

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

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

FOR THE YEAR ENDED DECEMBER 31, 2022

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	i-iv
Basic Financial Statements:	
Statement of Net Position	4-5
Statement of Revenue, Expenses and Changes in Net Position	6
Statement of Cash Flows	7-8
Notes to the Basic Financial Statements	9-16
SUPPLEMENTAL INFORMATION	
PHA's Statement of Certification of Actual Modernization Costs	17
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Significant Deficiencies Communicated in Prior Year	20
Current Findings, Recommendations and Replies	21



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Maud
Maud, 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 Maud (Authority), Texas, as of and for the year ended December 31, 2022, 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 December 31, 2022, 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 August 24, 2023, 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

August 24, 2023

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2022

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 Maud Housing Authority financial performance provides an overview of the Agency's financial activities for the fiscal year ended December 31, 2022. Please read the MD&A in conjunction with the Agency's financial statements.

The Maud Housing Authority was organized under Texas Local Government Code 392. The agency also owns sixty-seven (67) apartments in Maud, TX.

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

Financial Highlights

Total assets slightly increased from \$389,155 to \$412,427 totaling a change of 6% for the year ended December 31, 2022, compared to last fiscal year. Total liabilities increased by \$12,916 or by 80%.

Total revenue for the year ended December 31, 2022, increased \$14,323 from \$179,457 for the year ended December 31, 2021, to \$193,780 for the year ended December 31, 2022. The major difference is the increase in funds received through Federal Grants and Subsidies of \$11,965 or 12% increase.

Total operating expenses increased from \$154,375 for the year ended December 31, 2021, to \$183,424 for December 31, 2022, an increase of \$29,049 or 19%. The major contributors were Routine Maintenance due to preparation for conversion and administrative costs.

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

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

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

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2022

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 in 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 Agency'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 Agency's assets and liabilities as of the close of business on December 31. The Statement of Changes in Net Position summarizes the revenues and sources of those revenues generated during the year ended December 31 and the expenses incurred in operating the Agency for the year ended December 31, 2022.

The Agency has a public housing program that provides housing for qualified tenants, a capital fund program that the Agency uses for improvements to its public housing property. Our analysis below focuses on the net position and the change in net position of the Agency as a whole and not the individual programs.

Net Position				
December 31,				
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$188,207	\$174,452	\$13,755	8%
Capital Assets, Net	\$224,220	\$214,703	\$9,517	4%
Total Assets	<u>\$412,427</u>	<u>\$389,155</u>	<u>\$23,272</u>	<u>6%</u>
Current Liabilities	\$29,018	\$16,102	\$12,916	80%
Total Liabilities	<u>\$29,018</u>	<u>\$16,102</u>	<u>\$12,916</u>	<u>80%</u>
Net Position:				
Invested in Capital Assets	\$224,220	\$206,141	\$18,079	9%
Unrestricted Assets	\$159,189	\$166,912	(\$7,723)	-5%
Total Net Position	<u>\$383,409</u>	<u>\$373,053</u>	<u>\$10,356</u>	<u>3%</u>

Expendable Fund Balance				
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%-Change</u>
Expendable Fund Balance	<u>\$153,590</u>	<u>\$151,950</u>	<u>\$1,640</u>	<u>1.08%</u>
Number of Months Expendable Fund	<u>11.07</u>	<u>13.39</u>	<u>(\$2.32)</u>	<u>-17.33%</u>

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2022

Financial Analysis – (Continued)

Total assets increased by \$23,272 and total liabilities increased by \$12,916.

The expendable fund balance has increased from \$151,950 in the year ending December 31, 2021, to \$153,590 for year ended December 31, 2022. This is an increase of \$1,640.

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 13.39 in the year ending December 31, 2021 to 11.07 for year ended December 31, 2022. This is a decrease of 1.08 months.

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

Changes in Net Position
For the Year Ended December 31,

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%-Change</u>
Revenue:				
Tenant Revenue	\$76,927	\$74,679	\$2,248	3%
Federal Grants & Subsidy	\$115,662	\$103,697	\$11,965	12%
Investment Income	\$147	\$241	(\$94)	-39%
Other Income	\$1,044	\$840	\$204	24%
Total Revenue	<u>\$193,780</u>	<u>\$179,457</u>	<u>\$14,323</u>	<u>8%</u>
Expenses:				
Administrative	\$64,431	\$55,636	\$8,795	16%
Tenant Services	\$1,800	\$1,800	\$0	0%
Utilities	\$18,915	\$17,996	\$919	5%
Routine Maintenance	\$70,479	\$53,754	\$16,725	31%
General Expenses	\$10,887	\$6,994	\$3,893	56%
Depreciation	\$16,912	\$18,195	(\$1,283)	-7%
Total Operating Expenses	<u>\$183,424</u>	<u>\$154,375</u>	<u>\$29,049</u>	<u>19%</u>
Increase (Decrease) in Net Position	<u>\$10,356</u>	<u>\$25,082</u>	<u>(\$14,726)</u>	<u>-59%</u>

Total revenue of \$193,780 versus expenses of \$183,424 ended the fiscal year with an increase in net position of \$10,356.

