

**NEW BOSTON PROPERTY MANAGEMENT
NEW BOSTON, TEXAS**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED MARCH 31, 2019**

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
New Boston Property Management
New Boston, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the New Boston Property Management (Management), Texas, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Management's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Management as of March 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-iv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Management's basic financial statements. The accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes 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*, and is also not a required part of the basic financial statements.

The accompanying PHA's Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 my opinion, the accompanying PHA's Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 5, 2019, on my consideration of the Management's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 New Boston Property Management, Texas's internal control over financial reporting and compliance.



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

September 5, 2019

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
March 31, 2019

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Our discussion and analysis of the New Boston Property Management financial performance provides an overview of the Property Management's financial activities for the fiscal year ended March 31, 2019. Please read the MD&A in conjunction with the Property Management's financial statements.

The New Boston Property Management was organized under Texas Local Government Code 392 and is a Housing Authority for all purposes. The agency also owns and manages a Rural Development Section 8/515/New Construction property, the New Boston Neighborhoods Public Facility Corporation and the Northeast Texas Property Administration Corporation. The agency name was changed in 2010 solely for marketing reasons.

For accounting purposes, the Property Management is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets slightly decreased from \$6,622,813 to \$6,567,001 totaling a change of 1% for the year ended March 31, 2019 compared to last fiscal year. Total liabilities increased by \$5,620 or by 1%.

Total revenue for the year ended March 31, 2019, increased \$126,831 from \$1,487,650 for the year ended March 31, 2018, to \$1,614,481 for the year ended March 31, 2019. The major difference is the increase in funds received through Federal Grants and Subsidies of \$158,875 or 19% increase.

Total operating expenses increased from \$1,589,094 for the year ended March 31, 2018 to \$1,675,913 for March 31, 2019, an increase of \$86,819 or 5%. The major contributors were Routine Maintenance due to preparation for conversion through the Section 22 Streamlined Voluntary Conversion which contributed to the increase by \$96,530.

Overview of the Financial Statements

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. This annual report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The Property Management's financial statements are presented as fund level financial statements because the Property Management only has proprietary funds.

The financial statements of the Property Management report information of the Property Management using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Property Management's activities. The Statement of Net Position includes all the Property Management's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Property Management's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Property Management and assessing the liquidity and financial flexibility of the Property Management.

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Position. This statement measures the success of the Property Management's operations over the past year and can be used to determine whether the Property Management has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2019

Overview of the Financial Statements – (Continued)

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Property Management to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ending 2019.

Financial Analysis

The Property Management's basic financial statements are the Statement of Net Position and the Statement of Changes in Net Position. The Statement of Net Position provides a summary of the Property Management's assets and liabilities as of the close of business on March 31. The Statement of Changes in Net Position summarizes the revenues and sources of those revenues generated during the year ended March 31 and the expenses incurred in operating the Property Management for the year ended March 31, 2019.

The Property Management accounts for its housing activities in four (4) programs. The Property Management has a public housing program that provides housing for qualified tenants, a capital fund program that the Property Management uses for improvements to its public housing property, a USDA RD Section 8/515/New Construction housing program and a not-for-profit for the ownership and management of outside properties. Our analysis below focuses on the net assets and the change in net position of the Property Management as a whole and not the individual programs.

Net Position
March 31,

	2019	2018	Change	%-Change
Current Assets	\$948,033	\$834,728	\$113,305	14%
Capital Assets, Net	\$5,618,968	5,788,085	(\$169,117)	-3%
Total Assets	\$6,567,001	\$6,622,813	(\$55,812)	-1%
Current Liabilities	\$182,539	\$146,386	\$36,153	25%
Non-Current Liabilities	\$657,462	\$687,995	(\$30,533)	-4%
Total Liabilities	\$840,001	\$834,381	\$5,620	1%
Net Position:				
Invested in Capital Assets	\$4,975,687	5,104,885	(\$129,198)	-3%
Restricted Assets	\$135,708	\$123,352	\$12,356	10%
Unrestricted Assets	\$615,605	560,195	\$55,410	10%
Total Net Position	\$5,727,000	\$5,788,432	(\$61,432)	-1%

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2019

Financial Analysis – (Continued)

Expendable Fund Balance

	2019	2018	Change	%-Change
Expendable Fund Balance	\$627,209	\$547,772	\$79,437	15%
Number of Months Expendable Fund	5.55	5.21	\$0.34	7%

Total assets decreased by \$55,812 and total liabilities increased by \$5,620.

The expendable fund balance has increased from \$547,772 in year ended March 31, 2018 to \$627,209 for year ended March 31, 2019. This is an increase of \$79,437.

The expendable fund balance of an Authority is a measure of the liquidity of the entity. If all the Authority's current assets, less materials inventory, are converted to cash, and the authority pays all current liabilities, the amount of cash left on hand is the expendable fund balance.

The number of months of expendable fund has increased from 5.21 in year ended March 31, 2018 to 5.55 for year ended March 31, 2019. This is an increase of 0.34 months.

The number of months' expendable fund balance is a measure of how many months the Authority could operate under current conditions without any additional income. The number of months of expendable fund balance is calculated by dividing the total expenses for the year, less depreciation, by twelve (12) to arrive at the average monthly expenses. The expendable fund balance is then divided by the average monthly expenses to arrive at the number of months' expendable fund balance.

