

**HOUSING AUTHORITY OF BOWIE COUNTY
WAKE VILLAGE, TEXAS**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of Bowie County
Wake Village, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of Bowie County (Authority), Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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 Housing Authority of Bowie County, Texas, as of September 30, 2018, 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.

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 Housing Authority of Bowie County’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 accompanying PHA’s Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are the responsibility of management and was 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 and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, I have also issued my report dated January 11, 2019 on my consideration of the Authority'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 the Authority’s internal control over financial reporting and compliance.



Shoab Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

January 11, 2019

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2018

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 Bowie County Housing Authority financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ending September 30, 2018. Please read the MD&A in conjunction with the Housing Authority's financial statements.

The Bowie County Housing Authority was organized under Texas Local Government Code 392. The agency owns and manages twenty (20) apartments dedicated for the rental assistance for individuals who are elderly (62 years and older), handicapped or have a documented disability.

For accounting purposes, the Housing Authority 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 decreased from \$554,988 to \$532,788 totaling a change of 4% for the year ending September 30, 2018 compared to last fiscal year. Total liabilities decreased by 4%.

Total revenue increased \$32,131 from \$88,333 from the year ending September 30, 2017, to \$120,464 for the year ending September 30, 2018. The difference is the combined increase in tenant revenue and in federal grants and subsidies.

Total operating expenses increased from \$139,848 for the year ending September 30, 2017 to \$142,400 for September 30, 2018, an increase of \$2,552 or 2%.

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 Housing Authority's financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

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

All 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 Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2018

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 Housing Authority 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 2018.

Financial Analysis

The Housing Authority'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 Housing Authority's assets and liabilities as of the close of business on September 30. The Statement of Changes in Net Position summarizes the revenues and sources of those revenues generated during the year ending September 30 and the expenses incurred in operating the Housing Authority for the year ending September 30, 2018.

The Housing Authority accounts for its housing activities in two (2) programs. The Housing Authority has a low rent program that provides housing for qualified tenants and a capital fund program that the Housing Authority uses for improvements to its low rent property. The analysis below focuses on the net position and the change in net position of the Housing Authority as a whole and not the individual programs.

	Net Position			
	September 30,			
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$107,546	\$111,966	(\$4,420)	-4%
Capital Assets, Net	<u>\$425,242</u>	<u>443,022</u>	<u>(\$17,780)</u>	<u>-4%</u>
Total Assets	<u>\$532,788</u>	<u>\$554,988</u>	<u>(\$22,200)</u>	<u>-4%</u>
Current Liabilities	<u>\$6,746</u>	<u>7,010</u>	<u>(\$264)</u>	<u>-4%</u>
Total Liabilities	<u>\$6,746</u>	<u>\$7,010</u>	<u>(\$264)</u>	<u>-4%</u>
Net Position:				
Invested in Capital Assets	\$425,242	443,022	(\$17,780)	-4%
Unrestricted Assets	<u>\$100,800</u>	<u>104,956</u>	<u>(\$4,156)</u>	<u>-4%</u>
Total Net Position	<u>\$526,042</u>	<u>\$547,978</u>	<u>(\$21,936)</u>	<u>-4%</u>

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2018

Financial Analysis – (Continued)

Total assets decreased by \$22,200 and total liabilities decreased at September 30, 2018 by \$264.

The expendable fund balance has decreased from \$104,476 in year ending September 30, 2017 to \$100,121 for year ending September 30, 2018. This is a decrease of \$4,355 or 4%.

The expendable fund balance of an Authority is a measure of the liquidity of the entity. If all of 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 decreased from 12.30 in year ending September 30, 2017 to 11.49 for year ending September 30, 2018. This is a decrease of less than one month.

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 September 30,

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%-Change</u>
Revenue:				
Tenant Revenue	\$61,948	\$55,025	\$6,923	13%
Federal Grants & Subsidy	\$58,045	\$32,797	\$25,248	77%
Investment Income	\$471	\$502	(\$31)	-6%
Other Income	\$0	\$9	(\$9)	-100%
Total Revenue	<u>\$120,464</u>	<u>\$88,333</u>	<u>\$32,131</u>	<u>36%</u>
Expenses:				
Administrative	\$62,540	\$58,995	\$3,545	6%
Tenant Services	\$85	\$184	(\$99)	-54%
Utilities	\$11,778	\$11,371	\$407	4%
Routine Maintenance	\$25,673	\$28,196	(\$2,523)	-9%
General Expenses	\$4,506	\$3,209	\$1,297	40%
Depreciation	\$37,818	\$37,893	(\$75)	0%
Total Operating Expenses	<u>\$142,400</u>	<u>\$139,848</u>	<u>\$2,552</u>	<u>2%</u>
Increase (Decrease) in Net Position	<u>(\$21,936)</u>	<u>(\$51,515)</u>	<u>\$29,579</u>	<u>-57%</u>

