

Report On Audit

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

**For the Year Ended
December 31, 2019**

Housing Authority of the City of East Orange
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of East Orange
7 Glenwood Avenue
Suite 304A
East Orange, New Jersey 07017

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate discretely present component unit of the of the Housing Authority of the City of East Orange (a governmental public corporation) in Essex County, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of December 31, 2019, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the City of East Orange preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of East Orange internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of East Orange as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 4 through 17 and pages 65-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 method 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 an opinion on the basic financial statements Housing Authority of the City of East Orange. The accompanying supplemental information on pages 70-78 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 and the Financial Data Schedule are 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the 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 reports dated December 11, 2020 on our consideration of the Housing Authority of the City of East Orange internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 internal control over financial reporting and compliance

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: December 11, 2020

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

The Management of the Housing Authority of the City of East Orange (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order 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 19 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 \$8,885,198 an increase in financial position of \$2,044,199 as compared to the prior year.

As noted above, the net position of the Authority primary government was \$8,885,198 as of December 31, 2019. Of this amount, the unrestricted net position is \$5,207,838 representing an increase of \$1,994,397 or 62% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 22 the financial statements, which is included in this report.

The Authority primary government net investment in capital assets increased \$74,737 or 2% percent for an ending balance of \$3,456,387.

The Authority primary government restricted position decreased \$24,935 from the previous year for an ending balance of \$220,973. 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 unrestricted cash, and cash equivalent at December 31, 2019 is \$2,627,867 representing a decrease of \$2,753,533 or 51% percent from the prior year. The primary government's total restricted cash decreased \$5,287 or 2% percent for an ending balance of \$296,625. The full detail of these amounts can be found in the Statement of Cash Flows on pages 22-23 of this report.

The Authority's total assets and deferred outflows for the primary government are \$17,874,764 of which capital assets net book value is \$3,465,387, deferred outflows in the amount of \$1,217,622, mortgage receivable – long term of \$9,501,600, other assets of \$289,280, noncurrent restricted cash is at \$296,625, leaving total current assets at \$3,113,250. Total primary government's current assets decreased from the previous year by \$4,927,570 or 61% percent. Unrestricted cash and cash equivalents decreased by \$2,753,533, account's receivables decreased by \$2,203,061, and prepaid expenses increased \$29,024. Accounts receivables decreased due to a receipt of grant from Federal Home Loan Bank towards the RAD conversion for the 2018 year.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

Restricted cash decreased \$5,287 for an ending balance of \$296,625. The primary reasons for the decrease were due to a decrease in HCV HAP reserves in the amount of \$24,935 as well as increases in FSS escrow deposits in the amount of \$15,581 and increase in security deposits in the amount of \$4,067.

The Authority's primary government capital assets reported an increase in the net book value of the capital assets in the amount of \$74,737 or 2% percent. The major factor that contributed for the increase was the acquisition of fixed assets in the amount of \$165,086, less the recording of depreciation expense in the amount of \$90,350. The Authority's primary government capital additions during the fiscal year included predevelopment expenses, purchase of vehicle to be used for inspections, upgrade to the office equipment, and apartment appliances. The Authority is also involved with the process of converting their remaining units to RAD. 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 \$5,181,335 for an ending balance of \$9,501,600. This was due 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's primary government reported an increase in other assets in the amount of \$289,280. Additional details can be found in the Notes to the Financial Statements Section Note 10 – Other Assets.

The Authority's primary government reported an increase in the deferred outflow for the pension liability in the amount of \$97,107 for an ending balance of \$1,217,622. The Authority's primary government reported an increase in the deferred inflow for the pension liability in the amount of \$2,184,866 for an ending balance of \$3,278,361. 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 \$5,711,205 of which noncurrent liabilities are stated at \$5,383,946. Total liabilities decreased during the year as compared to the prior year in the amount of \$3,519,463 or 38% percent. Total current liabilities decreased during the year by \$93,075 leaving noncurrent liabilities for a decrease of \$3,426,388 as compared to the previous year.

The Authority's primary government total current liabilities decreased from the previous year by \$93,075 or 22% percent. Accounts payables increased by \$30,324. Accrued liabilities decreased by \$132,006, mainly due to decrease in amounts held back for landlord payments. Tenant security deposit payable increased by \$4,067, and unearned revenue increased \$4,540.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority's primary government total noncurrent liabilities decreased by \$3,426,388 or 39% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$246,950, with no offsetting assets, increased \$21,390 from the previous year. Noncurrent other liabilities with an ending balance of \$64,455 increased \$25,073. The Authority's primary government accrued pension and OPEB liability decreased \$3,472,851 or 41% percent for an ending balance of \$5,072,541. Additional information on the Authority's accrued pension as well as the increase in accrued OPEB liability at December 31, 2019 can be found in Notes 19-20 to the financial statements, which is included in this report.

The Authority primary government had total operating revenue of \$16,868,118 as compared to \$19,876,712 from the prior year for a decrease of \$3,008,594 or 15% percent. The Authority primary government had total operating expenses of \$18,224,602 as compared to \$18,120,688 from the previous year for an increase of \$103,914 or 1% percent, resulting in a deficiency of revenue over expenses from operations in the amount of \$1,356,484 for the current year as compared to a surplus of revenue from operations in the amount of \$1,756,024 for an increase in expenses over revenue in the amount of \$3,112,508 or 177% percent from the previous year.

The Authority total capital improvements contributions from HUD were in the amount of \$145,734 as compared to \$86,000 from the previous year for an increase of \$59,734 or 69% percent. The Authority's primary government had capital outlays in the amount of \$165,086 for the calendar year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$145,734 and the remainder through management's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$14,949,041 for the calendar year 2019 as compared to \$15,056,911 for the previous year for a decrease of \$107,870 or less than 1% 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

The Housing Authority's auditors provided assurance in their independent auditors' 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 auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

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 19 through 23.

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.).

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 24 through 64.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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 70-71 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, 2019. Type B programs for the Housing Authority of the City of East Orange are those which are less than \$750,000 in expenditures for the fiscal year ended December 31, 2019.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position Authority primary government between December 31, 2019 and December 31, 2018.

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

	<u>Year Ended</u>		Increase (Decrease)
	December-19	December-18	
Cash	\$ 2,924,492	\$ 5,683,312	\$ (2,758,820)
Other Current Assets	485,383	2,659,420	(2,174,037)
Capital Assets - Net	3,456,387	3,381,650	74,737
Mortgage Receivable - Long Term	9,501,600	4,320,265	5,181,335
Other Assets	289,280	-	289,280
Deferred Outflows	1,217,622	1,120,515	97,107
Total Assets	17,874,764	17,165,162	709,602
Less: Current Liabilities	(327,259)	(420,334)	93,075
Less: Non Current Liabilities	(5,383,946)	(8,810,334)	3,426,388
Less: Deferred Inflows	(3,278,361)	(1,093,495)	(2,184,866)
Net Position	\$ 8,885,198	\$ 6,840,999	\$ 2,044,199
Net Investment in Capital Assets	\$ 3,456,387	\$ 3,381,650	\$ 74,737
Restricted Net Position	220,973	245,908	(24,935)
Unrestricted Net Position	5,207,838	3,213,441	1,994,397
Net Position	\$ 8,885,198	\$ 6,840,999	\$ 2,044,199

Total cash decreased by \$2,758,820 or 49% percent. Net cash provided by operating activities was \$861,291, net cash used by capital and related financing activities was \$3,712,515, and net cash provided by investing activities was \$92,404. The full detail of this amount can be found in the Statement of Cash Flows on pages 22-23 of this audit report.

Other current assets decreased \$2,174,037. Account receivable decreased \$2,203,061 mainly due to receipts other government grants. Prepaid expenses increased \$29,024.

The Authority's primary government capital assets reported an increase in the net book value of the capital assets in the amount of \$74,737 or 2% percent. The major factor that contributed for the increase was the acquisition of fixed assets in the amount of \$165,086, less the recording of depreciation expense in the amount of \$90,350.

The Authority's primary government capital additions during the fiscal year included office furniture. The Authority is also involved with the process of converting their remaining units to RAD. 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
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Mortgage receivable – noncurrent increased \$5,181,335 for an ending balance of \$9,501,600. This was due 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's primary government reported an increase in the deferred outflow for the pension liability in the amount of \$97,107 for an ending balance of \$1,217,622. The Authority's primary government reported an increase in the deferred inflow for the pension liability in the amount of \$2,184,866 for an ending balance of \$3,278,361.