Changes in Net Position
For the Year Ended March 31,

	2019	2018	Change	%-Change
Revenue:				
Tenant Revenue	\$535,221	\$574,560	(\$39,339)	-7%
Federal Grants & Subsidy	974,271	815,396	\$158,875	19%
Investment Income	\$6,466	\$5,893	\$573	10%
Other Income	\$95,103	\$92,887	\$2,216	2%
Gain/Loss on Sale of Fixed Assets	\$3,420	(\$1,086)	\$4,506	-415%
Total Revenue	\$1,614,481	\$1,487,650	\$126,831	9%
Expenses:				
Administrative	\$556,099	\$542,047	\$14,052	3%
Tenant Services	\$6,880	\$5,401	\$1,479	27%
Utilities	\$101,989	\$95,013	\$6,976	7%
Routine Maintenance	\$553,268	\$456,738	\$96,530	21%
Protective Services	\$8,352	\$7,435	\$917	12%
General Expenses	\$66,043	\$86,504	(\$20,461)	-24%
Interest Expenses	\$60,889	\$68,109	(\$7,220)	-11%
Non-Routine Expenses	\$1,490	\$501	\$989	197%
Depreciation	\$320,903	\$327,346	(\$6,443)	-2%
Total Operating Expenses	\$1,675,913	\$1,589,094	\$86,819	5%
Increase (Decrease) in Net Position	(\$61,432)	(\$101,444)	\$40,012	-39%

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2019

Financial Analysis – (Continued)

Total revenue of \$1,614,481 versus expenses of \$1,675,913 ended the fiscal year with a decrease of \$61,432.

Capital Assets

At March 31, 2019, the Property Management had \$13,443,686 invested in gross capital assets with an increase of \$82,765 less accumulated depreciation of (\$251,882) which resulted in a decrease of \$169,117 over the past fiscal year.

Capital Assets

March 31,

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%-Change</u>
Land	\$196,108	\$196,108	\$0	0%
Buildings	\$11,088,063	11,084,863	\$3,200	0%
Equipment - dwellings	\$26,854	\$41,657	(\$14,803)	-36%
Equipment - administration	\$433,393	\$425,555	\$7,838	2%
Leasehold improvements	\$1,507,630	1,506,490	\$1,140	0%
Construction in progress	\$191,638	106,248	\$85,390	80%
Subtotal	\$13,443,686	\$13,360,921	\$82,765	1%
Accumulated depreciation	(\$7,824,718)	(7,572,836)	(\$251,882)	3%
Net Capital Assets	<u>\$5,618,968</u>	<u>\$5,788,085</u>	<u>(\$169,117)</u>	<u>-3%</u>

Debt

The Property Management has one debt with the US Department of Agriculture for the USDA RD/Section 8/515/New Construction development in the amount of \$583,688 and two through the New Boston Neighborhoods Public Facilities Corporation: one with the Farmer's Bank for \$26,119 and the second with Guarantee Bank for \$33,474 as of March 31, 2019 totaling \$643,281. This total debt decreased by \$39,919 from \$683,200 as of March 31, 2018.

Economic Factors

The Property Management is primarily dependent upon HUD for the funding of operations; therefore, the Property Management is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by future federal budgets.

Contacting the Property Management's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Property Management's finances and to show the Property Management's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Cal Davis, Executive Director, New Boston Property Management, 303 Rice, PO Box 806, New Boston, TX 75570, 903-628-2951, cal.davis@nbhatx.org or through the website at www.ApplyNewBoston.com.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

STATEMENT OF NET POSITION
March 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$	612,916
Cash - restricted		217,637
Receivables - net of allowances		51,421
Inventory - net of allowances		40,088
Prepaid expenses		<u>25,971</u>

Total Current Assets 948,033

Non-current Assets:

Capital assets:

Land and construction in progress		387,746
Other capital assets, net of depreciation		<u>5,231,222</u>

Total capital assets - net 5,618,968

Total Non-current Assets 5,618,968

Total Assets \$ 6,567,001

See accompanying notes to the basic financial statements

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

STATEMENT OF NET POSITION - (Continued)
March 31, 2019

LIABILITIES

Current Liabilities:

Accounts payable	\$	50,025
Accrued salaries and benefits		4,747
Tenant security deposit liability		81,929
Accrued compensated absences		5,743
Accrued interest payable		1,116
Current portion of long-term debt		37,511
Unearned revenues		<u>1,468</u>

Total Current Liabilities 182,539

Non-current Liabilities:

Long term debt, net of current portion		605,770
Compensated absences		<u>51,692</u>

Total Non-current Liabilities 657,462

Total Liabilities 840,001

NET POSITION

Net investment in capital assets		4,975,687
Restricted		135,708
Unrestricted		<u>615,605</u>

