing with the Children Home Society of New Jersey March 25, 2024, in the amount of \$1,000,000 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 loan is sixty months (60) with an amortization of twenty-five years (25). The loan bears an interest rate applicable to 6.42% with a maturity date of June 1, 2029.

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements December 31, 2024

#### **NOTE 18 – LOAN LIABILITY – COMPONENT UNIT - CONTINUED**

##### PNC Bank Loan

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

December 31, 2025	\$ 21,228
December 31, 2026	22,314
December 31, 2027	23,456
December 31, 2028	24,655
December 31, 2029	<u>899,397</u>
Subtotal	991,050
Therafter	-
Total	<u>\$ 991,050</u>

#### **NOTE 19 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

The Authority as of December 31, 2024, reported accrued pension and OPEB liability amounts as follows:

	December-24	December-23
Accrued OPEB Liability	\$ 4,283,603	\$ 5,457,174
Accrued Pension Liability	2,038,795	3,007,557
Total OPEB and Pension Liability	<u>\$ 6,322,398</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 to 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, 2024, reported a net OPEB liability in the amount of \$4,283,603 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2023, the last evaluation date, is as follows:

	June-23	June-22
Employer Total OPEB Liability	\$ 4,243,827	\$ 5,472,415
Plan Net Position	39,776	(15,241)
Employer Net OPEB Liability	<u>\$ 4,283,603</u>	<u>\$ 5,457,174</u>

The Authority allocation percentage is 0.028502% as of June 30, 2023.

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements December 31, 2024

#### **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 employees 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, 2024

#### **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, 2024, was \$4,283,603.

*Employees covered by benefits terms:* On June 30, 2023 (the census date), the following employees were covered by the benefits terms:

Plan Members

26

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##### Net OPEB Liability

The total OPEB liability as of June 30, 2023, latest report, was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023. 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 June 30, 2023, 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, 2024

#### **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, 2023 and July 1, 2014 to June 30, 2023, 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, 2023, was 3.65 and 2022 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 (2.65%) or one percentage point higher (4.65%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	2.65%	3.65%	4.65%
Total OPEB Liability	\$ 4,954,319	\$ 4,283,603	\$ 3,732,497

# HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

## Notes to Financial Statements December 31, 2024

### **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>		
	1% Decrease	Current	1% Increase
	\$ 3,635,086	\$ 4,283,603	\$ 5,099,220
Total OPEB Liability			

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 2023.

#### Changes in Net OPEB Liability:

<b>Total OPEB Liability</b>	<b>2023</b>	<b>2022</b>
Service Cost	\$ 170,196	\$ 256,513
Interest on Total OPEB liability	165,704	125,467
Expected Investment Return	893	(722)
Administrative Expenses	3,596	3,436
Changes in Benefits Term	6,567	615
Current Period Deferred		
Inflows/Outflows of Resources	(256,384)	361,523
Inputs	(1,264,596)	(113,779)
Net Difference Between Projected and Actual Investments Earning on OPEB	453	1,507
Plan Investments		
Benefit Payments	-	-
Change in Plan	-	-
Net Change in Total OPEB Liability	(1,173,571)	634,560
Total OPEB Liability, Beginning	<u>5,457,174</u>	<u>4,822,614</u>
Total OPEB Liability, Ending	<u>\$ 4,283,603</u>	<u>\$ 5,457,174</u>

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements December 31, 2024

#### **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, 2024	\$ (485,242)
Year Ending June 30, 2025	(397,444)
Year Ending June 30, 2026	(215,010)
Year Ending June 30, 2027	(100,789)
Year Ending June 30, 2028	(203,447)
Therafter	(218,035)
Total	<u><u>\$ (1,619,967)</u></u>

#### **NOTE 20 – ACCRUED PENSION LIABILITY**

##### Net Pension Liability Information

The Authority as of December 31, 2024, reported a net pension liability in the amount of \$2,038,795 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2024, the last evaluation date, is as follows:

	June-24	June-23
Employer Total Pension Liability	\$ 11,045,185	\$ 13,984,990
Plan Net Position	(9,006,390)	(10,977,433)
Employer Net Pension Liability	<u><u>\$ 2,038,795</u></u>	<u><u>\$ 3,007,557</u></u>

The Authority allocation percentage is 0.015004331% as of June 30, 2024.

