

**HOUSING AUTHORITY OF THE CITY OF NAPLES
NAPLES, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Naples
Naples, 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 the City of Naples (Authority), Texas, as of and for the year ended September 30, 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 September 30, 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 Financial Data Schedule and PHA's Statement of Certification of Actual Modernization Cost are presented for purposes of additional analysis and are 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 Financial Data Schedule and PHA's Statement of Certification of Actual Modernization Cost are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 15, 2025, 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

April 15, 2025

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 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. The Naples Housing Authority was organized under Texas Local Government Code 392.

Our discussion and analysis of the Naples Housing Authority financial performance provides an overview of the Management's financial activities for the fiscal year ended September 30, 2024. Please read the MD&A in conjunction with the Management's financial statements.

Naples 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 to use the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets slightly increased from \$1,231,474 to \$1,620,252 totaling a change of 31.57% for the year ended September 30, 2024, compared to last fiscal year. Total liabilities increased by \$90,685 or by 193.07%.

Total revenue for the year ended September 30, 2024, increased \$288,747 from \$523,049 for the year ended September 30, 2023, to \$811,796 for the year ended September 30, 2024. The major difference is the increase in funds received through Federal Grants and Subsidies of \$285,237 totaling a \$607,684 or 88.46% increase.

Total operating expenses increased from \$480,419 for the year ended September 30, 2023, to \$513,703 for September 30, 2024, an increase of \$33,284 or 6.93%. The major contributors were Routine Maintenance, General, Non-Routine and Depreciation Expense due to preparation for conversion from Public Housing.

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 Management's financial statements are presented as fund-level financial statements because Management only has proprietary funds.

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

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

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 cash was used for, and what was the change in the cash balance during the reporting period.

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2024

Overview of the Financial Statements – (Continued)

The notes on 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 Management to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ending 2024.

Financial Analysis

The Management’s basic financial statements are the Statement of Net Position and the Statement of Changes in Net Position. The Statement of Net Position provides a summary of the Management’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 Management for the year ended September 30, 2024.

Management accounts for its housing activities from a public housing program that provides housing for qualified tenants and a capital fund program that Management uses for improvements to its public housing property. Our analysis below focuses on the net assets and the change in net assets of the Management as a whole and not the individual programs.

	Net Position September 30,			
	2024	2023	Change	%-Change
Current Assets	\$619,531	\$426,291	\$193,240	45.33%
Capital Assets, Net	\$1,000,721	\$805,183	\$195,538	24.28%
Total Assets	\$1,620,252	\$1,231,474	\$388,778	31.57%
Current Liabilities	\$135,613	\$44,999	\$90,614	201.37%
Non-Current Liabilities	\$2,043	\$1,972	\$71	3.60%
Total Liabilities	\$137,656	\$46,971	\$90,685	193.07%
Net Position:				
Net Investment in Capital Assets	\$1,000,721	\$805,183	\$195,538	24.28%
Unrestricted Net Position	\$481,875	\$379,320	\$102,555	27.04%
Total Net Position	\$1,482,596	\$1,184,503	\$298,093	25.17%

	Expendable Fund Balance			
	2024	2023	Change	%-Change
Expendable Fund Balance	\$452,116	\$366,257	\$85,859	23.44%
Number of Months Expendable Fund	12.73	10.99	\$1.74	15.80%

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2024

Financial Analysis – (Continued)

Total assets increased by \$388,788 and total liabilities increased by \$90,685.

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 expendable fund balance has ended at \$452,116 for the year ended September 30, 2024.

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.

The number of months of expendable funds is 12.73 for the year ended September 30, 2024.