Total Net Position 5,727,000

Total Liabilities and Net Position \$ 6,567,001

See accompanying notes to the basic financial statements

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2019

OPERATING REVENUES	
Tenant revenue	\$ 535,221
Governmental grants and subsidy	817,455
Miscellaneous	<u>95,103</u>
Total operating revenue	<u>1,447,779</u>
OPERATING EXPENSES	
Administrative	556,099
Tenant services	6,880
Utilities	101,989
Ordinary maintenance and operations	553,268
Protective services	8,352
Insurance	51,637
General	14,406
Non routine maintenance	1,490
Depreciation expense	<u>320,903</u>
Total operating expenses	<u>1,615,024</u>
Operating income (loss)	<u>(167,245)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	6,466
Interest subsidy	46,285
Gain (loss) on disposal of capital assets	3,420
Interest expense	<u>(60,889)</u>
Net non-operating revenues (expenses)	<u>(4,718)</u>
Income (loss) before contributions and transfers	<u>(171,963)</u>
Capital contributions	<u>110,531</u>
Change in net position	(61,432)
Total net position - beginning of year	<u>5,788,432</u>
Total net position - end of year	<u>\$ 5,727,000</u>

See accompanying notes to the basic financial statements

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2019

	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from tenants	\$ 523,202
Received from governmental grants and subsidy	801,236
Received from other operating activities	85,267
Payments for goods and services	(515,126)
Payments to employees	<u>(712,637)</u>
Net cash provided by (used in) operating activities	<u>181,942</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital contributions	110,531
Proceeds from sale of capital assets	6,304
Purchases of capital assets	(154,670)
Principal paid on capital debt	(39,919)
Interest paid on capital debt	<u>(14,834)</u>
Net cash provided by (used in) capital and related financing activities	<u>(92,588)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest and dividends	<u>6,466</u>
Net cash provided by (used in) investing activities	<u>6,466</u>
Net increase (decrease) in cash and cash equivalents	95,820
Cash and cash equivalents at beginning of year	<u>734,733</u>
Cash and cash equivalents at end of year	<u>\$ <u>830,553</u></u>

See accompanying notes to the basic financial statements

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended March 31, 2019

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$	(167,245)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		320,903
Change in assets and liabilities:		
Receivables, net		(28,595)
Inventories, net		13,248
Prepaid expenses		(2,138)
Accounts and other payables		32,743
Tenant security deposit		4,105
Unearned revenues		(1,124)
Compensated absences		11,976
Accrued expenses		<u>(1,931)</u>
Net cash provided by (used) by operating activities	\$	<u><u>181,942</u></u>

Supplemental schedule of non-cash investing, capital and financing activities:

The Management receives an interest reduction subsidy resulting in a reduced effective interest rate over the life of the note. For the year ended March 31, 2019, the Management received \$46,285 in interest subsidy payments.

See accompanying notes to the basic financial statements

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS
March 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Boston Property Management (Management) is a public body and a body corporate and politic organized under the laws of the State of Texas that is legally separate, fiscally independent and governed by a Board of Commissioners. The Management was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other applicable federal agencies. Additionally, HUD has entered into Annual Contributions Contract with the Management for the purpose of administering housing and housing relating programs described herein. The Management is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The financial statements of the Management have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1A. Financial Reporting Entity

The Management's financial reporting entity comprises the following:

Primary Government: Property Management

In determining the financial reporting entity, the Management complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity," and includes all component units of which the Management appointed a voting majority of the units' board; the Management is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, the financial statements of the reporting entity include the New Boston Property Management, Texas and its component units, New Boston Neighborhood Public Facilities Corporation (NBNPFC) and Northeast Texas Property Administration Corporation (NETPAC). NBNPFC and NETPAC are a separate nonprofit corporation formed in the State of Texas as an instrumentality of the Management and is reported as blended component units. The Management is not part of any other entity nor does it have oversight responsibility over any other agency.

1B. Basis of Presentation

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Management uses the following fund:

Proprietary Fund Types - This fund is used to account for the Management's ongoing activities that are similar to those often found in the private sector. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Management's proprietary fund types:

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1B. Basis of Presentation – (Continued)

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Management’s programs as an enterprise fund.

The Management operates the following programs in the enterprise fund:

Low Rent - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Capital Fund Program - The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

Section 8 New Construction - Under this program, HUD provides Section 8 project-based assistance to the housing authorities to help bridge the gap between the rents needed to make a project feasible and the rents affordable to the tenants. The project is financed through the USDA-RD Program.

Business Activities -

1) The Management owns three houses that it rents at market rate. These properties are funded by rental income only and managed by New Boston Neighborhood Public Facilities Corporation (NBNPFC).

2) The Northeast Texas Property Administration Corporation (NETPAC) was organized for the purpose of owning, developing, managing, and maintaining real property and housing in the State of Texas, and providing support services to the residents of such housing.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Management’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1E. Estimates and assumptions

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

1F. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds, if any, are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD, other government, miscellaneous and tenant accounts receivable.

Inventories

Inventories are valued at lower of cost or market on an average cost basis. Inventories consist primarily of maintenance materials and supplies held for consumption. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as assets when purchased and expenses when used.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Management to capitalize all assets with a cost of \$1,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity – (Continued)

Fixed Assets – (Continued)

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	20-50 years
Site improvements	10-15 years
Furniture, equipment and machinery - dwelling	7 years
Furniture, equipment and machinery - administrative	3-5 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to the maintenance reserve account and security deposit fund under Section 8 New Construction program and security deposit fund under the Low Rent and Business Activities program.