##### 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](http://www.state.nj.gov/treasury/pensions/financial-reports.shtml).

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

### Notes to Financial Statements December 31, 2024

#### **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 employers, 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, 2024

#### **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, 2023, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2024.

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 2023 the State's pension contribution was less than the actuarial determined amount.

##### Actuarial Assumptions

The total pension liability for June 30, 2024, measurement dates were determined by using an actuarial valuation as of July 1, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. 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, 2024

### **NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED**

#### Actuarial Assumptions -continued

The actuarial assumptions used on the July 1, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2014, to June 30, 2024. In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) 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 weighing 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, 2024, 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%
	100%	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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, 2024

### **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)	\$ 2,619,308	\$ 2,038,795	\$ 1,756,502

#### 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, 2025	\$ (194,235)
Year Ending June 30, 2026	(98,956)
Year Ending June 30, 2027	(48,259)
Year Ending June 30, 2028	105,283
Year Ending June 30, 2029	(231)
Total	<u><u>\$ (236,398)</u></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, 2024

### **NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED**

#### Pension Expense

The components of allocable pension expense, which exclude pension expenses related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2024, are as follows:

Service Cost	\$ 187,747
Interest on the Total Pension Liability	742,796
Benefits Changes	-
Member Contributions	(152,142)
Administrative Expenses	4,889
Expected Investment Return Net of Investment Expenses	(3,505)
Pension Expense Related to Specific Liabilities of Individual Employers	(3,378)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:	
Difference Between Expected and Actual Experience	49,511
Changes of Assumptions	(183,731)
Differences Between Projected and Actual Investment	
Earnings on Pension Plan Investments	(36,993)
Total	<u><u>\$ 605,194</u></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.

	Primary Government	Component Unit
Balance December 31, 2023	\$ 2,663,327	\$ 1,447,224
Fixed Asset Acquisitions	1,601,609	82,976
Disposal of Assets		22,826
Acquisition of Debt	-	-
Payment of Debt	-	212,112
Depreciation Expense	(117,271)	(149,949)
Balance December 31, 2024	<u><u>\$ 4,147,665</u></u>	<u><u>\$ 1,615,189</u></u>

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements December 31, 2024

#### **NOTE 22 – RESTRICTED NET POSITION**

The Authority's Restricted Net Position account balance on December 31, 2024, is \$438,213. The balance pertains to the HAP reserve.

	Primary Government	Component Unit
Authority EHV HAP Reserve	\$ 188,213	\$ -
Reserve for Construction Project	-	250,000
<b>Total Restricted Net Position</b>	<b>\$ 188,213</b>	<b>\$ 250,000</b>

The restricted cash in the amount of \$188,213 for 2024 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 undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on December 31, 2024, was not made available.

## HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

### Notes to Financial Statements December 31, 2024

#### **NOTE 23 – UNRESTRICTED NET POSITION**

The Authority's primary government Unrestricted Net Position account balance on December 31, 2024, is \$8,887,005. The details of the account balance are as follows:

	Low Rent PIH	HCV ADM	Total
	Reserve	Reserve	
Balance December 31, 2023	\$ 7,475,766	\$ 94,368	\$ 7,570,134
Increase During the Year	1,528,419	-	1,528,419
(Decrease) During the Year	-	(211,548)	(211,548)
Balance December 31, 2024	<u>\$ 9,004,185</u>	<u>\$ (117,180)</u>	<u>\$ 8,887,005</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, 2024, were \$328,642.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The programs provide 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 expenses. HUD contributions for the Section 8 Housing Choice Voucher for December 31, 2024, were \$15,102,031.

#### **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 \$15,904,405 to the Authority which represents approximately 90% percent of the Authority's total revenue for the year ended December 31, 2024.

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

### Notes to Financial Statements December 31, 2024

#### **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 is 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, 2024, 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, 2024.

##### 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, 2024

#### **NOTE 27 – CONTINGENCIES AND COMMITMENTS -CONTINUED**

##### Construction Commitments

On December 31, 2024, 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 - PRIOR PERIOD ADJUSTMENTS**

##### For year ending December 31, 2024

As of December 31, 2024, the Authority had a prior period adjustment in the amount of \$1,167,083 while recording the opening OPEB and Pension Liability as of January 1, 2024, for the change in the discount rate from the prior year.

