

Report On Audit

**HOUSING AUTHORITY OF THE
BOROUGH OF MADISON**

**For the Year Ended
March 31, 2025**

Housing Authority of the Borough of Madison
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**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

As management of the Housing Authority of the Borough of Madison (the Authority), we present the following Management's Discussion and Analysis (MD&A) as supplementary information required by the Governmental Accounting Standards Board (GASB). This section is intended to provide readers with a clear and concise overview of the financial information contained in the accompanying financial statements.

The MD&A focuses on the Authority's current-year activities, significant changes, and known facts that impact on its financial position. By design, this discussion is a summary and does not include all the details found in the full financial statements. To gain a comprehensive understanding of the Authority's financial condition, readers are encouraged to review the complete financial statements and accompanying notes, beginning on page 19 of this report.

We invite readers to consider the information presented in this section in conjunction with the Authority's full financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

At the close of the most recent fiscal year, the Authority's assets exceeded its liabilities by \$5,727,613, reflecting an improvement in financial position of \$1,273,440, or 15% compared to the prior year.

As of March 31, 2025, the Authority's unrestricted net position stood at \$1,048,442, marking a significant increase of \$912,990 from the previous year. Further details regarding unrestricted net position can be found in Note 21 of the financial statements included in this report.

The restricted net position increased by \$187,229 resulting in an ending balance of \$511,016. Additional information is available in Note 20 to the financial statements.

The Authority's net investment in capital assets increased by \$173,221, bringing the total to \$4,168,155.

As of March 31, 2025, total cash and cash equivalents amounted to \$2,705,509, an increase of \$269,613 from the prior year. Operating cash decreased by \$4,372, to a total of \$1,818,416, while restricted cash increased by \$273,985 ending at \$887,093. A detailed breakdown of these amounts is provided in the Statement of Cash Flows on pages 22-23 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

FINANCIAL HIGHLIGHTS - CONTINUED

Assets and Deferred Outflows

As of March 31, 2025, the Authority reported total assets and deferred outflows of \$10,461,692. This includes:

- Deferred outflows of resources totaling \$211,888
- Capital assets, net of depreciation, valued at \$5,435,949
- Other non-current assets amounting to \$307,079
- Total current assets of \$4,506,776, reflect an increase of \$389,069 from the prior year

Key changes in current assets include:

- A decrease in unrestricted cash and cash equivalents of \$4,372
- An increase in restricted cash of \$273,985
- A rise in investments of \$61,484
- Accounts receivable, net of allowances, increased by \$40,117
- Prepaid expenses grew by \$17,855

These changes reflect the Authority's continued efforts to strengthen its financial position and optimize asset management.

Capital Assets

During the fiscal year ended March 31, 2025, the Authority reported an increase in the net book value of its capital assets totaling \$109,951. This growth was primarily driven by capital acquisitions amounting to \$412,002, offset by depreciation expense of \$302,051.

Major capital additions during the year included:

- Roof repairs
- Apartment upgrades
- Driveway repairs
- New appliances for residential units
- Acquisition of a Jeep equipped with a snowplow
- Relocation of a transformer

A detailed breakdown of capital outlays and asset activity is provided in Note 8 – Fixed Assets of the financial statements included in this report.

Other assets decreased \$25,188. Leases receivable – noncurrent decreased by \$25,188. Full details of these accounts can be found in the Notes to the Financial Statements Section Note 9 thru Note 10.

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

FINANCIAL HIGHLIGHTS - CONTINUED

Deferred Pension Reporting

During the fiscal year ended March 31, 2025, the Authority reported a decrease in deferred outflows related to pension costs of \$231,228, resulting in an ending balance of \$211,888. Conversely, deferred inflows related to pension costs increased by \$349,744, bringing the total to \$1,624,211.

These changes reflect adjustments in pension-related accounting estimates and actuarial assumptions in accordance with applicable standards. A comprehensive explanation of the pension reporting requirements and related balances is provided in Note 11 – Deferred Outflows/Inflows of Resources in the Notes to the Financial Statements section of this report.

Liabilities

As of March 31, 2025, the Authority reported total liabilities of \$3,109,868, consisting of:

- Current liabilities: \$663,740
- Noncurrent liabilities: \$2,446,128

This represents a total decrease in liabilities of \$1,380,580 compared to the prior year. Specifically:

- Current liabilities decreased by \$240,380
- Noncurrent liabilities decreased by \$1,140,200

Current Liabilities

The net decrease in current liabilities was driven by the following changes:

- Accounts payable increased by \$68,356
- Accrued liabilities increased by \$2,063
- Tenant security deposits payable increased by \$2,856
- Unearned revenue decreased by \$315,298
- Current portion of long-term debt increased by \$1,643

Noncurrent Liabilities

The decrease in noncurrent liabilities was primarily due to:

- A reduction in long-term debt of \$64,913, resulting in an ending balance of \$1,201,147
- Noncurrent compensated absences increased by \$6,470, with an ending balance of \$117,264
- Other noncurrent liabilities increased by \$74,346, ending at \$243,703
- A significant decrease in accrued pension and OPEB liabilities of \$1,156,103

The Authority changed the health benefits coverage from New Jersey State benefits program to Norh Jersey Municipal Employee Benefits Funs effective May 1, 2023. Additional details regarding pension and OPEB liabilities as of March 31, 2025, can be found in Notes 17 and 18 of the financial statements included in this report.

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

FINANCIAL HIGHLIGHTS - CONTINUED

Operating Results and Federal Awards

For the fiscal year ended March 31, 2025, the Authority reported total operating revenue of \$6,159,476, an increase of \$301,987 compared to the prior year's revenue of \$5,857,489. Total operating expenses for the year were \$5,586,141, up \$28,459 from the previous year's total of \$5,557,682. This resulted in excess operating revenue of \$573,335, representing a surplus increase of \$273,528 over the prior year.

The Authority also made capital outlays totaling \$412,002, which were funded through its reserves. These investments supported improvements such as roof repairs, apartment upgrades, and infrastructure enhancements. A detailed breakdown of capital expenditures is available in Note 8 – Fixed Assets of the financial statements.

In addition, the Authority's expenditures of Federal Awards for the year amounted to \$4,818,012, compared to \$4,440,710 in the prior year—an increase of \$377,302. This reflects continued support for federally funded housing programs and initiatives.

USING THIS ANNUAL REPORT

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

1. Business Activities – RAD Program
2. Section 8 Moving to Work Demonstration Program
3. Community Development Block Grants/Entitlement Grants
4. Resident Opportunity and Supportive Services

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

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

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 19 through 23.

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

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 24 through 58.

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

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

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

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

The schedule of Expenditures of Federal Awards can be found on pages 64-65 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations, and other assistance.
- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Borough of Madison are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended March 31, 2025. Type B programs for the Housing Authority of the Borough of Madison are those which are less than \$750,000 in expenditures for the fiscal year ended March 31, 2025.

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY

The following summarizes the Authority computation of Net Position between March 31, 2025, and March 31, 2024:

Computations of Net Position are as follows:

	<u>Year Ended</u>		Increase (Decrease)
	March-25	March-24	
Cash	\$ 2,705,509	\$ 2,435,896	\$ 269,613
Other Current Assets	1,801,267	1,681,811	119,456
Capital Assets - Net	5,435,949	5,325,998	109,951
Other Assets - Lease Receivable	307,079	332,267	(25,188)
Deferred Outflows	211,888	443,116	(231,228)
Total Assets	10,461,692	10,219,088	242,604
Less: Current Liabilities	(663,740)	(904,120)	240,380
Less: Non Current Liabilities	(2,446,128)	(3,586,328)	1,140,200
Less: Deferred Inflows	(1,624,211)	(1,274,467)	(349,744)
Net Position	<u>\$ 5,727,613</u>	<u>\$ 4,454,173</u>	<u>\$ 1,273,440</u>
Net Investment in Capital Assets	\$ 4,168,155	\$ 3,994,934	\$ 173,221
Restricted Net Position	511,016	323,787	187,229
Unrestricted Net Position	1,048,442	135,452	912,990
Net Position	<u>\$ 5,727,613</u>	<u>\$ 4,454,173</u>	<u>\$ 1,273,440</u>

Cash increased by \$269,613 or 11% percent. Net cash provided by operating activities was \$581,861, net cash used by capital and related financing activities was \$396,155, and net cash provided by investing activities was \$83,907. The full details of this amount can be found in the Statement of Cash Flows on page 22-23 of this audit report.

Other current assets increased by \$119,456. Investments increased by \$61,484, accounts receivables, net of allowances, increased by \$40,117, and prepaid expenses increased by \$17,855 during the fiscal year.