Total Net Position decreased \$29,579 for the year ending September 30, 2018 when compared with the prior year mainly due to a increase in tenant rent and in federal grants and subsidy.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2018

Capital Assets

Capital Assets				
September 30,				
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%-Change</u>
Land	\$51,530	\$51,530	\$0	0%
Buildings	\$771,893	771,893	\$0	0%
Equipment - dwellings	\$14,277	\$13,519	\$758	6%
Equipment - administration	\$6,101	\$2,399	\$3,702	154%
Leasehold improvements	\$311,624	311,624	\$0	0%
Construction in progress	\$15,578	-	\$15,578	100%
Subtotal	\$1,171,003	\$1,150,965	\$20,038	2%
Accumulated depreciation	(\$745,761)	(\$707,943)	(\$37,818)	5%
Net Capital Assets	<u>\$425,242</u>	<u>\$443,022</u>	<u>(\$17,780)</u>	<u>-4%</u>

At September 30, 2018, the Housing Authority had \$425,242 invested in net capital assets. Total net capital assets decreased 4% due to depreciation expense exceeding the capital acquisition in FY 2018.

Debt

The Housing Authority has no debt.

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2019 federal budget.

Contacting the Housing Authority’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority’s finances and to show the Housing Authority’s accountability for the money it receives. If there are any questions about this report or any interest in requesting financial information, please contact Cal Davis, Executive Director, Bowie County Housing Authority, 1002 MacArthur Avenue, Wake Village, TX 75501, 903-832-8514, cal.bcha@aol.com or through the website at www.ApplyNewBoston.com under the Bowie County Housing Authority or Contact tabs.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

STATEMENT OF NET POSITION
September 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	101,074
Cash - restricted		2,200
Receivables - net of allowances		3,510
Inventory - net of allowances		679
Prepaid expenses		<u>83</u>

Total Current Assets 107,546

Non-current Assets:

Capital assets:

Land and construction in progress		67,108
Other capital assets, net of depreciation		<u>358,134</u>

Total capital assets - net 425,242

Total Non-current Assets 425,242

Total Assets \$ 532,788

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

STATEMENT OF NET POSITION - (Continued)
September 30, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$	4,525
Tenant security deposit liability		2,200
Unearned revenues		<u>21</u>

Total Current Liabilities 6,746

Total Liabilities 6,746

NET POSITION

Net investment in capital assets		425,242
Unrestricted		<u>100,800</u>

Total Net Position 526,042

Total Liabilities and Net Position \$ 532,788

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended September 30, 2018

OPERATING REVENUES	
Tenant revenue	\$ 61,948
Governmental grants and subsidy	<u>38,007</u>
Total operating revenue	<u>99,955</u>
OPERATING EXPENSES	
Administrative	62,540
Tenant services	85
Utilities	11,778
Ordinary maintenance and operations	25,673
Insurance	3,744
General	762
Depreciation expense	<u>37,818</u>
Total operating expenses	<u>142,400</u>
Operating income (loss)	<u>(42,445)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>471</u>
Net non-operating revenues (expenses)	<u>471</u>
Income (loss) before contributions and transfers	<u>(41,974)</u>
Capital contributions	<u>20,038</u>
Change in net position	(21,936)
Total net position - beginning of year	<u>547,978</u>
Total net position - end of year	<u>\$ <u>526,042</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from tenants	\$ 61,197
Received from governmental grants and subsidy	34,497
Received from other operating activities	46
Payments for goods and services	<u>(104,294)</u>
Net cash provided by (used in) operating activities	<u>(8,554)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital contributions	20,038
Purchases of capital assets	<u>(20,038)</u>
Net cash provided by (used in) capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest and dividends	<u>471</u>
Net cash provided by (used in) investing activities	<u>471</u>
Net increase (decrease) in cash and cash equivalents	(8,083)
Cash and cash equivalents at beginning of year	<u>111,357</u>
Cash and cash equivalents at end of year	<u><u>\$ 103,274</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended September 30, 2018

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

Operating income (loss)	\$	(42,445)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		37,818
Change in assets and liabilities:		
Receivables, net		(3,464)
Inventories, net		(199)
Accounts and other payables		(1,283)
Tenant security deposit		25
Unearned revenues		(14)
Accrued expenses		<u>1,008</u>
Net cash provided by (used) by operating activities	\$	<u><u>(8,554)</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2018

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

1B. Basis of Presentation - (Continued)

The Authority 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.

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 Authority’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.

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

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.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2018

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

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

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 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 Authority 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.

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	20-40 years
Site improvements	15 years
Furniture, equipment and machinery - dwelling	7 years
Furniture, equipment and machinery - administrative	7 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 security deposit fund.