#### **NOTE 29 – 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 September 12, 2025, 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, 2024

**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.

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

<b>Total OPEB Liability</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Service Cost	\$ 170,196	\$ 256,513	\$ 256,513	\$ 162,831
Interest on Total OPEB liability	165,704	125,467	125,467	133,673
Expected Investment Return	893	(722)	(722)	(2,051)
Administrative Expenses	3,596	3,436	3,436	2,664
Changes in Benefits Term	6,567	615	615	278
Current Period Deferred				
Inflows/Outflows of Resources	(256,384)	361,523	361,523	1,850,481
Inputs	(1,264,596)	(113,779)	(113,779)	(112,501)
Net Difference Between Projected and Actual Investments Earning on OPEB	453	1,507	1,507	1,219
Plan Investments	-	-	-	-
Benefit Payments	-	-	-	-
Change in Plan	-	-	-	-
Net Change in Total OPEB Liability	(1,173,571)	634,560	634,560	2,036,594
Total OPEB Liability, Beginning	5,457,174	4,822,614	4,822,614	2,786,020
Total OPEB Liability, Ending	<u>\$ 4,283,603</u>	<u>\$ 5,457,174</u>	<u>\$ 5,457,174</u>	<u>\$ 4,822,614</u>

Covered, Employee Payroll	\$ 2,049,890	\$ 1,269,150	\$ 1,269,150	\$ 1,308,402
Total OPEB Liability as a percentage of covered employee payroll	208.97%	429.99%	429.99%	368.59%

*\*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, 2024

**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.

<b>Total OPEB Liability</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Service Cost	\$ 137,094	\$ 351,969	\$ 312,929
Interest on Total OPEB liability	130,823	160,281	160,285
Expected Investment Return	(2,321)	-	-
Administrative Expenses	1,949	-	-
Changes in Benefits Term	(392)	-	-
Current Period Deferred		-	-
Infows/Outflows of Resources	(127,393)	-	-
Inputs	(166,465)	-	-
Net Difference Between Projected and Actual Investments Earning on OPEB	736	-	-
Plan Investments		(39,038)	(53,446)
Benefit Payments	(2,964,793)	-	-
Change in Plan	(2,990,762)	473,212	419,768
Net Change in Total OPEB Liability	5,776,782	5,303,570	4,883,802
Total OPEB Liability, Beginning			
Total OPEB Liability, Ending	\$ 2,786,020	\$ 5,776,782	\$ 5,303,570

Covered, Employee Payroll  
 Total OPEB Liability as a percentage of  
 covered employee payroll  
 222.57% 450.84% 294.82%

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
Required Supplementary Information  
December 31, 2024

**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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Housing Authority's proportion of the net pension liability	0.015004331%	0.019928979%	0.019928979%	0.017703538%	0.014966879%
Housing Authority's proportionate share of the net pension liability	\$ 2,038,795	\$ 3,007,557	\$ 3,007,557	\$ 2,097,249	\$ 2,441,018
Housing Authority's covered employee payroll	\$ 2,049,890	\$ 1,607,884	\$ 1,607,884	\$ 1,269,150	\$ 1,308,402
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	99.46%	187.05%	187.05%	165.25%	186.56%
Plan fiduciary net position as a percentage of the total pension liability	81.54%	78.88%	78.88%	74.09%	75.91%

*\*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, 2024

**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.

	2019	2018	2017	2016	2015
Housing Authority's proportionate share of the net pension liability	0.012689684%	0.01406135%	0.01161213%	0.00323170%	0.01176402%
Housing Authority's proportionate share of the net pension liability	\$ 2,286,521	\$ 2,768,610	\$ 2,703,119	\$ 3,669,596	\$ 2,640,786
Housing Authority's covered employee payroll	\$ 1,251,767	\$ 1,264,827	\$ 1,123,076	\$ 1,358,040	\$ 1,346,339
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	182.66%	218.89%	240.69%	270.21%	196.15%
Plan fiduciary net position as a percentage of the total pension liability	43.43%	53.60%	48.01%	59.86%	52.07%

