

Report On Audit

**MILLVILLE
HOUSING AUTHORITY**

**For the Year Ended
September 30, 2025**

Millville Housing Authority

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**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

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

The MD&A focuses on the Authority's current year activities, resulting in financial changes, and known facts affecting its operations. Because this discussion is necessary to summarize, a complete understanding of the Authority's financial position and results of operations can be obtained only by reviewing the financial statements and related notes in their entirety, beginning on page 15 of this report. Readers are encouraged to consider the information presented here in conjunction with the full financial statements included elsewhere in this report.

FINANCIAL HIGHLIGHTS

At the close of the most recent fiscal year, the assets and deferred outflows of resources of the Authority's Primary Government exceeded its liabilities and deferred inflows by \$11,157,248, reflecting an increase in overall financial position of \$1,559,048, or 16%, compared to the prior year balance of \$9,598,200.

As of September 30, 2025, the Authority's Primary Government reported total net position of \$11,157,248. Of this amount, unrestricted net position totaled \$1,719,868, representing an increase of \$348,197, or 25%, from the prior year balance of \$1,371,671. Additional information regarding unrestricted net position is disclosed in Note 21 to the financial statements included in this report.

Net investment in capital assets totaled \$8,221,489, reflecting a slight decrease of \$2,829, or less than 1%, from the prior year balance of \$8,224,318. Restricted net position increased significantly by \$1,213,680, resulting in an ending balance of \$1,215,891, compared to \$2,211 in the previous year. Additional details related to restricted net position can be found in Note 20 to the financial statements.

Cash and Assets

Total cash and cash equivalents of the Authority's Primary Government as of September 30, 2025, amounted to \$3,924,189, an increase of \$1,022,345, or 35%, from the prior fiscal year balance of \$2,901,844. Operating cash decreased by \$191,335, or 7%, resulting in an ending balance of \$2,696,105. Restricted deposits and funded reserves increased substantially by \$1,213,680, or 8,426%, to an ending balance of \$1,228,084. Detailed information regarding cash flows is presented in the Statement of Cash Flows on pages 22-23 of this report.

Total assets and deferred outflows of resources for the Primary Government were \$14,508,712. This amount consists of capital assets with a netbook value of \$8,316,490, other assets totaling \$499,159, deferred outflows of \$284,186, and total current assets of \$5,408,877.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL HIGHLIGHTS - CONTINUED

Total current assets increased by \$1,469,877, or 37%, from the previous fiscal year. Unrestricted cash and cash equivalents declined by \$191,335, or 7%; accounts receivable decreased by \$293,395, or 71%; investments increased by \$729,221, or 137%; and prepaid expenses increased by \$11,706, or 13%. Restricted deposits and funded reserves increased by \$1,213,680, or 8,426%, to an ending balance of \$1,228,084.

Capital Assets and Other Assets

Capital assets reported a net decrease in book value of \$172,654, or 2%, during the fiscal year. This decrease resulted from capital asset additions totaling \$513,995, depreciation expense of \$682,118, and net disposals of \$4,531. Additional details regarding capital asset activity are provided in Note 8 to the financial statements.

Other assets increased by \$186,608, or 60%. Lease receivables—noncurrent decreased by \$186,608, or 60%, for an ending balance of \$499,159. Further information regarding lease receivables is reported in Note 9 to the financial statements.

Deferred Outflows and Inflows

Deferred outflows related to pensions decreased by \$75,785, or 21%, resulting in an ending balance of \$284,186. Deferred inflows related to pension costs decreased by \$126,543, or 21%, to an ending balance of \$466,045. Deferred inflows of resources related to lease revenue increased by \$102,959, or 30%, for a total of \$450,334. Detailed pension-related disclosures are included in Note 10 regarding the financial statements.

Liabilities

Total liabilities of the Authority's Primary Government were \$2,435,085, consisting of \$683,993 in current liabilities and \$1,751,092 in noncurrent liabilities. Overall liabilities decreased by \$127,418, or 5%, compared to the prior fiscal year. Current liabilities increased by \$94,291, or 16%, while noncurrent liabilities declined by \$221,709, or 11%.

The increase in current liabilities was primarily attributable to an increase in accounts payable of \$175,716, or 50%, and an increase in unearned revenue of \$3,657, or 40%. Accrued liabilities increased marginally by \$18, while tenant security deposits payable decreased by \$101, or 1%. The current portion of capital project bonds payable decreased by \$84,999, or 47%, from the prior year.

Noncurrent liabilities decreased by \$221,709, or 11%, primarily due to the full repayment of a long-term note payable, which declined by \$95,001, resulting in a zero balance. Accrued compensated absences—long-term increased slightly by \$532, or 1%, for an ending balance of \$76,560. Accrued pension and OPEB liabilities decreased by \$127,240, or 7%, to an ending balance of \$1,674,532. Additional information regarding pension and OPEB liabilities is provided in Notes 17 and 18 with the financial statements.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL HIGHLIGHTS - CONTINUED

Operating Results and Federal Awards

The Authority's Primary Government reported total operating revenues of \$7,178,567, an increase of \$186,900, or 3%, compared to the prior year. Total operating expenses were \$7,666,998, reflecting an increase of \$535,132, or 8%, from the previous year. These results produced a deficiency of revenues over expenses of \$488,431, compared to a deficiency of \$140,199 in the prior year, representing an unfavorable change of \$348,232.

Capital improvement contributions from HUD totaled \$632,431, an increase of \$239,991, or 61%, from the prior year. Capital outlays for the fiscal year amounted to \$513,995, as detailed in Note 8 to the financial statements.

The Authority's expenditures of federal awards totaled \$5,302,473 for fiscal year 2025, an increase of \$270,749, or 5%, compared to \$5,031,724 in fiscal year 2024.

USING THIS ANNUAL REPORT

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

1. Public and Indian Housing Program
2. Section 8 Housing Choice Vouchers
3. Public Housing Capital Fund Program

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's primary government financial statements. The financial statements are prepared on an entity wide basis excluding the discretely presented component units and consist of:

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

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 19 through 23.

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

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

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

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 24 through 67.

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

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 74-75 of this report.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

The Schedule of Expenditures of Federal Awards - Continued

- 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 Millville Housing Authority are those which equal or exceeded \$1,000,000 in expenditures for the fiscal year ended September 30, 2025. Type B programs for the Millville Housing Authority are those which are less than \$1,000,000 in expenditures for the fiscal year ended September 30, 2025.

