

# ***HOUSING AUTHORITY OF THE CITY OF MADERA***

**Financial Statements and Independent Auditors' Report  
Year Ended September 30, 2023**



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**HOUSING AUTHORITY OF THE CITY OF MADERA**

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**HOUSING AUTHORITY OF THE CITY OF MADERA**

List of Principal Officials

The following table lists the Board Members as of September 30, 2023:

Chairperson.....	Elsa Mejia
Vice-chairperson.....	Anita Evans
Commissioner.....	Santos Carcia
Commissioner.....	Cecelia Gallegos
Commissioner.....	Jose Rodriquez
Commissioner.....	Steve Montes
Commissioner.....	Artemio Villegas

In addition to the above Commissioners, the Administrator of the Housing Authority of the City of Madera was Renee Wright, who served as the Executive Director.

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## **INDEPENDENT AUDITORS' REPORT**

To the Governing Body of  
Housing Authority of the City of Madera

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **OPINION**

We have audited the financial statements of the business-type activities of the Housing Authority of the City of Madera (Authority), a component unit of the City of Madera, California, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of September 30, 2023, and the changes in its 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.

#### **BASIS FOR OPINION**

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

#### **RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS**

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

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



## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements; (3) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed; (4) Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; (5) Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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



## **SUPPLEMENTARY INFORMATION**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements.

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

In addition, the accompanying statement and certification of actual costs, required by the U.S. Department of Housing and Urban Development, is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

That information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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, that information is fairly stated in all material respects in relation to the financial statements as a whole.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

June 25, 2024

## **HOUSING AUTHORITY OF THE CITY OF MADERA**

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

The Housing Authority of the City of Madera's (Authority, we, us, our) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of our financial activity, (c) identify changes in our financial position and its resulting ability to address the next and subsequent year challenges, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with our financial statements.

### **FINANCIAL HIGHLIGHTS**

Overall financial position decreased by approximately \$916K from the prior year.

Authority assets, at fiscal year-end, exceeded liabilities by approximately \$11.6M.

Year-end cash and cash equivalents totaled approximately \$10.4M.

Intergovernmental revenue of \$6.2M came from Housing and Urban Development (HUD). Operating grants totaled \$6M.

The Authority paid housing assistance payments \$5M for on behalf of individuals in the various Voucher Programs.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual financial report consists of two parts: Management's Discussion and Analysis and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. While detailed sub-fund information is not presented, separate accounts are maintained for each program of the Authority.

The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The statement of net position provides a record or snapshot of the assets and liabilities at the close of the fiscal year. It presents the financial position of the Authority on a full accrual historical cost basis. The statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year. The statement of cash flows is related to the other financial statements by the way it links changes in assets and liabilities to the effects on cash and cash equivalents over the course of the fiscal year. The notes to the financial statements provide useful information regarding the Authority's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

Certain reclassifications of amounts previously reported have been made to the following tables to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Management’s Discussion and Analysis (Required Supplemental Information – Unaudited)

**FINANCIAL ANALYSIS OF THE AUTHORITY**

Net Position

The following table reflects the Statement of Net Position compared to prior year.

	<u>2023</u>	<u>2022</u>	<b>Change</b>	
			<b>Dollar</b>	<b>Percentage</b>
Cash and equivalents	\$ 10,446,928	\$ 10,807,073	\$ (360,145)	(3.3%)
Other current assets	176,062	273,324	(97,262)	(35.6%)
Total current assets	10,622,990	11,080,397	(457,407)	(4.1%)
Net capital assets	5,362,699	5,777,230	(414,531)	(7.2%)
Other non-current assets	2,837,215	2,864,337	(27,122)	(0.9%)
Total non-current assets	8,199,914	8,641,567	(441,653)	(5.1%)
Total assets	18,822,904	19,721,964	(899,060)	(4.6%)
Deferred outflows of resources	1,216,908	1,408,283	(191,375)	(13.6%)
<b>Total</b>	<b>\$ 20,039,812</b>	<b>\$ 21,130,247</b>	<b>\$ (1,090,435)</b>	<b>(5.2%)</b>
Current liabilities	\$ 504,316	\$ 629,228	\$ (124,912)	(19.9%)
Non-current liabilities	7,443,494	7,318,177	125,317	1.7%
Total liabilities	7,947,810	7,947,405	405	0.0%
Deferred inflows of resources	429,127	603,664	(174,537)	(28.9%)
Net investment in capital assets	2,714,986	3,000,768	(285,782)	(9.5%)
Restricted net position	629,695	888,031	(258,336)	(29.1%)
Unrestricted net position	8,318,194	8,690,379	(372,185)	(4.3%)
Total net position	11,662,875	12,579,178	(916,303)	(7.3%)
<b>Total</b>	<b>\$ 20,039,812</b>	<b>\$ 21,130,247</b>	<b>\$ (1,090,435)</b>	<b>(5.2%)</b>

The following is an explanation of the changes between fiscal years as shown in the table above (numbers in thousands):

- Total Assets decreased \$899 (-4.6%);
- Deferred Outflows decreased \$191 (+13.6%);
- Total Liabilities increased \$0 (+0%);
- Deferred Inflows decreased \$175 (-28.9%); and
- Total Net Position decreased \$916 (+7.3%).

A significant factor in current year changes seen above in assets and liabilities relate to the annual valuation of the net pension liability/asset and the related deferred outflows and inflows of resources for the Authority’s respective proportions of the CalPERS cost sharing multiple employer defined benefit plan. These changes are beyond the control of management and are significantly influenced with changes in market conditions and changes in actuarial assumptions of CalPERS. In FY22, the Authority reported a liability for pension of \$4,032, whereas due to unfavorable market conditions during the valuation period, as well as changes in actuarial assumptions, the liability increased to \$4,142 in FY23, a negative change of \$110.