Equity Classifications

Equity is classified as net position and displayed in two 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) Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2018

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

2A. Program Accounting Requirements

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

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

2B. Deposits Laws and Regulations

It is the Authority'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 Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority. As reflected in Note 3A, all deposits were fully insured or collateralized.

2C. Revenue Restrictions

The Authority 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 September 30, 2018, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2018

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

As of September 30, 2018, the Authority had the following cash deposits and investments:

Cash deposits	\$	103,174
Petty cash		<u>100</u>
Total	\$	<u>103,274</u>

Following is a reconciliation of the Authority's deposit balances as of September 30, 2018:

Cash and cash equivalents	\$	101,074
Restricted assets		<u>2,200</u>
Total	\$	<u><u>103,274</u></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 Authority 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 September 30, 2018, the Authority's bank balances of \$108,222 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

3B. Restricted Assets

Restricted assets at September 30, 2018 consist of the following:

<u>Type of Restricted Assets</u>		
Security deposit	\$	<u><u>2,200</u></u>

3C. Accounts Receivable

Receivables at September 30, 2018 consist of the following:

HUD	\$	<u>3,510</u>
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HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2018

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

3D. Inventory

Inventory at September 30, 2018 comprised of the following:

Inventory	\$	715
Less: Allowance for obsolete inventory		<u>(36)</u>
Inventory - net of allowance	\$	<u>679</u>

3E. Capital Assets

A summary of capital asset activity for the year ended September 30, 2018 is as follows:

	Balance October 1, 2017	Additions	(Retirement)	Balance September 30, 2018
Non-depreciable assets:				
Land	\$ 51,530	\$ -	\$ -	\$ 51,530
Construction in progress	<u>-</u>	<u>15,578</u>	<u>-</u>	<u>15,578</u>
Total non-depreciable assets	<u>51,530</u>	<u>15,578</u>	<u>-</u>	<u>67,108</u>
Depreciable assets:				
Building	771,893	-	-	771,893
Equipment - dwelling	13,519	758	-	14,277
Equipment - administration	2,399	3,702	-	6,101
Leasehold improvements	<u>311,624</u>	<u>-</u>	<u>-</u>	<u>311,624</u>
Total depreciable assets	1,099,435	4,460	-	1,103,895
Accumulated depreciation	<u>(707,943)</u>	<u>(37,818)</u>	<u>-</u>	<u>(745,761)</u>
Total depreciable assets, net	<u>391,492</u>	<u>(33,358)</u>	<u>-</u>	<u>358,134</u>
Capital assets, net	\$ <u>443,022</u>	\$ <u>(17,780)</u>	\$ <u>-</u>	\$ <u>425,242</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 37,723
CFP	<u>95</u>
Total depreciation expense	\$ <u>37,818</u>

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2018

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

3F. Accounts Payable

Accounts payable at September 30, 2018 consist of the following:

Vendors & contractors	\$ 2,774
Accrued utilities	<u>1,751</u>
Total Accounts Payable	<u>\$ 4,525</u>

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority does not provide pension benefits as it does not have any employees.

4B. Commitments - Construction

At September 30, 2018, the Authority had pending construction projects in progress. The commitments related to these projects are summarized as follows:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-17	\$ 19,733	\$ 6,373
CFP 501-18	<u>30,074</u>	<u>3,007</u>
	<u>\$ 49,807</u>	<u>\$ 9,380</u>

4C. Risk Management

The Authority 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 Authority 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 \$250 deductibles.

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

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4D. Contingencies

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

4E. 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. Management evaluated the activity of the Authority through January 11, 2019 and concluded that no subsequent events have occurred that would require adjustment to or disclosure within these financial statements.

4F. Financial Data Schedule

The Authority 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 includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2019 federal budget.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
September 30, 2018

1. Actual Capital Fund Program costs are as follows:

	<u>501-16</u>
Funds approved	\$ 17,375
Funds expended	<u>17,375</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 17,375
Funds expended	<u>17,375</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated August 6, 2018 submitted to HUD for approval is in agreement with the Authority's records as of September 30, 2018.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