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT)

The following summarizes the computation of Net Position of the primary government between September 30, 2025, and September 30, 2024:

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

	<u>Year Ended</u>		Increase
	<u>September-25</u>	<u>September-24</u>	<u>(Decrease)</u>
Cash	\$ 3,924,189	\$ 2,901,844	\$ 1,022,345
Other Current Assets	1,484,688	1,037,156	447,532
Capital Assets - Net	8,316,490	8,489,144	(172,654)
Other Assets	499,159	312,551	186,608
Deferred Outflows	284,186	359,971	(75,785)
Total Assets	14,508,712	13,100,666	1,408,046
Less: Current Liabilities	(683,993)	(589,702)	(94,291)
Less: Non Current Liabilities	(1,751,092)	(1,972,801)	221,709
Less: Deferred Inflows	(916,379)	(939,963)	23,584
Net Position	<u>\$ 11,157,248</u>	<u>\$ 9,598,200</u>	<u>\$ 1,559,048</u>
Net Investment in Capital Assets	8,221,489	8,224,318	\$ (2,829)
Restricted Net Position	1,215,891	2,211	1,213,680
Unrestricted Net Position	1,719,868	1,371,671	348,197
Net Position	<u>\$ 11,157,248</u>	<u>\$ 9,598,200</u>	<u>\$ 1,559,048</u>

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT) - CONTINUED

Cash decreased by \$1,022,345, or 35%, during the fiscal year. Net cash provided by operating activities totaled \$675,237, while capital and related financing activities used \$334,229 of cash. In addition, investing activities provided \$53,196. Complete details of cash flow activity are presented in the Statement of Cash Flows on pages 22-23 of this audit report.

Other current assets increased by \$447,532, or 43%, compared to the prior year. Accounts receivable, net of allowances, declined by \$293,395, or 71%. Investments increased by \$729,221, or 137%, and prepaid expenses rose by \$11,706, or 13%.

The Authority's Primary Government reported a decrease in the netbook value of capital assets totaling \$172,654, or 2%, during the fiscal year. This decrease was primarily attributable to capital asset additions of \$513,995, depreciation expense of \$682,118, and net asset disposals of \$4,531. Additional details regarding capital asset activity and capital outlays are provided in Note 8 to the financial statements.

Other noncurrent assets increased by \$186,608, or 60%, during the fiscal year. This increase was due to growth in non-current leases receivable, which increased by \$186,608, or 60%. Further information regarding lease receivables is detailed in Note 9 to the financial statements.

Deferred outflows related to pension activity decreased by \$75,785, or 21%, resulting in an ending balance of \$284,186. Deferred inflows related to pension costs decreased by \$126,543, or 21%, to an ending balance of \$466,045. Deferred inflows of resources attributable to lease revenue increased by \$102,959, or 30%, for an ending balance of \$450,334. Additional information regarding pension-related reporting requirements is disclosed in Note 10 on the financial statements.

Total current liabilities of the Authority's Primary Government increased by \$94,291, or 16%, compared to the prior year. Accounts payable increased by \$175,716, or 50%, while accrued liabilities increased marginally by \$18. Unearned revenue increased by \$3,657, or 40%, and tenant security deposits payable decreased by \$101, or 1%. The current portion of Capital Project Bonds payable declined by \$84,999, or 47%, from the previous year.

Total noncurrent liabilities decreased by \$221,709, or 11%, during the fiscal year. This decrease was primarily the result of the full repayment of a long-term note payable, which declined by \$95,001, or 100%, leaving an ending balance of \$0. Accrued compensated absences—long term increased slightly by \$532, or 1%, to an ending balance of \$76,560.

Accrued pension and OPEB liabilities decreased by \$127,240, or 7%, resulting in an ending balance of \$1,674,532. Additional information regarding pension and OPEB obligations as of September 30, 2025, is provided in Notes 17 and 18 to the financial statements.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT) - CONTINUED

As of September 30, 2025, the Authority's Primary Government reported a total net position of \$11,157,248, which is presented in three components. Net investment in capital assets totaled \$8,221,489, representing the largest portion of net position. This category reflects the Authority's investment in capital assets—such as land, buildings, vehicles, equipment, and construction in progress—net of any related outstanding debt incurred to acquire those assets. These capital assets are used to provide housing and related services to tenants and, therefore, are not available to support future spending.

The schedule below summarizes the activity in the net investment in capital assets for the current fiscal year.

Balance September 30, 2024	\$ 8,224,318
Fixed Asset Acquisitions	513,995
Payment of Principal on Debt	180,000
Depreciation Expense	(682,118)
Adjustment to Fixed Assets	(14,706)
Balance September 30, 2025	<u>\$ 8,221,489</u>

The Primary Government's restricted net position increased by \$1,213,680, representing a substantial year-over-year increase, resulting in an ending balance of \$1,215,891. This increase reflects the accumulation of resources restricted for specific purposes. Additional information regarding the Authority's restricted net position is presented in Note 20 to the financial statements included in this report.

For the fiscal year ended September 30, 2025, the Millville Housing Authority's Primary Government reported an increase in unrestricted net position of \$348,197, or 25%, resulting in an ending balance of \$1,719,868. This increase reflects favorable operating results for the year. Further details regarding unrestricted net position can be found in Note 21 to the Notes to the Financial Statements.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT) - CONTINUED

The following summarizes the changes in Net Position of the primary government between September 30, 2025, and September 30, 2024:

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

	<u>Year Ending</u> <u>September-25</u>	<u>Year Ending</u> <u>September-24</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Revenues</u>			
Tenant Revenues	\$ 2,155,374	\$ 2,100,869	\$ 54,505
HUD Subsidies	4,670,042	4,639,284	30,758
Other Revenues	353,151	251,514	101,637
Total Operating Income	<u>7,178,567</u>	<u>6,991,667</u>	<u>186,900</u>
<u>Expenses</u>			
Operating Expenses	6,984,880	6,463,748	521,132
Depreciation Expense	682,118	668,118	14,000
Total Operating Expenses	<u>7,666,998</u>	<u>7,131,866</u>	<u>535,132</u>
Operating Income before Non Operating Income	(488,431)	(140,199)	(348,232)
Interest Income	53,196	44,237	8,959
HUD Capital Grants	632,431	392,440	239,991
Sale of Fixed Assets	1,357,362	-	-
Pension Adjustment	4,490	351,437	(346,947)
Change in Net Position	1,559,048	647,915	911,133
Net Position Prior Year	9,598,200	8,950,285	647,915
Total Net Position	<u>\$ 11,157,248</u>	<u>\$ 9,598,200</u>	<u>\$ 1,559,048</u>

Approximately 65% of the Authority's Primary Government total operating revenue was derived from HUD operating subsidies, while tenant-generated revenue accounted for approximately 30%. The remaining 5% of operating revenue was comprised of charges for services and fraud recovery.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT) - CONTINUED

During the fiscal year, the Millville Housing Authority received \$632,431 in Capital Fund Program (CFP) grant funding, representing an increase of \$239,991, or 61%, compared to the prior fiscal year. Capital expenditures for the year totaled \$513,995. Major capital additions included bathroom upgrades; replacement of rooftop HVAC systems, fire pumps, PTAC units, community room HVAC, and office HVAC; installation of concrete sidewalks; and the purchase of trash compactors and new apartment ranges.