The Authority's primary government total current liabilities decreased from the previous year by \$93,075 or 22% percent. Accounts payables increased by \$30,324. Accrued liabilities decreased by \$132,006, mainly due to decrease in amounts held back for landlord payments. Tenant security deposit payable increased by \$4,067, and unearned revenue increased \$4,540.

The Authority's primary government total noncurrent liabilities decreased by \$3,426,388 or 39% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$246,950, with no offsetting assets, increased \$21,390 from the previous year. Noncurrent other liabilities with an ending balance of \$64,455 increased \$25,073.

The Authority's primary government accrued pension and OPEB liability decreased \$3,472,851 or 41% percent for an ending balance of \$5,072,541. Additional information on the Authority's accrued pension as well as the increase in accrued OPEB liability at December 31, 2019 can be found in Notes 19-20 to the financial statements, which is included in this report.

The Authority's primary government reported net position of \$8,885,198 is made up of three categories. The net investment in capital assets in the amount of \$3,456,387 represents the majority 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:

Balance December 31, 2018	\$ 3,381,650
Fixed Asset Acquisitions	165,087
Depreciation Expense	<u>(90,350)</u>
Balance December 31, 2019	<u><u>\$ 3,456,387</u></u>

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority reported restricted position in the amount of \$220,973 which decreased \$24,935 or 10% percent compared to the prior fiscal year. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 21.

The Housing Authority of the City of East Orange operating results for December 31, 2019 reported an increase in unrestricted position of \$1,994,397 or 62% percent for an ending balance of \$5,207,838. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 22.

The following summarizes the changes in Net Position Authority primary government between December 31, 2019 and December 31, 2018:

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

	<u>Year Ended</u>		Increase (Decrease)
	December-19	December-18	
<u>Revenues</u>			
Tenant Revenues	\$ 215,922	\$ 614,049	\$ (398,127)
HUD Subsidies	14,803,307	14,970,911	(167,604)
Other Government Grants	36,840	2,202,950	(2,166,110)
Other Revenues	1,812,049	2,088,802	(276,753)
Total Operating Income	<u>16,868,118</u>	<u>19,876,712</u>	<u>(3,008,594)</u>
<u>Expenses</u>			
Operating Expenses	18,134,252	18,031,170	103,082
Depreciation Expense	90,350	89,518	832
Total Operating Expenses	<u>18,224,602</u>	<u>18,120,688</u>	<u>103,914</u>
Operating Income before Non Operating Income	(1,356,484)	1,756,024	(3,112,508)
Interest Income	92,404	32,847	59,557
Mortgage Interest Income	197,752	65,884	131,868
HUD Capital Grants	145,734	86,000	59,734
Gain on Sale of Capital Assets	-	4,471,567	(4,471,567)
Change in Net Position	(920,594)	6,412,322	(7,332,916)
Net Position Prior Year	6,840,999	527,107	6,313,892
Equity Transfer	-	(118,101)	118,101
Prior Period Adjustment	2,964,793	19,671	(861,168)
Total Net Position	<u>\$ 8,885,198</u>	<u>\$ 6,840,999</u>	<u>\$ 2,044,199</u>

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Approximately 88% percent of the Authority's primary government total revenue was provided by HUD operating subsidy, while 1% percent resulted from tenant revenue. Charges for various services and other governmental grants provided 11% 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 \$145,734 as compared to \$86,000 for the previous year.

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 18% percent, tenant services accounted for 1% percent, utilities expense accounted for 1% percent, maintenance expense accounted for 1% percent, protective services accounted for less than 1% percent, other operating expenses accounted for 1% percent, and depreciation accounted for less than 1% of the total operating expenses.

The Authority's primary government operating expenses exceeded its operating revenue resulting in a deficit of expenses from operations in the amount of \$1,356,484 for the current year as compared to a surplus of revenue from operations in the amount of \$1,756,024 for a decrease in revenue over expenses in the amount of \$3,112,508 or 177% percent from the previous year.

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

- The Authority reported a decrease in other government grants in the amount of \$2,166,110. This was due to a commitment by the Federal Home Loan Bank in the amount of \$2,170,600 towards the RAD conversion of AMP 3 for the 2018 fiscal year.
- The Authority reported a decrease in the following revenue accounts:
 - HUD PHA operating grants in the amount of \$167,604 or 1% percent.
 - Tenant Rental Revenue in the amount of \$398,127 or 65%.
- The Authority primary government showed decreases in the following expenses as listed below, mainly due to the RAD conversion of AMP 3:
 - Utilities expenses decreased \$234,729 or 62% percent
 - Maintenance expense decreased \$111,784 or 38% percent
 - Protective services expenses decreased \$54,171 or 37% percent
 - Other operating expenses decreased \$396,644 or 78% percent
- The Authority primary government saw increases in the following accounts:
 - Administrative expenses increased \$893,004 or 34% percent.
 - Tenant services expense increased \$2,184 or 1% percent.
 - Housing Assistance Payments increased \$5,222 or less than 1% percent.
 - Depreciation expense increased \$832 or 1% percent.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total net cash provided by operating activities during the year was \$861,291. Prior fiscal year resulted in cash used by operating activities in the amount of \$338,774. A full detail of this amount can be found on the Statement of Cash Flows on pages 22-23 of this report.

The following are the Authority primary government financial highlights of significant items for a four-year period ending on December 31, 2019.

	December-19	December-18	December-17	December-16
Significant Income				
Total Tenant Revenue	\$ 215,922	\$ 614,049	\$ 810,279	\$ 798,637
HUD Operating Grants	14,803,307	14,970,911	15,188,380	15,489,595
HUD Capital Grants	145,734	86,000	190,214	557,041
Investment Income	92,404	98,731	20,430	5,749
Other Government Grants	36,840	2,202,950	32,668	320,086
Other Income	1,812,049	2,088,802	2,085,899	2,324,801
Total	\$ 17,106,256	\$ 20,061,443	\$ 18,327,870	\$ 19,495,909
Payroll Expense				
Administrative Salaries	\$ 945,891	\$ 922,595	\$ 926,071	\$ 880,685
Tenant Services Salaries	100,691	102,205	117,142	127,456
Utilities Labor	10,250	26,367	25,999	26,501
Maintenance Labor	73,348	108,803	152,189	223,173
Protective Services Labor	61,497	104,857	111,317	100,225
Employee Benefits Expense	2,078,495	1,143,208	1,136,713	1,029,173
Total Payroll Expense	\$ 3,270,172	\$ 2,408,035	\$ 2,469,431	\$ 2,387,213
Other Significant Expenses				
Other Administrative Expenses	\$ 568,038	\$ 619,003	\$ 605,854	\$ 572,428
Utilities Expense	141,526	338,550	351,964	367,406
Maintenance Materials Cost	39,262	38,368	51,431	87,961
Maintenance Contract Cost	65,787	112,290	119,783	111,719
Insurance Premiums	38,487	126,619	104,403	99,072
Housing Assistance Payments	13,954,443	13,949,221	14,411,200	14,499,264
Total	\$ 14,807,543	\$ 15,184,051	\$ 15,644,635	\$ 15,737,850
Total Operating Expenses	\$ 18,224,602	\$ 18,120,688	\$ 18,576,057	\$ 18,630,343
Total of Federal Awards	\$ 14,949,051	\$ 15,056,911	\$ 15,378,594	\$ 16,046,636

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

THE AUTHORITY AS A WHOLE

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

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

THE HOUSING AUTHORITY OF THE CITY OF EAST ORANGE PROGRAMS

Public and Indian Housing Program:

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

Section 8 Housing Choice Voucher Program:

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

Public Housing Capital Fund Program:

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

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

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

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.

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.

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2019, 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.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

NEW INITIATIVES

For the year 2019 and carrying over to 2020 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 87% percent of its revenue from the Department of Housing and Urban Development, (2018 was 75% percent), the Authority are 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 has been involved with a Rental Assistance Application (RAD) which would involve converting current public housing units to a Section 8 platform. While this process takes time the Authority has remained diligent in being proactive in regards to maintaining the condition of their buildings.

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. The Authority converted 178 units to RAD as of August 2018 and was in the process of converting the remaining 64 units to RAD for 2020.