The Authority reported an increase in the net book value of the capital assets in the amount of \$109,951. The major factor that contributed to the increase was the purchase of fixed assets in the amount of \$412,002 less the recording of depreciation expense in the amount of \$302,051. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY - CONTINUED

During the fiscal year ended March 31, 2025, the Authority reported a decrease in deferred outflows related to pension costs of \$231,228, resulting in an ending balance of \$211,888. Conversely, deferred inflows related to pension costs increased by \$349,744, bringing the total to \$1,624,211. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 11 Deferred Outflows/Inflows of Resources.

Total current liabilities decreased from the previous year by \$240,380. Accounts payable increased by \$68,356, accrued liabilities increased by \$2,063, tenant security deposit payable increased by \$2,856, unearned revenue decreased by \$315,298, and the current portion of long-term debt increased by \$1,643.

Total noncurrent liabilities decreased by \$1,140,200. Long-term debt decreased \$64,913 for an ending balance of \$1,201,147. Long-term obligations such as non-current compensated absences with an ending balance of \$117,264, with no offsetting assets, increased \$6,470 from the previous year. Other non-current liabilities increased by \$74,346 for an ending balance of \$243,703. Accrued pension and OPEB liability decreased \$1,156,103. Additional information on accrued pension and OPEB on March 31, 2025, can be found in Notes 17 & 18 to the financial statements, which is included in this report.

The Authority reported a net position of \$5,727,613, which is made up of three categories. The net investment in capital assets in the amount of \$4,168,155 represents a majority of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current year:

Balance March 31, 2024	\$	3,994,934
Acquisition of Fixed Assets		412,002
Depreciation Expense		(302,051)
Debt Payment		63,270
Balance March 31, 2025	<u>\$</u>	<u>4,168,155</u>

The Housing Authority of the Borough of Madison operating results for March 31, 2025, reported an increase of \$912,990 in the unrestricted net position for an ending balance of \$1,048,442. Full details of this account can be found in the Notes to the Financial Statements Section Note 21.

The Authority reported a restricted net position in the amount of \$511,016 which increased \$187,229 as compared to the prior year. A full detail of this account can be found in the Notes to the Financial Statements Section Note 20.

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY - CONTINUED

The following summarizes the Authority's changes in Net Position between March 31, 2025, and March 31, 2024:

Computation of Changes in Net Position are as follows:

	<u>Year Ended</u>		Increase
	March-25	March-24	(Decrease)
<u>Revenues</u>			
Tenant Revenues	\$ 1,138,528	\$ 1,043,534	\$ 94,994
HUD Subsidies	4,818,012	4,440,710	377,302
Other Revenues	202,936	373,245	(170,309)
Total Operating Income	6,159,476	5,857,489	301,987
<u>Expenses</u>			
Operating Expenses	5,284,090	5,127,597	156,493
Depreciation Expense	302,051	430,085	(128,034)
Total Operating Expenses	5,586,141	5,557,682	28,459
Operating Income before Non Operating Income	573,335	299,807	273,528
Interest Income	145,391	136,631	8,760
Change in Net Position	718,726	436,438	282,288
Net Position Prior Year	4,454,173	3,872,207	581,966
Prior Period Adjustment	554,714	145,528	409,186
Total Net Position	<u>\$ 5,727,613</u>	<u>\$ 4,454,173</u>	<u>\$ 1,273,440</u>

Approximately 78% percent of the Authority's total revenue was provided by HUD operating subsidy, while 18% percent resulted from tenant revenue. Charges for various services and fraud recovery provided for the remaining 4% percent of the total operating income.

The Authority had capital expenditures in the amount of \$412,002 related to the replacement of equipment. The current year's additions included the following:

- Apartment upgrades
- Driveway repairs the Roof repairs
- New appliances for residential units
- Acquisition of a Jeep equipped with a snowplow
- Relocation of a transformer
- Roof repairs
- Driveway repairs

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY - CONTINUED

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 59% percent of total operating expenses. Administrative expenses accounted for 16% percent, tenant services accounted for 2% percent, utilities expense accounted for 2% percent, maintenance expenses accounted for 7% percent, other operating expenses accounted for 8% percent, interest expense accounted for less than 1% percent, and depreciation accounted for the remaining 5% of the Authority's total operating expenses.

The Authority's operating revenue exceeded its operating expenses resulting in excess revenue from operations in the amount of \$573,335, from operations as compared to excess revenues from operations of \$299,807 for the previous year. The key elements for the increase in operating surplus in comparison to the prior year are as follows:

- Tenant rental income increased \$94,994 from the previous year.
- The Authority experienced an increase in HUD operating grants in the amount of \$377,302. Grants are awarded based on the Authority's needs against a preauthorized funding level.
- Other revenue decreased by \$170,309% percent from the previous year.
- The Authority experienced an increase in the following expense accounts as listed below:
 - Administrative Expenses increased \$5,195
 - Tenant Services increased \$23,751
 - Maintenance Expense increased \$19,792
 - Interest Expense increased \$14,495
 - Housing Assistance Payments increased \$201,063
- The Authority experienced a decrease in the following expense accounts as listed below:
 - Utilities Expense decreased \$18,497
 - Other Operating Expenses decreased \$89,306
 - Depreciation Expense decreased \$128,034

Total net cash provided by operating activities during the year was \$581,861. A full detail of this amount can be found in the Statement of Cash Flows on page 22-23 of this report.

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL ANALYSIS OF THE AUTHORITY - CONTINUED

The following are financial highlights of significant items for a four-year period of time ending on March 31, 2025:

	March-25	March-24	March-23	March-22
Significant Income				
Total Tenant Revenue	\$ 1,138,528	\$ 1,043,534	\$ 975,016	\$ 890,464
HUD Operating Grants	4,818,012	4,440,710	3,960,020	3,846,789
Other Government Grants	-	-	72,450	251,639
Investment Income	145,391	120,967	67,721	5,831
Other Income	202,936	388,909	334,402	1,972,447
Total	<u>\$ 6,304,867</u>	<u>\$ 5,994,120</u>	<u>\$ 5,409,609</u>	<u>\$ 6,967,170</u>
Payroll Expense				
Administrative Salaries	\$ 428,678	\$ 431,219	\$ 427,352	\$ 354,772
Tenant Services Salaries	-	-	-	9,142
Utilities Labor	20,000	20,000	20,000	20,000
Maintenance Labor	137,850	131,307	116,236	111,901
Employee Benefits Expense	367,669	333,492	130,295	1,519,671
Total Payroll Expense	<u>\$ 954,197</u>	<u>\$ 916,018</u>	<u>\$ 693,883</u>	<u>\$ 2,015,486</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 188,844	\$ 178,840	\$ 196,336	\$ 155,776
Utilities Expense	78,052	101,339	121,875	113,721
Maintenance Supplies	40,543	32,555	41,546	35,698
Maintenance Contract Cost	108,707	135,101	113,863	156,789
Insurance Premiums	84,210	75,332	64,488	65,184
Housing Assistance Payments	3,284,444	3,083,381	2,721,875	2,455,941
Total	<u>\$ 3,784,800</u>	<u>\$ 3,606,548</u>	<u>\$ 3,259,983</u>	<u>\$ 2,983,109</u>
Total Operating Expenses	<u>\$ 5,586,141</u>	<u>\$ 5,557,682</u>	<u>\$ 4,752,234</u>	<u>\$ 5,908,445</u>
Total of Federal Awards	<u>\$ 4,818,012</u>	<u>\$ 4,440,710</u>	<u>\$ 4,032,470</u>	<u>\$ 4,098,428</u>

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
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THE HOUSING AUTHORITY OF THE BOROUGH OF MADISON PROGRAMS

HUD Moving to Work Demonstrations

The HUD Moving to Work (MTW) demonstration program allows selected public housing authorities (PHAs) to test new, locally designed strategies to improve housing assistance by waiving certain regulations and combining funds. The program focuses on three objectives: reducing costs, providing incentives for work, and increasing housing choices for low-income families. Examples of demonstration projects include waiving some rules for work requirements and implementing alternative rent structures, which are rigorously evaluated to determine their effectiveness. Section 8 Housing Choice Voucher Program

Rental Assistance Demonstration Program: Business Activities

The Rental Assistance Demonstration Program ("RAD") was created in order to give public housing authorities ("PHA's") a powerful tool to preserve and improve public housing properties. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% percent of their income towards rent.

