

**HOUSING AUTHORITY OF THE CITY OF TEXARKANA  
TEXARKANA, TEXAS  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018  
AND  
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**HOUSING AUTHORITY OF THE CITY OF TEXARKANA**  
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**DECEMBER 31, 2018**

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## **INTRODUCTION**

***Barry E. Gaudette, CPA, PC  
405 Burbank Alley  
Milton, GA 30004***

***Independent Auditor's Report***

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Texarkana, Texas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Texarkana, Texas's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the City of Texarkana, Texas, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Texarkana, Texas's basic financial statements. The combining statements and the financial data schedule shown on pages 34 to 38 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements, financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the Housing Authority of the City of Texarkana, Texas's internal control over financial reporting and on our 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 our 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 Housing Authority of the City of Texarkana, Texas'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 the Housing Authority of the City of Texarkana, Texas's internal control over financial reporting and compliance.

***Barry E. Gaudette, CPA, PC***

June 27, 2019

**Housing Authority of the City of Texarkana  
Management's Discussion and Analysis (MD&A)  
December 31, 2018  
(Unaudited)**

As management of the Housing Authority of the City of Texarkana we offer reviewers of this audit report this narrative discussion and analysis of the Housing Authority of the City of Texarkana's financial activities for the fiscal year ended December 31, 2018. This discussion and analysis letter of the Housing Authority of the City of Texarkana's financial performance should be read in conjunction with the auditor's opinion letter and the following financial statements.

The combined financial statements reflect all of the Housing Authority's federally funded programs and activities in one place. The Housing Authority reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

**FINANCIAL HIGHLIGHTS**

The term "net position" refers to the difference between assets and liabilities. The Housing Authority's total net position as of December 31, 2018 was \$26,368,277. The net position decreased by \$1,103,039, a decrease of 4.0% from the prior fiscal year.

Revenues and contributions for the Housing Authority were \$7,124,851 for the fiscal year ended December 31, 2018. This was an increase of \$558,252 or 8.5% over the prior fiscal year.

Expenses for the Housing Authority were \$8,227,890 for the fiscal year ended December 31, 2018. This was an increase of \$211,438 or 2.6% over the prior fiscal year.

HUD operating grants were \$4,737,196 for the fiscal year ended December 31, 2018. This was an increase of \$508,246 or 12.0% over the prior fiscal year. There were no capital contributions during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Housing Authority of the City of Texarkana  
Management's Discussion and Analysis (MD&A)  
December 31, 2018  
(Continued)**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Required Financial Statements**

The *Statement of Net Position* includes the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Housing Authority creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Commission.

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

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Notes to the Financial Statements**

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

**Supplemental Information**

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Authorities to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**FUND STATEMENTS**

The Financial Data Schedule reports the Housing Authority's operations in more detail. The Housing Authority reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Housing Authority of the City of Texarkana**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2018**  
**(Continued)**

**FUND STATEMENTS (Continued)**

*Low Rent Public Housing Program:* Under this program, the Housing Authority rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Authority to lease these units at a rate that is based on 30% of monthly adjusted income, or 10% of monthly income, or a \$50.00 monthly minimum rent, or a flat rent.

*Capital Fund Program:* Under this program, the Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority is currently allowed to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Authority is currently considered a High Performer by HUD. This program is the primary funding source for physical improvements to its properties.

*Section 8 Housing Choice Voucher Program:* Under this program, the Housing Authority administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Authority. The Housing Authority subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Authority to enable the Housing Authority to set the rental rates at 30% to 40% of a participant's income.

*Business Activities:* Under this program, the Authority owns and operates Woodbridge Apartments and Sandalwood Apartments. These are Market Rate properties that receive no federal subsidy.

**FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$26,368,277 at the close of the fiscal year ended December 31, 2018 a decrease from \$27,471,316 in 2017. The decrease in net position of \$(1,103,039) was due to the change in net position.

The unrestricted net position was \$3,568,812 as of December 31, 2018. This amount may be used to meet the Housing Authority's ongoing obligations. The Housing Authority had a net position classified as restricted in the amount of \$13,710,074 that are subject to external restrictions on how they may be used. The restricted assets consist of excess funding in the Housing Choice Voucher program and notes receivable in the component unit program. At the end of the current fiscal year, the Housing Authority is able to report positive balances in all categories of net position.