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
AT DECEMBER 31, 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 - Capital Assets

The Authority's primary government investment in capital assets as of December 31, 2019 was \$3,456,387 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total increased during the year in the Authority's investment in capital assets was \$74,737 or 2% percent. Major capital expenditures of \$165,087 were made during the year. Following are the major events that affected the capital asset balance.

- Purchase of office furniture
- Costs associated with the RAD conversion

	December-19	December-18	Variance
Land	\$ 1,281,794	\$ 1,281,794	\$ -
Building	2,198,769	2,198,769	-
Furniture, Equipment - Dwelling	484,493	355,648	128,845
Furniture, Equipment - Administration	154,145	263,634	(109,489)
Construction in Process	1,882,911	1,737,180	145,731
Total Fixed Assets	6,002,112	5,837,025	165,087
Accumulated Depreciation	(2,545,725)	(2,455,375)	(90,350)
Net Book Value	<u>\$ 3,456,387</u>	<u>\$ 3,381,650</u>	<u>\$ 74,737</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of 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 2020 year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2019**

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, 2020.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Converting the remaining Public and Indian Housing Program rental units into RAD subsidy units.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Wilbert Gill, Executive Director, Housing Authority of the City of East Orange, 7 Glenwood Avenue Suite 304A, East Orange 07017, or call (973) 678-0250.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF NET POSITION - 1
AS OF DECEMBER 31, 2019

	December 31, 2019		
	Primary Government	Component Unit	Total (Memorandum)
Assets			
Current Assets:			
Cash and Cash Equivalents- Unrestricted	\$ 2,627,867	\$ 114,026	\$ 2,741,893
Accounts Receivables, Net of Allowances	265,242	-	265,242
Prepaid Expenses	220,141	-	220,141
Total Current Assets	3,113,250	114,026	3,227,276
Restricted Deposits and Funded Reserves			
Tenant Security Deposit	20,689	-	20,689
HAP Reserve - Restricted	220,973	-	220,973
FSS Escrow Reserves	54,963	-	54,963
Construction Project Reserve	-	250,000	250,000
Total Restricted Deposits and Funded Reserves	296,625	250,000	546,625
Noncurrent Assets			
Capital Assets			
Land	1,281,794	124,540	1,406,334
Building	2,198,769	-	2,198,769
Furniture, Equipment - Dwelling	484,493	-	484,493
Furniture, Equipment - Administration	154,145	-	154,145
Construction in Process	1,882,911	825,681	2,708,592
Total Capital Assets	6,002,112	950,221	6,952,333
Less: Accumulated Depreciation	(2,545,725)	-	(2,545,725)
Net Book Value	3,456,387	950,221	4,406,608
Mortgage Receivable - Long Term	9,501,600	-	9,501,600
Other Assets	289,280	-	289,280
Total Other Assets	9,790,880	-	9,790,880
Total Assets	16,657,142	1,314,247	17,971,389
Deferred Outflow of Resources			
State of New Jersey P.E.R.S. and OPEB	1,217,622	-	1,217,622
Total Assets and Deferred Outflow of Resources	\$ 17,874,764	\$ 1,314,247	\$ 19,189,011

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

	December 31, 2019		
	Primary Government	Component Unit	Total (Memorandum)
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 236,735	\$ -	\$ 236,735
Accrued Liabilities	65,295	-	65,295
Tenant Security Deposits	20,689	-	20,689
Unearned Revenue	4,540	-	4,540
Total Current Liabilities	<u>327,259</u>	<u>-</u>	<u>327,259</u>
Noncurrent Liabilities			
Accrued Compensated Absences - Long-Term	246,950	-	246,950
Non Current Liabilities - Other	64,455	-	64,455
Loan Liability - Non Current	-	141,367	141,367
Accrued Pension and OPEB Liabilities	5,072,541	-	5,072,541
Total Noncurrent Liabilities	<u>5,383,946</u>	<u>141,367</u>	<u>5,525,313</u>
 Total Liabilities	 <u>5,711,205</u>	 <u>141,367</u>	 <u>5,852,572</u>
Deferred Inflow of Resources			
State of New Jersey P.E.R.S. and OPEB	<u>3,278,361</u>	<u>-</u>	<u>3,278,361</u>
Net Position:			
Net Investment in Capital Assets	3,456,387	808,854	4,265,241
Restricted	220,973	250,000	470,973
Unrestricted	5,207,838	114,026	5,321,864
Total Net Position	<u>8,885,198</u>	<u>1,172,880</u>	<u>10,058,078</u>
 Total Liabilities, Deferred Inflow of Resources, and Net Position	 <u>\$ 17,874,764</u>	 <u>\$ 1,314,247</u>	 <u>\$ 19,189,011</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, 2019**

	December 31, 2019		
	Primary Government	Component Unit	Total (Memorandum)
Revenue:			
Tenant Rental Revenue	\$ 215,922	\$ -	\$ 215,922
HUD PHA Operating Grants	14,803,307	-	14,803,307
Other Government Grants	36,840	249,138	285,978
Other Revenue	1,812,049	9,872	1,821,921
Total Revenue	<u>16,868,118</u>	<u>259,010</u>	<u>17,127,128</u>
Operating Expenses:			
Administrative Expense	3,487,843	34,340	3,522,183
Tenant Services	165,795	-	165,795
Utilities Expense	141,526	-	141,526
Maintenance Expense	184,042	8,126	192,168
Protective Services Expense	90,540	-	90,540
Other Operating Expenses	110,063	12,178	122,241
Housing Assistance Payments	13,954,443	-	13,954,443
Depreciations Expense	90,350	-	90,350
Total Operating Expenses	<u>18,224,602</u>	<u>54,644</u>	<u>18,279,246</u>
Excess (Expenses) Revenue From Operations	(1,356,484)	204,366	(1,152,118)
Non Operating Income:			
Investment Income	92,404	6,276	98,680
Mortgage Interest Income	197,752	-	197,752
Excess (Expenses) Income Before Capital Grant Contributions	<u>(1,066,328)</u>	<u>210,642</u>	<u>(855,686)</u>
Capital Grant Contributions	<u>145,734</u>	<u>-</u>	<u>145,734</u>
Change in Net Position	<u>(920,594)</u>	<u>210,642</u>	<u>(709,952)</u>
Beginning Net Position	6,840,999	962,238	7,803,237
Prior Period Adjustment	2,964,793	-	2,964,793
Beginning Net Position, Restated	<u>9,805,792</u>	<u>962,238</u>	<u>10,768,030</u>
Ending Net Position	<u>\$ 8,885,198</u>	<u>\$ 1,172,880</u>	<u>\$ 10,058,078</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, 2019

	December 31, 2019		
	Primary Government	Component Unit	Total (Memorandum)
Cash Flow From Operating Activities			
Receipts from Tenants	\$ 215,303	\$ -	\$ 215,303
Receipts from Federal Grants	14,653,632	-	14,653,632
Receipts from Other Grants	1,668,300	249,138	1,917,438
Receipts from Misc. Sources	1,932,298	9,872	1,942,170
Payments to Vendors and Suppliers	(1,231,158)	(53,394)	(1,284,552)
Payments for Housing Assistance Payments	(13,954,443)	-	(13,954,443)
Payments to Employees	(1,202,620)	-	(1,202,620)
Payment of Employee Benefits	(1,078,495)	-	(1,078,495)
Payment of Utilities Expenses	(141,526)	-	(141,526)
Net Cash Provided by Operating Activities	<u>861,291</u>	<u>205,616</u>	<u>1,066,907</u>
Cash Flow From Capital and Related Financing Activities			
Receipts from Capital Grants	145,734	-	145,734
Acquisitions and Construction of Capital Assets	(165,086)	(450,581)	(615,667)
Construction Loan Proceeds	-	141,367	141,367
Payment of Other Assets	(91,992)	-	(91,992)
Change in Accrued Pension and OPEB Liabilities	(507,595)	-	(507,595)
Net Effect of Deferred Inflows and Outflows	2,087,759	-	2,087,759
Advances Made on Mortgage Receivable	(5,181,335)	-	(5,181,335)
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,712,515)</u>	<u>(309,214)</u>	<u>(4,021,729)</u>
Cash Flow From Investing Activities			
Interest Income	92,404	6,276	98,680
Net Cash Provided by Investing Activities	<u>92,404</u>	<u>6,276</u>	<u>98,680</u>
Net (Decrease) in Cash and Cash Equivalents	(2,758,820)	(97,322)	(2,856,142)
Beginning Cash	<u>5,683,312</u>	<u>461,348</u>	<u>6,144,660</u>
Ending Cash	<u>\$ 2,924,492</u>	<u>\$ 364,026</u>	<u>\$ 3,288,518</u>
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	\$ 2,627,867	\$ 114,026	\$ 2,741,893
Cash and Cash Equivalents - Restricted	296,625	250,000	546,625
Total Ending Cash	<u>\$ 2,924,492</u>	<u>\$ 364,026</u>	<u>\$ 3,288,518</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, 2019**