Community Development Block Grant (CDBG) Program

The Community Development Block Grant (CDBG) Program supports community development activities to build stronger and more resilient communities. To support community development, activities are identified through an ongoing process. Activities may address needs such as infrastructure, economic development projects, public facilities installation, community centers, housing rehabilitation, public services, clearance/acquisition, microenterprise assistance, code enforcement, homeowner assistance, etc.

Resident Opportunity and Support Services – ROSS:

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

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress).

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

BUDGETARY HIGHLIGHTS

For the year ended March 31, 2025, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

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

NEW INITIATIVES

For the fiscal year ended 2025, the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 76% percent of its revenue from the Department of Housing and Urban Development, (2024 was 74% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of March 31, 2025, was \$5,435,919 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total increase during the year in the Authority's investment in capital assets was \$109,951. Major capital expenditures of \$412,002 were made during the year.

	March-25	March-24	Increase (Decrease)
Land	\$ 1,059,729	\$ 1,059,729	\$ -
Building	13,796,905	13,571,224	225,681
Furniture, Equipment - Dwelling	812,789	785,703	27,086
Furniture, Equipment - Administration	268,813	217,198	51,615
Construction in Progress	302,620	195,000	107,620
Total Fixed Assets	16,240,856	15,828,854	412,002
Accumulated Depreciation	(10,804,907)	(10,502,856)	(302,051)
Net Book Value	\$ 5,435,949	\$ 5,325,998	\$ 109,951

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON MARCH 31, 2025**

CAPITAL ASSETS AND DEBT ADMINISTRATION

2 - Debt Administration

As of March 31, 2025, the only note outstanding was with Lakeland Bank, in the amount of \$1,267,794, of which \$66,647 was stated as the current portion. Interest is payable at 2.75% percent. The monthly payments are \$8,299 which includes both principal and interest. Additional information on the Authority's debt on March 31, 2025, can be found in Note 15 of the notes to the financial statements, which are included in this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The following factors were considered in preparing the Authority's budget for the year ending March 31, 2026.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other costs.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments. The Authority accepted the administration of a 15-year project-based Moving to Work Program.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Tanya Van Order, Executive Director, Housing Authority of the Borough of Madison, 24 Central Avenue, Madison, N.J. 07940, or call (973) 377-0258.

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Borough of Madison
24 Central Avenue
Madison, New Jersey 07940

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and business type activities of the Housing Authority of the Borough of Madison, as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Borough of Madison basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and business type activities of the Housing Authority of the Borough of Madison as of March 31, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Borough of Madison'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 Borough of Madison.
- Housing Authority of the Borough of Madison'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 PERS supplemental information on pages 1 through 14 and pages 59-63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the Borough of Madison's basic financial statements. The accompanying supplemental information on pages 64-70 is presented for additional analysis and is not required part of the basic financial statements.

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2025, in our consideration of the Housing Authority of the Borough of Madison'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 Borough of Madison's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the Borough of Madison's internal control over financial reporting and compliance.



Lincroft, New Jersey

Date: October 24, 2025

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
STATEMENT OF NET POSITION
AS OF MARCH 31, 2025

	<u>2025</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	
Operating	\$ 1,818,416
Restricted	<u>887,093</u>
Total cash and equivalents	2,705,509
Investments	\$ 1,626,962
Accounts Receivables, Net of Allowances	85,544
Prepaid Expenses	<u>88,761</u>
Total Current Assets	<u>4,506,776</u>
Noncurrent Assets	
Capital Assets	
Land	1,059,729
Building	13,796,905
Furniture, Equipment - Dwelling	812,789
Furniture, Equipment - Administration	268,813
Construction in Progress	<u>302,620</u>
Total Capital Assets	16,240,856
Less: Accumulated Depreciation	<u>(10,804,907)</u>
Net Book Value	<u>5,435,949</u>
Other Assets	
Lease Receivable	<u>307,079</u>
 Total Assets	 <u>10,249,804</u>
Deferred Outflow of Resources	
Total Deferred Outflows of Resources	<u>211,888</u>
 Total Assets and Deferred Outflow of Resources	 <u><u>\$ 10,461,692</u></u>

See independent auditor's report and notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
STATEMENT OF NET POSITION
AS OF MARCH 31, 2025

	<u>2025</u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 267,075
Accrued Liabilities	40,636
Tenant Security Deposit Payable	119,334
Unearned Revenue	170,048
Mortgage Payable - Current Portion	66,647
Total Current Liabilities	<u>663,740</u>
Noncurrent Liabilities	
Mortgage Payable - Long Term	1,201,147
Accrued Compensated Absences - Long-Term	117,264
Non Current Liabilities	243,703
Accrued Pension and OPEB Liabilities	884,014
Total Noncurrent Liabilities	<u>2,446,128</u>
Total Liabilities	<u>3,109,868</u>
Deferred Inflow of Resources	
NJ Pension and OPEB	1,265,881
Lease Receivable deferred inflow	358,330
Total Deferred Inflow of Resources	<u>1,624,211</u>
Net Position:	
Net Investment in Capital Assets	4,168,155
Restricted	511,016
Unrestricted	1,048,442
Total Net Position	<u>5,727,613</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 10,461,692</u></u>

See independent auditor's report and notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED MARCH 31, 2025

	<u>2025</u>
Revenue:	
Tenant Rental Revenue	\$ 1,138,528
HUD PHA Operating Grants	4,818,012
Other Revenue	<u>202,936</u>
Total Revenue	<u>6,159,476</u>
 Operating Expenses:	
Administrative Expense	892,145
Tenant Services	91,769
Utilities Expense	110,740
Maintenance Expense	367,458
Other Operating Expenses	493,072
Interest Expense	44,462
Housing Assistance Payments	3,284,444
Depreciations Expense	<u>302,051</u>
Total Operating Expenses	<u>5,586,141</u>
 Excess Revenue (Expenses) From Operations	<u>573,335</u>
 Non Operating Income:	
Interest Income	<u>145,391</u>
Total Non Operating Income	<u>145,391</u>
 Change in Net Position	<u>718,726</u>
 Beginning Net Position	4,454,173
Prior Period Adjustments	<u>554,714</u>
Beginning Net Position, Restated	<u>5,008,887</u>
 Ending Net Position	<u><u>\$ 5,727,613</u></u>

See independent auditor's report and notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
STATEMENT OF CASH FLOWS - 1
FOR THE TWELVE MONTHS ENDED MARCH 31, 2025

	2025
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 1,111,029
Receipts from Federal Grants	4,655,937
Receipts from Misc. Sources	202,936
Payments to Vendors and Suppliers	(1,149,400)
Payments for Housing Assistance Payments	(3,284,444)
Payments to Employees	(586,528)
Payment of Employee Benefits	(367,669)
Net Cash (Used) Provided by Operating Activities	<u>581,861</u>
Cash Flow From Capital and Related Financing Activities	
Acquisitions and Construction of Capital Assets	(412,002)
Principal Payments made on Mortgage	(63,270)
Change in Accrued Pension and OPEB Liabilities	(1,156,103)
Net Effect of Deferred Inflows and Outflows	580,972
Non Current Liabilities	74,346
Lease Receivable	25,188
Prior Period Adjustment	554,714
Net Cash (Used) by and Related Financing Activities	<u>(396,155)</u>
Cash Flow From Investing Activities	
Interest Income	145,391
Purchase of Investments	(61,484)
Net Cash Provided by From Investing Activities	<u>83,907</u>
Net Increase in Cash and Cash Equivalents	269,613
Beginning Cash	<u>2,435,896</u>
Ending Cash	<u>\$ 2,705,509</u>
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 1,818,416
Restricted Deposits	887,093
Total Ending Cash	<u>\$ 2,705,509</u>

See independent auditor's report and notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
STATEMENT OF CASH FLOWS - 2
FOR THE TWELVE MONTHS ENDED MARCH 31, 2025

	<u>2025</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	\$ 573,335
Excess of Revenue Over Expenses	
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	302,051
(Increase) Decrease in:	
Accounts Receivables	(40,117)
Prepaid Expenses	(17,855)
Increase (Decrease) in:	
Accounts Payable	68,356
Accrued Liabilities	2,063
Unearned Revenue	(315,298)
Tenant Security Deposits	2,856
Compensated Absences - Non current	6,470
Net Cash Provided by Operating Activities	<u>\$ 581,861</u>
Supplemental Cash Flows Disclosures	
Interest Expense Paid During the Year	<u>\$ 36,318</u>

See independent auditor's report and notes to financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

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

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 40A:12A-1 et al the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the Borough of Madison in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

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

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

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

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements March 31, 2025

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.

