

HOUSING AUTHORITY OF THE CITY OF MADERA

Financial Statements & Independent Auditors' Report

For the Year Ended September 30, 2024



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Board of Commissioners

Housing Authority of the City of Madera
Madera, CA

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Housing Authority of the City of Madera, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Madera's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Madera, as of September 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Housing Authority of the City of Madera, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Madera's ability to continue as a going concern for one year after the date the financial statements are issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Madera's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Madera'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 Housing Authority of the City of Madera's basic financial statements. The statement and certification of actual costs and the Schedule of Expenditures of Federal Awards (the Schedule), as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule and statement and certification of actual costs are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2025, on our consideration of the Housing Authority of the City of Madera's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Madera'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 Housing Authority of the City of Madera's internal control over financial reporting and compliance.

May 12, 2025

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 increased by approximately \$690K from the prior year.
- Authority assets, at fiscal year-end, exceeded liabilities by approximately \$12.3M.
- Year-end cash and cash equivalents totaled approximately \$11.3M.
- The Authority paid housing assistance payments \$5.7 M 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.

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.

	2024	2023	Change	
			Dollar	Percentage
Cash and equivalents	\$ 11,329,085	\$ 10,446,928	\$ 882,157	8.4%
Other current assets	349,912	176,062	173,850	98.7%
Total current assets	11,678,997	10,622,990	1,056,007	9.9%
Net capital assets	4,663,873	5,362,699	(698,826)	-13.0%
Other non-current assets	2,795,634	2,837,215	(41,581)	-1.5%
Total non-current assets	7,459,507	8,199,914	(740,407)	-9.0%
Total assets	19,138,504	18,822,904	315,600	1.7%
Deferred outflows of resources	839,942	1,216,908	(376,966)	-31.0%
Total	\$ 19,978,446	\$ 20,039,812	\$ (61,366)	-0.3%
Current liabilities	\$ 622,966	\$ 504,316	\$ 118,650	23.5%
Non-current liabilities	6,730,958	7,443,494	(712,536)	-9.6%
Total liabilities	7,353,924	7,947,810	(593,886)	-7.5%
Deferred inflows of resources	271,360	429,127	(157,767)	-36.8%
Net investment in capital assets	2,157,306	2,714,986	(557,680)	-20.5%
Restricted net position	871,415	629,695	241,720	38.4%
Unrestricted net position	9,324,441	8,318,194	1,006,247	12.1%
Total net position	12,353,162	11,662,875	690,287	5.9%
Total	\$ 19,978,446	\$ 20,039,812	\$ (61,366)	-0.3%

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

- Total Assets increased \$315 (+1.7%);
- Deferred Outflows decreased \$376 (-31.0%);
- Total Liabilities decreased \$594 (-7.5%);
- Deferred Inflows decreased \$157 (-36.8%); and
- Total Net Position increased \$690 (+5.9%).
-

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.

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.

	<u>2024</u>	<u>2023</u>	<u>Change</u>	
			<u>Dollar</u>	<u>Percentage</u>
Net rental revenue	\$ 2,397,151	\$ 2,281,249	\$ 115,902	5.1%
Operating grants and subsidies	8,240,714	6,328,454	1,912,260	30.2%
Other operating revenues	309,316	35,830	273,486	763.3%
Total operating revenues	10,947,181	8,645,533	2,301,648	26.6%
Depreciation expense	(710,776)	(692,397)	(18,379)	2.7%
Housing assistance payments	(5,693,741)	(5,185,199)	(508,542)	9.8%
Other operating expenses	(4,065,942)	(3,909,126)	(156,816)	4.0%
Total operating expenses	(10,470,459)	(9,786,722)	(683,737)	7.0%
Operating Income (Loss)	\$ 476,722	\$ (1,141,189)	\$ 1,617,911	-141.8%
Interest Income	325,271	146,527	178,744	122.0%
Interest expense	(111,706)	(119,467)	7,761	-6.5%
Other non-operating items	-	-	-	0.0%
Income (Loss) Before Contributions and other Items	690,287	(1,114,129)	1,804,416	-162.0%
Special items	-	-	-	0.0%
Net operating transfers	-	-	-	0.0%
Capital contributions	-	197,826	(197,826)	-100.0%
Change in Net Position	\$ 690,287	\$ (916,303)	\$ 1,606,590	-175.3%

The increase in net position for this fiscal year is \$690,287 compared to a decrease of \$(916,303). This increase can be attributed to the \$1,912,260 increase in operating grants in FY 24 vs FYE 23.

