

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

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

FOR THE YEAR ENDED MARCH 31, 2024

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 March 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 Authority, as of March 31, 2024, 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.

Basis for Opinions

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages i-iv, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Authority's basic financial statements. The accompanying PHA's Statement of Certification of Actual Modernization Cost is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying PHA's Statement of Certification of Actual Modernization Cost is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2024, 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 solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

November 15, 2024

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

March 31, 2024

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 March 31, 2024. 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 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 \$525,730 to \$474,800 totaling a change of almost -10% for the year ending March 31, 2024, compared to last fiscal year. Total liabilities increased 97%.

Total revenue decreased (\$99,395) from \$162,443 from the year ending September 30, 2023, to \$63,048 for the year ending March 31, 2024. The increased difference is mainly due to federal grants and subsidies.

Total operating expenses decreased from \$149,950 for the year ending September 30, 2023, to \$119,947 for March 31, 2024, a decrease of \$(30,003) or 20%.

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. 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 on 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)
March 31, 2024

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.

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 March 31, 2024.

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.

	March 31,			
	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$8,820	\$70,852	(\$62,032)	-88%
Capital Assets, Net	\$465,980	\$454,878	\$11,102	2%
Total Assets	<u>\$474,800</u>	<u>\$525,730</u>	<u>(\$50,930)</u>	<u>-10%</u>
Current Liabilities	\$12,151	6,182	\$5,969	97%
Total Liabilities	<u>\$12,151</u>	<u>\$6,182</u>	<u>\$5,969</u>	<u>97%</u>
Net Position:				
Invested in Capital Assets	\$482,776	454,878	\$27,898	6%
Unrestricted Assets	(\$20,127)	64,670	(\$84,797)	-131%
Total Net Position	<u>\$462,649</u>	<u>\$519,548</u>	<u>(\$56,899)</u>	<u>-11%</u>

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2024

Financial Analysis – (Continued)

Changes in Net Position
For the Year Ended March 31,

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>%-Change</u>
Revenue:				
Tenant Revenue	\$32,413	\$59,513	(\$27,100)	-46%
Federal Grants & Subsidy	\$30,604	\$102,858	(\$72,254)	-70%
Investment Income	\$21	\$72	(\$51)	-71%
Other Income	\$10	\$0	\$10	100%
Total Revenue	<u>\$63,048</u>	<u>\$162,443</u>	<u>(\$99,395)</u>	<u>-61%</u>
Expenses:				
Administrative	\$36,431	\$59,391	(\$22,960)	-39%
Tenant Services	\$90	\$50	\$40	80%
Utilities	\$6,586	\$13,739	(\$7,153)	-52%
Routine Maintenance	\$48,287	\$34,855	\$13,432	39%
General Expenses	\$10,950	\$7,002	\$3,948	56%
Non-Routine Expenses	\$807	\$0	\$807	100%
Depreciation	\$16,796	\$34,913	(\$18,117)	-52%
Total Operating Expenses	<u>\$119,947</u>	<u>\$149,950</u>	<u>(\$30,003)</u>	<u>-20%</u>
Increase (Decrease) in Net Position	<u>(\$56,899)</u>	<u>\$12,493</u>	<u>(\$69,392)</u>	<u>-555%</u>

Total assets decreased by (\$50,930) and total liabilities increased on March 31, 2024, by \$5,969.

The expendable fund balance has decreased from \$64,670 in the year ending September 30, 2023, to (\$3,331) for year ending March 31, 2024. This is a decrease of (\$68,001) or 105%.

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 decreased from 6.75 in the year ending September 30, 2023, to (.39) for year ending March 31, 2024. This is a decrease of (7.13) 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.

Total Net Position had decreased (\$56,899) for the year ending March 31, 2024, when compared with the prior year mainly due to a decrease in federal grants and subsidy.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2024

Capital Assets

On March 31, 2024, the Housing Authority had \$465,980 invested in net capital assets. The subtotal of \$1,394,435 increased 2% over 2023. The accumulated depreciation of (\$928,455) was taken from the subtotal to leave a balance of \$465,980 for the current fiscal year.