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Management’s Discussion and Analysis (Required Supplemental Information – Unaudited)

Revenues, Expenses, and Changes in Net Position

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	<b>2023</b>	<b>2022</b>	<b>Change</b>	
			<b>Dollar</b>	<b>Percentage</b>
Net rental revenue	\$ 2,281,249	\$ 2,094,356	\$ 186,893	8.9%
Operating grants and subsidies	6,328,454	7,369,312	(1,040,858)	(14.1%)
Other operating revenues	35,830	151,763	(115,933)	(76.4%)
<b>Total operating revenues</b>	<b>8,645,533</b>	<b>9,615,431</b>	<b>(969,898)</b>	<b>(10.1%)</b>
Depreciation expense	(692,397)	(707,588)	15,191	(2.1%)
Housing assistance payments	(5,185,199)	(5,049,407)	(135,792)	2.7%
Other operating expenses	(3,909,126)	(3,254,722)	(654,404)	20.1%
<b>Total operating expenses</b>	<b>(9,786,722)</b>	<b>(9,011,717)</b>	<b>(775,005)</b>	<b>8.6%</b>
<b>Operating Income (Loss)</b>	<b>(1,141,189)</b>	<b>603,714</b>	<b>(1,744,903)</b>	<b>&gt;100%</b>
Investment income	146,527	153,796	(7,269)	(4.7%)
Interest expense	(119,467)	(122,479)	3,012	(2.5%)
Other non-operating items	-	-	-	0.0%
<b>Income (Loss) Before Contributions and other Items</b>	<b>(1,114,129)</b>	<b>635,031</b>	<b>(1,749,160)</b>	<b>&gt;100%</b>
Special items	-	-	-	0.0%
Net operating transfers	-	-	-	0.0%
Capital contributions	197,826	334,344	(136,518)	(40.8%)
<b>Change in Net Position</b>	<b>\$ (916,303)</b>	<b>\$ 969,375</b>	<b>\$ (1,885,678)</b>	<b>&gt;100%</b>

The decrease in net position for this fiscal year is \$(916,303) compared to an increase of \$969,375. This decrease can be attributed to the \$(1,318,595) decrease in operating grants in FY 23 vs FYE 22.

## HOUSING AUTHORITY OF THE CITY OF MADERA

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

### CAPITAL ASSETS

As of year-end, we had \$5,362,699 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$414,531 from the end of last year.

	<u>2023</u>	<u>2022</u>	Change	
			<u>Dollar</u>	<u>Percentage</u>
Land	\$ 675,827	\$ 675,827	\$ -	0%
Construction in progress	-	-	-	0%
Buildings and improvements	31,003,740	30,789,400	214,340	1%
Equipment and furnishings	946,906	883,380	63,526	7%
Accumulated depreciation	(27,263,774)	(26,571,377)	(692,397)	3%
<b>Net Capital Assets</b>	<b>\$ 5,362,699</b>	<b>\$ 5,777,230</b>	<b>\$ (414,531)</b>	<b>(7%)</b>

The change in Capital Assets is presented in detail in the Notes to Financial Statements.

### DEBT ADMINISTRATION

The Authority had the following amounts of debt outstanding:

	<u>2023</u>	<u>2022</u>	Change	
			<u>Dollar</u>	<u>Percentage</u>
Total Debt	\$ 2,647,713	\$ 2,776,462	\$ (128,749)	(5%)

### ECONOMIC FACTORS

Significant economic factors affecting us are as follows:

Federal funding by the Department of Housing and Urban Development.

Local labor supply and demand, which can affect salary and wage rates.

Local inflation, recession, and employment trends, which can affect resident incomes and therefore the amount of rental income.

### FINANCIAL CONTACT

The individual to be contacted regarding this report is Alex Estrada, Financial Services Manager for the Housing Authority of the City of Madera, at 205 North G Street, Madera, CA 93637.

**HOUSING AUTHORITY OF THE CITY OF MADERA**Statement of Net Position  
September 30, 2023**Assets and Deferred Outflows of Resources**

Operating cash	\$ 8,808,810
Restricted cash	<u>1,638,118</u>
Total cash and equivalents	10,446,928
Net accounts receivable	21,390
Notes receivable, current portion	41,368
Prepaid expenses and other current assets	<u>113,304</u>
Total current assets	<u>10,622,990</u>
Capital assets, at cost	
Land	675,827
Buildings and improvements	31,003,740
Equipment and furnishings	<u>946,906</u>
Total acquisition costs	32,626,473
Less: accumulated depreciation	<u>(27,263,774)</u>
Net capital assets	5,362,699
Notes receivable, net of current	<u>2,837,215</u>
Total non-current assets	<u>8,199,914</u>
Total assets	<u>18,822,904</u>
Deferred outflows related to pension	<u>1,216,908</u>
Total deferred outflows of resources	<u>1,216,908</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 20,039,812</u></b>

*See accompanying notes.*

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Statement of Net Position  
September 30, 2023

**Liabilities, Deferred Inflows of Resources, and Net Position**

Accounts payable	\$ 21,158
Unearned revenues	49,690
Deposits held in trust, contra	218,133
Accrued wages payable	21,462
Accrued vacations payable, current portion	53,451
Debt, current portion	140,422
Total current liabilities	<u>504,316</u>
Accrued vacations payable, net of current	53,451
Net pension liability	4,142,152
Debt, net of current	2,507,291
Other long-term liabilities	740,600
Total non-current liabilities	<u>7,443,494</u>
Total liabilities	<u>7,947,810</u>
Deferred inflows related to pension	429,127
Total deferred inflows of resources	<u>429,127</u>
Net investment in capital assets	2,714,986
Restricted net position	629,695
Unrestricted net position	8,318,194
Total net position	<u>11,662,875</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b><u><u>\$ 20,039,812</u></u></b>

See accompanying notes.