Operating expenses of the Authority's Primary Government encompass a broad range of programmatic and administrative costs. Housing Assistance Payments (HAP) represented the largest portion at 29% of total operating expenses. Administrative expenses accounted for 22%, maintenance expenses for 18%, utilities for 14%, depreciation for 9%, other operating expenses for 7%, and tenant services for the remaining 1%.

For the fiscal year ended September 30, 2025, the Authority's Primary Government reported a deficiency of revenues over expenses from operations of \$488,431, compared to a deficiency of \$140,199 in the prior fiscal year. This represents an increase in the operating deficiency of \$348,232. The key factors contributing to this change include the following:

- Tenant dwelling rental revenue increased by \$54,505, or 1%.
- HUD PHA operating grants increased by \$30,758, or 1%.
- Fraud recovery revenue increased by \$3,949, or 39%.
- Other operating revenue increased by \$97,688, or 40%.

Operating expense changes included the following increases:

- Tenant services expenses increased by \$29,568, or 202%.
- Maintenance expenses increased by \$391,794, or 32%.
- Other operating expenses increased by \$37,755, or 7%.
- Housing Assistance Payments increased by \$211,373, or 10%.
- Depreciation expense increased by \$14,000, or 2%.

These increases were partially offset by the following decreases:

- Administrative expenses decreased by \$134,516, or 8%.
- Utilities expenses decreased by \$14,842, or 1%.

Net cash provided by operating activities totaled \$675,237 during the current fiscal year, compared to \$352,829 in the prior year, reflecting an increase of \$322,408. This improvement was primarily driven by changes in operating revenues and expenditures and favorable working capital activity.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE AUTHORITY (PRIMARY GOVERNMENT) - CONTINUED

The following are financial highlights of significant items for the primary government for a four-year period of time ending on September 30, 2025:

	September-25	September-24	September-23	September-22
Significant Income				
Total Tenant Revenue	\$ 2,155,374	\$ 2,100,869	\$ 1,983,833	\$ 1,831,871
HUD Operating Grants	4,670,042	4,639,284	4,323,360	3,983,448
HUD Capital Grants	632,431	392,440	780,458	415,757
Investment Income	53,196	44,237	844	274
Other Income	353,151	251,514	337,393	378,064
Total	<u>\$ 7,864,194</u>	<u>\$ 7,428,344</u>	<u>\$ 7,425,888</u>	<u>\$ 6,609,414</u>
Payroll Expense				
Administrative Salaries	\$ 664,447	\$ 644,223	\$ 624,308	\$ 640,314
Maintenance Labor	310,770	236,176	279,550	281,313
Employee Benefits Expense	358,396	390,172	348,127	211,974
Total Payroll Expense	<u>\$ 1,333,613</u>	<u>\$ 1,270,571</u>	<u>\$ 1,251,985</u>	<u>\$ 1,133,601</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 520,294	\$ 1,220,847	\$ 523,437	\$ 460,411
Utilities Expense	993,950	1,008,792	924,523	877,687
Maintenance Materials Cost	199,529	223,492	286,379	305,148
Maintenance Contract Cost	1,041,456	660,938	740,056	667,398
Insurance Premiums	351,067	345,001	258,001	260,568
Housing Assistance Payments	2,300,766	2,089,393	1,768,913	1,605,789
Total	<u>\$ 5,407,062</u>	<u>\$ 5,548,463</u>	<u>\$ 4,501,309</u>	<u>\$ 4,177,001</u>
Total Operating Expenses	<u>\$ 7,666,998</u>	<u>\$ 7,131,866</u>	<u>\$ 6,654,627</u>	<u>\$ 6,192,123</u>
Total of Federal Awards	<u>\$ 5,302,473</u>	<u>\$ 5,031,724</u>	<u>\$ 5,103,818</u>	<u>\$ 4,399,205</u>

THE AUTHORITY AS A WHOLE

The Authority's primary government 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.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

THE AUTHORITY AS A WHOLE - CONTINUED

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

MILLVILLE HOUSING AUTHORITY PROGRAMS

Public and Indian Housing Program:

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

Public Housing Capital Fund Program:

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

Housing Choice Voucher Program

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

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

BUDGETARY HIGHLIGHTS

For the year ending September 30, 2025, individual program or grant budgets were prepared by the Authority. 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's primary government net book value in capital assets as of September 30, 2025, was \$8,316,490 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$172,654 or 2%. Major capital expenditures of \$513,995 were made during the year. The major capital assets events during the fiscal year included the following:

- Upgrade of Bathrooms
- Replace Rooftop
- Replace Fire Pump
- Replace PTAC Units
- New Community Room HVAC
- New Office HVAC
- Replace Concrete Sidewalks
- Replace Trash Compactors
- New Apartment Ranges

	September-25	September-24	Increase (Decrease)
Land	\$ 517,188	\$ 517,188	\$ -
Building	30,504,515	30,865,406	(360,891)
Furniture, Equipment - Dwelling	2,691,359	3,197,782	(506,423)
Furniture, Equipment - Administration	3,555,761	3,089,213	466,548
Leasehold Improvements	2,348,665	2,232,546	116,119
Construction in Process	2,394,388	2,644,910	(250,522)
Total Capital Assets	42,011,876	42,547,045	(535,169)
Less: Accumulated Depreciation	(33,695,386)	(34,057,901)	362,515
Net Book Value	\$ 8,316,490	\$ 8,489,144	\$ (172,654)

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which are included in this report.

2 - Debt Administration

The Authority primary government has one (1) primary government loan payable outstanding on September 30, 2025.