*\*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, 2024

**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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 204,167	\$ 251,314	\$ 251,314	\$ 207,329	\$ 163,751
Contribution in relation to the contractually required contribution	(204,167)	(251,314)	(251,314)	(207,329)	(163,751)
Contribution deficiency (excess)	<u>\$ -</u>				
Authority's covered payroll	\$ 2,049,890	\$ 1,607,884	\$ 1,607,884	\$ 1,269,150	\$ 1,308,402
Contribution as a percentage of covered employee payroll	9.96%	15.63%	15.63%	16.34%	12.52%

*\*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, 2024

**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.

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 123,435	\$ 139,865	\$ 107,574	\$ 110,072	\$ 101,139
Contribution in relation to the contractually required contribution	(123,435)	(139,865)	(107,574)	(110,072)	(101,139)
Contribution deficiency (excess)	<u>\$ -</u>				
Authority's covered payroll	\$ 1,251,767	\$ 1,264,827	\$ 1,123,076	\$ 1,358,040	\$ 1,346,339
Contribution as a percentage of covered employee payroll	9.86%	11.06%	9.58%	8.11%	7.51%

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

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2024**

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

				12/31/2024 Ending Balance
	CFDA #'s	Beginning Balance	Revenue Recognized	Fiscal Year Expenditures
<u>Public and Indian Housing Program</u>				
NJ050-00000121D	14.850	\$ 293,027	\$ 379	\$ 293,406
NJ050-00000124D	14.850	-	320,210	320,210
NJ050-00000724D	14.850	-	8,053	8,053
Grant Total 14.850		<u>293,027</u>	<u>328,642</u>	<u>621,669</u>
<u>Section 8 Housing Choice Voucher Program</u>				
NJ050	14.871	-	14,714,922	14,714,922
Grant Total 14.871		<u>-</u>	<u>14,714,922</u>	<u>14,714,922</u>
<u>Section 8 Emergency Housing Choice Voucher Program</u>				
NJ050	14.EHV	-	387,109	387,109
Grant Total 14.EHV		<u>-</u>	<u>387,109</u>	<u>387,109</u>
<u>Resident Opportunity and Supportive Services</u>				
FSS23NJ550801	14.896	101,063	70,905	70,905
FSS23NJ5508	14.896	64,987	50,513	50,513
Grant Total 14.896		<u>166,050</u>	<u>121,418</u>	<u>121,418</u>
<u>Public Housing Capital Fund Program</u>				
NJ39P050501-21	14.872	85,385	90,050	90,050
NJ39P050501-22	14.872	-	213,185	213,185
NJ39P050501-23	14.872	-	49,079	49,079
Grant Total 14.872		<u>85,385</u>	<u>352,314</u>	<u>352,314</u>
Total Expenditures of Federal Awards		<u>\$ 544,462</u>	<u>\$ 15,904,405</u>	<u>\$ 15,904,405</u>
				<u>\$ 1,346,835</u>

# **HOUSING AUTHORITY OF THE CITY OF EAST ORANGE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2024**

## **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, 2024. 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, 2024.

## **Note 5. Non- Cash Federal Assistance:**

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2024.