**HOUSING AUTHORITY OF THE CITY OF MADERA**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Year Ended September 30, 2023

Tenant rental revenue, net of collection losses	\$ 2,281,249
Operating grants and subsidies	6,328,454
Other revenue	35,830
Total operating revenues	<u>8,645,533</u>
Administrative	1,887,711
Tenant services	340,076
Utilities	444,683
Ordinary maintenance and operations	956,278
Protective services	66,459
Insurance premiums	190,442
Other general expenses	23,477
Housing Assistance Payments	5,185,199
Depreciation	692,397
Total operating expenses	<u>9,786,722</u>
Operating income (loss)	(1,141,189)
Investment income	146,527
Interest expense	(119,467)
Total non-operating revenues (expenses)	<u>27,060</u>
Income (loss) before contributions and other items	(1,114,129)
Capital contributions	197,826
<b>Change in Net Position</b>	<b><u>\$ (916,303)</u></b>
Net position, beginning of year	\$ 12,579,178
Change in net position	(916,303)
<b>Net Position, End of year</b>	<b><u>\$ 11,662,875</u></b>

See accompanying notes.

**HOUSING AUTHORITY OF THE CITY OF MADERA**Statement of Cash Flows  
Year Ended September 30, 2023

Cash receipts from tenants	\$ 2,275,208
Cash receipts from grants	6,349,338
Cash payments for Housing Assistance Payments	(5,185,199)
Cash payments to suppliers for goods and services	(2,596,309)
Cash payments for wages and benefits	(1,796,253)
Other cash payments and receipts	55,280
Net cash from operating activities	<u>(897,935)</u>
Acquisition and construction of capital assets	414,531
Capital contributions received	197,826
Payments of interest	(119,467)
Principal payments on debt	(128,749)
Net cash from capital and related financing activities	<u>364,141</u>
Receipts of principal on notes receivable	27,122
Receipts of interest on cash deposits	146,527
Net cash from investing activities	<u>173,649</u>
Net change in cash and equivalents	(360,145)
Cash at beginning of period	10,807,073
<b>Cash at End of Period</b>	<b><u>\$ 10,446,928</u></b>
<i>Reconciliation of cash to the statement of net position:</i>	
Cash and equivalents - operating	\$ 8,808,810
Restricted cash and equivalents	1,638,118
<b>Total Cash and Equivalents</b>	<b><u>\$ 10,446,928</u></b>

*See accompanying notes.*

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Statement of Cash Flows  
Year Ended September 30, 2023

Reconciliation of operating income (loss) to net cash  
from operating activities:

Operating income (loss)	\$ (1,141,189)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Pension and other post-employment benefits	127,265
Changes in operating assets and liabilities:	
Accounts receivable	45,461
Prepaid expenses and other assets	1,224
Accounts payable	(55,157)
Accrued wages and benefits	(21,936)
Deposits held in trust, contra	13,796
Unearned revenues	(24,964)
Other liabilities	<u>157,565</u>
<b>Net Cash from Operating Activities</b>	<b><u>\$ (897,935)</u></b>

*See accompanying notes.*

**NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION**

The Housing Authority of the City of Madera (Authority, we, us, our) was incorporated in 1968 California State Health and Safety Code, Section 34200. The Authority was established to provide clean, decent, safe, sanitary, and affordable housing to low-income families. The area of jurisdiction of the Authority is the entire City of Madera. Permanent operational offices are maintained in the City of Madera.

Commissioners of the Authority are comprised of the Madera City Council and Mayor. The Board consists of seven commissioners.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with us to administer certain HUD funds.

Our primary operations are comprised of the Housing Choice Voucher Program as well as the Low Rent Housing Program.

The Housing Choice Voucher Program is designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. We administer contracts with independent landlords that own property and rent that property to families that have applied for housing assistance. We subsidize the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable us to structure a lease that sets the participants' rent at 30% of household income.

The Low Rent Housing Program is designed to provide very low-income families in obtaining decent, safe, and sanitary rental housing. operates The Low Rent Housing Program operates the Authority's own rental housing units subsidized by HUD through an Annual Contributions Contract (ACC). Funding is provided by tenant rent payments and subsidies provided by HUD based upon a formula that takes into consideration factors such as: prior formula funding, population of the area, number of dwelling units, bedroom sizes, building height and building age, utility costs, and rental income.

The Low Rent Housing Program is supplemented by the Capital Fund Program. The purpose of this program is to utilize funds granted by HUD for remodeling and upgrading the facilities in the Low Rent Housing Program, as well as to support overall operations. These grant funds are authorized by HUD each year but can be spent over the course of several years.

Reporting Entity

As described in GASB Statement No. 34, paragraph 134, the Authority is considered a primary government and meets the definition of a special purpose government (SPG). The Authority is a legally separate entity that is engaged in only business-type activities. Business-type activities are defined as activities that are financed in whole or in part by fees charged to external parties for goods or services. SPGs engaged only in business-type activities are required to present only the financial statements required for proprietary funds, which includes Management's Discussion and Analysis (MD&A), basic financial statements, and Required Supplemental Information (RSI). All inter-program activities have been eliminated in these financial statements.

We are a component unit of the City of Madera, California (City). Although the Authority is a legally separate SPG, it does not have a separately elected governing body from that of the City and is not fiscally independent of other state and local governments. Fiscally independent means that the Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

Management applied the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the Authority appoints the voting majority of the governing board, there is a financial benefit/burden relationship, the Authority is able to impose its will, the component unit is fiscally dependent on the Authority, the component unit's governing body is substantially the same as the Authority, and management of the Authority have operational responsibility for the activities of the component unit. These criteria were used to determine that the Authority has no component units.