HOUSING AUTHORITY OF THE CITY OF MADERA
Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

CAPITAL ASSETS

As of year-end, we had \$4,663,873 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$698,826 from the end of last year.

	2024	2023	Change	
			Dollar	Percentage
Land	\$ 675,827	\$ 675,827	\$ -	0.0%
Construction in progress	-	-	-	0.0%
Buildings and improvements	31,003,740	31,003,740	-	0.0%
Equipment and furnishings	958,856	946,906	11,950	1.3%
Accumulated depreciation	(27,974,550)	(27,263,774)	(710,776)	2.6%
Net Capital Assets	\$ 4,663,873	\$ 5,362,699	\$ (698,826)	-13.0%

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:

	2024	2023	Change	
			Dollar	Percentage
Total Debt	\$ 2,506,567	\$ 2,647,713	\$ (141,146)	-5.3%

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, 2024

ASSETS

Current Assets

Cash and equivalents	
Unrestricted	\$ 9,938,991
Restricted	1,390,094
Subtotal Cash	11,329,085
Certificates of Deposit	-
Accounts receivable, net	164,645
Prepaid expenses	141,817
Notes receivable	43,450
Total Current Assets	11,678,997

Non-Current Assets

Capital assets not being depreciated	675,827
Capital assets, net	3,988,046
Notes receivable	2,795,634
Total Non-Current Assets	7,459,507

TOTAL ASSETS **19,138,504**

TOTAL DEFERRED OUTFLOWS OF RESOURCES **839,942**

LIABILITIES

Current Liabilities

Accounts payable	101,676
Accrued liabilities	36,585
Tenant security deposits	222,153
Unearned revenue	70,830
Compensated absences, current	28,469
Debt - current portion	146,121
Other liabilities	17,132
Total Current Liabilities	622,966

Non-Current Liabilities

Compensated absences, non-current	28,469
Net pension liability	4,093,808
Debt	2,360,446
Funds held in trust	248,235
Total Non-Current Liabilities	6,730,958

TOTAL LIABILITIES **7,353,924**

TOTAL DEFERRED INFLOWS OF RESOURCES **271,360**

NET POSITION

Investment in capital assets	2,157,306
Restricted	871,415
Unrestricted	9,324,441

TOTAL NET POSITION **\$ 12,353,162**

Housing Authority of the City of Madera
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2024

REVENUES

Operating Revenues

Tenant rental revenue, net of collection losses	\$ 2,397,151
Operating grants and subsidies	8,240,714
Other revenues	309,316
Total Operating Revenues	<u>10,947,181</u>

EXPENSES

Operating Expenses

Administration	1,492,233
Tenant services	627,620
Utilities	568,716
Ordinary maintenance and operations	1,063,856
Protective services	82,494
Insurance expense	198,463
Other general expenses	32,560
Housing Assistance Payments	5,693,741
Depreciation	710,776
Total Operating Expenses	<u>10,470,459</u>

NET OPERATING INCOME (LOSS)	<u>476,722</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	325,271
Interest expense	<u>(111,706)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>213,565</u>

Capital grants - HUD	<u>-</u>
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CHANGE IN NET POSITION	690,287
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NET POSITION - BEGINNING	<u>11,662,875</u>
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NET POSITION - ENDING	<u><u>\$ 12,353,162</u></u>
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Housing Authority of the City of Madera

Statement of Cash Flows

For the Year Ended September 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from tenants for rent	\$ 2,567,232
Cash received from grantors	8,261,854
Cash paid for Housing Assistance Payments	(6,186,106)
Cash paid for goods and services	(2,119,588)
Cash paid to and on behalf of employees for services	(1,741,203)

NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES 782,189

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(11,950)
Proceed from sale of capital assets	-
Payments on capital debt	(252,852)
Capital contributions	-

NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES (264,802)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	325,271
Collection on notes receivable	39,499

NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES 364,770

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS **882,157**

BEGINNING CASH AND CASH EQUIVALENTS **10,446,928**

ENDING CASH AND CASH EQUIVALENTS **\$ 11,329,085**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ 476,722
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Non-Cash Adjustment