2. Significant Accounting Policies

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

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

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

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements March 31, 2025

Basis of Accounting –

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

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

Revenue Recognition

The major sources of income for the Authority are HUD operating subsidies, and other sources such as miscellaneous developer fee, and HAP portability payments. The Authority considers subsidies to be exempt from compliance with ASC 606 as they are covered under current and future lease standards. Additionally, the Authority also generates revenue from other sources such as miscellaneous developer fees, and HAP portability payments, all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

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

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

Report Presentation -

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement").

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

Report Presentation - Continued

The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

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

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

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

Other accounting policies are as follows

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

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

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

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

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

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

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

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

9- Advertising cost is charged to expense when incurred.

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

11- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority, but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

Other accounting policies – continued

11 - continued

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

12- Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115. Under federal, state, and local law, the Authority's program is exempt from income, property and excise taxes.

13 - Net Position

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

13 - Net Position -continued

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

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

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

Other accounting policies - continued

14 -Unearned Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenses have been incurred in compliance with grant restrictions. Amounts unspent are recorded in the statement of net position as unearned revenue.

15 Operating Revenue and Expenses

The major sources of revenue are HUD operating subsidies, and other revenue. Other revenue composed primarily of miscellaneous developer fee and HAP portability payments that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Non-Operating Revenue and Expenses

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

16-Impairment Losses

In accordance with the Financial Accounting Standards Codification No. 360, *"Accounting for the Impairment or Disposal of Long-Lived Assets,"* the Authority reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying value amount of the real property to the future net un-discounted cash flow expected to be generated by the rental property including and any estimated proceeds from the eventual disposition of the real property. If the real property is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. As of March 31, 2025, the Authority believes that there has been no impairment of its long-lived assets.

17- Recent Accounting Pronouncements

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

Budgetary and Policy Control –

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

Activities - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Section 8 Housing</u>			
Moving to Work - Demo	14.881	NJ-105	489

HUD Moving to Work Demonstrations

The HUD Moving to Work (MTW) demonstration program allows selected public housing authorities (PHAs) to test new, locally designed strategies to improve housing assistance by waiving certain regulations and combining funds. The program focuses on three objectives: reducing costs, providing incentives for work, and increasing housing choices for low-income families. Examples of demonstration projects include waiving some rules for work requirements and implementing alternative rent structures, which are rigorously evaluated to determine their effectiveness. Section 8 Housing Choice Voucher Program

Business Activities - RAD

The Authority converted its 134 Public and Indian Housing Program units to Rental Assistance Demonstration Program (RAD) Project Based Vouchers (PBV). The RAD Program was created in order to give public housing authorities ("PHA's") a powerful tool to preserve and improve public housing properties. RAD allows PHA's to leverage public and private debt and equity in order to reinvest in public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% percent of their income towards rent.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 2 – ESTIMATES

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

NOTE 3 - PENSION PLAN

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

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

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

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2023divisioncombined.pdf>

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 3 - PENSION PLAN - CONTINUED

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.50% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2024 amounted to \$88,526.

Post Employment Retirement Benefits

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

Further information on the Pension Plan and its effects due to the adoption of GASB# 68 can be found in Note 18- Accrued Pension Liability.

NOTE 4 - CASH, CASH EQUIVALENTS

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

Concentration of Credit Risk

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Risk Disclosures

Collateral for Deposits

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

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. On March 31, 2025, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

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

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

<u>Depository Accounts</u>	<u>March-25</u>	<u>March-24</u>
Insured	\$ 250,867	\$ 250,616
Collateralized held by pledging bank's trust department in the Authority's name	4,081,604	3,750,758
Total Cash and Cash Equivalents	<u>\$ 4,332,471</u>	<u>\$ 4,001,374</u>

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Restricted Deposit

	March-25	March-24
Capital Reserve Account	\$ 410,759	\$ 297,441
Tenant Security Deposits	119,334	115,924
Moving to Work program HAP Reserves	343,960	195,703
Restricted for Payment	13,040	4,040
Total Restricted Cash	<u>\$ 887,093</u>	<u>\$ 613,108</u>

The restricted cash in the amount of \$343,960 was reported under the Moving to Work Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The RAD capital reserve escrow funds are restricted for capital improvements related to properties specified in the Authority Use Agreement with HUD.

Investments

The Authority investments consist of the following on March 31, 2025

Category	Date	Interest Rate	Fair Value Amount	Maturity Date
Portfolio Acct	March-25	4.33%	\$ 1,626,962	Upon Demand

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 5 - ACCOUNTS RECEIVABLE

Tenant Rent and Receivables Policy

Tenant rent is due on the first day of each month. Payments not received by the fifth day are considered past due, and late fees are assessed accordingly.

Tenant receivables are reported at the net amount management reasonably expects to collect, after deducting an allowance for doubtful accounts. Receivables deemed uncollectible are charged to bad debt expense following a periodic review conducted by management.

While generally accepted accounting principles (GAAP) in the United States require the use of the allowance method to recognize bad debts, the impact of applying the direct write-off method is not materially different from the results that would be achieved under the allowance method.

Any recoveries of previously written-off debts are recognized as income in the year they are received. For the fiscal period ending March 31, 2025, the total bad debt expense recorded was \$7,293 and for 2024 was \$2,953.

NOTE 6 – INTERFUND ACTIVITY

Interfund activity is reported as short-term loans, services provided during the course of operations, reimbursements, or transfers. Short-term loans are reported as interfund short term receivable and payable as appropriate. The amounts between the various programs administered by the Authority on March 31, 2025, are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 7 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off monthly. Acquisition of materials and supplies is accounted for on the consumption method, that is, the expenses are charged when the items are consumed. Inventory of supplies is recorded at the lower of cost (determined by using the “first-in-first- out” method) or market.

	March-25	March-24
Prepaid IT Computer Expense	\$ 23,932	\$ 8,299
Prepaid Insurance	64,829	62,607
Total Prepaid Expenses	<u>\$ 88,761</u>	<u>\$ 70,906</u>

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 8 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated at cost. Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred. Property and equipment are stated at cost. Donated fixed assets are stated at their fair value on the date donated.

Depreciation Expense

Depreciation expense for the primary government on March 31, 2025, was \$302,051 and 430,085 for 2024 year. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

1.) Building and Structure	40 Years
2.) Furniture & Equipment	15 Years

Below is a schedule of changes in fixed assets for the twelve months ending March 31, 2025

	Balance March-24	Additions	Balance March-25
Land and Improvements	\$ 1,059,729	\$ -	\$ 1,059,729
Building Improvements	13,571,224	225,681	13,796,905
Dwelling units Furniture	785,703	27,086	812,789
Administration Furniture	217,198	51,615	268,813
Construction in Progress	195,000	107,620	302,620
Total Fixed Assets	15,828,854	412,002	16,240,856
Accumulated Depreciation	(10,502,856)	(302,051)	(10,804,907)
Net Book Value	\$ 5,325,998	\$ 109,951	\$ 5,435,949

Net Book Value of the Fixed Assets

	March-25
Land and Improvements	\$ 1,059,729
Building Improvements	3,849,184
Dwelling units Furniture	183,123
Administration Furniture	41,293
Construction in Progress	302,620
Net Book Value	\$ 5,435,949

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 9 – LEASE RECEIVABLE

On December 1, 2004, the Authority entered into a lease agreement as a lessor with LIN Cellular Communications Corp (NY) d/b/a AT&T Wireless for the lease of the rooftop at 15 Chateau Thierry Avenue to install, maintain and operate communications equipment. The term of the lease was for five years from January 1, 2005 with a renewal option for five periods of five years each. An initial lease receivable was recorded in the amount of \$606,511. As of March 31, 2025, the value of the lease receivable was \$358,330. Beginning on the commencement of the lease term, monthly rent shall be paid to the Authority in the amount of \$2,500, increasing by 7.50% on each renewal option date. For the year ended March 31, 2025, the Authority received payments of \$37,269 on the lease, of which \$27,188 reduced the principal amount owed and \$10,081 was interest income. The implicit interest rate on the lease was 4.00%. The value of the deferred inflows of resources as of March 31, 2025, was \$358,330.

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

The Pension Liability and OPEB discussed in Note 17-18 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES -CONTINUED

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

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	\$ -	\$ 17,708	\$ 17,708
Changes in Assumptions	-	1,098	1,098
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	192,748	334	193,082
Total	<u>\$ 192,748</u>	<u>\$ 19,140</u>	<u>\$ 211,888</u>
Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences		\$ 2,363	\$ 2,363
Changes in Assumptions		10,058	10,058
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	40,989	40,989
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	1,141,746	70,725	1,212,471
Total	<u>\$ 1,141,746</u>	<u>\$ 124,135</u>	<u>\$ 1,265,881</u>

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$17,708 and \$2,363.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES -CONTINUED

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$1,098 and \$10,058.