## **NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *Accrual Basis of Accounting*

The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Authority has elected to apply all relevant Government Accounting Standards Board (GASB) pronouncements.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from grant agreements, providing services, and producing and delivering goods in connection with the ongoing principal operations. The principal operating revenues of the Authority include program specific grants, rental income from tenants of the various housing projects. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### *Cash and Investments*

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in Money Market funds, and Certificates of Deposit.

### *Restricted Cash*

Restricted cash consists of cash and investments that are held in trust, reserves, and escrows, as well as other cash and investments that are restricted for specific purposes.

Accounts Receivable from Tenants

Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable. In accordance with Governmental Accounting Standards Board Statement No. 34, revenues in proprietary funds should be reported as net of all related allowances, which include amounts pertaining to uncollectible accounts. Therefore, the increase and decrease in the estimate of uncollectible accounts should be reported net of revenue instead of bad debt expense. The Authority's bad debt expense charged against revenue was \$- for the year ended September 30, 2023.

Accounts Receivable from HUD and Other Governments

The amounts reported as accounts receivable from HUD or due from other governments represent reimbursable costs or grant subsidies earned that have not been received as of year-end; these amounts are considered fully collectible.

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the statement of net position. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Buildings and improvements .....	15 - 40 years
Equipment .....	5 - 10 years

Impairment of Capital Assets

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of September 30, 2023, there has been no impairment of the capital assets.

Tenant Security Deposits

Security deposits consist of amounts held in trust with the Authority for tenants to secure apartment leases.

Compensated Absences

Compensated absences are absences for which employees will be paid, e.g., sick leave, vacation, and other approved leave. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, we accrue the liability for those absences for which the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date, and/or rental subsidies received in advance of the period earned.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to the net pension liability resulted from Authority contributions to the employee pension plan subsequent to the measurement date of the actuarial valuation for the pension plan, the difference between actual and expected, the effect of changes in actuarial assumptions, and the effect of the Authority's change in proportion. The deferred outflows related to the net pension liability will be deferred and amortized as detailed in Note 8 to the financial statements.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. The deferred inflow of resources related to the net pension liability results from and the difference between actual and expected experience and difference between projected and actual earnings on pension plan investments, the effect of changes in actuarial assumptions, the change in the Authority's proportionate share of pension contributions and the effect of the change in the Authority's proportion. These amounts are deferred and amortized as detailed in Note 8 to the financial statements.

Leasing Activities

We are the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. We may cancel the leases only for a cause. Revenues associated with these leases are reported in the accompanying financial statements and related schedules within dwelling rent revenue.

Family Self Sufficiency Escrow Deposits

The Authority under the Section 8 Housing Choice Voucher and Public and Indian Housing programs is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the Authority for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the Authority during the term of the FSS contract. The Authority 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.

Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Internal Activity and Balances

All transfers, intercompany charges and other interfund activity balances have been eliminated from the basic financial statements in accordance with GASB pronouncements.

Income Taxes

We are not subject to federal or state income taxes.

Investment Policy

Our investment policy, HUD and the California Government Code do not address legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure such deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Fair Value Measurements

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs that have the lowest priority and consist of unobservable inputs for an asset or liability. The Authority has no assets or liabilities measured at fair value.

Authorized Investments

Investments of the Authority are limited to investment types prescribed by HUD in PIH Notice 1996-33 or as amended by future HUD notices.

Additionally, the Authority limits investment types to those that are authorized in accordance with Section 53601 of the California Government Code.

Investment in State Investment Pool

We are a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. We may invest up to \$65 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

All investments with LAIF are secured by the full faith and credit of the State of California. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

Our investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities. LAIF's exposure to risk (credit, market or legal) is not currently available.

*Net Position*

In the statement of net position, equity is classified as net position and displayed in three components: (1) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets. (2) Restricted net position consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. (3) Unrestricted net position – All other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted net positions are available for use, generally it is our policy to use restricted resources first.

*Subsequent Events*

We have evaluated subsequent events through June 25, 2024, the date the consolidated financial statements were available to be issued.

*New Accounting Pronouncements*

We have conducted a comprehensive analysis of our accounting practices in light of the recently issued GASB Statement No. 96, "SBITA." The objective of this Statement is to enhance the transparency and comparability of financial reporting for leases by providing guidance for governments.

Upon careful review, we have determined that the adoption of GASB 96 has not had a material impact on our financial statements for the fiscal year ended September 30, 2023. Our assessment reveals that the requirements outlined in GASB 96 do not necessitate any adjustments to our financial reporting related to leases. As a result, there were no changes required to our financial statements, and our existing accounting practices remain consistent with the provisions of GASB 96.

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Notes to Financial Statements

**NOTE 03 - RESTRICTED CASH**

The following schedule presents the breakdown of restricted cash as of yearend:

Emergency Housing Voucher advance funding	\$ 49,690
Cash in the Family Self Sufficiency (FSS) escrow account	205,312
Pomona Ranch Migrant Center fiduciary cash held	535,288
Tenant security deposits	<u>218,133</u>
Restricted cash with offsetting liabilities	<u>1,008,423</u>
Cash in the forfeited Family Self Sufficiency (FSS) escrow account	22,788
Cash balances associated with the HCV HAP equity	605,759
Cash balances associated with the EHV HAP equity	<u>1,148</u>
Restricted cash reflected in restricted net position	<u>629,695</u>
<b>Total Restricted Cash and Equivalents</b>	<b><u><u>\$ 1,638,118</u></u></b>

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Notes to Financial Statements

**NOTE 04 - ACCOUNTS RECEIVABLE**

Accounts receivable as of yearend were comprised of the following:

Receivables from HUD	\$	13,614
Tenant receivables		<u>7,776</u>
<b>Net Accounts Receivable</b>	<b>\$</b>	<b><u>21,390</u></b>