**Housing Authority of the City of Texarkana**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2018**  
**(Continued)**

**FINANCIAL ANALYSIS (Continued)**

**CONDENSED STATEMENTS OF NET POSITION**  
**December 31,**

	2018	2017	Dollar Change
Current and other assets	\$ 3,993,214	\$ 4,820,011	\$ (826,797)
Capital assets, net	10,387,961	11,407,515	(1,019,554)
Notes receivable-noncurrent	13,485,223	12,964,921	520,302
Total Assets	<u>27,866,398</u>	<u>29,192,447</u>	<u>(1,326,049)</u>
Current liabilities	693,407	623,905	69,502
Noncurrent liabilities	804,714	1,097,226	(292,512)
Total Liabilities	<u>1,498,121</u>	<u>1,721,131</u>	<u>(223,010)</u>
Net position:			
Net Investment in capital assets	9,089,391	10,043,012	(953,621)
Restricted	13,710,074	13,558,649	151,425
Unrestricted	3,568,812	3,869,655	(300,843)
Total Net Position	<u>\$ 26,368,277</u>	<u>\$ 27,471,316</u>	<u>\$ (1,103,039)</u>

Total current assets decrease of \$826,797 was due, in large part to a decrease in operating cash flows of \$1,073,978.

Current liabilities increased by \$69,502, in large part, due to current portion of long term debt increasing \$226,582 offset by accounts payable and accounts payable – PILOT decreasing \$(97,307). The noncurrent liabilities decreased by \$(292,512) from the prior fiscal year, due to amortization of long term debt from the prior fiscal year.

The largest portion of the Housing Authority's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Housing Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

**Housing Authority of the City of Texarkana**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2018**  
**(Continued)**

**FINANCIAL ANALYSIS (Continued)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**

	2018	2017	Dollar Change
<b>Revenues and contributions</b>			
Operating, non operating, capital contributions:			
Tenant Revenue	\$ 1,523,244	\$ 1,540,037	\$ (16,793)
Non dwelling rent	71,748	81,237	(9,489)
Total PHA generated Revenue	1,594,992	1,621,274	(26,282)
HUD operating grants	4,737,196	4,228,950	508,246
Capital grants	0	99,403	(99,403)
Other income	45,832	109,859	(64,027)
Fraud recovery	1,452	926	526
Investment income	515,816	506,187	9,629
Gain on sale of capital asset	229,563	0	229,563
<b>Total Revenues and Contributions</b>	<b>7,124,851</b>	<b>6,566,599</b>	<b>558,252</b>
<b>Expenses</b>			
Personnel services	1,723,184	1,865,313	(142,129)
Tenant services	144,311	100,298	44,013
Utilities	300,474	274,645	25,829
Maintenance	792,426	1,031,862	(239,436)
Protective services	95,052	114,039	(18,987)
Insurance	126,018	138,633	(12,615)
Payments in lieu of taxes	0	46,332	(46,332)
Other supplies and expenses	193,196	208,264	(15,068)
Bad debt – tenant rents	24,756	26,161	(1,405)
General expenses	720,501	799,976	(79,475)
Housing Assistance Payments	3,254,425	2,533,530	720,895
Depreciation	853,547	877,399	(23,852)
<b>Total Expenses</b>	<b>8,227,890</b>	<b>8,016,452</b>	<b>211,438</b>
Change in net position	(1,103,039)	(1,449,853)	346,814
Beginning net position	27,471,316	28,921,169	(1,449,853)
Ending net position	<u>\$ 26,368,277</u>	<u>\$27,471,316</u>	<u>\$ (1,103,039)</u>

*Revenues:*

As can be seen in the above table total revenues and contributions increased by \$558,252, in large part, due to federal capital grants increasing by \$508,246 and gain on sale of asset of \$229,563 offset by PHA generated revenue decreasing \$(26,282) and capital contributions decreasing \$(99,403) from the prior fiscal year.

**Housing Authority of the City of Texarkana**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2018**  
**(Continued)**

**FINANCIAL ANALYSIS (Continued)**

The Housing Authority of the City of Texarkana's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. The Housing Authority classified 100% of the Capital Grants as soft costs for this fiscal year. For the fiscal year ending December 31, 2018, revenue generated by the Housing Authority accounted for \$1,594,992 (or 22.3% of total revenue), while HUD contributions accounted for \$4,737,196 (or 66.4% of total revenue).

*Expenses:*

Total expenses for the fiscal year ending December 31, 2018 were \$8,227,890 while for the fiscal year ending December 31, 2017 they were \$8,016,452. This represents an 2.6% increase in our operating costs.

The following represents changes in Federal Assistance received:

	<u>12/31/18</u>	<u>12/31/17</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 664,781	\$ 1,057,966	\$ (393,185)
Capital Fund Program	396,833	639,285	(242,452)
Section 8 Housing Choice Voucher Program	3,650,841	2,631,102	1,019,739
Mainstream Voucher Program	24,315	0	24,315
Total	<u>\$ 4,736,770</u>	<u>\$ 4,328,353</u>	<u>\$ 408,417</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing decreased mainly due the HUD decreasing its funding formula amount for the Housing Authority. During the current fiscal year, the capital fund grants used were less than one years funding versus the prior fiscal year when almost two years funding was used.