	Short Term	Long Term	Total
CFFP Leveraging	\$ 95,001	\$ -	\$ 95,001

A full disclosure of loans payable on September 30, 2025, can be found in Note 16.

NEW INITIATIVES

For the fiscal year 2025, the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 58% of its revenue from the Department of Housing and Urban Development, (2023 was 68%), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority is exploring the process of converting the Public and Indian Housing Program rental units into RAD subsidy units.

The Authority has made steady progress in various phases of the operations, all the while increasing the occupancy age in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the City of Millville all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Millville Housing Authority is heavily dependent on funding from the U.S. Department of Housing and Urban Development (HUD) to support its operations. As a result, the Authority's financial condition is influenced more significantly by federal budgetary decisions than by local economic conditions. Ongoing pressure on the federal budget—driven by record deficits and competing national funding priorities—is expected to continue, and management does not anticipate a significant change in this trend in the near future.

**MILLVILLE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON SEPTEMBER 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - CONTINUED

Capital budgets for the fiscal year ending September 30, 2026, have been submitted to HUD for approval, with no significant changes from prior years. Capital Fund Program (CFP) budgets are multi-year in nature and have historically remained relatively stable. Capital Fund resources are used primarily for the modernization and rehabilitation of public housing properties, including related administrative costs.

In developing the Authority's operating and capital budgets for fiscal year 2026, management considered the following factors:

- Overall economic conditions in the State of New Jersey, including the impact on tenant income. Local inflationary pressures, recessionary risks, and employment trends may affect resident earnings and, consequently, rental income, as tenant rent calculations are based on household income.
- Anticipated continued increases in health care insurance costs, which are expected to place upward pressure on employee benefit expenses over the coming years.
- The planned conversion of Low Income Housing Program rental units to Rental Assistance Demonstration (RAD) subsidy units.
- Inflationary pressures affecting utility rates, supplies, and other operating costs.
- Ongoing housing market trends that influence the availability of rental units for Section 8 voucher holders, as well as rent levels charged by private landlords, which directly affect Housing Assistance Payment (HAP) costs.
- The continued uncertainty surrounding federal funding levels. Even if HUD were fully authorized for Operating and Capital Fund programs, it remains unlikely that Congress would appropriate funding at levels sufficient to meet program needs. Federal budget constraints and competing priorities are expected to persist.

Contacting the Authority's Financial Management

This financial report is intended to provide a general overview of the Millville Housing Authority's finances for interested readers. Questions regarding any information contained in this report, or requests for additional financial data, should be directed to:

Ms. Samantha Silvers
Executive Director
Millville Housing Authority
122 East Main Street
Millville, New Jersey 08332
Phone: (856) 825-8860

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Millville Housing Authority
122 East Main Street
Millville, New Jersey 08332

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the discretely present component unit of the Millville Housing Authority, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Millville Housing Authority 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 the discretely present component unit of the Millville Housing Authority as of September 30, 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 Millville Housing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Millville Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 Millville Housing Authority'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 Millville Housing Authority.
- Millville Housing Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 1 through 14 and pages 68-73 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 Millville Housing Authority's basic financial statements. The accompanying supplemental information on pages 74-83 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 April 24, 2026, in our consideration of the Millville Housing Authority'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 Millville Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Millville Housing Authority's internal control over financial reporting and compliance.



Lincroft, New Jersey

Date: April 24, 2026

MILLVILLE HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

	September 30, 2025		
	Primary Government	Component Unit (Sept 2025)	Total (Memorandum)
Assets			
Current Assets:			
Cash and Cash Equivalents			
Operating	\$ 2,696,105	\$ 34,512	\$ 2,730,617
Restricted	1,228,084	-	1,228,084
Total cash and equivalents	\$ 3,924,189	\$ 34,512	\$ 3,958,701
Accounts Receivables, Net of Allowances	118,188	-	118,188
Investments	1,262,970	-	1,262,970
Prepaid Expenses	103,530	-	103,530
Total Current Assets	5,408,877	34,512	5,443,389
Capital Assets			
Land	517,188	-	517,188
Building	30,504,515	438,476	30,942,991
Furniture, Equipment - Dwelling	2,691,359	-	2,691,359
Furniture, Equipment - Administration	3,555,761	117,467	3,673,228
Leasehold Improvements	2,348,665	13,333	2,361,998
Construction in Process	2,394,388	-	2,394,388
Total Capital Assets	42,011,876	569,276	42,581,152
Less: Accumulated Depreciation	(33,695,386)	(306,104)	(34,001,490)
Net Book Value	8,316,490	263,172	8,579,662
Other Assets			
Leases Receivable -Non Current	499,159	-	499,159
Total Other Assets	499,159	-	499,159
 Total Assets	 14,224,526	 297,684	 14,522,210
Deferred Outflow of Resources			
Total Deferred Outflows of Resources	284,186	-	284,186
 Total Assets and Deferred Outflow of Resources	 \$ 14,508,712	 \$ 297,684	 \$ 14,806,396

See accompanying notes to the financial statements.

MILLVILLE HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2025

	September 30, 2025		
	Primary Government	Component Unit (Sept 2025)	Total (Memorandum)
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 526,519	\$ 3,121	\$ 529,640
Accrued Liabilities	37,503	9,528	47,031
Unearned Revenue	12,777	13,228	26,005
Tenant Security Deposits	12,193	-	12,193
Long Term Debt - Current	95,001	-	95,001
Total Current Liabilities	<u>683,993</u>	<u>25,877</u>	<u>709,870</u>
Noncurrent Liabilities			
Accrued Compensated Absences - Long-Term	76,560	1,539	78,099
Accrued Other Post-Employment Benefits Liabilities	<u>1,674,532</u>	<u>-</u>	<u>1,674,532</u>
Total Noncurrent Liabilities	<u>1,751,092</u>	<u>1,539</u>	<u>1,752,631</u>
Total Liabilities	<u>2,435,085</u>	<u>27,416</u>	<u>2,462,501</u>
Deferred Inflow of Resources			
State of New Jersey P.E.R.S. and OPEB	466,045		466,045
Lease Revenue	<u>450,334</u>	<u>-</u>	<u>450,334</u>
Total Deferred Inflow of Resources	<u>916,379</u>	<u>-</u>	<u>916,379</u>
Net Position:			
Net Investment in Capital Assets	8,221,489	263,172	8,484,661
Restricted	1,215,891	-	1,215,891
Unrestricted	<u>1,719,868</u>	<u>7,096</u>	<u>1,726,964</u>
Total Net Position	<u>11,157,248</u>	<u>270,268</u>	<u>11,427,516</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 14,508,712</u>	<u>\$ 297,684</u>	<u>\$ 14,806,396</u>

See accompanying notes to the financial statements.