**NOTE 05 - NOTES RECEIVABLE**

Notes receivable were comprised of the following as of yearend:

	Principal	Interest Receivable
In May 2008, the Authority entered into a promissory note with MORES Yosemite Manor, L.P., in the amount of \$2,506,201. The note is secured by the first deed of trust, bears interest at 4.21% per annum, and is payable from residual receipts as outlined in the loan agreement until maturity on December 2063.*	\$ 2,506,201	\$ 1,498,479
In May 2008, the Authority entered into a promissory note with Madera Opportunities for Resident Enrichment Services Inc., in the amount of \$440,872. The note is secured by the first and second deed of trust, bears interest at 4.21% per annum, and is payable from residual receipts as outlined in the loan agreement.	<u>372,382</u>	<u>-</u>
Total	2,878,583	1,498,479
Allowance for uncollectible amounts	<u>-</u>	<u>(1,498,479)</u>
<b>Net</b>	<b><u>\$ 2,878,583</u></b>	<b><u>\$ -</u></b>

\* Note is considered impaired, it is probable that all amounts of principal and/or interest due will not be collected according to the terms of the note agreement. Therefore an allowance has been deemed necessary.

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Notes to Financial Statements

**NOTE 06 - CAPITAL ASSETS**

A summary of the land, structures and equipment for the year is as follows:

	9/30/22	Additions	Deletions	9/30/23
<b>Non-Depreciable</b>				
Land	\$ 675,827	\$ -	\$ -	\$ 675,827
	<u>675,827</u>	<u>-</u>	<u>-</u>	<u>675,827</u>
<b>Depreciable</b>				
Buildings and improvements	30,789,400	214,340	-	31,003,740
Equipment and furnishings	883,380	63,526	-	946,906
	<u>31,672,780</u>	<u>277,866</u>	<u>-</u>	<u>31,950,646</u>
Total acquisition costs	32,348,607	277,866	-	32,626,473
Accumulated depreciation	<u>(26,571,377)</u>	<u>(692,397)</u>	<u>-</u>	<u>(27,263,774)</u>
<b>Net Capital Assets</b>	<b><u>\$ 5,777,230</u></b>	<b><u>\$ (414,531)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,362,699</u></b>

All land and buildings of the Public Housing Program are encumbered by a Declaration of Trust in favor of the United States of America Department of Housing and Urban Development, as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

**NOTE 07 - LONG-TERM LIABILITIES**

Changes in long-term liabilities are summarized below:

	09/30/22	Additions	Reductions	09/30/23
FSS escrow deposits, contra	\$ 193,017	\$ 12,295	\$ -	\$ 205,312
Miscellaneous	387,375	147,913	-	535,288
<b>Other Long-Term Liabilities</b>	<b><u>\$ 580,392</u></b>	<b><u>\$ 160,208</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 740,600</u></b>
Direct borrowings	\$ 2,640,476	\$ -	\$ (133,185)	\$ 2,507,291
Net pension obligation	\$ 4,031,725	\$ 110,427	\$ -	\$ 4,142,152
Compensated absences	\$ 65,584	\$ -	\$ (12,133)	\$ 53,451

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Notes to Financial Statements

Notes from Direct Borrowings:

Notes from direct borrowings were comprised of the following as of yearend:

	<b>Principal</b>	<b>Interest Payable</b>
In June 2004, we entered into multiple note agreements with US Department of Agriculture Rural Development. The face amount of these notes totalled \$512,372 and mature at various dates from February 2029 to May 2035. The notes carry an interest rate of 1.00% and call for total monthly payments of principal and interest of \$1,653. The notes are secured by three property parcels.	\$ 189,734	\$ -
In January 2018, we entered into a note agreement with Citizens Business Bank. The face amount of the note was \$3,054,352 and matures January 2028. The note carries an interest rate of 4.75% and calls for monthly payments of principal and interest of \$19,852. The note is secured by three property parcels.	<u>2,457,979</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 2,647,713</u></b>	<b><u>\$ -</u></b>

Anticipated payments of principal and interest due in future years are as follows for the years ending June 30:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 140,422	\$ 115,510	\$ 255,932
2025	162,494	109,292	271,786
2026	155,282	102,777	258,059
2027	162,106	95,955	258,061
2028	1,925,814	31,136	1,956,950
2029-2033	80,054	2,963	83,017
2034-2038	<u>21,541</u>	<u>155</u>	<u>21,696</u>
<b>Total</b>	<b><u>\$ 2,647,713</u></b>	<b><u>\$ 457,788</u></b>	<b><u>\$ 3,105,501</u></b>

**NOTE 08 - PENSION PLAN**

The Authority participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees’ Retirement System (CalPERS) which covers substantially all regular full-time employees of the Authority. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to the Authority in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB).

As of September 30, 2023, the Authority’s proportionate share of the net pension liability, pension expense and deferred inflows of resources and deferred outflows of resources for the above plan is as follows:

	<b>Net Pension Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Pension Expense (Credit)</b>
CalPERS	<u>\$ 4,142,152</u>	<u>\$ 1,216,908</u>	<u>\$ 429,127</u>	<u>\$ (742,558)</u>

Comprehensive Plan Information

Information regarding the following items for the plan is publicly available in a separate comprehensive annual financial report. A copy of the CalPERS annual financial report may be online at [https:// www.calpers.ca.gov/](https://www.calpers.ca.gov/).

- Plan description and benefits provided;
- Contribution rates;
- Actuarial methods and assumptions; and
- Plan asset target allocations and expected returns.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected & actual experience	\$ 211,604	\$ 32,825
Effect of changes in assumptions	250,079	-
Differences between projected and actual investment earnings	670,652	-
Effect of changes in proportions	-	362,539
Differences between proportionate share and actual contributions	62,910	33,763
Contributions subsequent to measurement date	21,663	-
	<u>\$ 1,216,908</u>	<u>\$ 429,127</u>

The deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability next year.