	December 31, 2019		
	Primary Government	Component Unit	Total (Memorandum)
(Used) Provided by Operating Activities			
Excess Expenses From Operations	\$ (1,356,484)	\$ 204,366	\$ (1,152,118)
Adjustments to reconcile excess expenses for operations to net cash provided by operating activities:			
Depreciation Expense	90,350	-	90,350
(Increase) Decrease in:			
Accounts Receivables	2,203,061	-	2,203,061
Prepaid Expenses	(29,024)	1,250	(27,774)
Increase (Decrease) in:			
Accounts Payable	30,324	-	30,324
Accrued Liabilities	(132,006)	-	(132,006)
Unearned Revenues	4,540	-	4,540
Compensated Absences - Non current	21,390	-	21,390
Non-Current Liabilities	25,073	-	25,073
Security Deposit Accounts	4,067	-	4,067
Net Cash Provided by Operating Activities	<u>\$ 861,291</u>	<u>\$ 205,616</u>	<u>\$ 1,066,907</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

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.

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. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The organization is fiscal dependency on the primary government.
- C. The organization has potential to impose a financial benefit or burden on the primary government.
- D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
- E. The primary government is able to impose its will on the organization.

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.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

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 similar to 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.

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

On January 30, 2008, HUD issued *PIH Notice 2008-9* which among other things requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both administrative fees and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Voucher program is no longer a cost reimbursement grants; therefore, the Authority recognizes unspent administrative fees and HAP revenue in the reporting period as revenue for financial statement reporting.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

Significant Accounting Policies - Continued

The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board "*Accounting and Financial Reporting for Pensions.*" The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans of State and Local Governments. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

Statement No. 75 of the Government Accounting Standards Board ("GASB 75") *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued June 2015. GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information.

Basis of Accounting

In proprietary fund, activities are recorded using the accrual basis of accounting. 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 similar to 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.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low income families.

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

Basis of Accounting - Continued

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) Housing Authority of the City of East Orange's flat rent amount.

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 considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

Other revenue composed primarily of miscellaneous services fees and resident's late charges. 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.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

Basis of Accounting – Continued

Component Unit – Discretely Presented

The Authority has identified the East Orange Housing and Community Development Corporation as a component unit. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this nonprofit corporation and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as 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

Report Presentation

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 which are included as Supplemental information.

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.

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

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.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

Other accounting policies - Continued

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- 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.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

Other accounting policies - Continued

14 - 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.

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, 2019

Other accounting policies - Continued

16 - Operating and non-operating revenues and expenses

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, HAP portability payments for the tenants and various charges to tenants.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

17-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2019.

18- Recent Accounting Pronouncements

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

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.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

Activities - The programs or activities administered by the Authority were:

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
Public Housing			
Public and Indian Housing Program	14.850	NJ50	64
Public Housing Capital Fund	14.872	NJ50	
Resident Opportunity and Supportive Services	14.870		
PIH FSS Program	14.896		
Section 8 Housing			
Section 8 Housing Choice Vouchers	14.871	NJ50	1588
Business Activities			0

Public and Indian Housing Program:

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

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

Notes to Financial Statements

December 31, 2019

Activities- Continued

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.

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.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

Activities - Continued

Component Unit – Discretely Presented

The Authority has identified the East Orange Housing and Community Development Corporation as a component unit. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this nonprofit corporation and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as 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

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenant's 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) have 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.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

Sources of Income

Housing Authority

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, HAP portability payments for the tenants and various charges to tenants. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low income families.

Component Unit

The Corporation's revenues consist primarily of other government grants and donations.

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 collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

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-employer 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 6.64% 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 2019 amounted to \$123,435.

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 do 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, 2019

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 includes 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 at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

Risk Disclosures

Collateral for Deposits

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit 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 time of purchase. At December 31, 2019, 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, 2019

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Credit Risk

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

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

Depository Accounts	Primary Government	Component Unit
Insured	\$ 250,250	\$ 357,806
Collateralized held by pledging bank's trust department in the Authority's name	2,674,242	-
Uninsured -Component Unit	-	6,220
Total Cash, Cash Equivalents	\$ 2,924,492	\$ 364,026

Component Unit

The East Orange Housing and Community Development Corporation maintain 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 at December 31, 2019 in the amount of \$20,689. 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 \$220,973 for 2019 was reported under the Housing Choice 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 \$54,963 at December 31, 2019.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2019

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

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 cost.

Investments

The Component Unit investment at December 31, 2019 included the following:

<u>Investments</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	2.99%	24-Apr-20	\$ 256,220
Money Market Account	Various	Upon Demand	100,068
Total			<u>\$ 356,288</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 5 - ACCOUNTS RECEIVABLE

Tenants rents are due the first of each month. Management considers rents outstanding after the 5th day of the month as past due. The Housing Authority of the City of East Orange primary government carries its accounts receivable at cost less an allowance for doubtful accounts. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances. It is reasonably possible that management's estimate of the allowance will change. Accounts Receivable at December 31, 2019 consisted of the following:

	<u>Primary Government</u>
Tenants Accounts Receivable - Present	\$ 10,815
Less: Allowance for Doubtful Accounts	<u>(10,220)</u>
Net Tenants Accounts Receivable	<u>595</u>
Tenants Fraud Repayment Agreements	66,796
Less: Allowance for Doubtful Accounts	<u>(66,796)</u>
Net Tenants Fraud Repayment Agreements	<u>-</u>
Accounts Receivable - HUD	150,184
Accounts Receivable - State of New Jersey	11,852
Accounts Receivable - Portabilities	14,417
Accounts Receivable - Misc Fees and Deposits	19,946
Accounts Receivable - Genesis	69,913
Accounts Receivable - Past Tenants	13,593
Less: Allowance for Doubtful Accounts	<u>(15,258)</u>
Net Accounts Receivable - Other Receivables	<u>264,647</u>
Net Accounts Receivables - Total	<u>\$ 265,242</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2019

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 on a monthly basis. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses at December 31, 2019 consisted of the following:

	<u>Primary Government</u>
Prepaid Insurance	\$ 21,281
Insurance Deposits	130,773
Maintenance Room Inventory	5,883
Predevelopment Cost	62,204
Total Prepaid Expenses	<u>\$ 220,141</u>

NOTE 7 - INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at December 31, 2019 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

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

Housing Authority

Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred. Donated fixed assets are stated at their fair value on the date donated.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

NOTE 8 - FIXED ASSETS

Housing Authority

Depreciation Expense

Depreciation expense for December 31, 2019 was \$90,350. 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

Below is a schedule of changes in fixed assets for the Authority primary government for the twelve months ending December 31, 2019:

<u>Housing Authority</u>	December-18	Additions	Transfer	December-19
Land	\$ 1,281,794			\$ 1,281,794
Building	2,198,769	-		2,198,769
Furniture, Equipment - Dwelling	355,648		128,845	484,493
Furniture, Equipment - Administration	263,634	19,356	(128,845)	154,145
Construction in Process	1,737,180	145,731		1,882,911
Total Fixed Assets	5,837,025	165,087	-	6,002,112
Accumulated Depreciation	(2,455,375)	(90,350)	-	(2,545,725)
Net Book Value	\$ 3,381,650	\$ 74,737	\$ -	\$ 3,456,387

Below is a schedule of the net book value of the fixed assets for the Authority as of December 31, 2019:

	<u>December-19</u>
Land	\$ 1,281,794
Building	260,817
Furniture, Equipment - Dwelling	-
Furniture, Equipment - Administration	30,865
Construction in Process	1,882,911
Net Book Value	<u>\$ 3,456,387</u>

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2019.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

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, 2019 was \$-0-.