**MILLVILLE HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025**

	September 30, 2025		
	Primary Government	Component Unit (Sept 2025)	Total (Memorandum)
Revenue:			
Tenant Rental Revenue	\$ 2,155,374	\$ -	\$ 2,155,374
HUD PHA Operating Grants	4,670,042	-	4,670,042
Fraud Recovery	14,136	-	14,136
Other Revenue	339,015	739,625	1,078,640
Total Revenue	<u>7,178,567</u>	<u>739,625</u>	<u>7,918,192</u>
Operating Expenses:			
Administrative Expense	1,463,679	66,064	1,529,743
Tenant Services	44,196	437,540	481,736
Utilities Expense	993,950	22,644	1,016,594
Maintenance Expense	1,631,243	95,277	1,726,520
Other Operating Expenses	551,046	31,010	582,056
Housing Assistance Payments	2,300,766	-	2,300,766
Depreciations Expense	682,118	10,395	692,513
Total Operating Expenses	<u>7,666,998</u>	<u>662,930</u>	<u>8,329,928</u>
Excess Expenses Over Revenue From Operations	<u>(488,431)</u>	<u>76,695</u>	<u>(411,736)</u>
Non Operating Income and (Expenses):			
Investment Income	53,196	134	53,330
Capital Grants	632,431	-	632,431
Sale of Fixed Assets	1,357,362	-	1,357,362
Pension Adjustment	4,490	-	4,490
Total Non Operating Income	<u>2,047,479</u>	<u>134</u>	<u>2,047,613</u>
Change in Net Position	<u>1,559,048</u>	<u>76,829</u>	<u>1,635,877</u>
Beginning Net Position	<u>9,598,200</u>	<u>193,439</u>	<u>9,791,639</u>
Ending Net Position	<u>\$ 11,157,248</u>	<u>\$ 270,268</u>	<u>\$ 11,427,516</u>

See accompanying notes to the financial statements.

MILLVILLE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025

	September 30, 2025		
	Primary Government	Component Unit (Sept 2025)	Total (Memorandum)
Cash Flow From Operating Activities			
Receipts from Tenants	\$ 2,124,067	\$ -	\$ 2,124,067
Receipts from Federal Grants	4,610,472	-	4,610,472
Receipts from Misc. Sources	353,151	766,934	1,120,085
Payments to Vendors and Suppliers	(1,789,124)	(521,277)	(2,310,401)
Payments for Housing Assistance Payments	(2,300,766)	-	(2,300,766)
Payments to Employees	(970,217)	(373,256)	(1,343,473)
Payment of Employee Benefits	(358,396)	(39,794)	(398,190)
Payment of Utilities Expenses	(993,950)	(22,644)	(1,016,594)
Net Cash Provided (Used) by Operating Activities	675,237	(190,037)	485,200
Cash Flow From Capital and Related Financing Activities			
Receipts from Capital Grants	632,431	-	632,431
Acquisitions and Construction of Capital Assets	(513,995)	-	(513,995)
Change in Long Term Compensated Absences	532	1,539	2,071
Principal Payment on Debt	(180,000)	-	(180,000)
Lease Receivable - Non Current	186,608	-	186,608
Deferred Inflow - Lease	(286,297)	-	(286,297)
Pension Adjustment	4,490	-	4,490
Increase (Decrease) in Pension and OPEB Liabilities	(127,240)	-	(127,240)
Net Effect of Deferred Inflows and Outflows	(50,758)	-	(50,758)
Net Cash (Used) Provided by Capital and Related Financing Activities	(334,229)	1,539	(332,690)
Cash Flow From Investing Activities			
Interest Income	53,196	134	53,330
Purchase of Investments	(729,221)	-	(729,221)
Sale of Fixed Assets	1,357,362	-	1,357,362
Net Cash Provided by Investing Activities	681,337	134	681,471
Net Increase (Decrease) in Cash and Cash Equivalents	1,022,345	(188,364)	833,981
Beginning Cash, Cash Equivalents and Restricted Cash	2,901,844	222,876	3,124,720
Ending Cash, Cash Equivalents and Restricted Cash	\$ 3,924,189	\$ 34,512	\$ 3,958,701
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	\$ 2,696,105	\$ 34,512	\$ 2,730,617
Restricted Cash	1,228,084	-	1,228,084
Total Ending Cash	\$ 3,924,189	\$ 34,512	\$ 3,958,701

See accompanying notes to the financial statements.

MILLVILLE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025

	September 30, 2025		
	Primary Government	Component Unit (Sept 2025)	Total (Memorandum)
(Used) Provided by Operating Activities	\$ (488,431)	\$ 76,695	\$ (411,736)
Adjustments to reconcile excess expenses to net cash provided (used) by operating activities:			
Depreciation Expense	682,118	10,395	692,513
(Increase) Decrease in:			
Accounts Receivables	293,395	27,309	320,704
Prepaid Expenses	8,865	2,966	11,831
Increase (Decrease) in:			
Accounts Payable	175,716	(299,258)	(123,542)
Accrued Liabilities	18	(9,829)	(9,811)
Unearned Revenues	3,657	1,685	5,342
Tenant Security Deposits	(101)	-	(101)
Net Cash Provided (Used) by Operating Activities	<u>\$ 675,237</u>	<u>\$ (190,037)</u>	<u>\$ 485,200</u>
Interest Expense Paid During the Year	<u>\$ 10,810</u>	<u>-</u>	<u>\$ 10,810</u>
Interest Revenue Received During Year for the Lease	<u>\$ 29,449</u>	<u>-</u>	<u>\$ 29,449</u>

See accompanying notes to the financial statements.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2025

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

Organization – The Authority is a governmental public corporation organized under federal and state housing laws, as defined by New Jersey Statutes Annotated (N.J.S.A. 40A:12A-1 et seq.), commonly known as the Housing Authority Act. It was established for the purpose of developing, acquiring, and administering low-income housing programs, as well as other programs with similar objectives, for low- and moderate-income families residing in the City of Millville. The Authority operates in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners that functions with a high degree of autonomy, while remaining accountable to HUD and the New Jersey Department of Community Affairs. The Board appoints an Executive Director who is responsible for the day-to-day management and operations of the Authority. The Authority's core responsibilities include the development, maintenance, and management of public housing for low- and moderate-income families in the City of Millville. Federal operating and modernization subsidies are provided to the Authority to support these activities.