## **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.

## Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2024

	Project Total	Component Unit - Discretely	6.1	14,896 PIH	Family Self-Sufficiency Program	1 Business Activities	2 State/Local	14,871	14.EHV	Emergency Housing Voucher	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$407,437	\$60,891						\$2,953,869		\$0	\$3,422,197		\$3,422,197
112 Cash - Restricted - Modernization and Development									\$236,299	\$188,213			
113 Cash - Other Restricted				\$181,860						\$606,172			\$606,172
114 Cash - Tenant Security Deposits				\$30,240						\$56,477			\$56,477
115 Cash - Restricted for Payment of Current Liabilities									\$124,906				\$124,906
100 Total Cash	\$433,674	\$72,791		\$0		\$0		\$3,315,074	\$188,213		\$4,209,752		\$4,209,752
121 Accounts Receivable - PHA Projects													
122 Accounts Receivable - HUD Other Projects	\$29,063								\$582,453				\$611,516
124 Accounts Receivable - Other Government				\$219,226					\$67,205				\$286,431
125 Accounts Receivable - Miscellaneous													\$286,905
126 Accounts Receivable - Tenants				\$26,847	\$2,235								\$29,082
126.1 Allowance for Doubtful Accounts - Tenants				\$22,713	\$0				\$0				\$22,713
126.2 Allowance for Doubtful Accounts - Other									\$3,263				\$3,263
127 Notes, Loans, & Mortgages Receivable - Current													
128 Fraud Recovery										\$504,491			\$504,491
128.1 Allowance for Doubtful Accounts - Fraud													-\$504,491
129 Accrued Interest Receivable													
120 Total Receivables, Net of Allowances for Doubtful	\$320,102	\$221,461		\$0		\$0			\$646,395		\$0		\$1,187,958
131 Investments - Unrestricted													
132 Investments - Restricted													
135 Investments - Restricted for Payment of Current Liability													
142 Prepaid Expenses and Other Assets				\$167,143						\$167,143			\$167,143
143 Inventories				\$5,883						\$5,883			\$5,883
143.1 Allowance for Obsolete Inventories				\$0						\$0			\$0
144 Inter Program Due From													
145 Assets Held for Sale													
150 Total Current Assets				\$98,601	\$194,252		\$0		\$3,961,469	\$188,213			\$5,707,736
161 Land													
162 Buildings													
163 Furniture, Equipment & Machinery - Dwellings				\$69,808	\$154,170				\$1,587,124				
164 Furniture, Equipment & Machinery - Administration				\$3,335,504	\$2,733,376								
165 Leasehold Improvements				\$355,754	\$257,501								
166 Accumulated Depreciation													
167 Construction in Progress													
168 Infrastructure													
160 Total Capital Assets, Net of Accumulated Depreciation													
171 Notes, Loans and Mortgages Receivable - Non-Current													
172 Notes, Loans, & Mortgages Receivable - Non Current													
173 Grants Receivable - Non Current													
174 Other Assets													
176 Investments in Joint Ventures													

## Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2024

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self-Sufficiency Program	2 State/Local Activities	14.871 Housing Choice Vouchers	14. EHV Emergency Housing Voucher	Subtotal	ELIM	Total
180 Total Non-Current Assets	\$14,381,650	\$2,926,151	\$0	\$1,600,124	\$0	\$24,554	\$0	\$18,932,479	
200 Deferred Outflow of Resources	\$658,919					\$2,669,258		\$3,328,177	\$3,328,177
290 Total Assets and Deferred Outflow of Resources	\$16,022,170	\$3,420,403	\$0	\$1,600,124	\$0	\$6,655,281	\$188,213	\$27,886,191	-\$54,799
311 Bank Overdraft									
312 Accounts Payable <= 90 Days		\$10,101						\$10,101	\$10,101
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable		\$9,915					\$9,915		\$9,915
322 Accrued Compensated Absences - Current Portion		\$146,775					\$281,328		\$281,328
324 Accrued Contingency Liability									
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government		\$14,440					\$14,440		\$14,440
341 Tenant Security Deposits		\$24,990	\$30,240				\$55,230		\$55,230
342 Unearned Revenue									
343 Current Portion of Long-term Debt - Capital			\$31,850				\$31,850		\$31,850
344 Current Portion of Long-term Debt - Operating									
345 Other Current Liabilities		\$3,469					\$124,906		\$128,375
346 Accrued Liabilities - Other		\$21,472					\$22,163		\$43,635
347 Inter Program - Due To							\$54,799		\$0
348 Loan Liability - Current									
310 Total Current Liabilities		\$221,061	\$72,191	\$0	\$0	\$336,421	\$0	\$629,673	-\$54,799
351 Long-term Debt, Net of Current - Capital									
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other									
354 Accrued Compensated Absences - Non Current									
355 Loan Liability - Non Current		\$1,843							
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities		\$3,692,942	\$1,450,150	\$0	\$0	\$2,629,456	\$0	\$6,322,398	
300 Total Liabilities		\$3,694,755				\$2,837,682	\$0	\$7,982,617	\$0
400 Deferred Inflow of Resources		\$3,915,846	\$1,522,341	\$0	\$0	\$3,174,103	\$0	\$8,612,290	-\$54,799
		\$579,152							
508.4 Net Investment in Capital Assets		\$2,522,987	\$615,189	\$0	\$1,600,124	\$0	\$24,554	\$5,762,854	
511.4 Restricted Net Position		\$0	\$250,000	\$0	\$0		\$188,213	\$438,213	
512.4 Unrestricted Net Position		\$9,004,185	\$32,873	\$0	\$0		\$0	\$8,919,878	\$8,919,878
513 Total Assets / Net Assets / Position		\$11,527,172	\$1,898,062	\$0	\$1,600,124	\$0	-\$32,626	\$15,120,945	\$0
600 Total Liabilities, Deferred Inflows of Resources and		\$16,022,170	\$3,420,403	\$0	\$1,600,124	\$0	\$6,655,281	\$188,213	-\$54,799