Below is a schedule of changes in fixed assets for the component unit for the twelve months ending December 31, 2019:

<u>Component Unit</u>	<u>December-18</u>	<u>Additions</u>	<u>Transfer</u>	<u>December-19</u>
Land	\$ 54,541	\$ -	\$ 69,999	\$ 124,540
Construction in Process	445,099	450,581	(69,999)	825,681
Total Fixed Assets	499,640	450,581	-	950,221
Accumulated Depreciation	-	-	-	-
Net Book Value	\$ 499,640	\$ 450,581	\$ -	\$ 950,221

NOTE 9- MORTGAGE NOTE RECEIVABLE

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, 2019 was \$260,296. Management believes that they will receive the accrued interest once the total conversion has been completed.

Second Note

As of August 23, 2018, the Authority entered into an agreement with Genesis Concord Vista LLC (Second Note) for a mortgage note in relation to the conversion AMP 3 to RAD (Rental Assistance Demonstration), in the amount of \$3,009,735. The maturity date of the note is August 23, 2050 and the note accrues interest annually at a rate of 4.50%. The amount accrued as of December 31, 2019 was \$3,340. Management believes that they will receive the accrued interest once the total conversion has been completed.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2019

NOTE 9- MORTGAGE NOTE RECEIVABLE - CONTINUED

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, 2019 was \$-0-. Management believes that they will receive the accrued interest once the total conversion has been completed.

NOTE 9- OTHER ASSETS

The Authority reported Other Assets on its Statement of Net Position at December 31, 2019 which comprise of the following:

	<u>Primary Government</u>
Accrued Intererst - First Note	\$ 260,296
Accrued Intererst - Second Note	3,340
Future Development Cost - Legal Fees	<u>25,644</u>
Total Other Assets	<u><u>289,280</u></u>

Management believes that they will receive the accrued interest on both notes once the total conversion has been completed.

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.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES -CONTINUED

The Authority's deferred outflows and inflows are as follows:

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 41,040	\$ 41,040
Changes in Assumptions	-	228,318	228,318
Net Difference Between Projected and Actual Earning on Pension Plan Investments	2,295	-	2,295
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	524,243	421,726	945,969
Contributions Subsequent to the Measurement Total	-	-	-
	\$ 526,538	\$ 691,084	\$ 1,217,622
Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ 814,741	\$ 10,101	\$ 824,842
Changes in Assumptions	987,304	793,644	1,780,948
Net Difference Between Projected and Actual Earning on Pension Plan Investments	283,450	36,094	319,544
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	353,027	353,027
Contributions Subsequent to the Measurement Total	-	-	-
	\$ 2,085,495	\$ 1,192,866	\$ 3,278,361

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 \$41,040 and \$824,842.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2019

NOTE 11 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES -CONTINUED

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 \$228,318 and \$1,780,948.

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 \$2,295 and \$319,544.

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 \$945,969 and \$353,027.

NOTE 12 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of December 31, 2019. Accounts payable vendors are amount owing to creditors or generally on open accounts, as a result of delivered goods and completed services. Accounts payable at December 31, 2019 consisted of the following:

	<u>Primary Government</u>
Accounts Payable Vendors	\$ 39,804
Accounts Payable - P.I.L.O.T.	161,705
Accounts Payable HAP Landlords	35,226
Total Accounts Payable	<u>\$ 236,735</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

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 at December 31, 2019 was as detailed below:

P.I.L.O.T. Expense 2015	\$	41,869
P.I.L.O.T. Expense 2016		41,906
P.I.L.O.T. Expense 2017		44,346
P.I.L.O.T. Expense 2018		26,721
P.I.L.O.T. Expense 2019		6,863
P.I.L.O.T. Payable as of December 31, 2019	\$	<u>161,705</u>

NOTE 14 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before December 31, and are payable at some future date. Accrued liabilities at December 31, 2019 consist of the following:

	Primary Government
Accrued Wages/Payroll Taxes	\$ 25,173
Compensated Absences - Current Portion	27,438
Accrued Vendor Invoices	12,684
Total Accrued Liabilities	<u>\$ 65,295</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

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.

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

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

	<u>Primary Government</u>
Accumulated Sick Time	\$ 87,045
Accumulated Vacation Time	167,844
Accrued Payroll Taxes	<u>19,499</u>
Total	274,388
Compensated Absences - Current Portion	<u>(27,438)</u>
Total Compensated Absences - Noncurrent	<u>\$ 246,950</u>

NOTE 16 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. 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. 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. Unearned revenue consists of January 2020 tenants prepaid rents.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

NOTE 17 - NON CURRENT LIABILITY

The Authority reported noncurrent liabilities at December 31, 2019 which consisted of FSS Escrow Accounts held by the Authority in the amount of \$64,455.

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

During 2019 the amount drawdown was \$141,367 and outstanding at December 31, 2019. The loan bears an interest rate applicable to 7.00%. Interest will be accrued once the loan is converted into a mini-permanent loan. During 2019, no interest was accrued.

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

December 31, 2022	<u>\$ 141,367</u>
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HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2019

NOTE 19 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of December 31, 2019 reported accrued pension and OPEB liability amounts as follows:

	<u>December-19</u>
Accrued OPEB Liability	\$ 2,786,020
Accrued Pension Liability	<u>2,286,521</u>
Total OPEB and Pension Liability	<u>\$ 5,072,541</u>

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

OPEB Liability

The Authority as of December 31, 2019 reported a net OPEB liability in the amount of \$2,786,020 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	<u>June-19</u>
Employer Total OPEB Liability	\$ 2,842,204
Plan Net Position	<u>(56,184)</u>
Employer Net OPEB Liability	<u>\$ 2,786,020</u>

The Authority allocation percentage is 0.0205670% as of June 30, 2019.

OPEB Liability - Plan Description and Benefits Provided

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

NOTE 19 – OPEB LIABILITIES - CONTINUED

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 negotiations agreement.

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

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, 2019 were \$2,786,020.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 19 - OPEB LIABILITIES - CONTINUED

Employees covered by benefits terms: At June 30, 2019 (the census date), had twenty-three (23) plan members.

Net OPEB Liability

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions: The total OPEB Liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.5%

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-2019 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-2019 scale. 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-2019 scale.

Certain actuarial assumptions used in the June 30, 2018 valuation were 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, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 19 – OPEB LIABILITIES - CONTINUED

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.7% 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, 2019 was 3.50%. 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 (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 3,221,348	\$ 2,786,020	\$ 2,432,259

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
Total OPEB Liability	\$ 2,351,058	\$ 2,786,020	\$ 3,340,888

Change in Assumptions: Effective June 30, 2019.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 19 - OPEB LIABILITIES - CONTINUED

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 years for the 2019, 2018 and 2017 amounts, respectively.

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2019</u>
Service Cost	\$ 137,094
Interest on Total OPEB liability	130,823
Expected Investment Return	(2,321)
Administrative Expenses	1,949
Changes in Benefits Term	(392)
Current Period Deferred Inflows/Outflows of Resources	(127,393)
Changes in Assumptions or Other Inputs	(166,465)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	736
Benefit Payments	-
Change in Plan	<u>(2,964,793)</u>
Net Change in Total OPEB Liability	<u>(2,990,762)</u>
Total OPEB Liability, Beginning	<u>5,776,782</u>
Total OPEB Liability, Ending	<u>\$ 2,786,020</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2019

NOTE 19 – OPEB LIABILITIES - 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, 2020	\$	(293,121)
Year Ending June 30, 2021		(293,121)
Year Ending June 30, 2022		(293,301)
Year Ending June 30, 2023		(293,592)
Year Ending June 30, 2024		(293,858)
Therafter		(332,757)
Total	\$	<u>(1,799,750)</u>

NOTE 20 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of December 31, 2019 reported a net pension liability in the amount of \$2,286,521 due to GASB #68. The component of the current year net pension liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	<u>June-19</u>
Employer Total Pension Liability	\$ 5,265,210
Plan Net Position	<u>(2,978,689)</u>
Employer Net Pension Liability	<u>\$ 2,286,521</u>

The Authority allocation percentage is 0.0126898643% as of June 30, 2019.

Plan Description

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

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.

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.

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, 2019 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2019.