*Budget Analysis:*

An Operating Budget for the fiscal year ending December 31, 2018 was presented to and approved by the Board of Commissioners. Actual results were in line with budgeted amounts.

**Housing Authority of the City of Texarkana  
Management's Discussion and Analysis (MD&A)  
December 31, 2018  
(Continued)**

**OPERATIONAL HIGHLIGHTS**

The Housing Authority of the City of Texarkana provided the following housing for low-income individuals and families:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Low Rent Public Housing Program	263	290
Section 8 Housing Choice Voucher Program	725	622

The Housing Commission had a 97.3 percent lease up rate in the Low Rent program for the fiscal year. The Voucher program had a 88.4 percent lease rate for the fiscal year ended December 31, 2018.

**CAPITAL ASSETS**

The Housing Authority of the City of Texarkana's investment in capital assets, as of December 31, 2018 amounts to \$10,387,961 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
December 31,**

	<b>2018</b>	<b>2017</b>	<b>Dollar Change</b>
Land	\$ 1,536,666	\$ 1,536,666	\$ 0
Buildings	20,182,548	20,124,388	58,160
Furniture, equipment and machinery			
- dwellings	1,816,672	1,816,672	0
Furniture, equipment and machinery			
- administration	1,254,607	1,281,618	(27,011)
Construction in progress	57,111	314,518	(257,407)
	<u>24,847,604</u>	<u>25,073,862</u>	<u>(226,258)</u>
Accumulated depreciation	(14,459,643)	(13,666,347)	(793,296)
Total	<u>\$ 10,387,961</u>	<u>\$ 11,407,515</u>	<u>\$ (1,019,554)</u>

Capital assets decreased by \$(1,019,554), due in large part to depreciation of \$(853,547) and sales of assets with a net book value of \$(158,005).

During the fiscal year ending December 31, 2018, our Capital Fund Program work projects included the following:

The Housing Authority used capital grants for operational purposes.

**Housing Authority of the City of Texarkana  
Management's Discussion and Analysis (MD&A)  
December 31, 2018  
(Continued)**

**CAPITAL ASSETS (CONTINUED)**

Capital projects planned for the next fiscal year include the following:

The planned capital expenditures for the next fiscal year include RAD investments and ongoing administrative costs and operational expenses.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Authority is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Authority is affected more by the Federal Budget than by local economic conditions. Due to inadequate funding of programs, the Housing Authority is engaging in outreach activities within its local community to seek other federal and non-federal sources of income to offset operational expenses and keep the Housing Authority financially and operationally in order to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes).

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Antonio Williams, Executive Director  
Housing Authority of the City of Texarkana  
1611 N. Robinson Road Texas,  
Texarkana, TX 75501

## **FINANCIAL STATEMENTS**

**Housing Authority of the City of Texarkana**  
**Statement of Net Position**  
**December 31, 2018**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 2,260,575
Accounts receivable-tenants, net	1,524,709
Prepaid expenses	95,165
Assets held for sale	112,765
Total Current Assets	<u>3,993,214</u>

Capital Assets:

Land	1,536,666
Buildings	20,182,548
Equipment	3,071,279
Construction in progress	57,111
	<u>24,847,604</u>
Less: accumulated depreciation	(14,459,643)
Net Capital Assets	<u>10,387,961</u>

Notes receivable – non current	<u>13,485,223</u>
Total Assets	<u><u>\$ 27,866,398</u></u>

**LIABILITIES and NET POSITION**

Current Liabilities:

Accounts payable	\$ 14,449
Accrued expenses	61,281
Tenant security deposit liability	65,676
Unearned revenue	14,967
Long term debt, current	537,034
Total Current Liabilities	<u>693,407</u>

Non-Current Liabilities:

Long term debt	761,538
Accrued absences	43,176
	<u>804,714</u>

Total Non-Current Liabilities	<u>804,714</u>
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Total Liabilities	<u>1,498,121</u>
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Net Position:

Net investment in capital assets	9,089,391
Restricted net position	13,710,074
Unrestricted net position	3,568,812
Total Net Position	<u>26,368,277</u>

Total Liabilities and Net Position	<u><u>\$ 27,866,398</u></u>
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See notes to financial statements

**Housing Authority of the City of Texarkana**  
**Statement of Revenues, Expenses, And**  
**Changes in Net Position**  
**Year Ended December 31, 2018**