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Notes to Financial Statements

The deferred inflows of resources and outflows of resources will be recognized in pension expense as follows:

2024	\$	176,382
2025		82,958
2026		487,534
2027		19,244
2028		-
Thereafter		-
	<b>\$</b>	<b>766,118</b>

Changes of Assumptions

The following presents the Authority's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
	<b>5.90%</b>	<b>6.90%</b>	<b>7.90%</b>
CalPERS	\$ 5,731,063	\$ 4,142,152	\$ 2,834,342

**NOTE 09 - NET POSITION**

Net investment in capital assets was comprised of the following as of yearend:

Land	\$ 675,827
Buildings and improvements	31,003,740
Equipment and furnishings	946,906
Less:	
Accumulated depreciation	(27,263,774)
Short-term capital debt obligations	(140,422)
Long-term capital debt obligations	<u>(2,507,291)</u>
<b>Net Investment in Capital Assets</b>	<b><u><u>\$ 2,714,986</u></u></b>

Restricted net position was comprised of the following as of yearend:

Restricted cash and equivalents	\$ 1,638,118
Less:	
Tenant security deposit, contra	(218,133)
Family Self-Sufficiency escrow deposits, contra	(205,312)
Fiduciary cash held, contra	(535,288)
Emergency Housing Voucher advance funding	<u>(49,690)</u>
<b>Restricted Net Position</b>	<b><u><u>\$ 629,695</u></u></b>

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

Government Examinations

We have received funds from Federal grant programs. It is possible that at some future date, it may be determined that we were not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although we do not expect such disallowed amounts, if any, to materially affect the financial statements.

Construction Contracts

During the normal course of business, the Authority is engaged in various construction contracts for rehabilitation and modernization of various properties owned by the Authority.

**NOTE 11 - BUSINESS RISK AND CONCENTRATIONS**

Risk Management

We are exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils. Insurance for these perils are underwritten by a housing authority insurance pool: Housing Authority Risk Retention Pool (HARRP).

HARRP is an unincorporated association organized under the intergovernmental cooperation laws of the States of Washington, Oregon, California, and Nevada, to manage the self-insurance program of housing authorities and community development cooperatives.

Also, commercial carriers insure all other common perils such as business, auto, flood (where applicable), and other miscellaneous policies.

Concentration – Major Contributor

For the year ended September 30, 2023, approximately 97% of operating revenues reflected in the financial statements are from HUD. 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 costs and the additional administrative burden to comply with the changes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Our policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is our policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, our deposits may not be returned. Our policy for custodial credit risk requires collateral to be held in our name by its agent or by the bank's trust department.

**HOUSING AUTHORITY OF THE CITY OF MADERA**  
Pension Schedules (Required Supplemental Information – Unaudited)

**SCHEDULE OF THE PENSION PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**

Plan Measurement Date under GASB 68 as of June 30	Proportion of Pension Liability	Proportionate Share of Net Pension Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.031300%	\$ 1,966,014	\$ 1,108,052	133.57%	82.22%
2016	0.088100%	\$ 2,416,697	\$ 982,585	166.85%	78.44%
2017	0.082800%	\$ 2,875,227	\$ 1,043,730	199.38%	78.19%
2018	0.082100%	\$ 3,235,424	\$ 1,140,725	181.43%	80.34%
2019	0.084400%	\$ 3,179,336	\$ 1,270,009	216.99%	79.09%
2020	0.084600%	\$ 3,389,295	\$ 1,280,623	198.19%	77.36%
2021	0.132600%	\$ 2,517,018	\$ 1,191,513	108.71%	88.44%
2022	0.086162%	\$ 4,031,725	\$ 941,461	428%	74.82%
2023	0.082836%	\$ 4,142,152	\$ 1,004,364	412%	64.74%

**SCHEDULE OF THE PENSION PLAN'S CONTRIBUTIONS**

Plan Measurement Date under GASB 68 as of June 30	Actuarially Determined Contribution [A]	Contributions in Relation to Actuarially Determined Contribution [B]	Contribution Deficiency (excess) [C]=[A]-[B]	Covered- Employee Payroll	Contribution as a Percentage Covered- Employees Payroll
2014	\$ 239,779	\$ 239,779	\$ -	\$ 1,108,052	14.94%
2015	\$ 203,184	\$ 203,184	\$ -	\$ 982,585	19.62%
2016	\$ 257,128	\$ 257,128	\$ -	\$ 1,043,730	26.94%
2017	\$ 238,140	\$ 238,140	\$ -	\$ 1,140,725	11.15%
2018	\$ 268,409	\$ 268,409	\$ -	\$ 1,270,009	10.72%
2019	\$ 302,136	\$ 302,136	\$ -	\$ 1,280,623	20.93%
2020	\$ 336,461	\$ 336,461	\$ -	\$ 1,191,513	24.18%
2021	\$ 331,109	\$ 331,109	\$ -	\$ 941,461	35.17%
2022	\$ 317,973	\$ 317,973	\$ -	\$ 1,004,364	31.66%

**NOTES TO PENSION SCHEDULES:**

In November 2021, the CalPERS Board of Administration adopted new investment portfolios as well as several changes to actuarial assumptions. For PERF C, these changes were implemented in the June 30, 2021, actuarial valuations for funding purposes. Included in these changes were assumptions for inflation, the discount rate, and administrative expenses, as well as demographic assumptions including changes to mortality rates. The inflation assumption was reduced from 2.50 percent to 2.30 percent, the administrative expense assumption was reduced from 0.15 percent to 0.10 percent, and the discount rate was reduced from 7.00 percent to 6.80 percent. As a result, for financial reporting purposes, the discount rate for the PERF C was lowered from 7.15 percent to 6.90 percent in Fiscal Year 2021-22.