Compensated Absences

The Management's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

Equity Classifications

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted are available, the Authority's policy is to apply restricted assets to fund restricted costs and then unrestricted as they are needed.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Management and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Management's compliance with significant laws and regulations and demonstration of its stewardship over Management resources follows.

2A. Program Accounting Requirements

The Management's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Management are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Public Housing Capital Fund	U.S. Department of Housing and Urban Development
Section 8 N/C S/R	U.S. Department of Housing and Urban Development
Business Activities (NBNPCF)	Property Management
Business Activities (NETPAC)	Property Management

2B. Deposits and Investments Laws and Regulations

It is the Management's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Management must maintain a written collateral agreement from all financial institutions pledging collateral to the Management. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

2C. Revenue Restrictions

The Management has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Capital Fund Program	Modernization

For the year ended March 31, 2019, the Management complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash Deposits and Investments

As of March 31, 2019, the Management had the following cash deposits:

Cash deposits	\$ 830,453
Petty cash	<u>100</u>
Total	<u>\$ 830,553</u>

Following is a reconciliation of the Management's deposit balances as of March 31, 2019:

Cash and cash equivalents	\$ 612,916
Restricted assets	<u>217,637</u>
Total	<u>\$ 830,553</u>

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Management will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At March 31, 2019, the Management's bank balances of \$857,234 were entirely covered by FDIC insurance or by pledged collateral held by the Management's agent bank in the Management's name.

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Management will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At March 31, 2019, the Management had no investments

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3A. Cash Deposits and Investments – (Continued)

Investments – (Continued)

Interest Rate Risk

The Management does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Management had no investments at March 31, 2019, credit risk is not applicable to the Management.

Concentration of Credit Risk

As the Management had no investment at March 31, 2019, concentration of credit risk is not applicable to the Management.

3B. Restricted Assets

Restricted assets at March 31, 2019 consist of the following:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
Reserve accounts	\$ 135,708	\$ ----	\$ ----	\$ 135,708
Security deposits	81,929	----	----	81,929
Total	\$ 217,637	\$ ----	\$ ----	\$ 217,637

3C. Accounts Receivable

Receivables at March 31, 2019 consist of the following:

Tenants	\$ 6,190
Less: Allowance for doubtful account	(141)
Tenants - net of allowance	6,049
Miscellaneous	2,992
Other government	8,867
Accounts receivable – HUD	33,513
Total receivable – net of allowance	\$ 51,421

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3D. Inventory

Inventory at March 31, 2019 comprised of the following:

Inventory	\$ 42,198
Less: Allowance for obsolete inventory	<u>(2,110)</u>
Inventory - net of allowance	<u>\$ 40,088</u>

3E. Capital Assets

A summary of capital asset activity for the year ended March 31, 2019 is as follows:

	Balance April 1, 2018	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance March 31, 2019
Non-depreciable assets:					
Land	\$ 196,108	\$ -	\$ -	\$ -	\$ 196,108
Construction in progress	<u>106,248</u>	<u>85,390</u>	<u>-</u>	<u>-</u>	<u>191,638</u>
Total non-depreciable assets	<u>302,356</u>	<u>85,390</u>	<u>-</u>	<u>-</u>	<u>387,746</u>
Depreciable assets:					
Building	11,084,863	3,200	-	-	11,088,063
Equipment - dwelling	41,657	-	(14,803)	-	26,854
Equipment - administration	425,555	64,940	(57,102)	-	433,393
Leasehold improvements	<u>1,506,490</u>	<u>1,140</u>	<u>-</u>	<u>-</u>	<u>1,507,630</u>
Total depreciable assets	13,058,565	69,280	(71,905)	-	13,055,940
Accumulated depreciation	<u>(7,572,836)</u>	<u>(320,903)</u>	<u>69,021</u>	<u>-</u>	<u>(7,824,718)</u>
Total depreciable assets, net	<u>5,485,729</u>	<u>(251,623)</u>	<u>(2,884)</u>	<u>-</u>	<u>5,231,222</u>
Capital assets, net	<u>\$ 5,788,085</u>	<u>\$ (166,233)</u>	<u>\$ (2,884)</u>	<u>\$ -</u>	<u>\$ 5,618,968</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Low Rent	\$ 284,982
Section 8 N/C	32,341
Business Activities	<u>3,580</u>
Total depreciation expense	<u>\$ 320,903</u>

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3F. Non-Current Liabilities

Changes in non-current liabilities

The following is the summary of changes in non-current liabilities:

<u>Description</u>	<u>Balance April 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2019</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 40,913	\$ 10,779	\$ -----	\$ 51,692	\$ 5,743
Notes payable	<u>647,082</u>	<u>-----</u>	<u>41,312</u>	<u>605,770</u>	<u>37,511</u>
Total	<u>\$ 687,995</u>	<u>\$ 10,779</u>	<u>\$ 41,312</u>	<u>\$ 657,462</u>	<u>\$ 43,254</u>

Annual Debt Service Requirements

The long-term debt consists of the following notes:

1) Note Payable – USDA

The USDA-RD note payable is due in monthly installments of \$3,196, including principal and interest, with final maturity scheduled for December 4, 2030 at an interest rate of 10%. The Management receives an interest reduction subsidy resulting in a reduced effective interest rate of 1% over the life of the note. For the year ended March 31, 2019, the Management received \$46,285 in interest subsidy payments. All land and structures of the USDA-RD project serve as collateral for this loan. The annual debt service requirements to maturity for long-term debt as of March 31, 2019, are as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 24,326	\$ 14,021	\$ 38,347
2021	25,176	13,171	38,347
2022	26,076	12,271	38,347
2023	27,076	11,271	38,347
2024	28,162	10,185	38,347
2025-2029	158,310	33,425	191,735
2030-maturity	<u>294,562</u>	<u>-</u>	<u>294,562</u>
	<u>\$ 583,688</u>	<u>\$ 94,344</u>	<u>\$ 678,032</u>

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3F. Non-Current Liabilities – (Continued)

Annual Debt Service Requirements – (Continued)

2) Note Payable – Farmers Bank and Trust

In connection with the purchase of two houses, NBNPFC assumed note from Farmers Bank in the amount of \$80,000. The note payable is due in annual installments of \$12,000, including principal and interest, with final maturity scheduled for March 10, 2021 at an interest rate of 5% with the remaining balance to be paid as a balloon payment at maturity. The balance due as of March 31, 2019 is \$26,119 (including current portion). The annual debt service requirements to maturity for long-term debt as of March 31, 2019, are as follows:

<u>Maturity – Farmers Bank</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,856	\$ 1,144	\$ 12,000
2021	15,263	-	15,263
	<u>\$ 26,119</u>	<u>\$ 1,144</u>	<u>\$ 27,263</u>

In addition, the NBNPFC also assumed a note in connection with the purchase of a third house from Guaranty Bank in the amount of \$40,000. The note payable is due in annual installments of \$3,269, including principal and interest, with final maturity scheduled for October 13, 2021 at an interest rate of 2.8% with the remaining balance to be paid as a balloon payment at maturity. The balance due as of March 31, 2019 is \$33,474 (including current portion). The annual debt service requirements to maturity for long-term debt as of March 31, 2019, are as follows:

<u>Maturity – Guaranty Bank</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,329	\$ 940	\$ 3,269
2021	2,395	874	3,269
2022	28,750	479	29,229
	<u>\$ 33,474</u>	<u>\$ 2,293</u>	<u>\$ 35,767</u>

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3G. Condensed Combining Financial Information

The Management has the following condensed combining financial information:

**Condensed Statement of Net Position
March 31, 2019**

	New Boston Prop. Mgmt.	Blended Component Unit	Total
Current Assets	\$870,885	\$77,148	\$948,033
Capital Assets, Net	\$5,483,665	\$135,303	\$5,618,968
Total Assets	\$6,354,550	\$212,451	\$6,567,001
Current Liabilities	\$167,470	\$15,069	\$182,539
Non-Current Liabilities	\$611,054	\$46,408	\$657,462
Total Liabilities	\$778,524	\$61,477	\$840,001
Net Position:			
Invested in Capital Assets	\$4,899,977	\$75,710	\$4,975,687
Restricted Assets	\$135,708	\$0	\$135,708
Unrestricted Assets	\$540,341	\$75,264	\$615,605
Total Net Position	\$5,576,026	\$150,974	\$5,727,000

**Condensed Statement of Revenues, Expenses and Changes in Net Position
March 31, 2019**

	New Boston Prop. Mgmt.	Blended Component Unit	Total
Revenue:			
Tenant Revenue	\$509,694	\$25,527	\$535,221
Federal Grants & Subsidy	974,271	-	974,271
Investment Income	\$6,466	\$0	\$6,466
Other Income	\$43,699	\$51,404	\$95,103
Gain/Loss on Sale of Fixed Assets	\$3,420	\$0	\$3,420
Total Revenue	\$1,537,550	\$76,931	\$1,614,481
Expenses:			
Administrative	\$525,229	\$30,870	\$556,099
Tenant Services	\$6,880	\$0	\$6,880
Utilities	\$101,989	\$0	\$101,989
Routine Maintenance	\$551,512	\$1,756	\$553,268
Protective Services	\$8,352	\$0	\$8,352
General Expenses	\$63,344	\$2,699	\$66,043
Interest Expenses	\$59,530	\$1,359	\$60,889
Non-Routine Expenses	\$1,490	\$0	\$1,490
Depreciation	\$317,323	\$3,580	\$320,903
Total Operating Expenses	\$1,635,649	\$40,264	\$1,675,913
Increase (Decrease) in Net Position	(\$98,099)	\$36,667	(\$61,432)

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Management provides pension benefits for all of its full-time employees through a defined contribution plan with Principal Financial Group. The Plan administrator has complete control of the administration of the plan, including complete discretions to interpret or construe the provisions of the Plan and under which contributions are established or may be amended.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Management to contribute 7% of covered wages. Benefits are fully vested at the end of 5 years of service.