Changes in Net Position
For the Year Ended September 30,

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>%-Change</u>
Revenue:				
Tenant Revenue	\$197,144	\$190,959	\$6,185	3.24%
Federal Grants & Subsidy	\$607,684	\$322,447	\$285,237	88.46%
Investment Income	\$1,272	\$3,327	(\$2,055)	-61.77%
Other Income	\$5,696	\$6,316	(\$620)	-9.82%
Total Revenue	<u>\$811,796</u>	<u>\$523,049</u>	<u>\$288,747</u>	<u>55.20%</u>
Expenses:				
Administrative	\$120,831	\$129,804	(\$8,973)	-6.91%
Utilities	\$36,923	\$34,243	\$2,680	7.83%
Routine Maintenance	\$205,802	\$192,632	\$13,170	6.84%
Protective Services	\$10,368	\$9,180	\$1,188	12.94%
General Expenses	\$43,775	\$33,986	\$9,789	28.80%
Non-Routine Expenses	\$8,517	\$0	\$8,517	100.00%
Depreciation	\$87,487	\$80,574	\$6,913	8.58%
Total Operating Expenses	<u>\$513,703</u>	<u>\$480,419</u>	<u>\$33,284</u>	<u>6.93%</u>
Increase (Decrease) in Net Position	<u>\$298,093</u>	<u>\$42,630</u>	<u>\$255,463</u>	<u>599.26%</u>

Total revenue of \$811,796 versus expenses of \$513,703 ended the fiscal year with an increase of \$298,093.

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2024

Capital Assets

On September 30, 2024, the Management had \$1,000,721 invested in gross capital assets with an increase of \$220,596 less accumulated depreciation of (\$4,354,529) left a balance of \$195,538 over the past fiscal year.

Capital Assets at Year End (Net of Accumulated Depreciation) September 30,				
	2024	2023	Change	%-Change
Land	\$18,084	\$18,084	\$0	0.00%
Buildings	\$4,668,993	\$4,679,657	(\$10,664)	-0.23%
Equipment - dwellings	\$23,969	-	\$23,969	100%
Equipment - administration	\$288,667	\$299,946	(\$11,279)	-3.76%
Construction in progress	\$355,537	\$136,967	\$218,570	159.58%
Subtotal	\$5,355,250	\$5,134,654	\$220,596	4.30%
Accumulated depreciation	(\$4,354,529)	(\$4,329,471)	(\$25,058)	0.58%
Net Capital Assets	\$1,000,721	\$805,183	\$195,538	24.28%

Debt

The Management has no debt.

Economic Factors

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

Contacting the Property Management's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Naples Housing Authority's finances and to show Management's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Cal Davis, Executive Director, Naples Housing Authority, 401 Walnut, Naples, TX 75570, 903-628-2951, cal.davis@netxproperties.org or through the website at www.netxproperties.com.

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

STATEMENT OF NET POSITION
September 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$	519,504
Cash - restricted		17,022
Receivables - net of allowances of \$1,370		51,203
Inventory - net of allowances of \$1,674		<u>31,802</u>

Total Current Assets		<u>619,531</u>
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Non-current Assets:

Capital assets:

Land and construction in progress		373,621
Other capital assets, net of depreciation		<u>627,100</u>

Total capital assets - net		<u>1,000,721</u>
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Total Non-current Assets		<u>1,000,721</u>
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Total Assets	\$	<u><u>1,620,252</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

STATEMENT OF NET POSITION - (Continued)
September 30, 2024

LIABILITIES

Current Liabilities:

Accounts payable	\$	114,158
Accrued salaries and benefits		1,980
Tenant security deposit liability		17,022
Accrued compensated absences		227
Unearned revenues		<u>2,226</u>

Total Current Liabilities		<u>135,613</u>
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Non-current Liabilities:

Compensated absences		<u>2,043</u>
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Total Non-current Liabilities		<u>2,043</u>
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Total Liabilities		<u>137,656</u>
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NET POSITION

Net investment in capital assets		1,000,721
Unrestricted		<u>481,875</u>

Total Net Position		<u>1,482,596</u>
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Total Liabilities and Net Position	\$	<u><u>1,620,252</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2024

OPERATING REVENUES

Tenant revenue	\$ 197,144
Governmental grants and subsidy	374,013
Miscellaneous	<u>5,696</u>
Total operating revenue	<u>576,853</u>

OPERATING EXPENSES

Administrative	120,831
Utilities	36,923
Ordinary maintenance and operations	205,802
Protective services	10,368
Insurance	28,986
General	14,789
Non routine maintenance	8,517
Depreciation expense	<u>87,487</u>
Total operating expenses	<u>513,703</u>

Operating income (loss)	<u>63,150</u>
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NON-OPERATING REVENUES (EXPENSES)