FINANCIAL DATA SCHEDULE
Year Ended September 30, 2018

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$101,074	\$101,074	\$101,074
114 Cash - Tenant Security Deposits	\$2,200	\$2,200	\$2,200
100 Total Cash	\$103,274	\$103,274	\$103,274
122 Accounts Receivable - HUD Other Projects	\$3,510	\$3,510	\$3,510
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,510	\$3,510	\$3,510
142 Prepaid Expenses and Other Assets	\$83	\$83	\$83
143 Inventories	\$715	\$715	\$715
143.1 Allowance for Obsolete Inventories	-\$36	-\$36	-\$36
150 Total Current Assets	\$107,546	\$107,546	\$107,546
161 Land	\$51,530	\$51,530	\$51,530
162 Buildings	\$771,893	\$771,893	\$771,893
163 Furniture, Equipment & Machinery - Dwellings	\$14,277	\$14,277	\$14,277
164 Furniture, Equipment & Machinery - Administration	\$6,101	\$6,101	\$6,101
165 Leasehold Improvements	\$311,624	\$311,624	\$311,624
166 Accumulated Depreciation	-\$745,761	-\$745,761	-\$745,761
167 Construction in Progress	\$15,578	\$15,578	\$15,578
160 Total Capital Assets, Net of Accumulated Depreciation	\$425,242	\$425,242	\$425,242
180 Total Non-Current Assets	\$425,242	\$425,242	\$425,242
290 Total Assets and Deferred Outflow of Resources	\$532,788	\$532,788	\$532,788
312 Accounts Payable <= 90 Days	\$2,774	\$2,774	\$2,774
341 Tenant Security Deposits	\$2,200	\$2,200	\$2,200
342 Unearned Revenue	\$21	\$21	\$21
346 Accrued Liabilities - Other	\$1,751	\$1,751	\$1,751
310 Total Current Liabilities	\$6,746	\$6,746	\$6,746
300 Total Liabilities	\$6,746	\$6,746	\$6,746
508.4 Net Investment in Capital Assets	\$425,242	\$425,242	\$425,242
512.4 Unrestricted Net Position	\$100,800	\$100,800	\$100,800
513 Total Equity - Net Assets / Position	\$526,042	\$526,042	\$526,042
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$532,788	\$532,788	\$532,788

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended September 30, 2018

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$60,666	\$60,666	\$60,666
70400 Tenant Revenue - Other	\$1,282	\$1,282	\$1,282
70500 Total Tenant Revenue	\$61,948	\$61,948	\$61,948
70600 HUD PHA Operating Grants	\$38,007	\$38,007	\$38,007
70610 Capital Grants	\$20,038	\$20,038	\$20,038
71100 Investment Income - Unrestricted	\$471	\$471	\$471
70000 Total Revenue	\$120,464	\$120,464	\$120,464
91200 Auditing Fees	\$4,980	\$4,980	\$4,980
91300 Management Fee	\$45,000	\$45,000	\$45,000
91400 Advertising and Marketing	\$276	\$276	\$276
91600 Office Expenses	\$1,648	\$1,648	\$1,648
91800 Travel	\$262	\$262	\$262
91900 Other	\$10,374	\$10,374	\$10,374
91000 Total Operating - Administrative	\$62,540	\$62,540	\$62,540
92400 Tenant Services - Other	\$85	\$85	\$85
92500 Total Tenant Services	\$85	\$85	\$85
93100 Water	\$2,671	\$2,671	\$2,671
93200 Electricity	\$3,472	\$3,472	\$3,472
93300 Gas	\$535	\$535	\$535
93600 Sewer	\$5,100	\$5,100	\$5,100
93000 Total Utilities	\$11,778	\$11,778	\$11,778
94200 Ordinary Maintenance and Operations - Materials and Other	\$2,137	\$2,137	\$2,137
94300 Ordinary Maintenance and Operations Contracts	\$23,536	\$23,536	\$23,536
94000 Total Maintenance	\$25,673	\$25,673	\$25,673
96110 Property Insurance	\$2,919	\$2,919	\$2,919
96120 Liability Insurance	\$825	\$825	\$825
96100 Total insurance Premiums	\$3,744	\$3,744	\$3,744
96400 Bad debt - Tenant Rents	\$762	\$762	\$762
96000 Total Other General Expenses	\$762	\$762	\$762
96900 Total Operating Expenses	\$104,582	\$104,582	\$104,582
97000 Excess of Operating Revenue over Operating Expenses	\$15,882	\$15,882	\$15,882
97400 Depreciation Expense	\$37,818	\$37,818	\$37,818
90000 Total Expenses	\$142,400	\$142,400	\$142,400
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$21,936	-\$21,936	-\$21,936

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended September 30, 2018

	Project Total	Subtotal	Total
11030 Beginning Equity	\$547,978	\$547,978	\$547,978
11190 Unit Months Available	240	240	240
11210 Number of Unit Months Leased	236	236	236
11270 Excess Cash	\$91,738	\$91,738	\$91,738
11620 Building Purchases	\$15,578	\$15,578	\$15,578
11630 Furniture & Equipment - Dwelling Purchases	\$758	\$758	\$758
11640 Furniture & Equipment - Administrative Purchases	\$3,702	\$3,702	\$3,702

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

Board of Commissioners
Housing Authority of Bowie County
Wake Village, 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 Housing Authority of Bowie County (Authority), Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated January 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, I considered the Authority's internal control over financial reporting 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 Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Authority'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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

January 11, 2019

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
September 30, 2018

The current audit report for the year ended September 30, 2018 disclosed no audit findings.