The financial statements include all accounts of the Authority. The Authority represents the lowest level of government over which its Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any other governmental reporting entity. Although Board members are primarily appointed by the Mayor of Millville and the City Council, the Board of Commissioners retains independent decision-making authority, including the power to appoint management, significantly influence operations, and assume primary responsibility for accounting and fiscal matters. Accordingly, the Authority has concluded that it is excluded from the City of Millville's reporting entity.

In accordance with Section 2100 and 2300 of the Governmental Accounting Standards Board (GASB) Codification, the Authority evaluates whether any organization should be included as component units within its reporting entity. The criteria include:

- Legal separateness (ability to sue and be sued)
- Possession of corporate powers
- Appointment of a voting majority of the organization's board
- Ability to impose its will on the organization
- Potential for financial benefit or burden
- Fiscal dependency on the Authority

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

Organization – continued

Based on the following criteria, the Authority has identified one (1) entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The Authority manages the financial affairs of Holly City Family Center.

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.

In October 2021, the Authority adopted GASB Statement No. 87, *Accounting for Leases*. This standard enhances the usefulness and comparability of governmental financial statements by requiring recognition of certain lease receivables and liabilities previously unreported. It establishes a single model for lessees and lessors and improves decision-usefulness by mandating detailed note disclosures regarding the timing, significance, and purpose of leasing arrangements.

GASB Statement No. 87, *Accounting for Leases*, is a standard issued by the Governmental Accounting Standards Board to improve how leases are reported in governmental financial statements. Here's a clear explanation:

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

Purpose

Before GASB 87, many leases were treated as operating leases and kept off the balance sheet, which limited transparency. GASB 87 requires governments to recognize most leases as assets and liabilities, similar to how capital leases were previously treated, creating a more accurate picture of financial obligations.

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

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

Revenue Recognition

The Authority's revenues are classified as either exchange or nonexchange transactions, in accordance with applicable Governmental Accounting Standards Board (GASB) guidance. The Authority reports are in conformity with GASB standards and, accordingly, Accounting Standards Codification (ASC) Topic 606 does not apply.

Exchange Revenues

Exchange revenues include dwelling rental income and certain fees received from tenants, in which each party receives and gives up essentially equal value. Rental income is recognized monthly as it is earned, based on tenant occupancy of housing units and collectible amounts. Tenant charges, including late fees and excess utility charges, are recognized when earned and considered collectible.

Nonexchange Revenues

Nonexchange revenues consist primarily of operating subsidies, housing assistance payments (HAP), and capital grants received from the U.S. Department of Housing and Urban Development (HUD). These revenues are accounted for in accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. Operating Subsidies

HUD operating subsidies are classified as government-mandated nonexchange transactions. Revenue is recognized in the period in which the Authority meets all applicable eligibility requirements, including statutory and regulatory compliance, and when any time requirements imposed by HUD are satisfied. Amounts received prior to meeting eligibility or time requirements are reported as unearned revenue.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2025

Revenue Recognition - Continued

Capital Grants

Capital fund grants are also considered government-mandated nonexchange transactions. Capital grant revenue is recognized when the Authority has met all eligibility requirements and allowable capital expenditures are incurred. Grant funds received prior to meeting these requirements are recorded as unearned revenue within deferred inflows of resources.

Housing Choice Voucher Program

Housing assistance payments (HAP) revenue is recognized as nonexchange revenue in the period in which eligible assistance is provided to program participants, and all program requirements have been met. Administrative fee revenue earned under the Housing Choice Voucher program is considered exchange revenue and is recognized monthly as administrative services are provided.

The tenant rental revenues are recognized as exchange revenues as earned, while HUD subsidies, capital grants, and housing assistance payments are recognized as nonexchange revenues in accordance with GASB Statement No. 33, based on the satisfaction of eligibility and time requirements. The amounts not received by September 30, are accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

The major sources of income for the Authority are HUD operating subsidies, rental payments from tenants, and other sources such as miscellaneous fees, laundry income, small grant income, office rental space, cell phone towers rental income, management fees, tenant late charges, and HAP portability payments. The Authority recognizes short-term rental income from tenants who have signed a lease agreement for less than one year, in accordance with HUD guidelines. The Authority considers both rental income and subsidies to be exempt from compliance as they are covered under current and future lease standards. However, tenant reimbursements for costs like utilities, which are based on consumption, are subject to recognized as revenue when incurred. Additionally, the Authority also generates revenue from miscellaneous fees, portability payments, small grant income, office rental space, cell phone towers rental income, management fees, tenant late charges all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

Basis of Accounting – Continued

Holly City Family Center -component unit, consists of membership fees and dues generated from the fitness center.

HUD's rent subsidy program provides housing to low-income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Millville Housing Authority's flat rent amount.

Component Unit – Discretely Presented

Holly City Family Center is organized as a not-for-profit corporation. In accordance with GASB Statement No. 61, due to the Authority manages the financial affair of this nonprofit corporation; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The accounting year end for the Holly City Family Center is September 30.

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

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

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

Financial Reporting Entity – Component Unit

The financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined based on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

All governmental activities and functions performed for the Authority are its direct responsibility. The financial reporting entity consists of:

- (a) the primary government which is the Authority,
- (b) organizations for which the primary government is financially accountable, and
- (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 61.

The decision to include a potential unit in the Authority's reporting entity is based on several criteria set forth in GASB Statement No. 61, including legal standing, fiscal dependency, and financial accountability. The Authority has identified one (1) entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The Authority manages the financial affairs of Holly City Family Center.

Other accounting policies are as follows:

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

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

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

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

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

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

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

Other accounting policies - Continued

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

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

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

10- Advertising cost is charged to expense when incurred.

11- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

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

13 - Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Under federal, state, and local law, the Authority's program is exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority pay the municipality a 10% of its net shelter rent.

14 - 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:

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2025

Other accounting policies - Continued

14 - 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.

15- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority, but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

Other accounting policies - Continued

16 - Operating and non-operating revenues and expenses

The major sources of income for the Authority are HUD operating subsidies, rental payments from tenants, and other sources such as miscellaneous fees, laundry income, small grant income, office rental space, cell phone towers rental income, management fees, tenant late charges, and HAP portability payments. The major sources of revenue for Holly City Family Center consist of membership fees and dues generated from the fitness center.