Capital Assets March 31,				
	2024	2023	Change	%-Change
Land	\$51,530	\$51,530	\$0	0%
Buildings	\$883,154	\$883,154	\$0	0%
Equipment - dwellings	\$22,999	\$22,999	\$0	0%
Equipment - administration	\$14,981	\$14,981	\$0	0%
Leasehold improvements	\$336,914	\$315,459	\$21,455	7%
Construction in progress	\$84,857	\$78,414	\$6,443	8%
Subtotal	\$1,394,435	\$1,366,537	\$27,898	2%
Accumulated depreciation	(\$928,455)	(\$911,659)	(\$16,796)	2%
Net Capital Assets	<u>\$465,980</u>	<u>\$454,878</u>	<u>\$11,102</u>	<u>2%</u>

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 2024 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.davis@netxproperties.org or through the website at www.NETXProperties.org under the Bowie County Housing Authority or Contact tabs.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

STATEMENT OF NET POSITION

March 31, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$ 5,876
Cash - restricted	2,925
Receivables - net of allowances	<u>19</u>

Total Current Assets	<u>8,820</u>
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Non-current Assets:

Capital assets:

Land and construction in progress	136,387
Other capital assets, net of depreciation	<u>329,593</u>

Total capital assets - net	<u>465,980</u>
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Total Non-current Assets	<u>465,980</u>
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Total Assets	<u><u>\$ 474,800</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

STATEMENT OF NET POSITION - (Continued)
March 31, 2024

LIABILITIES

Current Liabilities:

Accounts payable	\$	9,226
Tenant security deposit liability		<u>2,925</u>

Total Current Liabilities		<u>12,151</u>
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Total Liabilities		<u>12,151</u>
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NET POSITION

Net investment in capital assets		482,776
Unrestricted		<u>(20,127)</u>

Total Net Position		<u>462,649</u>
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Total Liabilities and Net Position	\$	<u><u>474,800</u></u>
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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 March 31, 2024

OPERATING REVENUES

Tenant revenue	\$ 32,413
Governmental grants and subsidy	24,161
Miscellaneous	<u>10</u>
 Total operating revenue	 <u>56,584</u>

OPERATING EXPENSES

Administrative	36,431
Tenant services	90
Utilities	6,586
Ordinary maintenance and operations	48,287
Insurance	10,515
General	435
Non routine maintenance	807
Depreciation expense	<u>16,796</u>
 Total operating expenses	 <u>119,947</u>

Operating income (loss)	<u>(63,363)</u>
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NON-OPERATING REVENUES (EXPENSES)

Investment income	<u>21</u>
 Net non-operating revenues (expenses)	 <u>21</u>

Income (loss) before contributions and transfers	<u>(63,342)</u>
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Capital contributions	<u>6,443</u>
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Change in net position	(56,899)
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Total net position - beginning of year	<u>519,548</u>
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Total net position - end of year	\$ <u><u>462,649</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 31,899
Received from governmental grants and subsidy	24,161
Received from other operating activities	10
Payments for goods and services	<u>(96,687)</u>
Net cash provided by (used in) operating activities	<u>(40,617)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	6,443
Purchases of capital assets	<u>(27,898)</u>
Net cash provided by (used in) capital and related financing activities	<u>(21,455)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts of interest and dividends	<u>21</u>
Net cash provided by (used in) investing activities	<u>21</u>

Net increase (decrease) in cash and cash equivalents	(62,051)
Cash and cash equivalents at beginning of year	<u>70,852</u>
Cash and cash equivalents at end of year	<u><u>\$ 8,801</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 March 31, 2024

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

Operating income (loss)	\$	(63,363)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		16,796
Change in assets and liabilities:		
Receivables, net		(19)
Accounts and other payables		6,029
Tenant security deposit		175
Unearned revenues		<u>(235)</u>
Net cash provided by (used) by operating activities	\$	<u><u>(40,617)</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS
March 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of Bowie County (Authority) 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 Authority 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 Authority for the purpose of administering housing and housing relating programs described herein. The Authority 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 Authority 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 Authority's financial reporting entity comprises the following:

Primary Government:	Housing Authority
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In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, "The Financial Reporting Entity," and includes all component units of which the Authority appointed a voting majority of the units' board; the Authority 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, there are no component units which are required to be included in the Authority's financial statements.