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

The difference between the System's expected rate of return of 7.5% and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$-0- and \$40,989.

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

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$193,082 and \$1,212,471.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable are a liability account that represents the amount owed by the Authority to its creditors for goods or services received but not yet paid for. When the Authority receives goods or services on credit, it incurs a liability to pay the vendor or supplier in the future. This liability is recorded as an account payable on the Authority's financial statements, specifically on the Statement of Net Position under the category of current liabilities. Accounts payable is an important aspect of a company's financial management, as they represent its short-term obligations to its vendors and suppliers. Accounts payable on March 31, 2025, and 2024 consist of the following:

	March-25	March-24
Accounts Payable Vendors	\$ 159,070	\$ 99,356
Accounts Payable HUD	24,068	22,803
Accounts Payable P.I.L.O.T.	83,937	76,560
Total Accounts Payable	<u>\$ 267,075</u>	<u>\$ 198,719</u>

NOTE 12 – ACCRUED COMPENSATED ABSENCES

Compensated absences refer to leave benefits for which employees are entitled to receive payment, such as vacation and sick leave. A liability for compensated absences is recognized when it is attributable to services already rendered and is not contingent upon a future event beyond the control of the Authority. Such liabilities are recorded in the period during which the related services are performed.

Accrued compensated absences represent the value of leave earned by employees in accordance with the Authority's Personnel Policy. Employees may receive payment for accrued vacation leave upon retirement or separation from service. Additionally, employees may be compensated for unused sick leave upon retirement, subject to a maximum payout of \$15,000.

As of March 31, 2025, the Authority has assessed the potential liability for accrued vacation and sick leave as follows:

Balance March-24	Additions	Deductions	Balance March-25	Current Portion
\$ 123,104	\$ 16,176	\$ (8,988)	\$ 130,292	\$ 13,028

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

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

In accordance with Federal, State, and local laws, the Authority's programs are exempt from income, property, and excise taxes. However, under the terms of its Cooperation Agreement with the Borough of Madison, the Authority is required to make a Payment in Lieu of Taxes (PILOT) for its rental units.

Per the Cooperation Agreement, the Authority must remit to the municipality an amount equal to 10% of its net shelter rent in lieu of full real property taxes. As of March 31, 2025, the PILOT obligation is \$83,937. For the prior year, the PILOT payment was \$76,560.

NOTE 14 – ACCRUED EXPENSES

Accrued expenses represent costs incurred by the Authority for which payment has not yet been made. These expenses are recognized in the financial statements during the period in which they are incurred, regardless of when the actual payment occurs. Common examples include salaries, interest, and taxes.

As of March 31, 2025, the amount was \$40,636 and for the prior year, accrued expenses totaled \$38,573. These amounts consist of the following:

	March-25	March-24
Accrued Wages	\$ 13,562	\$ 12,799
Accrued compensated Absences - current	13,028	12,310
Accrued Interest	3,002	3,152
Accrued operation expenses	11,044	10,312
Total Accrued Liabilities	<u>\$ 40,636</u>	<u>\$ 38,573</u>

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 15 – UNEARNED REVENUE

Unearned revenues arise when the Authority receives resources before it has a legal claim to them—such as grant funds received in advance of qualifying expenditures. In accordance with ASC 606, rental payments subject to acceptance provisions or future delivery commitments, where the Authority has not yet fulfilled its obligations under the lease, are also deferred. These amounts are offset against the related accounts receivable, as the criteria for revenue recognition have not yet been satisfied.

In subsequent reporting periods, once the Authority has met the necessary conditions and established a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized accordingly.

	March-25	March-24
Ross Grant	\$ 162,075	\$ 115,185
Tenant Prepaid Rents	7,973	6,038
April HAP Subsidy received in advance	-	364,123
Total Unearned Revenue	<u>\$ 170,048</u>	<u>\$ 485,346</u>

NOTE 16 – LONG TERM DEBT

On November 24, 2015, the Authority entered into a loan agreement with Lakeland Bank in the amount of \$1,800,000 to support long-term capital improvements for seven low-income housing properties in Madison, New Jersey, as part of its Rental Assistance Demonstration (RAD) Program.

The loan matures on September 8, 2040, with interest calculated daily on the outstanding principal balance. For the initial five-year period, the interest rate was fixed at the tax-exempt equivalent of the 5/25 Federal Home Loan Bank Amortizing Advance Rate plus 2% per annum. Thereafter, the interest rate is adjusted every five years to a rate equal to 2% above the tax-exempt equivalent of the prevailing five-year Federal Home Loan Bank Amortizing Annual Rate.

As of the current period, the interest rate stands at 2.75%, with monthly principal and interest payments totaling \$38,403. The loan is secured by the underlying land and property associated with the seven housing sites.

Balance March-24	Payments	Balance March-25	Current Portion
\$ 1,331,064	\$ (63,270)	\$ 1,267,794	\$ 66,647

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 16 – LONG TERM DEBT - CONTINUED

Maturities of long-term debt over the next five years and thereafter consist of the following:

March 31, 2026	\$	66,647
March 31, 2027		68,333
March 31, 2028		70,061
March 31, 2029		71,419
March 31, 2030		73,408
Sub Total		<u>349,868</u>
Thereafter		<u>917,926</u>
Total Capital Project Bonds	\$	<u><u>1,267,794</u></u>

NOTE 17 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of March 31, 2025, reported accrued pension and OPEB liability amounts as follows:

	March-25	March-24
Accrued OPEB Liability	\$ -	\$ 1,063,935
Accrued Pension Liability	884,014	976,182
Total OPEB and Pension Liability	<u>\$ 884,014</u>	<u>\$ 2,040,117</u>

These amounts arose due to adoption of GASB #75 (OPEB) in 2018 year as well as GASB #68 (Pension) which was adopted in 2014 year. This note will discuss the liability associated with GASB #75, which is accrued to other postemployment benefits. Note - 18 will discuss the effect of GASB #68 pension liability which arose from that.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

OPEB Liability

The Authority as of March 31, 2025, reported a net OPEB liability in the amount of \$-0- due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2023, the last evaluation date, is as follows:

	June-23	June-22
Employer Total OPEB Liability	\$ -	\$ 1,189,137
Plan Net Position	-	(125,202)
Employer Net OPEB Liability	<u>\$ -</u>	<u>\$ 1,063,935</u>

The Authority allocation percentage is 0.006588% as of June 30, 2022, and 0.000% for June 30, 2023.

OPEB Liability – Plan Description and Benefits Provided

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

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Benefits Provided:

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

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

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended March 31, 2025, was \$-0-

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

Plan Members

0

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Net OPEB Liability

The total OPEB liability as of June 30, 2023, latest report, was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2023. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions: The total OPEB Liability in June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.16%

Salary Increases

Through 2026 = 2.00% to 6.00%

Thereafter = 3.00% to 7.00%

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

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

Certain actuarial assumptions used in the June 30, 2021, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2023 and July 1, 2014 to June 30, 2023, respectively.

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 17 – OPEB LIABILITIES - CONTINUED

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2023, was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

	<u>Discount Rate Sensitivity</u>		
	1% Decrease	Current Rate	1% Increase
	1.16%	2.16%	3.16%
Total OPEB Liability	\$ -	\$ -	\$ -

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

	<u>Healthcare Cost Inflation Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ -	\$ -	\$ -

Change in Assumptions: Effective June 30, 2023.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 17 – OPEB LIABILITIES - CONTINUED

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 year for the 2023.

Changes in Net OPEB Liability:

<u>Total OPEB Liability</u>	<u>2022</u>
Service Cost	\$ 55,739
Interest on Total OPEB liability	27,264
Expected Investment Return	(157)
Administrative Expenses	747
Changes in Benefits Term	134
Inflows/Outflows of Resources	(46,351)
Inputs	(1,729,471)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	328
Benefit Payments	-
Change in Plan	-
Net Change in Total OPEB Liability	(1,691,767)
Total OPEB Liability, Beginning	2,755,702
Total OPEB Liability, Ending	<u>\$ 1,063,935</u>
Covered, Employee Payroll	\$ 582,526
Total OPEB Liability as a percentage of covered employee payroll	182.64%

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 17 – OPEB LIABILITIES - CONTINUED

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

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

Year Ending June 30, 2024	\$	(70,983)
Year Ending June 30, 2025		(50,689)
Year Ending June 30, 2026		(85,251)
Year Ending June 30, 2027		11,955
Year Ending June 30, 2028		-
Therafter		-
Total	\$	<u>(194,968)</u>

NOTE 18 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of March 31, 2025, reported a net pension liability in the amount of \$884,014 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2024, the last evaluation date, is as follows:

	June-24	June-23
Employer Total Pension Liability	\$ 2,732,894	\$ 2,831,080
Plan Net Position	(1,848,880)	(1,854,898)
Employer Net Pension Liability	<u>\$ 884,014</u>	<u>\$ 976,182</u>

The Authority allocation percentage is 0.0065058182% as of June 30, 2024.