**HOUSING AUTHORITY OF THE CITY OF MADERA**  
Pension Schedules (Required Supplemental Information – Unaudited)

In Fiscal Year 2020-21, no changes were made to the actuarial assumptions in relation to financial reporting.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount.

In addition, the policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes, investment gains/losses, and non-investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In Fiscal Year 2019-20, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In Fiscal Year 2018-19, CalPERS implemented a new actuarial valuation software system for the June 30, 2018, valuation. This new system has refined and improved calculation methodology.

In December 2017, the Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017, experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016, published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These changes will be implemented in two steps commencing in the June 30, 2017, funding valuation. For financial reporting purposes, these assumption changes are fully reflected in the results for Fiscal Year 2017-18.

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. In December 2016, the Board approved lowering the funding discount rate used in the PERF C from 7.50 percent to 7.00 percent, which was phased in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period and remained adjusted for administrative expenses.

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

Program Title	ALN	Cluster Title	Award Type	Pass-Through No.	Expenditures	Amounts
						Passed Through to Sub-Recipients
Section 8 Housing Choice Vouchers	14.871	HVC	Direct		\$ 5,729,925	\$ -
COVID-19 Section 8 Housing Choice Vouchers	14.871	HVC	Direct		-	-
Emergency Housing Vouchers	14.871	HVC	Direct		14,853	-
Public and Indian Housing	14.850		Direct		197,283	-
COVID-19 Public and Indian Housing	14.850		Direct		-	-
Resident Opportunity and Supportive Services	14.870		Direct		45,432	-
Public Housing Capital Fund	14.872		Direct		197,826	-
Family Self-Sufficiency	14.896		Direct		32,574	-
Farm Labor Housing Loans and Grants	10.405		Direct		308,387	-
<b>Total Federal Financial Assistance</b>					<b>\$ 6,526,280</b>	<b>\$ -</b>
<i>Federal Grantor:</i>						<b>Expenditures</b>
US Department of Housing and Urban Development						\$ 6,217,893
US Department of Agriculture						308,387
<b>Total Federal Financial Assistance</b>					<b>\$ 6,526,280</b>	
<i>Cluster Title:</i>						<b>Expenditures</b>
Housing Voucher Cluster (HVC)						\$ 5,744,778
<i>Award Type:</i>						<b>Expenditures</b>
Direct						\$ 6,526,280
Indirect						-
<b>Total Federal Financial Assistance</b>					<b>\$ 6,526,280</b>	

**NOTE 01 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Authority under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of our operations, it is not intended to and does not present our financial position, changes in net positions, or cash flows.

**NOTE 02 - INDIRECT COST RATE**

We have elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Statement and Certification of Actual Costs  
September 30, 2023

<b>Grant</b>	<b>Funds Approved</b>	<b>Funds Disbursed</b>	<b>Funds Expended</b>	<b>Balance</b>	<b>Form HUD- 53001 Submitted *</b>
CA01P069501-19	\$ 721,902	\$ 721,902	\$ 721,902	\$ -	No
CA01P069501-20	\$ 779,777	\$ -	\$ -	\$ 779,777	No
CA01P069501-21	\$ 813,759	\$ -	\$ -	\$ 813,759	No
CA01P069501-22	\$ 3,374	\$ -	\$ -	\$ 3,374	No

\* The distribution of costs as shown on the respective HUD Form 53001 submitted to HUD for approval, is in agreement with the Authority's records. Additionally, all costs have been paid and all related liabilities have been discharged through payment.

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

The Governing Body of  
Housing Authority of the City of Madera

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 business-type activities of the Housing Authority of the City of Madera (Authority), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 25, 2024.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) **2023-001** that we consider to be significant deficiencies.



## **REPORT ON COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **AUTHORITY'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 25, 2024

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- redlands, ca 92374



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Governing Body of  
Housing Authority of the City of Madera

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### **OPINION ON EACH MAJOR FEDERAL PROGRAM**

We have audited Housing Authority of the City of Madera's (Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

#### **BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM**

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

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

#### **RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE**

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



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and (3) Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

## OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item(s) **2023-002**. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item(s) **2023-002**, to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed above, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

June 25, 2024

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2023

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

1. Type of Auditor Report on the financial statements: Unmodified
2. Internal control over financial reporting:
- a. Material weakness(es) identified?   Yes x No
- b. Significant deficiency(ies) identified that are not considered to be material weaknesses? x Yes   None noted
3. Noncompliance material to financial statements?   Yes x No

**Federal Awards:**

4. Type of auditors' report on compliance for major programs: Unmodified
5. Internal control over major programs:
- a. Material weakness(es) identified?   Yes x No
- b. Significant deficiency(ies) identified that are not considered to be material weaknesses? x Yes   None noted
6. Audit findings noted which are required to be reported in accordance with 2 CFR Section 200.516(a)? x Yes   No

7. Identification of Major Programs:

ALN	Program(s) Name
Various	Housing Voucher Cluster

8. The Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$ 750,000
9. Auditee qualified as a low-risk auditee?   Yes x No

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Finding 2023-001: Lack of Review and Approval Process for Manual Journal Entries – Significant Deficiency

Criteria: Standard accounting practices necessitate a robust process for the review and approval of manual journal entries to ensure accuracy and integrity in financial reporting.

Condition and Context: The Authority was unable to demonstrate there was a structured process whereby manual adjustments (journal entries) posted to the accounting system undergo explicit review and approval by an individual other than the preparer/poster of the entry. Furthermore, there is no subsequent review of these manual journal entries once they are posted to the accounting system.

Cause: The absence of a defined review and approval process for manual journal entries can be attributed to inadequate internal controls and oversight mechanisms. The lack of subsequent review indicates a deficiency in the overall accounting practices and procedures of the Authority.