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 Authority uses the following fund:

Proprietary Fund Types - This fund is used to account for the Authority's ongoing activities that are similar to those often found in the private sector. The accounting objectives are the 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 Authority's proprietary fund types:

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 Authority's programs as an enterprise fund.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2024

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

1B. Basis of Presentation – (Continued)

The Authority operates the following programs in the enterprise fund:

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

Public Housing Capital Fund - 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 requires 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)
March 31, 2024

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. The major receivable balance consists of tenant accounts receivable.

Capital Assets

Capital assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated capital 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 capital 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	3-7 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 under the Public and Indian Housing.

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”.

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.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2024

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
Public Housing Capital Fund	U.S. Department of Housing and Urban Development

2B. Deposits and Investments 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>
Public Housing Capital Fund	Modernization

For the year ended March 31, 2024, the Authority complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed 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, 2024, the Authority had the following cash deposits:

Cash deposits	\$ 8,701
Petty cash	<u>100</u>
Total	<u><u>\$ 8,801</u></u>

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2024

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

3A. Cash Deposits and Investments – (Continued)

Following is a reconciliation of the Authority's deposit balances as of March 31, 2024:

Cash and cash equivalents	\$ 5,876
Restricted assets	<u>2,925</u>
Total	<u>\$ 8,801</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 March 31, 2024, the Authority's bank balances of \$8,972 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority'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 Authority 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, 2024, the Authority had no investments.

3B. Restricted Assets

Restricted assets at March 31, 2024, consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Tenant Security deposits	\$ <u>2,925</u>	\$ <u>----</u>	\$ <u>----</u>	\$ <u>2,925</u>

3C. Accounts Receivable

Receivables at March 31, 2024 consist of the following:

Tenants	\$ <u>19</u>
Total	<u>\$ 19</u>

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2024

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

3D. Capital Assets

A summary of capital asset activity for the year ended March 31, 2024, is as follows:

	Balance October 1, 2023	Additions	(Retirement)	Balance March 31, 2024
Non-depreciable assets:				
Land	\$ 51,530	\$ -	\$ -	\$ 51,530
Construction in progress	78,414	6,443	-	84,857
Total non-depreciable assets	<u>129,944</u>	<u>6,443</u>	<u>-</u>	<u>136,387</u>
Depreciable assets:				
Building	883,154	-	-	883,154
Equipment - dwelling	22,999	-	-	22,999
Equipment - administration	14,981	-	-	14,981
Leasehold improvements	315,459	21,455	-	336,914
Total depreciable assets	<u>1,236,593</u>	<u>21,455</u>	<u>-</u>	<u>1,258,048</u>
Accumulated depreciation	<u>(911,659)</u>	<u>(16,796)</u>	<u>-</u>	<u>(928,455)</u>
Total depreciable assets, net	<u>324,934</u>	<u>4,659</u>	<u>-</u>	<u>329,593</u>
Capital assets, net	<u>\$ 454,878</u>	<u>\$ 11,102</u>	<u>\$ -</u>	<u>\$ 465,980</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ <u>16,796</u>
Total depreciation expense	<u>\$ 16,796</u>

3E. Accounts Payable

Accounts payable at March 31, 2024 consist of the following:

Other current liabilities – New Boston Property Mgmt.	\$ <u>9,226</u>
Total	<u>\$ 9,226</u>

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2024

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 March 31, 2024, the Authority had no projects in progress.

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.

4D. Management Fees

The Authority is managed by the New Boston Property Management (NBPM) through a signed Cooperative Agreement for management services. The Authority paid management fees to NBPM in the amount of \$22,500 in FY 2024 – 6 months which is included in the administrative expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

4E. 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.