Depreciation	710,776
Pension	170,855

Change in Assets and Liabilities

Accounts/grants receivable	(143,255)
Prepaid expenses	(28,513)
Inventory	-
Accounts payable and accrued liabilities	95,641
Compensated absences	(49,964)
Unearned revenue	21,140
Other liabilities	(475,233)
Tenant security deposits	4,020

Total Adjustments **305,467**

Net Cash Provided (Used) by Operating Activities **\$ 782,189**

NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION

The Housing Authority of the City of Madera (the 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:

<u>Name</u>	<u>Position</u>
Elsa Mejia	Chairman
Anita Evans	Vice-Chairman
Santos Garcia	Commissioner
Cecelia Gallegos	Commissioner
Jose Rodriguez	Commissioner
Steve Monets	Commissioner
Artemio Villegas	Commissioner

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. This 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.

Additionally, we operate the Low Rent Housing Program. This program is designed to provide very low-income families in obtaining decent, safe, and sanitary rental housing. 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 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 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.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

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 Equivalents

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. We report 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 \$16,204 for the year ended September 30, 2024.

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:

<u>Category</u>	<u>Useful Life</u>
Buildings and improvements	15-40 Years
Furniture and 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, 2024, 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 grants received in advance of the period earned.

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.

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 09 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 09 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.

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.

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.

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.

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.

Subsequent Events

We have evaluated subsequent events through May 12, 2025, the date the consolidated financial statements were available to be issued.

NOTE 03 - CASH AND CASH EQUIVALENTS

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

Unrestricted	
Checking and Money Market accounts	\$ 9,938,991
Subtotal	<u>9,938,991</u>
Restricted	
Security deposits - tenants	222,153
Family Self Sufficiency deposits	248,235
Housing Assistance Payments	896,918
Other restricted funds	<u>22,788</u>
Subtotal	<u>1,390,094</u>
Total Cash and Equivalents	<u><u>\$11,329,085</u></u>

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. As of September 30, 2024, our risk of changes in interest rates is minimal since the investments primarily consist of state sponsored investment pool funds which have stated interest rates.

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. As of September 30, 2024, we mitigated our exposure to credit risk by only investing in fully insured state investment pool funds.

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. As of September 30, 2024, none of our total bank balances were exposed to custodial credit risk.

NOTE 04 - ACCOUNTS RECEIVABLE

Accounts receivable as of yearend were comprised of the following:

Tenant receivables	\$ 20,497
Allowance for receivables	<u>(13,571)</u>
Net receivable	6,926
Due from other governments	39,097
Miscellaneous receivables	<u>118,622</u>
Accounts Receivable, Net	<u><u>\$ 164,645</u></u>

Housing Authority of the City of Madera

Notes to Financial Statements

For the Year Ended September 30, 2024

NOTE 05 - CAPITAL ASSETS

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

	Balance at 10/01/23	Additions	Deletions	Balance at 09/30/24
Capital assets not being depreciated				
Land	\$ 675,827	\$ -	\$ -	\$ 675,827
Capital assets not being depreciated	675,827	-	-	675,827
Capital assets being depreciated				
Buildings & improvements	31,003,740	-	-	31,003,740
Furniture & equipment	946,906	11,950	-	958,856
Total assets being depreciated	31,950,646	11,950	-	31,962,596
Accumulated depreciation	(27,263,774)	(710,776)	-	(27,974,550)
Net capital assets being depreciated	4,686,872	(698,826)	-	3,988,046
Capital Assets, Net	\$ 5,362,699	\$ (698,826)	\$ -	\$ 4,663,873

Construction-in-progress as of September 30, 2024, was comprised of various modernization, rehabilitation, and development costs that we deemed capitalizable in accordance with our capitalization policy.

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

NOTE 06 - NOTE RECEIVABLE

Notes receivable of the Authority are summarized below:

MORES Yosemite Manor, L.P.

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.*

\$ 4,626,429

Madera Opportunities for Resident Enrichment Service, Inc.

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.