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

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.

17-Impairment Losses

The Authority has been and is currently involved in various activities in conjunction with its modernization programs. In accordance within accordance with GASB #42 *"Accounting for the Impairment or Disposal of Capital Assets and for Insurance Recoveries"*. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. As of September 30, 2025, the Authority has determined that no impairment of its long-lived assets exists.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. Management has determined that recently issued and adopted GASB pronouncements did not have, or are not expected to have, a material effect on the Authority's financial statements unless otherwise stated.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

Budgetary and Policy Control –

The Authority submits its annual operating subsidy 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 activities administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-61	497
Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-39V0-61	170

Public and Indian Housing Program:

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

Public Housing Capital Fund Program:

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

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

Activities - Continued

Section 8 Housing Choice Voucher Program

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

Component Unit

Holly City Family Center is organized as a not-for-profit corporation. In accordance with GASB Statement No. 61, since the Authority manages the financial affair of this nonprofit corporation, this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as a component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. The accounting year end for the Holly City Family Center is September 30.

Board of Commissioners

The following criteria define the scope of the entity for financial reporting purposes:

1. Oversight of Financial Independence
The Board has the authority to supervise and ensure the financial independence of any component unit.
2. Governing and Decision-Making Authority
The Board possesses ultimate governing authority, including responsibility for financial decision-making and accountability for those decisions.
3. Appointment and Accountability of Management
The Board appoints the Authority's management team, which is responsible for day-to-day operations and is directly accountable to the Board.
4. Influence Over Operations
The Board exercises significant influence over operations through budget approvals, contract authorization, control of facilities, and decisions regarding the hiring or retention of key managerial personnel.
5. Fiscal Control and Accountability
The Board maintains absolute authority over all funds of the Authority and assumes full accountability for fiscal matters.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenants who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit until the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenants has to be income qualified in accordance with income limitations before allowed to occupy unit.

All lease agreements have similar terms; therefore, all lease contract revenue has been aggregated in the caption rental income in the statement of revenue, expenses and changes in net position. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant's unit and the buildings. Since the performance of these services is completed simultaneously each month, they are treated as performance obligation.

Tenant's lease payments are due on the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant's rental payment not received by the fifth day of each month will be considered late. Any rental payment received in advance of the first day of the month is recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

NOTE 2 – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, the allowance for doubtful accounts, useful lives of capital assets, accrued liabilities, and the valuation of receivables.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

NOTE 3 - PENSION PLAN

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

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, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2025 amounted to \$139,388 and for 2024 was \$141,049.

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 of GASB #68 can be found in Note 18– Accrued Pension Liability.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2025

NOTE 4 – CASH, CASH EQUIVALENTS

The Authority records cash and cash equivalents at cost, which approximates market value. Cash, cash equivalents, and investments include bank deposits, petty cash, a money market checking account, certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For purposes of the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less at the time of purchase.

Concentration of Credit Risk

HUD regulations require housing authorities to invest excess funds in obligations of the United States, certificates of deposit, or other federally insured investments. HUD also mandates that all deposits be fully collateralized at all times. Acceptable collateral includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the Authority. U.S. government obligations may also be used as security for deposits. All collateral must be held either by the Authority or by an unaffiliated bank or trust company on behalf of the Authority. These deposits, held at various banking institutions, are collateralized in accordance with the New Jersey Government Code and the Banking Law.

Risk Disclosures

Collateral for Deposits

Under N.J.S.A. 40A:5-14, New Jersey authorities must deposit public funds in a bank or trust company located in New Jersey and organized under federal or state law, or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 specifies the types of securities that may be purchased by New Jersey authorities.

The Authority must deposit funds in public depositories protected by the Governmental Unit Deposit Protection Act ("GUDPA"). Enacted in 1970, GUDPA provides safeguards to prevent governmental units from losing funds deposited in a New Jersey banking institution that later fails.

Interest Rate Risk

To limit exposure to fair value losses from rising interest rates, the Authority's investment policy restricts investment maturities to no more than two years at the time of purchase. As of September 30, 2025, all deposits and investments met this standard, were available on demand, or had maturities of less than two years.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2025

NOTE 4 – CASH, CASH EQUIVALENTS- CONTINUED

Credit Risk

Credit risk refers to the possibility that the value of a security or investment portfolio may decline due to actual or perceived reductions in the issuer's ability to repay its debt. The Authority's investment policy prohibits investing any portion of the portfolio in securities of a single issuer, except for securities issued by the U.S. Government, its agencies, or 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 on September 30, 2025:

	<u>Bank Balances</u>	
	<u>Primary Government</u>	<u>Component Unit</u>
<u>Depository Accounts</u>		
Insured	\$ 1,004,387	\$ 34,512
Collateralized held by pledging bank's trust department in the Authority's name	4,182,772	-
Total Cash, Cash Equivalents	<u>\$ 5,187,159</u>	<u>\$ 34,512</u>

The Holly City Family Center maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. Holly City Family has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.

Restricted Deposits

The Authority has total restricted deposits on September 30, 2025, in the amount of \$12,193. The tenant security deposit restricted deposits on September 30, 2025. This amount is held as security deposits for the tenants of the Public and Indian Housing Program in an interest-bearing account.

The amount of \$2,661 for 2025 is held in trust at the Bank of New York with investments consisting of Morgan Stanley Prime Installment Investments. These funds at Bank of New York are controlled by the New Jersey Housing Mortgage Finance Agency (NJHMFA) for the capital leveraging project.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Restricted Deposits

The restricted cash in the amount of \$12,366 for 2025 and \$-0- for 2024 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. The Authority invested these funds with Bank of America. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The Authority determined that the proceeds from the sale of scattered-site properties during the year are subject to restriction and, accordingly, classified such proceeds as restricted funds. The balance of restricted funds on September 30, 2025, was \$1,200,864.