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 extraordinary maintenance and depreciation expense and includes investment income and capital contributions in operating activities, which differs from the presentation of the basic financial statements.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
March 31, 2024

NOTE 4 – OTHER NOTES - (Continued)

4G. Disposition of the Dwelling Units

On May 4, 2023, the Authority began the application process for the disposition of all Public Housing units under Section 18 of the Act which was approved by HUD on September 15, 2023. HUD PIH Notice 2016-23 outlines the requirements for this disposition.

The Authority has determined the disposition to be appropriate for reasons that are in the best interests of the residents and the PHA; consistent with the PHA goals and plans; and otherwise, consistent with the 1937 Act. Specifically, the Authority proposed the disposition because it is a very small PHA with 50 or fewer public housing units under its ACC and has determined that it is in the best interests of the residents and the PHA to close out its Section 9 public housing program in accordance with Notice PIH 2016-23. A summary of PHA's supporting statement of disposition and closeout is as follows:

The Authority owns 10 duplexes consisting of 20 units and has determined that it is in the best interests of the PHA, and the residents is to dispose of the 20 units to New Boston Neighborhoods Public Facilities Corporation, a Public Facility Corporation that is a subsidiary of the Authority, and the 20 units will continue to serve low-income families with PBV subsidy. As the Authority is a public housing only agency, Texarkana Housing Authority will administer the vouchers.

4H. Reporting Period

The Authority financial information reported was as of March 31, 2024. During FY ending September 30, 2023, the Authority elected to dispose of all its units under Section 18 of the United States Housing Act of 1937.

Due to this change, the financial information presented in the financial statements reflects 6 months of activity, which terminates the public housing program and all remaining public housing assets were transferred to New Boston Neighborhoods Public Facility Corporation and all public housing units were removed from PIC.

4I. 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 November 15, 2024, and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4J. 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 2025 federal budget.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
March 31, 2024

1. Actual Capital Fund Program costs are as follows:

	<u>501-21</u>
Funds approved	\$ 35,385
Funds expended	<u>35,385</u>
Excess of Funds Approved	\$ <u><u>---</u></u>
Funds advanced	\$ 35,385
Funds expended	<u>35,385</u>
Excess (deficiency) of Funds Advanced	\$ <u><u>---</u></u>

2. The costs as shown on the Actual Cost Certificate dated November 17, 2023, submitted to HUD for approval is in agreement with the Authority's records as of March 31, 2024.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST – (Continued)
March 31, 2024

1. Actual Capital Fund Program costs are as follows:

		<u>501-22</u>
Funds approved	\$	43,388
Funds expended		<u>43,388</u>
Excess of Funds Approved	\$	<u><u>---</u></u>
Funds advanced	\$	43,388
Funds expended		<u>43,388</u>
Excess (deficiency) of Funds Advanced	\$	<u><u>---</u></u>

2. The costs as shown on the Actual Cost Certificate dated October 1, 2024, submitted to HUD for approval is in agreement with the Authority's records as of March 31, 2024.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST – (Continued)
March 31, 2024

1. Actual Capital Fund Program costs are as follows:

	<u>501-23</u>
Funds approved	\$ 44,746
Funds expended	<u>44,746</u>
Excess of Funds Approved	<u>\$ ---</u>
Funds advanced	\$ 44,746
Funds expended	<u>44,746</u>
Excess (deficiency) of Funds Advanced	<u>\$ ---</u>

2. The costs as shown on the Actual Cost Certificate dated October 1, 2024, submitted to HUD for approval is in agreement with the Authority's records as of March 31, 2024.
3. All costs have been paid and all related liabilities have been discharged through payments.



Audit Solutions, LLC.

Certified Public Accountant

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

Board of Commissioners
Housing Authority of 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 the City of Wake Village, Texas, (Authority) as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated November 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my 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 opinion 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report on 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 result 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

November 15, 2024

HOUSING AUTHORITY OF BOWIE COUNTY
Wake Village, Texas

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
March 31, 2024

The current audit report for the year ended March 31, 2024, disclosed no audit findings.