332,883

Allowance for uncollectible amounts

(2,120,228)

Total Notes Receivable

\$ 2,839,084

Housing Authority of the City of Madera

Notes to Financial Statements

For the Year Ended September 30, 2024

NOTE 07 - NON-CURRENT LIABILITIES

Changes in long-term liabilities of the Authority are summarized below:

	Balance at 10/01/23	Additions	Deletions	Balance at 09/30/24	Due Within One Year
Compensated absences	\$ 106,902	\$ 6,748	\$ (56,712)	\$ 56,938	\$ 28,469
Net pension liability	4,142,152	-	(48,344)	4,093,808	-
Debt	2,647,713	-	(141,146)	2,506,567	146,121
Other Liabilities	205,312	42,923	-	248,235	-
Total	<u>\$ 7,102,079</u>	<u>\$ 49,671</u>	<u>\$ (246,202)</u>	<u>\$ 6,905,548</u>	<u>\$ 174,590</u>

NOTE 08 - LONG-TERM DEBT

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

U.S. Department of Agriculture Rural Development

In June 2004, we entered into multiple note agreements with US Department of Agriculture Rural Development. The face amount of these notes totaled \$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.

\$ 171,697

Citizens Business Bank

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.

2,334,870

Total Debt

\$ 2,506,567

Expected payments on direct borrowings are as follows for the years ending June 30:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 146,121	\$ 109,292	\$ 255,413
2026	155,282	102,777	258,059
2027	162,106	95,955	258,061
2028	1,945,217	31,136	1,976,353
2029	16,806	910	17,716
2030	78,543	2,187	80,730
2035	2,492	21	2,513
	<u>\$ 2,506,567</u>	<u>\$ 342,278</u>	<u>\$ 2,848,845</u>

NOTE 09 - PENSION PLAN

Plan Description

The plan is a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes and membership information, is listed in the June 30, 2024, Annual Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at CalPERS' website under "Forms and Publications". All qualified permanent and probationary employees are eligible to participate in the Authority's cost-sharing multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the plans are established by State statute and the Authority's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at September 30, 2024, are summarized as follows:

	<u>Miscellaneous Plan</u>	
	Prior to 1/1/2013	After 1/1/2013
Hire date	Prior to 1/1/2013	After 1/1/2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting formula	5 yrs of service	5 yrs of service
Benefit payments	Monthly for life	Monthly for life
Monthly benefits, as of % of eligible compensation	1.426% to 2.48%	1.0% to 2.5%
Required employee contribution rate	7.00%	8.25%
Required employer contribution rate	13.26% + 73,779	8.00% + 12,711

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Miscellaneous Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Authority's contributions to the plan for the measurement year ended June 30, 2024, were \$317,973. The Authority's contributions to the pension plan after the measurement year were \$135,253.

Housing Authority of the City of Madera

Notes to Financial Statements

For the Year Ended September 30, 2024

Actuarial Assumptions

The total pension liability in the September 30, 2024, actuarial valuations, were determined using the following actuarial assumptions:

Valuation date	June 30, 2024
Measurement date	June 30, 2023
Salary increases	Entry Age Actuarial Cost Method
Discount rate	6.90%
Price inflation salary increases	2.30%
Investment rate of return	Varies by entry age and service
Mortality rate table	Derived using CaPERS' membership data for all funds
Post retirement benefit increase	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class areas are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	27.00%
Mortgage-back securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

Housing Authority of the City of Madera

Notes to Financial Statements

For the Year Ended September 30, 2024

Changes in the Net Pension Liability

The Authority's net pension liability of \$4,093,808 is measured as the proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability was determined by an actuarial valuation as of June 30, 2023. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the Authority's proportion was 0.08464 percent, which was an increase of 0.00181 percent from its proportion measured as of June 30, 2023.

	Plan Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Plan Net Pension Liability (Asset) [c] = [a] - [b]
Beginning balance	\$ 11,388,709	\$ 7,246,557	\$ 4,142,152
Net changes	103,480	151,824	(48,344)
Ending balance	\$ 11,492,189	\$ 7,398,381	\$ 4,093,808

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan Net Pension Liability (Assets)	\$ 5,727,120	\$ 4,093,808	\$ 2,749,352

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

The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 105,219	\$ -
Difference between expected and actual experience	353,947	13,811
Change in proportion share	-	243,646
Differences between Employer's Contributions and Proportionate Share of Contributions	9,847	13,903
Net difference between projected and actual earnings on plan investments	235,676	-
	704,689	271,360
Contributions subsequent to the measurement date of plan	135,253	-
Totals	\$ 839,942	\$ 271,360

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
For the Year Ended September 30, 2024

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

Measurement Period Ended June 30,

2025	\$	60,837
2026		471,447
2027		(18,191)
2028		(80,764)
2029		-
Thereafter,		-
	\$	<u>433,329</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At September 30, 2024, there were no amounts payable to the pension plan.