Capital Assets

At December 31, 2022, the Agency had \$1,459,207 invested in gross capital assets with an increase of \$26,429 less accumulated depreciation of (\$16,912) left a balance of \$9,517 over the past fiscal year.

Net Position				
December 31,				
	2022	2021	Change	%-Change
Land	\$109,499	\$109,499	\$0	0%
Buildings	\$1,293,651	1,289,009	\$4,642	0%
Equipment - administration	\$2,380	\$2,380	\$0	0%
Leasehold improvements	\$18,686	14,178	\$4,508	32%
Construction in progress	\$34,991	\$17,712	\$17,279	98%
Subtotal	\$1,459,207	\$1,432,778	\$26,429	2%
Accumulated depreciation	(\$1,234,987)	(\$1,218,075)	(\$16,912)	1%
Net Capital Assets	\$224,220	\$214,703	\$9,517	4%

Debt

The Agency has no debt.

Economic Factors

The Agency is primarily dependent upon HUD for the funding of operations; therefore, the Agency 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 Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Agency's finances and to show the Agency'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, Maud Housing Authority/NETX Properties, 303 Rice, PO Box 806, New Boston, TX 75570, 903-628-2951, cal.davis@netxproperties.org or through the website at www.netxproperties.org.

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

STATEMENT OF NET POSITION
December 31, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 175,286
Cash - restricted	6,150
Receivables - net of allowances	1,172
Inventory - net of allowances	<u>5,599</u>

Total Current Assets	<u>188,207</u>
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Non-current Assets:

Capital assets:

Land and construction in progress	144,490
Other capital assets, net of depreciation	<u>79,730</u>

Total capital assets - net	<u>224,220</u>
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Total Non-current Assets	<u>224,220</u>
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Total Assets	<u><u>\$ 412,427</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

STATEMENT OF NET POSITION - (Continued)
December 31, 2022

LIABILITIES

Current Liabilities:

Accounts payable	\$ 22,521
Tenant security deposit liability	6,150
Unearned revenues	<u>347</u>

Total Current Liabilities	<u>29,018</u>
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Total Liabilities	<u>29,018</u>
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NET POSITION

Net investment in capital assets	224,220
Unrestricted	<u>159,189</u>

Total Net Position	<u>383,409</u>
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Total Liabilities and Net Position	<u><u>\$ 412,427</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

OPERATING REVENUES

Tenant revenue	\$ 76,927
Governmental grants and subsidy	89,233
Miscellaneous	<u>1,044</u>
 Total operating revenue	 <u>167,204</u>

OPERATING EXPENSES

Administrative	64,431
Tenant services	1,800
Utilities	18,915
Ordinary maintenance and operations	70,479
Insurance	6,320
General	4,567
Depreciation expense	<u>16,912</u>
 Total operating expenses	 <u>183,424</u>
 Operating income (loss)	 <u>(16,220)</u>

NON-OPERATING REVENUES (EXPENSES)

Investment income	<u>147</u>
 Net non-operating revenues (expenses)	 <u>147</u>
 Income (loss) before contributions and transfers	 <u>(16,073)</u>
 Capital contributions	 <u>26,429</u>
 Change in net position	 10,356
Total net position - beginning of year	<u>373,053</u>
 Total net position - end of year	 \$ <u><u>383,409</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 71,899
Received from governmental grants and subsidy	88,564
Received from other operating activities	1,044
Payments for goods and services	<u>(154,669)</u>

Net cash provided by (used in) operating activities	<u>6,838</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	26,429
Purchases of capital assets	<u>(26,429)</u>

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

Receipts of interest and dividends	<u>147</u>
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Net cash provided by (used in) investing activities	<u>147</u>
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Net increase (decrease) in cash and cash equivalents	6,985
Cash and cash equivalents at beginning of year	<u>174,451</u>

Cash and cash equivalents at end of year	<u><u>\$ 181,436</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended December 31, 2022

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

Operating income (loss)	\$	(16,220)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		16,912
Change in assets and liabilities:		
Receivables, net		(1,171)
Inventories, net		(5,599)
Accounts and other payables		9,330
Tenant security deposit		(250)
Unearned revenues		291
Accrued expenses		<u>3,545</u>
Net cash provided by (used) by operating activities	\$	<u><u>6,838</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Maud (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

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 MAUD
Maud, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2022

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 and Investments

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

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2022

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

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

Cash and Investments – (Continued)

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 balance consists of HUD and tenant accounts receivable.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$1,500 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

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

Building	15-40 years
Leasehold improvements	15 years
Furniture, equipment and machinery - administrative	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.

Equity Classifications

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

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2022

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

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenue, 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:

<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.

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.