Investment income	<u>1,272</u>
Net non-operating revenues (expenses)	<u>1,272</u>

Income (loss) before contributions and transfers	<u>64,422</u>
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Capital contributions	<u>233,671</u>
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Change in net position	298,093
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Total net position - beginning of year	<u>1,184,503</u>
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Total net position - end of year	<u><u>\$ 1,482,596</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 189,532
Received from governmental grants and subsidy	334,909
Received from other operating activities	5,696
Payments for goods and services	(253,104)
Payments to employees	(87,535)
Payment in lieu of taxes	<u>(4,143)</u>

Net cash provided by (used in) operating activities	<u>185,355</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	233,671
Purchases of capital assets	<u>(283,025)</u>

Net cash provided by (used in) capital and related financing activities	<u>(49,354)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments	24,955
Receipts of interest and dividends	<u>1,272</u>

Net cash provided by (used in) investing activities	<u>26,227</u>
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Net increase (decrease) in cash and cash equivalents	162,228
Cash and cash equivalents at beginning of year	<u>374,298</u>

Cash and cash equivalents at end of year	<u><u>\$ 536,526</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended September 30, 2024

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

Operating income (loss)	\$	63,150
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		87,487
Change in assets and liabilities:		
Receivables, net		(39,200)
Inventories, net		(16,767)
Accounts and other payables		86,223
Tenant security deposit		2,197
Unearned revenues		565
Compensated absences		79
Accrued expenses		<u>1,621</u>
Net cash provided by (used) by operating activities	\$	<u><u>185,355</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Naples (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 related 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

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 THE CITY OF NAPLES
Naples, Texas

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

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

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2024

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

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

Cash and Investments - (Continued)

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

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

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, tenants accounts receivable and fraud recovery.

Inventories

Inventories are accounted for under the consumption method and recorded at lower of cost or market. 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.

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	5-40 years
Furniture, equipment and machinery - dwelling	7 years
Furniture, equipment and machinery - administrative	3-5 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the security deposit fund under the Low Rent program.

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2024

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

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

Compensated Absences

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

Equity Classifications

Equity is classified as net position and displayed in 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.

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:

Program

Public and Indian Housing
Public Housing Capital Fund

Required By

U.S. Department of Housing and Urban Development
U.S. Department of Housing and Urban Development

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2024

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

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.

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

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

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 September 30, 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 September 30, 2024, the Authority had the following cash deposits and investments:

Cash deposits	\$ <u>536,526</u>
---------------	-------------------

Following is a reconciliation of the Authority's deposit balances as of September 30, 2024:

Cash and cash equivalents	\$ 519,504
Restricted assets	<u>17,022</u>
Total	\$ <u>536,526</u>

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2024

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

3A. Cash Deposits and Investments - (Continued)

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, 2024, the Authority's bank balances of \$537,925 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 September 30, 2024, the Authority had no investments.

3B. Restricted Assets

Restricted assets at September 30, 2024 consist of the following:

<u>Type of Restricted Assets</u>	Cash	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
	<u>Including Time Deposits</u>			
Security deposit	\$ <u>17,022</u>	\$ <u>----</u>	\$ <u>----</u>	\$ <u>17,022</u>

3C. Accounts Receivable

Receivables at September 30, 2024 consist of the following:

Tenants	\$ 3,447	
Less: Allowance for doubtful account	<u>(1,262)</u>	
Tenants - net of allowance		\$ 2,185
Fraud recovery	108	
Less: Allowance for doubtful account	<u>(108)</u>	
Fraud recovery - net of allowance		---
HUD		<u>49,018</u>
Total Receivables		\$ <u>51,203</u>

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2024

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

3D. Inventory

Inventory at September 30, 2024 comprised of the following:

Inventory	\$ 33,476
Less: Allowance for obsolete inventory	<u>(1,674)</u>
Inventory – net of allowance	<u>\$ 31,802</u>

3E. Capital Assets

A summary of capital asset activity for the year ended September 30, 2024 is as follows:

	Balance October 1, 2023	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance September 30, 2024
Non-depreciable assets:					
Land	\$ 18,084	\$ -	\$ -	\$ -	\$ 18,084
Construction in progress	<u>136,967</u>	<u>218,570</u>	<u>-</u>	<u>-</u>	<u>355,537</u>
Total non-depreciable assets	<u>155,051</u>	<u>218,570</u>	<u>-</u>	<u>-</u>	<u>373,621</u>
Depreciable assets:					
Building	4,679,657	-	(10,664)	-	4,668,993
Equipment - dwelling	-	22,346	-	1,623	23,969
Equipment - administration	<u>299,946</u>	<u>42,109</u>	<u>(51,765)</u>	<u>(1,623)</u>	<u>288,667</u>
Total depreciable assets	<u>4,979,603</u>	<u>64,455</u>	<u>(62,429)</u>	<u>-</u>	<u>4,981,629</u>
Accumulated depreciation	<u>(4,329,471)</u>	<u>(87,487)</u>	<u>62,429</u>	<u>-</u>	<u>(4,354,529)</u>
Total depreciable assets, net	<u>650,132</u>	<u>(23,032)</u>	<u>-</u>	<u>-</u>	<u>627,100</u>
Capital assets, net	<u>\$ 805,183</u>	<u>\$ 195,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,721</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	<u>\$ 87,487</u>
Total depreciation expense	<u>\$ 87,487</u>

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2024

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

3F. Accounts Payable

Accounts payable at September 30, 2024 consist of the following:

Vendors & contractors	\$ 104,394
Accrued utilities	3,885
Other current liabilities	1,368
PILOT	<u>4,511</u>
Total Accounts Payable	<u>\$ 114,158</u>

3G. Non-current liabilities

Non-current liabilities at September 30, 2024 consist of the following:

Accrued compensated absences	<u>\$ 2,043</u>
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Changes in non-current liabilities

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

<u>Description</u>	<u>Balance October 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2024</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>1,972</u>	\$ <u>71</u>	\$ <u>---</u>	\$ <u>2,043</u>	\$ <u>227</u>

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

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

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Authority to contribute 12% of covered wages. Benefits are fully vested at the end of 5 years of service.

The following information related to the defined contribution plan at September 30, 2024:

Total payroll	\$ 61,182
Total payroll for eligible participants	\$ 45,115
Employer contributions made	\$ 5,414

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2024

NOTE 4 – OTHER NOTES – (Continued)

4B. 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 \$1,000 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.

4C. 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.

4D. Commitments - Construction

At September 30, 2024, the Authority had no construction projects in progress.

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 April 15, 2025, and concluded that no subsequent events have occurred that would require adjustment to or disclosures 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, extraordinary maintenance and includes investment income and capital contributions in operating activities, which differs from the presentation of the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
September 30, 2024

NOTE 4 – OTHER NOTES – (Continued)

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 2025 federal budget.

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
September 30, 2024

1. Actual Capital Fund Program costs are as follows:

			501-21
Funds approved	\$	124,675	
Funds expended		124,675	
Excess of Funds Approved	\$	---	
Funds advanced	\$	124,675	
Funds expended		124,675	
Excess (deficiency) of Funds Advanced	\$	---	

2. The costs as shown on the Actual Cost Certificate dated October 2, 2023, submitted to HUD for approval is in agreement with the Authority's records as of September 30, 2024.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST – (Continued)
September 30, 2024

1. Actual Capital Fund Program costs are as follows:

			501-22
Funds approved	\$		152,971
Funds expended			152,971
Excess of Funds Approved	\$		---
Funds advanced	\$		152,971
Funds expended			152,971
Excess (deficiency) of Funds Advanced	\$		---

2. The costs as shown on the Actual Cost Certificate dated August 2, 2024, submitted to HUD for approval is in agreement with the Authority's records as of September 30, 2024.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST – (Continued)
September 30, 2024

1. Actual Capital Fund Program costs are as follows:

			501-24
Funds approved	\$		170,275
Funds expended			170,275
Excess of Funds Approved	\$		---
Funds advanced	\$		170,275
Funds expended			170,275
Excess (deficiency) of Funds Advanced	\$		---

2. The costs as shown on the Actual Cost Certificate dated September 23, 2024, submitted to HUD for approval is in agreement with the Authority's records as of September 30, 2024.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