The following information related to the defined contribution plan at March 31, 2019:

Total payroll	\$	532,982
Total payroll for eligible participants	\$	467,669
Employer contributions made	\$	32,737

4B. Risk Management

The Management is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Management manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Texas Municipal League - Intergovernmental Risk Pool.
b. Injuries to employees (workers' compensation)	Purchased insurance with Texas Municipal League - Intergovernmental Risk Pool. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.
d. Health and life	Health insurance is provided by Texas Municipal League - Intergovernmental Risk Pool; Life insurance is provided by UNUM Life Insurance Company.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Management. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4C. Contingencies

The Management is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Management in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2019

NOTE 4 – OTHER NOTES – (Continued)

4D. Commitments - Construction

At March 31, 2019, the Management had pending construction projects in progress. The commitments related to these projects are summarized as follows:

	Funds Approved	Funds Expended - Project to Date
CFP 501-17	\$ 194,520	\$ 114,127
CFP 501-18	<u>291,572</u>	<u>143,028</u>
	<u>\$ 486,092</u>	<u>\$ 257,155</u>

4E. Financial Data Schedule

The Management prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense and extraordinary maintenance and includes investment income, interest subsidy, interest expense and capital contributions in operating activities, which differs from the presentation of basic financial statements.

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. The management evaluated the activity of the Authority through September 5, 2019 and concluded that no subsequent events have occurred that would require adjustment to or disclosure within these financial statements.

4G. Affiliated Organizations

The Management provides management services to the Housing Authority of the City of Bowie through a signed Agreement. The Management earned \$45,000 in FY 2019 which is included in the miscellaneous operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. This affiliation does not meet the criteria under GASB No. 14, as amended by GASB No. 39, for the inclusion in the reporting entity of the Management, nor do they represent related parties.

4H. Economic Dependency

The Management is primarily dependent upon HUD for the funding of operations; therefore, the Management is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2020 federal budget.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
March 31, 2019

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-16</u>
Funds approved	\$ 194,472
Funds expended	<u>194,472</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 194,472
Funds expended	<u>194,472</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated January 28, 2019, submitted to HUD for approval is in agreement with the Authority's records as of March 31, 2019.
3. All costs have been paid and all related liabilities have been discharged through payments.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2019

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Public and Indian Housing	14.850	\$ 439,748
Public Housing Capital Fund	14.872	236,271
Section 8 Project-Based Cluster: Section 8 New Construction & Substantial Rehabilitation	14.182	251,967
<u>U.S. Department of Agriculture</u>		
Interest Subsidy	10.415	46,285
Rural Rental Housing Loans	10.415	* 583,688
Total Expenditures of Federal Awards		\$ <u>1,557,959</u>

* Consists of principal balance of notes at March 31, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the New Boston Property Management (Management) under programs of the federal government for the year ended March 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Management, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Management.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Management has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

FINANCIAL DATA SCHEDULE
Year Ended March 31, 2019

	Project Total	14.182 N/C S/R Section 8 Programs	1 Business Activities	10.415 Rural Rental Housing Loans	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$467,163	\$70,612	\$75,141		\$612,916		\$612,916
113 Cash - Other Restricted	\$0	\$135,708	\$0		\$135,708		\$135,708
114 Cash - Tenant Security Deposits	\$74,462	\$5,967	\$1,500		\$81,929		\$81,929
100 Total Cash	\$541,625	\$212,287	\$76,641	\$0	\$830,553	\$0	\$830,553
122 Accounts Receivable - HUD Other Projects	\$33,513	\$0	\$0		\$33,513		\$33,513
124 Accounts Receivable - Other Government	\$8,867	\$0	\$0		\$8,867		\$8,867
125 Accounts Receivable - Miscellaneous	\$2,970	\$0	\$22		\$2,992		\$2,992
126 Accounts Receivable - Tenants	\$4,932	\$986	\$272		\$6,190		\$6,190
126.1 Allowance for Doubtful Accounts - Tenants	-\$87	-\$27	-\$27		-\$141		-\$141
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$50,195	\$959	\$267	\$0	\$51,421	\$0	\$51,421
142 Prepaid Expenses and Other Assets	\$20,575	\$5,156	\$240		\$25,971		\$25,971
143 Inventories	\$33,758	\$8,440	\$0		\$42,198		\$42,198
143.1 Allowance for Obsolete Inventories	-\$1,688	-\$422	\$0		-\$2,110		-\$2,110
150 Total Current Assets	\$644,465	\$226,420	\$77,148	\$0	\$948,033	\$0	\$948,033
161 Land	\$149,747	\$24,980	\$21,381		\$196,108		\$196,108
162 Buildings	\$9,859,593	\$1,101,490	\$126,980		\$11,088,063		\$11,088,063
163 Furniture, Equipment & Machinery - Dwellings	\$16,629	\$8,663	\$1,562		\$26,854		\$26,854
164 Furniture, Equipment & Machinery - Administration	\$334,712	\$97,406	\$1,275		\$433,393		\$433,393
165 Leasehold Improvements	\$1,466,352	\$41,278	\$0		\$1,507,630		\$1,507,630
166 Accumulated Depreciation	-\$7,021,985	-\$786,838	-\$15,895		-\$7,824,718		-\$7,824,718
167 Construction in Progress	\$191,638	\$0	\$0		\$191,638		\$191,638
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,996,686	\$486,979	\$135,303	\$0	\$5,618,968	\$0	\$5,618,968
180 Total Non-Current Assets	\$4,996,686	\$486,979	\$135,303	\$0	\$5,618,968	\$0	\$5,618,968
290 Total Assets and Deferred Outflow of Resources	\$5,641,151	\$713,399	\$212,451	\$0	\$6,567,001	\$0	\$6,567,001
312 Accounts Payable <= 90 Days	\$29,495	\$5,500	\$275		\$35,270		\$35,270
321 Accrued Wage/Payroll Taxes Payable	\$4,526	\$221	\$0		\$4,747		\$4,747
322 Accrued Compensated Absences - Current Portion	\$4,586	\$1,157	\$0		\$5,743		\$5,743
325 Accrued Interest Payable	\$0	\$1,007	\$109		\$1,116		\$1,116
341 Tenant Security Deposits	\$74,462	\$5,967	\$1,500		\$81,929		\$81,929
342 Unearned Revenue	\$859	\$609	\$0		\$1,468		\$1,468
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$24,326	\$13,185		\$37,511		\$37,511
345 Other Current Liabilities	\$1,699	\$0	\$0		\$1,699		\$1,699
346 Accrued Liabilities - Other	\$13,056	\$0	\$0		\$13,056		\$13,056
310 Total Current Liabilities	\$128,683	\$38,787	\$15,069	\$0	\$182,539	\$0	\$182,539