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 2019 the State's pension contribution was less than the actuarial determined amount.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 20 - ACCRUED PENSION LIABILITY - CONTINUED

Net Pension Liability Information

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

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

Actuarial Assumptions

The total pension liability for June 30, 2019 measurement dates were determined by using an actuarial valuation as of July 1, 2018, with update procedures used to roll forward the total pension liability to June 30, 2018. 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 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the Pub-2010 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements December 31, 2019

NOTE 20 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions – Continued

The actuarial assumptions used in the July 1, 2019 evaluation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2019. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 as summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100%</u>	

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements
December 31, 2019

NOTE 20 – ACCRUED PENSION LIABILITY - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal year.

The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date 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 6.28% 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 (5.28% percent) or 1 percentage-point higher (7.28% 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 (5.28%)	Current Discount (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,908,340	\$ 2,286,521	\$ 1,791,860

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 20 - ACCRUED PENSION LIABILITY - CONTINUED

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, 2020	\$ (66,024)
Year Ending June 30, 2021	(214,182)
Year Ending June 30, 2022	(191,252)
Year Ending June 30, 2023	(89,803)
Year Ending June 30, 2024	(9,221)
Total	<u>\$ (570,482)</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 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2019, are as follows:

Service Cost	\$ 102
Interest on the Total Pension Liability	302,307
Member Contributions	(70,252)
Administrative Expenses	1,861
Expected Investment Return Net of Investment Expenses	(187,579)
Pension Expense Related to Specific Liabilities of Individual Employers	(879)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:	
Difference Between Expected and Actual Experience	22,760
Changes of Assumptions	(69,563)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	22,130
Total	<u>\$ 20,886</u>

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 21 - RESTRICTED NET POSITION

The Authority's Restricted Net Position account balance at December 31, 2019 is \$470,973. The balance pertains to the HAP reserve.

	Primary Government	Component Unit
Authority HCV HAP Reserve	\$ 220,973	\$ -
Reserve for Construction Project	-	250,000
Total Restricted Net Position	<u>\$ 220,973</u>	<u>\$ 250,000</u>

The restricted cash in the amount of \$220,973 was reported under the Housing Choice 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 at December 31, 2019 was \$2,054,049.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 22 – UNRESTRICTED NET POSITION

The Authority's primary government Unrestricted Net Position account balance at December 31, 2019 is \$5,207,838. The detail of the account balance is as follows:

	Low Rent PIH Reserve	HCV ADM Reserve	Business Activities	Total
Balance December 31, 2018	\$ 5,476,143	\$ (2,275,027)	\$ 12,325	\$ 3,213,441
Increase During the Year	225,132	-	-	225,132
(Decrease) During the Year	-	(1,195,528)	-	(1,195,528)
Prior Period Adjustment		2,964,793	-	2,964,793
Balance December 31, 2019	<u>\$ 5,701,275</u>	<u>\$ (505,762)</u>	<u>\$ 12,325</u>	<u>\$ 5,207,838</u>

NOTE 23 - 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, 2019 were \$274,743.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Section 8 Housing Choice Voucher for December 31, 2019 were \$14,297,254.

NOTE 24 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

Total financial support by HUD was \$14,949,041 to the Authority which represents approximately 87% percent of the Authority's total revenue for the year ended December 31, 2019.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 25 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended December 31, 2019, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of all its buildings for the purpose of determining potential liability issues.

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.

NOTE 27 - CONTINGENCIES

Litigation – At December 31, 2019, the Authority was not involved in any threatened litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 28 – PRIOR PERIOD ADJUSTMENT

For year ending December 31, 2019

As of December 31, 2019 the Authority had a prior period adjustment in the amount of \$2,964,793 while recording GASB #75 Net OPEB Liability from the State of New Jersey audit report for the OPEB liability as of June 30, 2018.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Notes to Financial Statements

December 31, 2019

NOTE 29 - SUBSEQUENT EVENTS

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The Authority already received additional operating subsidy from HUD to offset these expenses.

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru December 11, 2020; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Required Supplementary Information

December 31, 2019

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

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

<u>Total OPEB Liability</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
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	-	-	-
Inflows/Outflows of Resources	(127,393)	-	-
Inputs	(166,465)	-	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	736	-	-
Benefit Payments	-	(39,038)	(53,446)
Change in Plan	(2,964,793)	-	-
Net Change in Total OPEB Liability	(2,990,762)	473,212	419,768
Total OPEB Liability, Beginning	5,776,782	5,303,570	4,883,802
Total OPEB Liability, Ending	<u>\$ 2,786,020</u>	<u>\$ 5,776,782</u>	<u>\$ 5,303,570</u>
Covered, Employee Payroll	\$ 1,251,767	\$ 1,281,327	\$ 1,798,945
Total OPEB Liability as a percentage of covered employee payroll	222.57%	450.84%	294.82%

**The amounts determined for each fiscal year were determined as of June 30. Schedule is intended to show information for ten years. Additional years will be displayed as they become available.*

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
 December 31, 2019

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>2019</u>	<u>2018</u>	<u>2017</u>
Housing Authority's proportion of the net pension liability	0.012689684%	0.01406135%	0.01161213%
Housing Authority's proportionate share of the net pension liability	\$ 2,286,521	\$ 2,768,610	\$ 2,703,119
Housing Authority's covered employee payroll	\$ 1,251,767	\$ 1,264,827	\$ 1,123,076
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	182.66%	218.89%	240.69%
Plan fiduciary net position as a percentage of the total pension liability	43.43%	53.60%	48.01%

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
 December 31, 2019

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.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Housing Authority's proportion of the net pension liability	0.00323170%	0.01176402%	0.01280554%
Housing Authority's proportionate share of the net pension liability	\$ 3,669,596	\$ 2,640,786	\$ 2,397,547
Housing Authority's covered employee payroll	\$ 1,358,040	\$ 1,346,339	\$ 1,270,191
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	270.21%	196.15%	188.75%
Plan fiduciary net position as a percentage of the total pension liability	59.86%	52.07%	52.08%

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

Required Supplementary Information

December 31, 2019

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

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

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

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
 December 31, 2019

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

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

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

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

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

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019**

CFDA #s	Grant Period		Grant Award	Fiscal Year	Fiscal Year	Cumulative
	From	To		Cash Receipts	Expenditures	
Programs funded by:						
<u>U.S. Department of Housing and Urban Development</u>						
<u>Public and Indian Housing Program</u>						
NJ050-00000118D	14.850	1/1/2018	12/31/2018	\$ 309,479	\$ 674	\$ 309,479
NJ050-00000318D	14.850	1/1/2018	12/31/2018	765,049	1,671	766,720
NJ050-00000119D	14.850	1/1/2019	12/31/2019	272,398	272,398	272,398
Grant Subtotal				<u>1,346,926</u>	<u>274,743</u>	<u>1,348,597</u>
<u>Resident Opportunity and Supportive Services</u>						
ROSS191293	14.870	3/12/2019	3/18/2022	237,682	52,818	171,659
Grant Subtotal				<u>237,682</u>	<u>52,818</u>	<u>171,659</u>
<u>Public Housing Capital Fund Program</u>						
NJ39P050501-17	14.872	8/16/2017	8/15/2021	354,662	104,662	354,662
NJ39P050501-18	14.872	5/29/2018	5/28/2022	547,943	4,450	547,943
NJ39P050501-19	14.872	4/16/2019	4/15/2023	156,289	145,734	145,734
Grant Subtotal				<u>1,058,894</u>	<u>254,846</u>	<u>1,048,339</u>
<u>Section 8 Housing Choice Voucher Program</u>						
NJ39PO50	14.871	1/1/2019	12/31/2019	14,297,254	14,297,254	14,297,254
Grant Subtotal				<u>14,297,254</u>	<u>14,297,254</u>	<u>14,297,254</u>
<u>PIH Family Self Sufficiency Program</u>						
FSS18NJ2189	14.896	1/1/2019	12/31/2019	69,380	69,380	69,380
Grant Subtotal				<u>69,380</u>	<u>69,380</u>	<u>69,380</u>
Total Expenditures of Financial Awards				\$ 17,010,136	\$ 14,949,041	\$ 16,935,229

**HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019**

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, 2019. 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 at December 31, 2019.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2019.