FINANCIAL DATA SCHEDULE
Year Ended September 30, 2024

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$519,504	\$519,504		\$519,504
114 Cash - Tenant Security Deposits	\$17,022	\$17,022		\$17,022
100 Total Cash	\$536,526	\$536,526	\$0	\$536,526
122 Accounts Receivable - HUD Other Projects	\$49,018	\$49,018		\$49,018
126 Accounts Receivable - Tenants	\$3,447	\$3,447		\$3,447
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,262	-\$1,262		-\$1,262
128 Fraud Recovery	\$108	\$108		\$108
128.1 Allowance for Doubtful Accounts - Fraud	-\$108	-\$108		-\$108
120 Total Receivables, Net of Allowances for Doubtful Accts	\$51,203	\$51,203	\$0	\$51,203
143 Inventories	\$33,476	\$33,476		\$33,476
143.1 Allowance for Obsolete Inventories	-\$1,674	-\$1,674		-\$1,674
150 Total Current Assets	\$619,531	\$619,531	\$0	\$619,531
161 Land	\$18,084	\$18,084		\$18,084
162 Buildings	\$4,668,993	\$4,668,993		\$4,668,993
163 Furniture, Equipment & Machinery - Dwellings	\$23,969	\$23,969		\$23,969
164 Furniture, Equipment & Machinery - Administration	\$288,667	\$288,667		\$288,667
166 Accumulated Depreciation	-\$4,354,529	-\$4,354,529		-\$4,354,529
167 Construction in Progress	\$355,537	\$355,537		\$355,537
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,000,721	\$1,000,721	\$0	\$1,000,721
180 Total Non-Current Assets	\$1,000,721	\$1,000,721	\$0	\$1,000,721
290 Total Assets	\$1,620,252	\$1,620,252	\$0	\$1,620,252
312 Accounts Payable <= 90 Days	\$104,394	\$104,394		\$104,394
321 Accrued Wage/Payroll Taxes Payable	\$1,980	\$1,980		\$1,980
322 Accrued Compensated Absences - Current Portion	\$227	\$227		\$227
333 Accounts Payable - Other Government	\$4,511	\$4,511		\$4,511
341 Tenant Security Deposits	\$17,022	\$17,022		\$17,022
342 Unearned Revenue	\$2,226	\$2,226		\$2,226
345 Other Current Liabilities	\$1,368	\$1,368		\$1,368
346 Accrued Liabilities - Other	\$3,885	\$3,885		\$3,885
310 Total Current Liabilities	\$135,613	\$135,613	\$0	\$135,613
354 Accrued Compensated Absences - Non Current	\$2,043	\$2,043		\$2,043
350 Total Non-Current Liabilities	\$2,043	\$2,043	\$0	\$2,043
300 Total Liabilities	\$137,656	\$137,656	\$0	\$137,656
508.4 Net Investment in Capital Assets	\$1,000,721	\$1,000,721		\$1,000,721
512.4 Unrestricted Net Position	\$481,875	\$481,875		\$481,875
513 Total Equity - Net Assets / Position	\$1,482,596	\$1,482,596	\$0	\$1,482,596
600 Total Liabilities and Equity - Net	\$1,620,252	\$1,620,252	\$0	\$1,620,252