The Authority's investments on September 30, 2025, included the following:

Investment	Maturity	Interest Rate	Fair Value
Money Market Account	Upon Demand	0.25%	\$ 133,119
Government Money Market Account	Upon Demand	2.53%	269,116
Investment - Capital Fund	Upon Demand	4.04%	2,661
Certificates of Deposits	Various	Various	860,735
Total Investments			<u>\$ 1,265,631</u>

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2025

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on September 30, 2025, and 2024 consist of the following:

	September-25	September-24
	Primary	Primary
	Government	Government
Tenants Accounts Receivable - Present	\$ 31,307	\$ 43,676
Less: Allowance for Doubtful Accounts - Tenants	(17,059)	(31,228)
Net Tenants Accounts Receivable	14,248	12,448
Accounts Receivable - HUD	59,570	12,361
Accounts Receivable - Lease Receivable Current	32,750	31,342
Accounts Receivable - Due From Other Entities	1,494	323,578
Accounts Receivable - Insurance Proceeds	-	31,854
Accrued Interest	10,126	-
Less: Allowance for Doubtful Accounts - Other	-	-
Net Other Receivables	103,940	399,135
Net Accounts Receivables Total	\$ 118,188	\$ 411,583

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 September 30, 2025, the total bad debt expense recorded was \$54,901 and for 2024 was \$42,232.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2025

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 receivables and payable as appropriate. The amounts between the various programs administered by the Authority on September 30, 2025, are detailed in the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 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 by the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses on September 30, 2025, and 2024 consisted of the following:

	<u>September-25</u>	<u>September-24</u>
	Primary	Primary
	Government	Government
Prepaid Insurance	\$ 89,604	\$ 85,015
Prepaid Maintenance Contracts	13,926	6,809
Total Prepaid Expenses	<u>\$ 103,530</u>	<u>\$ 91,824</u>

NOTE 8 - FIXED ASSETS

Fixed assets primarily represent expenditures incurred to acquire, construct, place into operation, and improve the Authority's facilities. These assets are recorded at cost, as determined by appraisal.

Routine repairs, maintenance, and minor renewals are expensed in the year incurred, while major renewals and improvements are capitalized. Capitalization occurs when expenditure meets the requirements outlined in the Authority's Capitalization Policy. Under this policy, assets purchased or constructed at a cost of \$5,000 or less are expensed immediately.

Property and equipment are stated at cost, and donated fixed assets are recorded at their fair value on the date of donation.

Component Unit

Property and equipment valued at \$1,000 or more is capitalized at cost if purchased and at fair market value if donated. Improvements are also capitalized at cost. Routine repairs and maintenance are expensed as incurred.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

NOTE 8 - FIXED ASSETS - CONTINUED

Depreciation Expense

Depreciation expense for the primary government on September 30, 2025, was \$682,118 and for 2024 was \$668,118. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

Depreciation -Component Unit

Depreciation expense for 2025 was \$10,395 and for 2024 was \$15,272. Depreciation of capital assets is provided using the straight-line basis over the useful lives of the respective assets. Buildings are depreciated over 15-40 years and furniture, equipment, and machinery are depreciated over 3-7 years.

The Authority has been and is currently involved in various activities in conjunction with its modernization programs. In accordance with in accordance with GASB #42 *"Accounting for the Impairment or Disposal of Capital Assets and for Insurance Recoveries"*. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. As of September 30, 2025, the Authority has determined that no impairment of its long-lived assets exists.

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2025

Below is a schedule of changes in fixed assets for the twelve months ending September 30, 2025

Primary Government	September-24	Additions	Transfer	Disposal	September-25
Land	\$ 517,188	\$ -	-	\$ -	\$ 517,188
Building	30,865,406	1,299	604,069	(966,259)	30,504,515
Furniture, Equipment - Dwelling	3,197,782	61,946	(513,622)	(54,747)	2,691,359
Furniture, Equipment - Administration	3,089,213	-	468,450	(1,902)	3,555,761
Leasehold Improvements	2,232,546	-	142,375	(26,256)	2,348,665
Construction in Process	2,644,910	450,750	(701,272)	-	2,394,388
Total Fixed Assets	42,547,045	513,995	-	(1,049,164)	42,011,876
Accumulated Depreciation	(34,057,901)	(682,118)	-	1,044,633	(33,695,386)
Net Book Value	\$ 8,489,144	\$ (168,123)	\$ -	\$ (4,531)	\$ 8,316,490

Component Unit	September-24	Additions	Transfer	Disposal	September-25
Building	\$ 438,476	\$ -	-	-	\$ 438,476
Furniture, Equipment	117,467	-	-	-	117,467
Leasehold Improvements	13,333	-	-	-	13,333
Total Fixed Assets	569,276	-	-	-	569,276
Accumulated Depreciation	(295,709)	(10,395)	-	-	(306,104)
Net Book Value	\$ 273,567	\$ (10,395)	\$ -	\$ -	\$ 263,172

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements September 30, 2025

NOTE 8 - FIXED ASSETS – CONTINUED

Below is a schedule of the netbook value of the fixed assets for the Millville Housing Authority as of September 30, 2025:

	Primary Government	Component Unit
Net Book Value of Fixed Assets		
Land	\$ 517,188	\$ -
Building	3,334,663	221,787
Furniture, Equipment - Dwelling	149,851	-
Furniture, Equipment - Administration	1,796,782	41,385
Leasehold Improvements	123,618	-
Construction in Process	2,394,388	-
Net Book Value	<u>\$ 8,316,490</u>	<u>\$ 263,172</u>

NOTE 9 – LEASE RECEIVABLE

The Authority entered (2) leases to rent roof top space for cell phone tower for 240 and 60 months. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at various discount rates. The Authority recognized \$63,831 of lease revenue.

Lease Receivable - Current	\$ 32,750
Lease Rceivable - Non Current	499,159
Total Lease Receivable	<u>\$ 531,909</u>

Future minimum lease receivable under operating leases as of September 30, 2025, are as follows

September-26	32,750
September-27	35,330
September-28	37,121
September-29	38,997
September-30	40,962
Subtotal	185,160
Therafter	346,749
Total Lease Receivable	<u>\$ 531,909</u>

MILLVILLE HOUSING AUTHORITY

Notes to Financial Statements

September 30, 2025

NOTE 9 – LEASE RECEIVABLE -CONTINUED

Deferred inflow, \$450,334 of lease receivable payments refers to the recognition of lease payments that have not been received and not earned. The amount is recorded as deferred revenue and is recognized as revenue over the life of the lease. The deferred revenue is amortized over a straight-line method with an equal portion of revenue being recognized in each year. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3% for both leases.

The Authority's leases have the following characteristics on September 30, 2025:

- Weighted average remaining lease term: 22.5 years
- Weighted average discount rate: 3%

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 OPEB and Pension Liability discussed in Note 17 and 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 and OPEB, 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.