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended March 31, 2019

	Project Total	14.182 N/C S/R Section 8 Programs	1 Business Activities	10.415 Rural Rental Housing Loans	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$559,362	\$46,408		\$605,770		\$605,770
354 Accrued Compensated Absences - Non Current	\$41,276	\$10,416	\$0		\$51,692		\$51,692
350 Total Non-Current Liabilities	\$41,276	\$569,778	\$46,408	\$0	\$657,462	\$0	\$657,462
300 Total Liabilities	\$169,959	\$608,565	\$61,477	\$0	\$840,001	\$0	\$840,001
508.4 Net Investment in Capital Assets	\$4,996,686	-\$96,709	\$75,710		\$4,975,687		\$4,975,687
511.4 Restricted Net Position	\$0	\$135,708	\$0		\$135,708		\$135,708
512.4 Unrestricted Net Position	\$474,506	\$65,835	\$75,264	\$0	\$615,605		\$615,605
513 Total Equity - Net Assets / Position	\$5,471,192	\$104,834	\$150,974	\$0	\$5,727,000	\$0	\$5,727,000
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$5,641,151	\$713,399	\$212,451	\$0	\$6,567,001	\$0	\$6,567,001

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended March 31, 2019

	Project Total	14.182 N/C S/R Section 8 Programs	1 Business Activities	10.415 Rural Rental Housing Loans	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$421,621	\$44,832	\$22,908		\$489,361		\$489,361
70400 Tenant Revenue - Other	\$35,307	\$7,934	\$2,619		\$45,860		\$45,860
70500 Total Tenant Revenue	\$456,928	\$52,766	\$25,527	\$0	\$535,221	\$0	\$535,221
70600 HUD PHA Operating Grants	\$565,488	\$251,967	\$0		\$817,455		\$817,455
70610 Capital Grants	\$110,531	\$0	\$0		\$110,531		\$110,531
70800 Other Government Grants	\$0	\$46,285	\$0		\$46,285		\$46,285
71100 Investment Income - Unrestricted	\$4,554	\$1,912	\$0		\$6,466		\$6,466
71500 Other Revenue	\$41,105	\$2,594	\$51,404		\$95,103		\$95,103
71600 Gain or Loss on Sale of Capital Assets	\$466	\$2,954	\$0		\$3,420		\$3,420
70000 Total Revenue	\$1,179,072	\$358,478	\$76,931	\$0	\$1,614,481	\$0	\$1,614,481
91100 Administrative Salaries	\$232,238	\$68,642	\$24,822		\$325,702		\$325,702
91200 Auditing Fees	\$5,699	\$1,182	\$70		\$6,951		\$6,951
91400 Advertising and Marketing	\$4,471	\$1,120	\$0		\$5,591		\$5,591
91500 Employee Benefit contributions - Administrative	\$85,358	\$25,115	\$3,796		\$114,269		\$114,269
91600 Office Expenses	\$12,914	\$15,565	\$0		\$28,479		\$28,479
91700 Legal Expense	\$1,500	\$0	\$0		\$1,500		\$1,500
91800 Travel	\$2,031	\$1,318	\$190		\$3,539		\$3,539
91900 Other	\$53,591	\$14,485	\$1,992		\$70,068		\$70,068
91000 Total Operating - Administrative	\$397,802	\$127,427	\$30,870	\$0	\$556,099	\$0	\$556,099
92400 Tenant Services - Other	\$6,798	\$82	\$0		\$6,880		\$6,880
92500 Total Tenant Services	\$6,798	\$82	\$0	\$0	\$6,880	\$0	\$6,880
93100 Water	\$40,615	\$6,611	\$0		\$47,226		\$47,226
93200 Electricity	\$21,060	\$3,421	\$0		\$24,481		\$24,481
93300 Gas	\$2,864	\$1,011	\$0		\$3,875		\$3,875
93600 Sewer	\$22,627	\$3,780	\$0		\$26,407		\$26,407
93000 Total Utilities	\$87,166	\$14,823	\$0	\$0	\$101,989	\$0	\$101,989
94100 Ordinary Maintenance and Operations - Labor	\$175,618	\$43,687	\$0		\$219,305		\$219,305
94200 Ordinary Maintenance and Operations - Materials and Other	\$95,736	\$20,856	\$9		\$116,601		\$116,601
94300 Ordinary Maintenance and Operations Contracts	\$122,670	\$28,139	\$1,462		\$152,271		\$152,271
94500 Employee Benefit Contributions - Ordinary Maintenance	\$51,071	\$13,735	\$285		\$65,091		\$65,091
94000 Total Maintenance	\$445,095	\$106,417	\$1,756	\$0	\$553,268	\$0	\$553,268
95200 Protective Services - Other Contract Costs	\$6,682	\$1,670	\$0		\$8,352		\$8,352
95000 Total Protective Services	\$6,682	\$1,670	\$0	\$0	\$8,352	\$0	\$8,352