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended September 30, 2024

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$182,424	\$182,424		\$182,424
70400 Tenant Revenue - Other	\$14,720	\$14,720		\$14,720
70500 Total Tenant Revenue	\$197,144	\$197,144	\$0	\$197,144
70600 HUD PHA Operating Grants	\$374,013	\$374,013		\$374,013
70610 Capital Grants	\$233,671	\$233,671		\$233,671
71100 Investment Income - Unrestricted	\$1,272	\$1,272		\$1,272
71400 Fraud Recovery	\$3,393	\$3,393		\$3,393
71500 Other Revenue	\$2,303	\$2,303		\$2,303
70000 Total Revenue	\$811,796	\$811,796	\$0	\$811,796
91200 Auditing Fees	\$5,720	\$5,720		\$5,720
91300 Management Fee	\$85,000	\$85,000		\$85,000
91400 Advertising and Marketing	\$1,799	\$1,799		\$1,799
91600 Office Expenses	\$17,019	\$17,019		\$17,019
91700 Legal Expense	\$2,250	\$2,250		\$2,250
91800 Travel	\$2,875	\$2,875		\$2,875
91900 Other	\$6,168	\$6,168		\$6,168
91000 Total Operating - Administrative	\$120,831	\$120,831	\$0	\$120,831
93100 Water	\$14,624	\$14,624		\$14,624
93200 Electricity	\$10,131	\$10,131		\$10,131
93300 Gas	\$6,367	\$6,367		\$6,367
93600 Sewer	\$5,801	\$5,801		\$5,801
93000 Total Utilities	\$36,923	\$36,923	\$0	\$36,923
94100 Ordinary Maintenance and Operations - Labor	\$59,843	\$59,843		\$59,843
94200 Ordinary Maint. and Operations - Materials and Other	\$24,709	\$24,709		\$24,709
94300 Ordinary Maintenance and Operations Contracts	\$94,799	\$94,799		\$94,799
94500 Employee Benefit Contributions - Ordinary Maint.	\$26,451	\$26,451		\$26,451
94000 Total Maintenance	\$205,802	\$205,802	\$0	\$205,802
95300 Protective Services - Other	\$10,368	\$10,368		\$10,368
95000 Total Protective Services	\$10,368	\$10,368	\$0	\$10,368
96110 Property Insurance	\$22,882	\$22,882		\$22,882
96120 Liability Insurance	\$1,010	\$1,010		\$1,010
96130 Workmen's Compensation	\$152	\$152		\$152
96140 All Other Insurance	\$4,942	\$4,942		\$4,942
96100 Total insurance Premiums	\$28,986	\$28,986	\$0	\$28,986
96300 Payments in Lieu of Taxes	\$4,511	\$4,511		\$4,511
96400 Bad debt - Tenant Rents	\$10,278	\$10,278		\$10,278
96000 Total Other General Expenses	\$14,789	\$14,789	\$0	\$14,789
96900 Total Operating Expenses	\$417,699	\$417,699	\$0	\$417,699

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended September 30, 2024

	Project Total	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$394,097	\$394,097	\$0	\$394,097
97100 Extraordinary Maintenance	\$8,517	\$8,517		\$8,517
97400 Depreciation Expense	\$87,487	\$87,487		\$87,487
90000 Total Expenses	\$513,703	\$513,703	\$0	\$513,703
10010 Operating Transfer In	\$170,275	\$170,275	-\$170,275	\$0
10020 Operating transfer Out	-\$170,275	-\$170,275	\$170,275	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$298,093	\$298,093	\$0	\$298,093
11030 Beginning Equity	\$1,184,503	\$1,184,503		\$1,184,503
11190 Unit Months Available	804	804		804
11210 Number of Unit Months Leased	790	790		790
11270 Excess Cash	\$417,345	\$417,345		\$417,345
11620 Building Purchases	\$218,570	\$218,570		\$218,570
11630 Furniture & Equipment - Dwelling Purchases	\$22,346	\$22,346		\$22,346
11640 Furniture & Equipment - Administrative Purchases	\$42,109	\$42,109		\$42,109



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 the City of Naples
Naples, 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 Housing Authority of the City of Naples (Authority), Texas, as of and for the year ended September 30, 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 April 15, 2025.

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 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 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.

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

April 15, 2025



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITORS REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of Naples
Naples, Texas

I have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of Naples (Authority) and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

I compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of my agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the chart below.

I was engaged to perform an audit for the Authority as of and for the year ended September 30, 2024 and have issued my reports thereon dated April 15, 2025. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of the audit. Further, my opinion on the fair presentation of the Authority's Financial Data Schedule (FDS) dated April 15, 2025, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package, which includes the auditor's report, is available in its entirety from the Authority. I have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, I take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

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

Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri
April 15, 2025

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

AGREED UPON PROCEDURES
September 30, 2024

Procedure	UFRS Rule Information	Hard Copy Document(s)	Agrees
1	Balance Sheet and Revenue Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDAs, if applicable	√
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	√
3	Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental report on FDS	√
4	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	√

HOUSING AUTHORITY OF THE CITY OF NAPLES
Naples, Texas

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
September 30, 2024

The current audit report for the year ended September 30, 2024, disclosed no audit findings.