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2022

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

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 December 31, 2022, the Authority complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

3A. Cash Deposits

As of December 31, 2022, the Authority had the following cash deposits:

Cash deposits	\$ <u>181,436</u>
Total	\$ <u><u>181,436</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2022:

Cash and cash equivalents	\$ 175,286
Restricted assets	<u>6,150</u>
Total	\$ <u><u>181,436</u></u>

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2022, the Authority's bank balances of \$187,580 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2022

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

3B. Restricted Assets

Restricted assets at December 31, 2022 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>
Security deposit	\$ <u>6,150</u>	\$ <u>----</u>	\$ <u>----</u>	\$ <u>6,150</u>

3C. Capital Assets

A summary of capital asset activity for the year ended December 31, 2022 is as follows:

	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Reclass/ Transfers in (out)</u>	<u>Balance December 31, 2022</u>
Non-depreciable assets:					
Land	\$ 109,499	\$ -	\$ -	\$ -	\$ 109,499
Construction in progress	<u>17,712</u>	<u>26,429</u>	<u>-</u>	<u>(9,150)</u>	<u>34,991</u>
Total non-depreciable assets	<u>127,211</u>	<u>26,429</u>	<u>-</u>	<u>(9,150)</u>	<u>144,490</u>
Depreciable assets:					
Building	1,289,009	-	-	4,642	1,293,651
Equipment - administration	2,380	-	-	-	2,380
Leasehold improvements	<u>14,178</u>	<u>-</u>	<u>-</u>	<u>4,508</u>	<u>18,686</u>
Total depreciable assets	<u>1,305,567</u>	<u>-</u>	<u>-</u>	<u>9,150</u>	<u>1,314,717</u>
Accumulated depreciation	<u>(1,218,075)</u>	<u>(16,912)</u>	<u>-</u>	<u>-</u>	<u>(1,234,987)</u>
Total depreciable assets, net	<u>87,492</u>	<u>(16,912)</u>	<u>-</u>	<u>9,150</u>	<u>79,730</u>
Capital assets, net	<u>\$ 214,703</u>	<u>\$ 9,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,220</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Public and Indian Housing	\$ <u>16,912</u>
Total depreciation expense	<u>\$ 16,912</u>

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2022

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

3D. Accounts Payable

Accounts payable at December 31, 2022 consist of the following:

Vendors & contractors	\$	265
Other current liabilities		18,711
Accrued utilities		<u>3,545</u>
Total	\$	<u><u>22,521</u></u>

3E. Inter-program Transactions and Balances

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations. There were no operating transfers in FY 2022.

NOTE 4 – OTHER NOTES

4A. Commitments - Construction

At December 31, 2022, the Authority had the following Capital Fund projects in progress:

	Funds Approved	Funds Expended - Project to Date
CFP 501-20	\$ 40,028	\$ 23,829
CFP 501-21	44,756	14,095
CFP 501-22	<u>54,930</u>	<u>5,493</u>
	<u><u>\$ 139,714</u></u>	<u><u>\$ 43,417</u></u>

4B. 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 \$45,000 in FY 2022 which is included in the administrative expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

4C. Financial Data Schedule

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

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
December 31, 2022

NOTE 4 – OTHER NOTES – (Continued)

4D. 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.

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. 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 August 24, 2023, and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2023 federal budget.

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2022

1. Actual Capital Fund Program costs are as follows:

	<u>501-19</u>
Funds approved	\$ 40,028
Funds expended	<u>40,028</u>
Excess of Funds Approved	\$ <u><u>---</u></u>
 Funds advanced	 \$ 40,028
Funds expended	<u>40,028</u>
Excess (deficiency) of Funds Advanced	\$ <u><u>---</u></u>

2. The costs as shown on the Actual Cost Certificate dated March 2, 2023, submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2022.
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 the City of Maud
Maud, 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 Maud (Authority), Texas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated August 24, 2023.

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 (internal control) 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. I did identify certain deficiencies in internal control, described in the accompanying schedule of current findings, recommendations and replies that I consider to be a significant deficiency as finding #2022-001.

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 instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding #2022-001.

Authority's Response to Finding

The Authority's response to the finding identified in my audit is described in the accompanying schedule of current findings, recommendations and replies. The Authority's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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

August 24, 2023

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR
December 31, 2022

The Authority was last audited in FY 2019. The audit report for the year ended December 31, 2019, contained three audit findings:

Finding: Equipment Listing
Status: Implemented

Finding: Unlocated Information
Status: Implemented.

Finding: Tenant Files
Status: Not implemented – see current finding #2022-001

HOUSING AUTHORITY OF THE CITY OF MAUD
Maud, Texas

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
December 31, 2022

The current audit report for the year ended December 31, 2022, disclosed the following audit findings:

2022-001 Tenant Files

Criteria:

HUD guidelines on tenant file documentation and maintenance must be followed at all times.

Condition:

During my review of three tenant files, I noted the following deficiencies:

- Two of the tenant files reviewed did not contain independent income verification.

Questioned Costs:

None noted.

Effect:

Tenant files are incomplete.

Cause:

It appears that no supervisory review was performed to ensure completeness of the tenant files.

Recommendation:

I recommend that the Authority ensure that all tenant files must contain independent income verification for all tenants.

Management's Response:

During this audit period, the agency was short-staffed. An individual temporarily took on these properties, but little oversight was conducted due to excess workloads. This individual had been reassigned and later released in early 2023. An experienced Property Manager has been placed at the property and a Programs Manager oversees the tenant files work.