Effect or Potential Effect: Without a review and approval process in place, there is an increased risk of errors, misstatements, or fraudulent activities going undetected in the financial records. This compromises the accuracy and reliability of the financial reporting, potentially leading to misinformed decision-making and regulatory non-compliance.

Recommendation: The Authority should establish and implement a formal review and approval process for manual journal entries posted to the accounting system. This process should involve independent review and approval by individuals other than the preparer/poster of the entry. Additionally, a subsequent review mechanism should be instituted to periodically assess the accuracy and appropriateness of these manual journal entries.

Responsible Official's Response: The auditee acknowledges the deficiency and is committed to taking corrective action.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Finding 2023-002 AL Number and Title: Financial Assessment Subsystem – Reporting – Noncompliance and Significant Deficiency

Criteria: HUD regulations and federal requirements mandate timely submission of the Financial Assessment Subsystem for Public Housing Agencies (FASSPHA). The submission of the FASSPHA is critical for ensuring compliance, enabling oversight, and facilitating the allocation of federal funding.

Condition: It was identified during the audit that the Authority did not meet the prescribed deadlines for submitting the FASSPHA reports to federal agencies.

Cause: The failure to meet reporting deadlines can be attributed to a combination of factors, including major staff turnover, which led to a loss of institutional knowledge and expertise critical for the preparation and submission of these reports. Additionally, a change in auditor who had been instrumental in ensuring timely submissions in the past, with the new auditor becoming unreachable, further exacerbating the situation. These challenges were compounded by inefficiencies in the Authority's internal processes for report preparation and submission.

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2023

Effect or Potential Effect: The failure to submit these reports on time undermines the Authority's compliance with federal regulations, potentially affecting its eligibility for future funding and leading to reputational damage. It may also delay financial and operational decisions by HUD that depend on the analysis of these reports.

Questioned Costs: None.

Context: This lapse was identified against a backdrop of the Authority traditionally maintaining a good track record with reporting. The recent delays mark a departure from their usual compliance practices and have occurred amidst organizational changes and challenges, including staff turnover and procedural adjustments within the finance department.

Recommendation: To mitigate this issue, it is recommended that the Authority: (1) Prioritize the recruitment and training of new staff to fill critical roles, ensuring they are well-versed in HUD reporting requirements; (2) Establish a contingency plan for maintaining continuity of operations in the event of key personnel turnover or unavailability; and (3) Revise and streamline internal reporting processes to improve efficiency and reliability in meeting HUD's reporting deadlines.

Responsible Official's Response and Corrective Action Planned: Management acknowledges the audit findings and is committed to taking corrective actions.

**HOUSING AUTHORITY OF THE CITY OF MADERA**

Status of Prior Audit Findings  
Year Ended September 30, 2023

**Financial Statement Findings:**

<b>Prior Year Findings No.</b>	<b>Findings Title</b>	<b>Status/ Current Year Finding No.</b>
2022-001	Journal Entry Review and Approval	Repeated; 2023-001

**Federal Award Findings and Question Costs:**

<b>Prior Year Findings No.</b>	<b>Findings Title</b>	<b>Status/ Current Year Finding No.</b>
2022-002	Various - Housing Voucher Cluster	Repeated; 2023-002



## Housing Authority of the City of Madera

Elsa Mejia  
CHAIRPERSON

Blanca Mendoza-Navarro  
EXECUTIVE DIRECTOR

### **CORRECTIVE ACTION PLAN**

Name of auditee: Housing Authority of the City of Madera

Name of audit firm: Smith Marion & Co. Inc.

Period covered by the audit: Year ended September 30, 2023

CAP Prepared by and Person Responsible for CAP

Name: Blanca Mendoza-Navarro

Position: Executive Director

Telephone Number: (559) 674-5695

Current Findings on the Schedule of Findings, Questioned Costs, and Recommendations.

1. Finding 2023-001

a. Comments on the Finding and Each Recommendation:

Management agrees with both the finding and recommendations.

b. Action(s) Taken or Planned on the Finding

The management overseeing the process has been completely replaced to ensure a fresh perspective and unwavering dedication to implementing robust internal controls.

We have outlined several steps to address the deficiency identified. As of May 7, 2024, we have developed and implemented a comprehensive procedure detailing the review and approval process for manual journal entries, delineating roles and responsibilities. Following this, we have introduced a structured workflow within the accounting department to ensure that manual journal entries undergo independent review and approval before posting. These actions are now in place to fortify our internal controls and enhance the accuracy of our financial reporting.



## Housing Authority of the City of Madera

**Elsa Mejia**  
CHAIRPERSON

**Blanca Mendoza-Navarro**  
EXECUTIVE DIRECTOR

### 2. Finding 2023-002

a. Comments on the Finding and Each Recommendation:

Management agrees with both the finding and recommendations.

b. Action(s) Taken or Planned on the Finding

The management overseeing the process has been completely replaced to ensure a fresh perspective and unwavering dedication to implementing robust internal controls.

To address the shortcomings identified in Finding 2023-002, the Authority commits to a targeted action plan aimed at ensuring timely compliance with reporting requirements. Central to our approach is the continued engagement of a fee accountant, recognized for expertise in HUD reporting and public housing financial management. This specialist will be tasked with overseeing and streamlining our reporting processes. By continuing to leverage this expertise, we aim to quickly rectify past reporting lapses and ensure future submissions are timely and compliant with HUD requirements. The fee accountant will continue to conduct a comprehensive review of our current reporting mechanisms, identify bottlenecks, and implement best practices tailored to our operations.

This decisive action, centered around the expertise of the fee accountant, demonstrates our commitment to enhancing our financial management practices and aligning with HUD's reporting expectations. Through these measures, we anticipate not only meeting HUD's deadlines but also setting a new standard for operational excellence within our Authority.