Note 6. Sub recipients:

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

East Orange Housing Authority (NJ050)
 EAST ORANGE, NJ
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2019

	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretionary	2 State/Local	1 Business Activities	14.886 PHA Family Self- Sufficiency Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$102,019	\$2,525,848	\$114,026				\$2,741,893		\$2,741,893
112 Cash - Restricted - Modernization and Development		\$275,938	\$250,000				\$525,938		\$525,938
113 Cash - Other Restricted	\$20,689						\$20,689		\$20,689
114 Cash - Tenant Security Deposits									
115 Cash - Restricted for Payment of Current Liabilities		\$2,801,784	\$364,026	\$0	\$0	\$0	\$3,288,518	\$0	\$3,288,518
100 Total Cash	\$122,708	\$2,801,784	\$364,026	\$0	\$0	\$0	\$3,288,518	\$0	\$3,288,518
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$150,184						\$150,184		\$150,184
124 Accounts Receivable - Other Government				\$11,852			\$11,852		\$11,852
125 Accounts Receivable - Miscellaneous	\$69,859	\$14,417					\$104,276		\$104,276
126 Accounts Receivable - Tenants	\$10,815						\$10,815		\$10,815
126.1 Allowance for Doubtful Accounts - Tenants	-\$10,220						-\$10,220		-\$10,220
126.2 Allowance for Doubtful Accounts - Other	-\$11,968	-\$3,290		\$0			-\$15,258		-\$15,258
127 Notes, Loans, & Mortgages Receivable - Current	\$13,593						\$13,593		\$13,593
128 Fraud Recovery		\$66,796					\$66,796		\$66,796
128.1 Allowance for Doubtful Accounts - Fraud		-\$66,796					-\$66,796		-\$66,796
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$242,263	\$11,127	\$0	\$11,852	\$0	\$0	\$265,242	\$0	\$265,242
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$185,108	\$6,825			\$12,325		\$214,258		\$214,258
143 Inventories	\$5,863						\$5,863		\$5,863
143.1 Allowance for Obsolete Inventories	\$0						\$0		\$0
144 Inter Program Due From	\$0	\$27,875					\$27,875	-\$27,875	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$965,962	\$2,847,411	\$364,026	\$11,852	\$12,325	\$0	\$3,801,576	-\$27,875	\$3,773,901
161 Land	\$261,794		\$124,540				\$1,406,334		\$1,406,334
162 Buildings	\$2,198,789				\$1,020,000		\$2,198,789		\$2,198,789
163 Furniture, Equipment & Machinery - Dwellings	\$355,848	\$128,845					\$484,493		\$484,493
164 Furniture, Equipment & Machinery - Administration	\$154,145						\$154,145		\$154,145
165 Leasehold Improvements									
166 Accumulated Depreciation	-\$2,432,333	-\$113,392					-\$2,545,725		-\$2,545,725
167 Construction in Progress	\$1,828,989		\$825,681		\$53,922		\$2,708,592		\$2,708,592
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,367,012	\$15,453	\$950,221	\$0	\$1,073,922	\$0	\$4,406,608	\$0	\$4,406,608
171 Notes, Loans and Mortgages Receivable - Non-Current	\$9,501,600						\$9,501,600		\$9,501,600
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due									
173 Grants Receivable - Non-Current									
174 Other Assets	\$289,280						\$289,280		\$289,280
176 Investments in Joint Ventures									

East Orange Housing Authority (NJ050)
 EAST ORANGE, NJ
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2019

	14,870 Resident Opportunity and	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretionary	2 State/Local	1 Business Activities	14,888 PHH Family Self- Sufficiency Program	Subtotal	ELIM	Total
180 Total Non-Current Assets	\$12,157,892	\$15,453	\$950,221	\$0	\$1,073,922	\$0	\$14,197,488	\$0	\$14,197,488
200 Deferred Outflow of Resources	\$695,909	\$551,713					\$1,217,622		\$1,217,622
280 Total Assets and Deferred Outflow of Resources	\$13,289,763	\$3,414,577	\$1,314,247	\$11,852	\$1,086,247	\$0	\$19,216,686	-\$27,675	\$19,189,011
311 Bank Overdraft							\$39,804		\$39,804
312 Accounts Payable <= 90 Days	\$37,204	\$2,600							
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$25,173						\$25,173		\$25,173
322 Accrued Compensated Absences - Current Portion	\$17,726	\$9,712					\$27,438		\$27,438
324 Accrued Contingency Liability									
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects	\$161,705						\$161,705		\$161,705
333 Accounts Payable - Other Government	\$20,889						\$20,889		\$20,889
341 Tenant Security Deposits	\$4,540						\$4,540		\$4,540
342 Unearned Revenue									
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									
344 Current Portion of Long-term Debt - Operating									
Borrowings									
345 Other Current Liabilities		\$35,226					\$35,226		\$35,226
346 Accrued Liabilities - Other	\$5,777	\$6,907					\$12,684		\$12,684
347 Infor Program - Due To	\$15,823			\$11,852			\$27,675	-\$27,675	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$286,637	\$54,445	\$0	\$11,852	\$0	\$0	\$354,934	-\$27,675	\$327,259
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other	\$159,539	\$84,455					\$94,455		\$84,455
354 Accrued Compensated Absences - Non Current		\$87,412					\$246,950		\$246,950
355 Loan Liability - Non Current							\$141,367		\$141,367
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities	\$4,231,146	\$841,585					\$5,072,731		\$5,072,731
350 Total Non-Current Liabilities	\$4,390,684	\$883,262	\$141,367	\$0	\$0	\$0	\$5,525,313	\$0	\$5,525,313
300 Total Liabilities	\$4,679,321	\$1,047,707	\$141,367	\$11,852	\$0	\$0	\$5,880,247	-\$27,675	\$5,852,572
400 Deferred Inflow of Resources	\$642,155	\$2,636,266					\$3,278,421		\$3,278,421
508.4 Net Investment in Capital Assets	\$2,367,012	\$15,453	\$808,654	\$0	\$1,073,922	\$0	\$4,265,041		\$4,265,041
511.4 Restricted Net Position	\$0	\$220,973	\$250,000	\$0	\$0	\$0	\$470,973		\$470,973
512.4 Unrestricted Net Position	\$5,701,275	\$506,762	\$114,026	\$0	\$12,325	\$0	\$5,321,664		\$5,321,664
513 Total Equity / Net Assets / Position	\$8,068,287	-\$268,336	\$1,172,880	\$0	\$1,086,247	\$0	\$10,058,078	\$0	\$10,058,078

East Orange Housing Authority (NJ050)
 EAST ORANGE, NJ
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2019

	14,870	14,871	6.1	2 State/Local	1 Business Activities	14,886 PHH Family Self-Sufficiency Program	Subtotal	ELIM	Total
800 Total Liabilities, Deferred Inflows of Resources and Equity - Net	Resident Opportunity Fund	Housing Choice Vouchers	Component Unit - Discretely	\$11,652	\$1,086,247	\$0	\$19,216,696	-\$27,675	\$19,189,011
	\$0	\$3,414,577	\$1,314,247						
	Project Total								
	\$13,369,763								