NOTE 10 - NET POSITION

Net position for the year end was calculated as follows:

Capital assets not being depreciated	\$	675,827
Capital assets, net		3,988,046
Related debt		<u>(2,506,567)</u>
Net Investment in Capital Assets		<u>\$ 2,157,306</u>
Restricted cash	\$	1,390,094
Unearned EHV fees		(48,291)
Security deposit liability		(222,153)
FSS escrow liability		<u>(248,235)</u>
Restricted Net Position		<u>\$ 871,415</u>

NOTE 11 - 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 modernization and rehabilitation as well as development properties.

NOTE 12 - BUSINESS RISK AND CONCENTRATIONS

Risk Management

The Authority is exposed to various risk of losses related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported. At September 30, 2024, there were no liabilities to be reported.

Concentration - Major Contributor

For the year ended September 30, 2024, approximately 75% of operating revenues reflected in the financial statements are directly or indirectly 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.

Housing Authority of the City of Madera

Required Schedules of the Pension Plan

For the Year Ended September 30, 2024

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

Reporting Date for Employer under GASB 68 as of June 30	Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	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	0.03130%	\$ 1,966,014	\$ 1,108,052	177.43%	82.22%
2016	0.08810%	\$ 2,416,697	\$ 982,585	245.95%	78.44%
2017	0.08280%	\$ 2,875,227	\$ 1,043,730	275.48%	78.19%
2018	0.08210%	\$ 3,235,424	\$ 1,140,725	283.63%	80.34%
2019	0.08440%	\$ 3,179,366	\$ 1,270,009	250.34%	79.09%
2020	0.08460%	\$ 3,389,295	\$ 1,280,623	264.66%	77.36%
2021	0.13260%	\$ 2,517,018	\$ 1,191,513	211.25%	88.44%
2022	0.08616%	\$ 4,031,725	\$ 941,461	428.24%	74.82%
2023	0.08284%	\$ 4,142,152	\$ 1,074,450	385.51%	64.74%
2024	0.08464%	\$ 4,093,808	\$ 1,004,364	407.60%	63.03%

SCHEDULE OF THE PENSION PLAN CONTRIBUTIONS

Reporting Date for Employer 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
2015	\$ 239,779	\$ 239,779	\$ -	\$ 1,108,052	21.64%
2016	\$ 203,184	\$ 203,184	\$ -	\$ 982,585	20.68%
2017	\$ 257,128	\$ 257,128	\$ -	\$ 1,043,730	24.64%
2018	\$ 238,140	\$ 238,140	\$ -	\$ 1,140,725	20.88%
2019	\$ 268,409	\$ 268,409	\$ -	\$ 1,270,009	21.13%
2020	\$ 302,136	\$ 302,136	\$ -	\$ 1,280,623	23.59%
2021	\$ 336,461	\$ 336,461	\$ -	\$ 1,191,513	28.24%
2022	\$ 331,109	\$ 331,109	\$ -	\$ 941,461	35.17%
2023	\$ 362,378	\$ 362,378	\$ -	\$ 1,074,450	33.73%
2024	\$ 317,973	\$ 317,973	\$ -	\$ 1,004,364	31.66%

Notes to Required Supplementary Information 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.