Plan Description

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

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Net Pension Liability Information

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

The following represents the membership tiers for PERS:

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

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

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

Allocation Percentage Methodology

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Allocation Percentage Methodology - Continued

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2024, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2024.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2023 the State's pension contribution was less than the actuarial determined amount.

Actuarial Assumptions

The total pension liability for June 30, 2024, measurement dates were determined by using an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the total pension liability to June 30, 2024. The actuarial valuations used the following actuarial assumptions:

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

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

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2024.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements March 31, 2025

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions

The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2024. In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2024, as summarized in the following table:

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024 and 7.00% for 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

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

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

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

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,237,051	\$ 884,014	\$ 706,184

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

Year Ending June 30, 2025	\$ (49,751)
Year Ending June 30, 2026	(27,769)
Year Ending June 30, 2027	57,124
Year Ending June 30, 2028	(3,519)
Year Ending June 30, 2029	488
Total	<u>\$ (23,427)</u>

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements

March 31, 2025

NOTE 18 – ACCRUED PENSION LIABILITY – CONTINUED

Changes in Proportion

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

Pension Expense

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

Service Cost	\$	48,770
Interest on the Total Pension Liability		184,179
Benefits Changes		-
Member Contributions		(39,333)
Administrative Expenses		861
Expected Investment Return Net of Investment Expenses		(108,565)
Pension Expense Related to Specific Liabilities of Individual Employers		(725)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		3,179
Changes of Assumptions		(88,936)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		(5,307)
Total	\$	<u>(5,877)</u>

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements March 31, 2025

NOTE 19 – NET INVESTMENT IN CAPITAL ASSETS

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

Balance March 31, 2024	\$	3,994,934
Acquistion of Fixed Assets		412,002
Depreceiation Expense		(302,051)
Debt Payment		63,270
Balance March 31, 2025	\$	<u>4,168,155</u>

NOTE 20 – RESTRICTED NET ASSETS

The Authority restricted net position account balance on March 31, 2025, is \$511,016. The details of the restricted reserve account balances are as follows:

	March-25	March-24
Section 8 HAP Reserve	\$ -	\$ 26,346
Capital Leveraging Projects	410,759	297,441
Moving To Work Reserses	100,257	-
Total Restricted Reserves	<u>\$ 511,016</u>	<u>\$ 323,787</u>

The restricted cash in the amount of \$100,257 was reported under the Section 8 Moving to work Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The RAD capital reserve escrow funds are restricted for capital improvements related to properties specified in the Authority Use Agreement with HUD.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on March 31, 2025, was not made available.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements March 31, 2025

NOTE 21 - UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance on March 31, 2025, is \$1,048,442. The details of the account balance are as follows:

	Business Activities	HCV Program Adm Reserves	Section 8 Moving to Work	Total
Balance March 31, 2024	\$ 591,660	\$ (456,208)	\$ -	\$ 135,452
Increase During the Year	94,911	26,346	237,019	358,276
Decrease During the Year	-	-	-	-
Prior Period Adjustment	151,615	429,862	(26,763)	554,714
Balance March 31, 2025	<u>\$ 838,186</u>	<u>\$ -</u>	<u>\$ 210,256</u>	<u>\$ 1,048,442</u>

NOTE 22 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program and the Moving to Work program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher and the Section 8 Moving to Work program for March 31, 2025, were in the amount of \$4,621,598.

NOTE 23 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

Total financial support by HUD was \$4,818,012 to the Authority which represents approximately 76% percent of the Authority's total revenue for the fiscal year March 31, 2025.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON

Notes to Financial Statements March 31, 2025

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Litigation – On March 31, 2025, the Authority, from time-to-time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Authority's management, any liability resulting from such litigation would not be material in relation to the Authority's financial position and results of operations.

Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended March 31, 2025.

Other Insurance

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

NOTE 25 - PRIOR PERIOD ADJUSTMENTS

For year ending March 31, 2025

As of March 31, 2025, the Authority had one (1) prior period adjustment in the amount of \$554,714 while recording the opening OPEB balance Liability as of July 1, 2023.

NOTE 26 – SUBSEQUENT EVENTS

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru October 24, 2025, the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
Required Supplementary Information
March 31, 2025

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

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

<u>Total OPEB Liability</u>	2021	2020	2019	2018
Service Cost	\$ 55,739	\$ 93,044	\$ 95,367	\$ 57,035
Interest on Total OPEB liability	27,264	76,383	91,004	104,598
Expected Investment Return	(157)	(1,172)	1,615	-
Administrative Expenses	747	1,522	1,356	-
Changes in Benefits Term	134	159	(272)	-
Inflows/Outflows of Resources	(46,351)	(84,544)	(88,618)	-
Inputs	(1,729,471)	(64,285)	(115,798)	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	328	796,559	512	-
Benefit Payments	-	-	-	(24,263)
Change in Plan	-	-	(949,216)	-
Net Change in Total OPEB Liability	(1,691,767)	817,666	(964,050)	137,370
Total OPEB Liability, Beginning	2,755,702	1,938,036	2,902,086	2,764,716
Total OPEB Liability, Ending	\$ 1,063,935	\$ 2,755,702	\$ 1,938,036	\$ 2,902,086
Covered, Employee Payroll	\$ 563,588	\$ 605,990	\$ 561,539	
Total OPEB Liability as a percentage of covered employee payroll	188.78%	454.74%	345.13%	

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
Required Supplementary Information
 March 31, 2025

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

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

	2024	2023	2022	2021	2020
Housing Authority's proportion of the net pension liability	0.0065058182%	0.0067395558%	0.0123193564%	0.011273646%	0.011273646%
Housing Authority's proportionate share of the net pension liability	\$ 884,014	\$ 976,182	\$ 1,859,160	\$ 1,838,437	\$ 1,838,437
Housing Authority's covered employee payroll	\$ 586,528	\$ 582,526	\$ 950,105	\$ 609,396	\$ 609,396
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	150.72%	167.58%	195.68%	301.68%	301.68%
Plan fiduciary net position as a percentage of the total pension liability	32.34%	21.51%	21.51%	24.09%	24.09%

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
Required Supplementary Information
 March 31, 2025

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

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

	2019	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.011118474%	0.00863812%	0.00323170%	0.00323170%	0.00874048%
Housing Authority's proportionate share of the net pension liability	\$ 2,003,380	\$ 2,014,287	\$ 2,010,817	\$ 2,061,133	\$ 1,954,055
Housing Authority's covered employee payroll	\$ 605,990	\$ 561,539	\$ 539,244	\$ 534,241	\$ 505,074
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	330.60%	358.71%	372.90%	402.18%	386.88%
Plan fiduciary net position as a percentage of the total pension liability	43.43%	53.60%	48.01%	59.86%	52.07%

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
Required Supplementary Information
 March 31, 2025

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

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

	2024	2023	2022	2021	2020
Contractually required contribution	\$ 88,526	\$ 155,353	\$ 155,353	\$ 123,328	\$ 123,328
Contribution in relation to the contractually required contribution	(88,526)	(155,353)	(155,353)	(123,328)	(123,328)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 586,528	\$ 582,526	\$ 639,403	\$ 609,396	\$ 609,396
Contribution as a percentage of covered employee payroll	15.09%	26.67%	16.35%	20.24%	20.24%

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

HOUSING AUTHORITY OF THE BOROUGH OF MADISON
Required Supplementary Information
 March 31, 2025

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

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

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 108,150	\$ 101,758	\$ 80,023	\$ 86,949	\$ 74,838
Contribution in relation to the contractually required contribution	(108,150)	(101,758)	(80,023)	(86,949)	(74,838)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 605,990	\$ 561,539	\$ 539,244	\$ 534,241	\$ 505,074
Contribution as a percentage of covered employee payroll	17.85%	18.12%	14.84%	16.28%	14.82%

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED MARCH 31, 2025**

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

	CFDA #'s	Beginning Balance	Revenue Recognized	Fiscal Year Expenditures	Ending Balance
<u>Section 8 Moving To Work Demonstration Program</u>					
NJ39PO55	14.881	-	4,621,598	4,621,598	-
Grant Total 14.871		-	4,621,598	4,621,598	-
 <u>Ross Program</u>					
	14.870	-	88,794	88,794	-
Grant Total 14.870		-	88,794	88,794	-
 <u>CDBG Grant</u>					
	14.218		107,620	107,620	
Grant Total 14.218			107,620	107,620	
Total Expenditures of Federal Awards		\$ -	\$ 4,818,012	\$ 4,818,012	\$ -

**HOUSING AUTHORITY OF THE BOROUGH OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2025**

Note 1. Presentation:

The accompanying Schedule of Expenditures for the Federal Awards includes the federal award activity of the Housing Authority of the Borough of Madison is under programs of the federal government for the year ended March 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the Borough of Madison, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the Borough of Madison.