## Entity Wide Revenue and Expense Summary

Submissions Due: Audited/Single Audit  
Fiscal Year End: 12/31/2024

Fiscal Year End Audit

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit      Fiscal Year End: 12/31/2024

	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.EHV Emergency Housing Voucher	Subtotal	ELIM	Total
93200 Electricity	\$59,991	\$575				\$10,840		\$71,406		\$71,406
93300 Gas	\$54,071					\$2,254		\$56,325		\$56,325
93400 Fuel										
93500 Labor										
93600 Sewer										
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense	\$134,856	\$2,523		\$0	\$0	\$13,094		\$0	\$150,473	\$150,473
93900 Total Utilities										
94100 Ordinary Maintenance and Operations - labor	\$63,497							\$63,497		\$63,497
94200 Ordinary Maintenance and Operations - Materials	\$33,173	\$12,765				\$9,565		\$55,503		\$55,503
94300 Ordinary Maintenance and Operations Contracts	\$79,022							\$79,022		\$79,022
94500 Employee Benefit Contributions - Ordinary	\$28,331							\$28,331		\$28,331
94000 Total Maintenance	\$204,023	\$12,765	\$0	\$0	\$0	\$9,565	\$0	\$226,353		\$226,353
95100 Protective Services - Labor	\$120,120							\$120,120		\$120,120
95200 Protective Services - Other Contract Costs	\$14,690							\$14,690		\$14,690
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services	\$11,278							\$11,278		\$11,278
95000 Total Protective Services	\$146,088	\$0		\$0	\$0	\$0		\$146,088		\$146,088
96110 Property Insurance		\$7,883						\$7,883		\$7,883
96120 Liability Insurance		\$2,501						\$2,501		\$2,501
96130 Workmen's Compensation										
96140 All Other Insurance	\$99,991	\$1,833								
96100 Total Insurance Premiums	\$99,991	\$12,217	\$0	\$0	\$0	\$27,332	\$0	\$27,332		\$139,540
96200 Other General Expenses										
96210 Compensated Absences		\$17,985								
96300 Payments in Lieu of Taxes	\$14,440									
96400 Bad debt - Tenant Rents	\$9,562									
96500 Bad debt - Mortgages										
96600 Bad debt - Other		\$2,925						\$2,925		\$2,925
96800 Severance Expense										
96000 Total Other General Expenses	\$41,987	\$2,925	\$0	\$0	\$0	\$-165,469	\$0	\$-120,557		\$-120,557
96710 Interest of Mortgage (or Bonds) Payable		\$73,617								
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs	\$0	\$73,617	\$0	\$0	\$0	\$0		\$73,617		\$73,617
96700 Total Interest Expense and Amortization Cost										
96900 Total Operating Expenses	\$1,530,661	\$167,213	\$121,418	\$0	\$44,678	\$2,384,747	\$28,982	\$4,327,699		\$4,327,699
97000 Excess of Operating Revenue over Operating	\$362,285	\$69,882	\$0	\$0	\$12,884,445	\$358,127	\$13,674,739			\$13,674,739

## Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

		Fiscal Year End: 12/31/2024								
		Project Total	Component Unit - Discretely	6.1	14.896 PIH	14.871	14.EHV	Subtotal	ELIM	Total
				Family Self-Sufficiency Program	1 Business Activities	2 State/Local	Housing Choice Vouchers			
97100	Extraordinary Maintenance									
97200	Casualty Losses - Non-capitalized									
	Housing Assistance Payments									
97300	HAP Portability-In									
97350										
97400	Depreciation Expense	\$111,469	\$149,949							
97500	Fraud Losses	\$26,890								
97600	Capital Outlays - Governmental Funds									
97700	Debt Principal Payment - Governmental Funds									
97800	Dwelling Units Rent Expense									
90000	Total Expenses	\$1,719,020	\$317,162	\$121,418	\$0	\$44,678	\$15,482,867	\$310,094	\$17,995,239	\$17,985,239
10010	Operating Transfer In									
10020	Operating Transfer Out									
10030	Operating Transfers from/to Primary Government									
10040	Operating Transfers from/to Component Unit									
10050	Proceeds from Notes, Loans and Bonds									
10060	Proceeds from Property Sales									
10070	Extraordinary Items, Net Gain/Loss									
10080	Special Items (Net Gain/Loss)									
10091	Inter Project Excess Cash Transfer In									
10092	Inter Project Excess Cash Transfer Out									
10093	Transfers between Program and Project - In									
10094	Transfers between Project and Program - Out									
10100	Total Other financing Sources (Uses)	\$0	\$257,644	\$0	\$7,182	\$0	\$0	\$0	\$264,826	\$264,826
10000	Excess (Deficiency) of Total Revenue Over (Under)	\$223,926	\$177,577	\$0	\$7,182	\$0	-\$213,675	\$77,015	\$272,025	\$272,025
11020	Required Annual Debt Principal Payments	\$0	\$106,956	\$0	\$0	\$0	\$0	\$0	\$106,956	\$106,956
11030	Beginning Equity	\$10,136,163	\$1,720,485	\$0	\$1,592,942	\$0	\$121,049	\$111,198	\$13,681,837	\$13,681,837
11040	Prior Period Adjustments, Equity Transfers and	\$1,167,083					\$0	\$0	\$1,167,083	\$1,167,083
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 -									
11100	Changes in Allowance for Doubtful Accounts - Other									
11170	Administrative Fee Equity									
11180	Housing Assistance Payments Equity							\$0	\$0	\$0
11190	Unit Months Available	768	120					19,980	324	20,592
11210	Number of Unit Months Leased	756	120					16,668	280	17,824
11270	Excess Cash	\$455,793								\$455,793
11610	Land Purchases	\$0								\$0
11620	Building Purchases	\$352,314								\$352,314
11630	Furniture & Equipment - Dwelling Purchases	\$0								\$0

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit      Fiscal Year End: 12/31/2024

	Project Total	Component Unit - Discretely	6.1	14.896 PIH	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	Subtotal	ELIM	Total
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, 2024, 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 September 12, 2025.

**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.

*Giampaolo & Associates*

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Lincroft, New Jersey

Date: September 12, 2025

**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, 2024. 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, 2024.

***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.

Giampaolo & Associates

Lincroft, New Jersey

Date: September 12, 2025



## 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 applicable procedures enumerated in the American Institute of Certified Public Accountants' Statement of Position (SOP) 02-1, Performing Agreed-Upon Procedures Engagements that Address the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), by Housing Authority of the City of East Orange (the PHA) compliance with the reporting 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), for the year ended December 31, 2024. Management of Housing Authority of the City of East Orange is responsible for compliance with the requirements of the electronic submission of the items listed in the "UFRS Rule Information" column.

The management of Housing Authority of the City of East Orange has agreed to and acknowledged that the procedures performed are appropriate to assist users in evaluating Housing Authority of the City of East Orange's compliance with the reporting requirements of the "UFRS Rule Information" column for the year ended December 31, 2024. This report may not be suitable for any other purpose. The procedures may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the findings are included in the attached Appendix.

We were engaged by the Housing Authority of the City of East Orange to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged in and did not conduct an examination or review engagement, the objective of which would be the expression of the "UFRS Rule Information" column an opinion or conclusion, respectively, on Housing Authority of the City of East Orange's compliance with the requirements of "UFRS Rule Information" column for the year ended December 31, 2024. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 relevant ethical requirements related to our agreed-upon procedures engagement.

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.

*Giampolo & Associates*

Lincroft, New Jersey  
September 12, 2025

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 CFDAs, 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