East Orange Housing Authority (HUDSO)
EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14.870 Resident Opportunity Fund	14.871 Housing Choice Vouchers	6.1 Component Unit - Districts	2 State/Local	1 Business Activities	14.896 PHH Family Self-Sufficiency Program	Subtotal	ELM	Total
70300 Net Tenant Rental Revenue	\$209,730							\$209,730		\$209,730
70400 Tenant Revenue - Other	\$6,192							\$6,192		\$6,192
70500 Total Tenant Revenue	\$215,922	\$0	\$0	\$0	\$0	\$0	\$0	\$215,922	\$0	\$215,922
70600 HUD PHA Operating Grants	\$363,655	\$52,616	\$14,297,254				\$69,360	\$14,603,307		\$14,603,307
70610 Capital Grants	\$145,734							\$145,734		\$145,734
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70760 Total Fee Revenue								\$0	\$0	\$0
70800 Other Government Grants				\$249,136	\$36,840			\$285,976		\$285,976
71100 Investment Income - Unrestricted	\$52,217		\$39,627	\$6,276				\$98,160		\$98,160
71200 Mortgage Interest Income	\$197,752							\$197,752		\$197,752
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets			\$17,176					\$17,176		\$17,176
71400 Fraud Recovery										
71500 Other Revenue	\$546,674		\$1,242,135	\$9,872	\$6,064			\$1,804,745		\$1,804,745
71600 Gain or Loss on Sale of Capital Assets			\$500					\$500		\$500
72000 Investment Income - Restricted	\$1,542,214	\$52,816	\$16,566,662	\$263,286	\$42,904	\$0	\$69,360	\$17,569,294	\$0	\$17,569,294
70000 Total Revenue	\$335,193		\$594,446	\$16,250				\$945,891		\$945,891
91200 Auditing Fees	\$5,570		\$7,560	\$4,500				\$17,630		\$17,630
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing										
91500 Employee Benefit Contributions - Administrative	\$120,562		\$1,669,662					\$2,010,254		\$2,010,254
91600 Office Expenses	\$50,379		\$104,039					\$154,418		\$154,418
91700 Legal Expense	\$4,042		\$2,609	\$507				\$7,158		\$7,158
91800 Travel	\$23,627		\$16,191	\$2,007				\$43,825		\$43,825
91810 Allocated Overhead										
91900 Other	\$126,129		\$205,802	\$11,076				\$343,007		\$343,007
91000 Total Operating - Administrative	\$665,902	\$0	\$2,822,341	\$34,340	\$0	\$0	\$0	\$3,522,183	\$0	\$3,522,183
92000 Asset Management Fee					\$22,000			\$100,691		\$100,691
92100 Tenant Services - Salaries		\$30,761								
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services		\$21,937			\$2,493			\$45,960		\$45,960
92400 Tenant Services - Other	\$693	\$120			\$18,331			\$19,144		\$19,144
92500 Total Tenant Services	\$693	\$52,818	\$0	\$0	\$42,904	\$0	\$69,360	\$165,795	\$0	\$165,795
93100 Water	\$22,444							\$22,444		\$22,444
93200 Electricity	\$52,202							\$52,202		\$52,202

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

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2019

	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	6.1 Component Unit - Disability	2 State/Local	1 Business Activities	14.886 PTH Family Self- Sufficiency Program	Subtotal	ELIM	Total
93300 Gas							\$56,630		\$56,630
93400 Fuel									
93500 Labor							\$10,250		\$10,250
93500 Sewer									
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$141,526	\$0	\$141,526
94100 Ordinary Maintenance and Operations - Labor									
94200 Ordinary Maintenance and Operations - Materials									
and Other		\$3,065	\$6,126				\$73,348		\$73,348
94300 Ordinary Maintenance and Operations Contracts							\$39,262		\$39,262
94500 Employee Benefit Contributions - Ordinary							\$65,787		\$65,787
Maintenance							\$13,771		\$13,771
94000 Total Maintenance	\$0	\$3,065	\$6,126	\$0	\$0	\$0	\$192,166	\$0	\$192,166
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs							\$61,467		\$61,467
95300 Protective Services - Other							\$20,223		\$20,223
95600 Employee Benefit Contributions - Protective Services							\$340		\$340
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$8,510	\$0	\$8,510
96110 Property Insurance							\$90,540	\$0	\$90,540
96120 Liability Insurance									
96130 Workmen's Compensation									
96140 All Other Insurance		\$4,448	\$1,290				\$14,585		\$14,585
96100 Total Insurance Premiums	\$0	\$4,448	\$1,290	\$0	\$0	\$0	\$23,902	\$0	\$23,902
96200 Other General Expenses							\$38,487		\$38,487
96210 Compensated Absences		\$32,838	\$10,888				\$50,010		\$50,010
96300 Payments in Lieu of Taxes							\$23,785		\$23,785
96400 Bad debt - Tenant Rents							\$6,883		\$6,883
96500 Bad debt - Mortgages							\$3,116		\$3,116
96600 Bad debt - Other									
96900 Severance Expense									
96000 Total Other General Expenses	\$0	\$32,838	\$10,888	\$0	\$0	\$0	\$83,754	\$0	\$83,754
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,151,995	\$2,862,712	\$54,644	\$42,904	\$0	\$69,380	\$4,234,453	\$0	\$4,234,453
97000 Excess of Operating Revenue over Operating Expenses	\$390,219	\$12,739,980	\$210,642	\$0	\$0	\$0	\$13,334,841	\$0	\$13,334,841

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

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2019

	14,870 Resident Opportunity and	14,871 Housing Choice Vouchers	8.1 Component Unit - Disability	2 State/Local	1 Business Activities	14,896 PIH Family Self- Sufficiency Program	Subtotal	ELIM	Total
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments		\$12,781,103					\$12,781,103		\$12,781,103
97350 HAP Portability-In		\$1,173,340					\$1,173,340		\$1,173,340
97400 Depreciation Expense	\$87,153	\$3,197					\$90,350		\$90,350
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$1,239,148	\$16,820,352	\$54,844	\$42,904	\$0	\$89,360	\$18,279,246	\$0	\$18,279,246
10010 Operating Transfer In	\$104,662						\$104,662	-\$104,662	\$0
10020 Operating Transfer Out	-\$104,662						-\$104,662	\$104,662	\$0
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									
10060 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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$303,066	-\$1,223,660	\$210,642	\$0	\$0	\$0	-\$709,952	\$0	-\$709,952
Total Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$7,765,271	-\$2,010,469	\$862,238	\$0	\$1,086,247	\$0	\$7,803,237		\$7,803,237
11040 Prior Period Adjustments, Equity transfers and Correction of Errors	\$0	\$7,984,783					\$2,964,793		\$2,964,793
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 - Other									
Dwelling Units									
11170 Administrative Fee Equity		-\$490,309					-\$490,309		-\$490,309
11180 Housing Assistance Payments Equity		\$220,973					\$220,973		\$220,973
11190 Unit Months Available	768	16250					18018		18018
11210 Number of Unit Months Leased	757	17276					18033		18033
11270 Excess Cash	-\$19,128						-\$19,128		-\$19,128
11610 Land Purchases	\$0						\$0		\$0
11620 Building Purchases	\$0						\$0		\$0

East Orange Housing Authority (NJ050)
EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	14,870 Resident Opportunity and	14,871 Housing Choice Vouchers	6,1 Component Unit - Discontinuity	2 State/Local	1 Business Activities	14,898 PIH Family Self- Sufficiency Program	Subtotal	ELIM	Total
11630 Furniture & Equipment - Dwelling Purchases	\$0						\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$19,356						\$19,356		\$19,356
11650 Leasehold Improvements Purchases	\$145,734						\$145,734		\$145,734
11660 Infrastructure Purchases	\$0						\$0		\$0
13510 CFFP Debt Service Payments	\$0						\$0		\$0
13901 Replacement Housing Factor Funds	\$0						\$0		\$0



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

Board of Commissioners
Housing Authority of the City of East Orange
7 Glenwood Avenue
Suite 304A
East Orange, New Jersey 07017

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 Housing Authority of the City of East Orange as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of East Orange basic financial statements, and have issued our report thereon dated December 11, 2020.

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 internal control over financial reporting (internal control) to determine the 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 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of East Orange 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 determination of financial statement amounts. 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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: December 11, 2020



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

Board of Commissioners
Housing Authority of the City of East Orange
7 Glenwood Avenue
Suite 304A
East Orange, New Jersey 07017

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of East Orange compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the City of East Orange major federal programs for the year ended December 31, 2019. Housing Authority of the City of East Orange major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of East Orange major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of East Orange compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Housing Authority of the City of East Orange compliance.

Opinion on Each Major Federal Program

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, 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: December 11, 2020

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Schedule of Findings and Questioned Cost
Year Ended December 31, 2019

Prior Audit Findings
None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

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

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

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

Type of audit report issued on compliance for major programs:

Unmodified

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

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.850	Public and Indian Housing Program	\$ 274,743
14.871	Section 8 Housing Choice Vouchers Program	\$ 14,297,254

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

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

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of East Orange
7 Glenwood Avenue - Suite 304A
East Orange, New Jersey 07017

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

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

We were engaged to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the City of East Orange as of and for the year ended December 31, 2019, and have issued our reports thereon dated December 11, 2020. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated December 31, 2019, was expressed in relation to the basic financial statements of Housing Authority of the City of East Orange taken as a whole.

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

This report is intended solely for the information and use of Housing Authority of the City of East Orange 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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
December 11, 2020

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule,all CFDA's	☒	☐
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	☒	☐
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	☒	☐
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	☒	☐
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	☒	☐
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	☒	☐
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	☒	☐
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	☒	☐
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	☒	☐