Note 2. Summary of Significant Accounting Policies:

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

Note 3. Indirect Cost Rate

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

Note 4. Loans Outstanding:

Housing Authority Borough of Madison had no loans outstanding on March 31, 2025.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended March 31, 2025.

Note 6. Sub recipients:

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

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2025

	Project Total	14.218 Community Development Block	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14.HCV MTW Demonstratio n Program for HCV program	14.881 Moving to Work Demonstratio	Subtotal	ELIM	Total
111 Cash - Unrestricted			\$1,077,276		\$162,075		\$579,065	\$1,818,416		\$1,818,416
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted			\$410,759	\$0			\$343,960	\$754,719		\$754,719
114 Cash - Tenant Security Deposits			\$119,334					\$119,334		\$119,334
115 Cash - Restricted for Payment of Current Liabilities				\$0			\$13,040	\$13,040		\$13,040
100 Total Cash	\$0	\$0	\$1,607,369	\$0	\$162,075	\$0	\$936,065	\$2,705,509		\$2,705,509
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects			\$38,067					\$38,067		\$38,067
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous			\$27,188					\$27,188		\$27,188
126 Accounts Receivable - Tenants			\$27,499					\$27,499		\$27,499
126.1 Allowance for Doubtful Accounts - Tenants			-\$9,508					-\$9,508		-\$9,508
126.2 Allowance for Doubtful Accounts - Other			\$0					\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery			\$964				\$1,334	\$2,298		\$2,298
128.1 Allowance for Doubtful Accounts - Fraud			\$0	\$0			\$0	\$0		\$0
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful	\$0	\$0	\$84,210	\$0	\$0	\$0	\$1,334	\$85,544		\$85,544
131 Investments - Unrestricted			\$1,626,962					\$1,626,962		\$1,626,962
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets			\$79,293				\$9,468	\$88,761		\$88,761
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From										
145 Assets Held for Sale										
150 Total Current Assets	\$0	\$0	\$3,397,834	\$0	\$162,075	\$0	\$946,867	\$4,506,776		\$4,506,776
161 Land										
162 Buildings			\$1,059,729					\$1,059,729		\$1,059,729
163 Furniture, Equipment & Machinery - Dwellings			\$13,796,905					\$13,796,905		\$13,796,905
164 Furniture, Equipment & Machinery - Administration			\$812,789					\$812,789		\$812,789
165 Leasehold Improvements			\$268,813					\$268,813		\$268,813
166 Accumulated Depreciation			-\$10,804,907					-\$10,804,907		-\$10,804,907
167 Construction in Progress		\$302,620						\$302,620		\$302,620
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$302,620	\$5,133,329	\$0	\$0	\$0	\$0	\$5,435,949		\$5,435,949
171 Notes, Loans and Mortgages Receivable - Non-Current										
172 Notes, Loans, & Mortgages Receivable - Non Current -										
173 Grants Receivable - Non Current			\$307,079					\$307,079		\$307,079
174 Other Assets										
176 Investments in Joint Ventures										
180 Total Non-Current Assets	\$0	\$302,620	\$5,440,408	\$0	\$0	\$0	\$0	\$5,743,028		\$5,743,028

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2025

	Project Total	14.218 Community Development Block	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14.HCV MTW Demonstratio n Program for HCV Program	14.881 Moving to Work Demonstratio n	Subtotal	ELIM	Total
200 Deferred Outflow of Resources			\$151,536				\$60,352	\$211,888		\$211,888
290 Total Assets and Deferred Outflow of Resources	\$0	\$302,620	\$8,989,778	\$0	\$162,075	\$0	\$1,007,219	\$10,461,692		\$10,461,692
311 Bank Overdraft										
312 Accounts Payable <= 90 Days			\$52,839				\$106,231	\$159,070		\$159,070
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable			\$8,427				\$5,135	\$13,562		\$13,562
322 Accrued Compensated Absences - Current Portion			\$7,586				\$5,442	\$13,028		\$13,028
324 Accrued Contingency Liability										
325 Accrued Interest Payable			\$3,002					\$3,002		\$3,002
331 Accounts Payable - HUD PHA Programs				\$0			\$24,068	\$24,068		\$24,068
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government			\$83,937					\$83,937		\$83,937
341 Tenant Security Deposits			\$119,334					\$119,334		\$119,334
342 Unearned Revenue			\$7,973		\$162,075			\$170,048		\$170,048
343 Current Portion of Long-term Debt - Capital			\$66,647					\$66,647		\$66,647
344 Current Portion of Long-term Debt - Operating										
345 Other Current Liabilities										
346 Accrued Liabilities - Other			\$11,044					\$11,044		\$11,044
347 Inter Program - Due To										
348 Loan Liability - Current										
310 Total Current Liabilities	\$0	\$0	\$360,789	\$0	\$162,075	\$0	\$140,876	\$663,740		\$663,740
351 Long-term Debt, Net of Current - Capital			\$1,201,147					\$1,201,147		\$1,201,147
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other							\$243,703	\$243,703		\$243,703
354 Accrued Compensated Absences - Non Current			\$68,289				\$48,975	\$117,264		\$117,264
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities			\$884,014	\$0			\$0	\$884,014		\$884,014
350 Total Non-Current Liabilities	\$0	\$0	\$2,153,450	\$0	\$0	\$0	\$292,678	\$2,446,128		\$2,446,128
300 Total Liabilities	\$0	\$0	\$2,514,239	\$0	\$162,075	\$0	\$433,554	\$3,109,868		\$3,109,868
400 Deferred Inflow of Resources			\$1,361,059				\$263,152	\$1,624,211		\$1,624,211
508.4 Net Investment in Capital Assets			\$3,865,535					\$4,168,155		\$4,168,155
511.4 Restricted Net Position		\$302,620	\$410,759				\$100,257	\$511,016		\$511,016
512.4 Unrestricted Net Position	\$0	\$0	\$838,186	\$0	\$0	\$0	\$210,256	\$1,048,442		\$1,048,442
513 Total Equity - Net Assets / Position	\$0	\$302,620	\$5,114,480	\$0	\$0	\$0	\$310,513	\$5,727,613		\$5,727,613
600 Total Liabilities, Deferred Inflows of Resources and	\$0	\$302,620	\$8,989,778	\$0	\$162,075	\$0	\$1,007,219	\$10,461,692		\$10,461,692

Madison Housing Authority (NJ105)
Madison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2025

	Project Total	14.218 Community Development Block	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14. HCV MTW Demonstratio n Program for HCV program	14.881 Moving to Work Demonstratio	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$1,672,744					\$1,672,744	-\$534,216	\$1,138,528
70400 Tenant Revenue - Other										
70500 Total Tenant Revenue	\$0	\$0	\$1,672,744	\$0	\$0	\$0	\$0	\$1,672,744	-\$534,216	\$1,138,528
70600 HUD PHA Operating Grants										
70610 Capital Grants		\$107,620		\$0	\$88,794	\$4,621,598		\$4,818,012		\$4,818,012
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue								\$0	\$0	\$0
70800 Other Government Grants										
71100 Investment Income - Unrestricted			\$114,285	\$0			\$7,021	\$121,306		\$121,306
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery			\$196,975	\$0			\$4,548	\$4,548		\$4,548
71500 Other Revenue							\$1,413	\$198,388		\$198,388
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted			\$24,085					\$24,085		\$24,085
70000 Total Revenue	\$0	\$107,620	\$2,008,089	\$0	\$88,794	\$4,621,598	\$12,982	\$6,839,083	-\$534,216	\$6,304,867
91100 Administrative Salaries			\$187,791				\$240,887	\$428,678		\$428,678
91200 Auditing Fees			\$12,400				\$12,400	\$24,800		\$24,800
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing										
91500 Employee Benefit contributions - Administrative			\$118,422				\$156,201	\$274,623		\$274,623
91600 Office Expenses			\$56,966				\$71,114	\$128,080		\$128,080
91700 Legal Expense			\$13,307				\$13,307	\$26,614		\$26,614
91800 Travel			\$4,675				\$4,675	\$9,350		\$9,350
91810 Allocated Overhead										
91900 Other										
91000 Total Operating - Administrative	\$0	\$0	\$393,561	\$0	\$0	\$0	\$498,584	\$892,145	\$0	\$892,145
92000 Asset Management Fee										
92100 Tenant Services - Salaries										
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services										
92400 Tenant Services - Other			\$2,975		\$88,794			\$91,769		\$91,769
92500 Total Tenant Services	\$0	\$0	\$2,975	\$0	\$88,794	\$0	\$0	\$91,769	\$0	\$91,769
93100 Water			\$15,224					\$15,224		\$15,224
93200 Electricity			\$42,495					\$42,495		\$42,495
93300 Gas			\$19,903					\$19,903		\$19,903