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended March 31, 2019

	Project Total	14.182 N/C S/R Section 8 Programs	1 Business Activities	10.415 Rural Rental Housing Loans	Subtotal	ELIM	Total
96110 Property Insurance	\$28,627	\$6,669	\$485		\$35,781		\$35,781
96120 Liability Insurance	\$1,616	\$608	\$196		\$2,420		\$2,420
96130 Workmen's Compensation	\$7,320	\$1,677	\$45		\$9,042		\$9,042
96140 All Other Insurance	\$3,178	\$1,216	\$0		\$4,394		\$4,394
96100 Total insurance Premiums	\$40,741	\$10,170	\$726	\$0	\$51,637	\$0	\$51,637
96200 Other General Expenses	\$0	\$0	\$1,946		\$1,946		\$1,946
96400 Bad debt - Tenant Rents	\$7,638	\$4,795	\$27		\$12,460		\$12,460
96000 Total Other General Expenses	\$7,638	\$4,795	\$1,973	\$0	\$14,406	\$0	\$14,406
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$59,530	\$1,359		\$60,889		\$60,889
96700 Total Interest Expense and Amortization Cost	\$0	\$59,530	\$1,359	\$0	\$60,889	\$0	\$60,889
96900 Total Operating Expenses	\$991,922	\$324,914	\$36,684	\$0	\$1,353,520	\$0	\$1,353,520
97000 Excess of Operating Revenue over Operating Expenses	\$187,150	\$33,564	\$40,247	\$0	\$260,961	\$0	\$260,961
97100 Extraordinary Maintenance	\$728	\$762	\$0		\$1,490		\$1,490
97400 Depreciation Expense	\$284,982	\$32,341	\$3,580		\$320,903		\$320,903
90000 Total Expenses	\$1,277,632	\$358,017	\$40,264	\$0	\$1,675,913	\$0	\$1,675,913
10010 Operating Transfer In	\$86,386	\$0	\$0		\$86,386	-\$86,386	\$0
10020 Operating transfer Out	-\$86,386	\$0	\$0		-\$86,386	\$86,386	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$98,560	\$461	\$36,667	\$0	-\$61,432	\$0	-\$61,432
11020 Required Annual Debt Principal Payments	\$0	\$24,894	\$15,025	\$0	\$39,919		\$39,919
11030 Beginning Equity	\$5,569,752	\$104,373	\$114,307	\$0	\$5,788,432		\$5,788,432
11190 Unit Months Available	2280	480	36		2796		2796
11210 Number of Unit Months Leased	2270	473	36		2779		2779
11270 Excess Cash	\$383,757				\$383,757		\$383,757
11620 Building Purchases	\$85,390				\$85,390		\$85,390
11640 Furniture & Equipment - Administrative Purchases	\$34,665				\$34,665		\$34,665

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

Board of Commissioners
New Boston Property Management
New Boston, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Boston Property Management (Management), Texas, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Management's basic financial statements, and have issued my report thereon dated September 5, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Management's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Management's internal control. Accordingly, I do not express an opinion on the effectiveness of the Management's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

September 5, 2019

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

Board of Commissioners
New Boston Property Management
New Boston, Texas

Report on Compliance for Each Major Federal Program

I have audited the New Boston Property Management (Management), Texas’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Management’s major federal programs for the year ended March 31, 2019. The Management’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

My responsibility is to express an opinion on compliance for each of the Management’s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Management’s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Management’s compliance.

Opinion on Each Major Federal Program

In my opinion, the Management, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.

Report on Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

September 5, 2019

NEW BOSTON PROPERTY MANAGEMENT
New Boston, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No
<u>Identification of Major programs:</u>	
➤ CFDA #14.850 Public and Indian Housing	
➤ CFDA #14.872 Public Housing Capital Fund	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended March 31, 2019 disclosed no Financial Statement audit findings.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended March 31, 2019 disclosed no Federal Awards audit finding and questioned costs.