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

For the Year Ended September 30, 2024

	Assistance Listing Number(s)	Award Type	Expenditures
U.S. Department of HUD			
Housing Choice Vouchers		Direct	\$ 6,546,345
Emergency Housing Vouchers		Direct	174,737
Housing Choice Vouchers	14.871		<u>6,721,082</u>
Total Housing Voucher Center Cluster			6,721,082
Low Rent Public Housing	14.850	Direct	1,204,434
Public Housing Capital Fund Program	14.872	Direct	-
Resident Opportunity and Supportive Services	14.870	Direct	41,932
PIH Family Self-Sufficiency Program	14.896	Direct	<u>38,624</u>
Totals U.S. Department of HUD			8,006,072
U.S. Department of Agriculture			
Farm Labor Housing Loans and Grants	10.405	Direct	<u>424,376</u>
Totals U.S. Department of Agriculture			424,376
U.S. Department of Education			
Total Expenditures of Federal Awards			<u>\$ 8,430,448</u>
Award Type			
Direct			\$ 8,430,448
Indirect			\$ -

NOTE 01 - SCOPE OF PRESENTATION

The accompanying schedule presents the expenditures incurred (and related awards received) by the Housing Authority of the City of Madera (the Authority) that are reimbursable under federal programs of federal agencies providing financial assistance and state awards. For the purposes of this schedule, only the portion of program expenditures reimbursable with such federal or state funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal or state reimbursement authorized or the portion of the program expenditures that were funded with local or other nonfederal funds are excluded from the accompanying schedule.

NOTE 02 - BASIS OF ACCOUNTING

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Expenditures are recognized in the accounting period in which the related liability is incurred. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 03 - INDIRECT COST RATE

The Authority elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, section 414.

NOTE 04 – FEDERAL LOAN BALANCES

Federal Program Loans	ALN	Balance at 10/01/23	Additions	Deletions	Balance at 09/30/24
Farm Labor Housing Loans	10.405	\$ 189,734	\$ -	\$ (18,037)	\$ 171,697
		\$ 189,734	\$ -	\$ (18,037)	\$ 171,697

Housing Authority of the City of Madera

Statement and Certification of Actual Costs

For the Year Ended September 30, 2024

1. The Actual Costs of the Authority was as follows:

Grant	Funds Approved	Funds Disbursed	Funds Expended	Balance Unspent
CA01P069501-20	\$ 779,777	-	-	\$ 779,777
CA01P069501-21	\$ 813,759	-	-	\$ 813,759
CA01P069501-22	\$ 3,374	-	-	\$ 3,374
CA01P069501-23	-	-	-	-

2. The distribution of costs as shown on the Financial Statement of Costs accompanying the Actual Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.
3. For the above completed grants, all costs have been paid and all related liabilities have been discharged through payment.

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Board of Commissioners
Housing Authority of the City of Madera
Madera, CA

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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 (the Authority) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 12, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a 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. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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.

May 12, 2025

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Board of Commissioners

Housing Authority of the City of Madera
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**Report on Compliance for Each Major Federal Program and Report on Internal Control over
Compliance in Accordance with the Uniform Guidance**

Independent Auditors' Report

Opinion on Each Major Federal Program

We have audited the Housing Authority of the City of Madera's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Madera's major federal programs for the year ended September 30, 2024. The Housing Authority of the City of Madera'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 Housing Authority of the City of Madera 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 Housing Authority of the City of Madera 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 Housing Authority of the City of Madera'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 Housing Authority of the City of Madera'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 Housing Authority of the City of Madera'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 Housing Authority of the City of Madera'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:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Housing Authority of the City of Madera's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Housing Authority of the City of Madera'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 Housing Authority of the City of Madera's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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



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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we express no opinion.

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.

May 12, 2025

Housing Authority of the City of Madera

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Internal controls over financial reporting:

 Material weakness(es) identified

 Significant deficiency(ies) identified

Noncompliance material to financial statements noted

Federal Awards

Internal control over major federal programs

 Material weakness(es) identified

 Significant deficiency(ies) identified

Type of auditors' report issued on compliance for major federal programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

Identification of major federal programs:

ALN(s)	Name of Federal Program or Cluster
14.850	Low Rent Public Housing
14.871	Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as a low-risk auditee

Section II Financial Statement Findings

No findings

Section III Federal Awards Findings

No findings to be reported under 2CFR200 Section 516(a) of the Uniform Guidance

Housing Authority of the City of Madera
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended September 30, 2024

Financial Statement Findings

Prior Year Findings Number	Findings Title	Status/Current Year Finding Number
2023-001	Lack of Approval Process for Manual Journal Entries	Resolved

Federal Award Findings and Questioned Costs

Prior Year Findings Number	Findings Title	Status/Current Year Finding Number
2023-002	Submission Deadlines Missed for HUD Reporting	Resolved