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2025

	Project Total	14.218 Community Development Block	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14.HCV MTW Demonstration Program for HCV program	14.881 Moving to Work Demonstration	Subtotal	ELIM	Total
93400 Fuel								\$20,000		\$20,000
93500 Labor			\$20,000							
93600 Sewer										
93700 Employee Benefit Contributions - Utilities			\$12,688					\$12,688		\$12,688
93800 Other Utilities Expense			\$430					\$430		\$430
93000 Total Utilities	\$0	\$0	\$110,740	\$0	\$0	\$0	\$0	\$110,740	\$0	\$110,740
94100 Ordinary Maintenance and Operations - Labor			\$137,850					\$137,850		\$137,850
94200 Ordinary Maintenance and Operations - Materials and			\$40,543					\$40,543		\$40,543
94300 Ordinary Maintenance and Operations Contracts			\$108,707					\$108,707		\$108,707
94500 Employee Benefit Contributions - Ordinary			\$80,358					\$80,358		\$80,358
94000 Total Maintenance	\$0	\$0	\$367,458	\$0	\$0	\$0	\$0	\$367,458	\$0	\$367,458
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs										
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance			\$35,957					\$35,957		\$35,957
96120 Liability Insurance			\$17,979					\$17,979		\$17,979
96130 Workmen's Compensation			\$17,978				\$12,296	\$30,274		\$30,274
96140 All Other Insurance										
96100 Total Insurance Premiums	\$0	\$0	\$71,914	\$0	\$0	\$0	\$12,296	\$84,210	\$0	\$84,210
96200 Other General Expenses			\$30,375				\$271,081	\$301,456		\$301,456
96210 Compensated Absences							\$16,176	\$16,176		\$16,176
96300 Payments in Lieu of Taxes			\$83,937					\$83,937		\$83,937
96400 Bad debt - Tenant Rents			\$7,293					\$7,293		\$7,293
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	\$0	\$0	\$121,605	\$0	\$0	\$0	\$287,257	\$408,862	\$0	\$408,862
96710 Interest of Mortgage (or Bonds) Payable			\$44,462					\$44,462		\$44,462
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$44,462	\$0	\$0	\$0	\$0	\$44,462	\$0	\$44,462
96900 Total Operating Expenses	\$0	\$0	\$1,112,715	\$0	\$88,794	\$0	\$798,137	\$1,999,646	\$0	\$1,999,646
97000 Excess of Operating Revenue over Operating	\$0	\$107,620	\$895,374	\$0	\$0	\$4,621,598	-\$785,155	\$4,839,437	-\$534,216	\$4,305,221
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments				\$0			\$3,818,660	\$3,818,660	-\$534,216	\$3,284,444
97350 HAP Portability-In										

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2025

	Project Total	14.218 Community Development Block	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and	14. HCV MTW Demonstratio n Program for HCV program	14.881 Moving to Work Demonstration	Subtotal	ELIM	Total
97400 Depreciation Expense			\$302,051					\$302,051		\$302,051
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$0	\$0	\$1,414,766	\$0	\$88,794	\$0	\$4,616,797	\$6,120,357	-\$534,216	\$5,586,141
10010 Operating Transfer In										
10020 Operating transfer Out			-\$319,493			-\$4,621,598	\$4,941,091	\$4,941,091		\$4,941,091
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit										
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)										
10091 Inter Project Excess Cash Transfer In										
10092 Inter Project Excess Cash Transfer Out										
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	\$0	\$0	-\$319,493	\$0	\$0	-\$4,621,598	\$4,941,091	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$0	\$107,620	\$273,830	\$0	\$0	\$0	\$337,276	\$718,726	\$0	\$718,726
11020 Required Annual Debt Principal Payments			\$63,270	\$0	\$0	\$0	\$0	\$63,270	\$0	\$63,270
11030 Beginning Equity	\$0	\$0	\$4,689,035	-\$429,862	\$0	\$0	\$0	\$4,454,173		\$4,454,173
11040 Prior Period Adjustments, Equity Transfers and		\$195,000	\$151,615	\$429,862			-\$26,763	\$554,714		\$554,714
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts -										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity				\$0				\$0		\$0
11180 Housing Assistance Payments Equity				\$0				\$0		\$0
11190 Unit Months Available	0	0	1608	0	0	0	5868	7476	0	7476
11210 Number of Unit Months Leased	0	0	1544	0	0	0	5699	7243	0	7243
11270 Excess Cash	\$0							\$0		\$0
11610 Land Purchases	\$0							\$0		\$0
11620 Building Purchases	\$0							\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0		\$0
11650 Leasehold Improvements Purchases	\$0							\$0		\$0
11660 Infrastructure Purchases	\$0							\$0		\$0
13510 CFFP Debt Service Payments	\$0							\$0		\$0
13901 Replacement Housing Factor Funds	\$0							\$0		\$0

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

Board of Commissioners
Housing Authority of the Borough of Madison
24 Central Avenue
Madison, New Jersey 07940

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and business type activities of Housing Authority of the Borough of Madison, as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise Housing Authority of the Borough of Madison's basic financial statements, and have issued our report thereon dated October 24, 2025.

Report on Internal Control over Financial Reporting

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

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

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of This Report

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



Lincroft, New Jersey

Date: October 24, 2025

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

Board of Commissioners
Housing Authority of the Borough of Madison
24 Central Avenue
Madison, New Jersey 07940

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Authority of the Borough of Madison's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the Borough of Madison's major federal programs for the year ended March 31, 2025. Housing Authority of the Borough of Madison's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Authority of the Borough of Madison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the Borough of Madison's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Authority of the Borough of Madison's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the Borough of Madison'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.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the Borough of Madison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2025.

Report on Internal Control over Compliance

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

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

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

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

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



Lincroft, New Jersey

Date: October 24, 2025

MADISON HOUSING AUTHORITY
Schedule of Findings and Questioned Cost
Year Ended March 31, 2025

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified?

_____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)?

_____ yes X none reported

Noncompliance Material to Financial Statements Noted?

_____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified?

_____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)?

_____ yes X none reported

Type of audit report issued on compliance for
major programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with section Title 2 U.S. Code of Federal Regulation
Part 200, Uniform Administrative Requirements,

_____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.881	Section 8 Moving to Work Demonstration Program	\$ 4,621,598

Dollar threshold used to Distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as a low-risk auditee

X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the Borough of Madison
24 Central Avenue
Madison, New Jersey 07940

We have performed the applicable procedures enumerated in the American Institute of Certified Public Accountants' Statement of Position (SOP) 02-1, Performing Agreed-Upon Procedures Engagements that Address the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), by Housing Authority of the Borough of Madison (the PHA) compliance with the reporting requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), for the year ended March 31, 2025. Management of Housing Authority of the Borough of Madison is responsible for compliance with the requirements of the electronic submission of items listed in the "UFRS Rule Information" column.

The management of Housing Authority of the Borough of Madison has agreed to and acknowledged that the procedures performed are appropriate to assist users in evaluating Housing Authority of the Borough of Madison's compliance with the reporting requirements of the "UFRS Rule Information" column for the year ended March 31, 2025. This report may not be suitable for any other purpose. The procedures may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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

We were engaged by the Housing Authority of the Borough of Madison to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged in and did not conduct an examination or review engagement, the objective of which would be the expression of the "UFRS Rule Information" column an opinion or conclusion, respectively, on Housing Authority of the Borough of Madison's compliance with the requirements of "UFRS Rule Information" column for the year ended March 31, 2025. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Housing Authority of the Borough of Madison and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

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

Giampolo's Associates

Lincroft, New Jersey

October 24, 2025

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