**OPERATING REVENUES:**

Dwelling rent	\$ 1,523,244
Tenant rent-other	71,748
Operating grants	<u>4,737,196</u>

Total operating revenues	<u>6,332,188</u>
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**OPERATING EXPENSES:**

Administrative	1,723,184
Tenant services	144,311
Utilities	300,474
Maintenance	792,426
Protective services	95,052
Insurance	126,018
General expenses	867,908
Extraordinary maintenance	12,850
Housing assistance payments	3,254,425
Depreciation	<u>853,547</u>

Total operating expenses	<u>8,170,195</u>
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Operating income (loss)	<u>(1,838,007)</u>
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**NONOPERATING REVENUES:**

Investment interest income - Unrestricted	515,816
Fraud recovery	1,452
Other revenue	45,832
Gain on sale of capital assets	<u>229,563</u>

Total non operating revenues	<u>792,663</u>
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**NONOPERATING EXPENSES:**

Interest expense	<u>57,695</u>
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Total non operating expenses	<u>57,695</u>
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Change in net position	(1,103,039)
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Net Position, beginning	<u>27,471,316</u>
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Net Position, ending	<u><u>\$ 26,368,277</u></u>
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See notes to financial statements

**Housing Authority of the City of Texarkana**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and non dwelling rents	\$ 1,606,592
Cash received from operating grants	4,763,868
Cash payments to other suppliers of goods and services	(5,923,266)
Cash payments to employees for services	(1,493,269)
Cash payments for payments in lieu of taxes	<u>(55,681)</u>
Net cash (used) by operating activities	<u>(1,101,756)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Proceeds from notes receivable activity	(520,302)
Fraud recovery	777
Tenant security deposits	<u>(5,360)</u>
Net cash (used) by noncapital financing activities	<u>(524,885)</u>

**CASH FLOW FROM CAPITAL AND RELATED FINANCING**

Payments for capital acquisitions	53,242
Gain on sale of capital assets	229,563
Repayment of bonds, notes, and loans payable	(65,929)
Payment of interest on debt	<u>(57,695)</u>
Net cash provided by capital and related financing activities	<u>159,181</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments sold during the fiscal year	250,292
Other revenue	(372,626)
Receipts of interest income - unrestricted	<u>515,816</u>
Net cash provided by investing activities	<u>393,482</u>

Net increase (decrease) in cash	(1,073,978)
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Cash and cash equivalents, beginning	<u>3,334,553</u>
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Cash and cash equivalents, ending	<u><u>\$ 2,260,575</u></u>
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See notes to financial statements

**Housing Authority of the City of Texarkana**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2018**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (1,838,007)
Adjustments to reconcile operating (loss) to net cash provided (used)	
By operating activities:	
Depreciation	853,547
Allowance for doubtful accounts	(4,447)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	8,021
Prepaid expenses	4,179
Accounts receivable-PHA	26,672
Increase (decrease) in liabilities:	
Accounts payable-trade	(107,302)
Accrued wages/payroll taxes payable	7,149
Accrued compensated absences	234
Other current liabilities	(4,147)
Accounts payable-PILOT	(55,681)
Unearned revenue	8,026
	<hr/>
Net cash (used) by operating activities	<u><u>\$ (1,101,756)</u></u>

See notes to financial statements

**Housing Authority of the City of Texarkana**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Housing Authority of the City of Texarkana (“Housing Authority”) is an independent municipal entity created by the City of Texarkana pursuant to Texas state law and the National Housing Act of 1937. Although the Housing Authority maintains close ties with the City of Texarkana in several respects, the Housing Authority is not a component unit of the City, as defined by the Governmental Accounting Standards Board, since the City is not financially accountable for the operations of the Housing Authority, and has no responsibility to fund its deficits or receive its surpluses. The Housing Authority operates under a Board of Commissioner form of government to provide safe and decent housing for eligible low and moderate income families and elderly individuals. The Board is comprised of seven members, all City residents, appointed by the City Mayor.

1. Blended Component Units

Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are, in substance, part of the primary government. The blended component unit is a related Texas Corporations created as an instrumentality of the Authority for the purpose of providing and developing affordable housing opportunities. All five are included in the basic financial statements as the Authority is financially accountable and has a voting majority of the governing board. The blended component units are as follows:

- Texarkana Public Facilities Corporation (“TPFC”)

Affiliates are entities which the Authority act as the general partner are as follows:

- Texarkana Neighborhood Ventures GP, LLC
- Texarkana Neighborhood Ventures II GP, LLC
- Pecan Ridge GP, LLC
- Pecan Ridge at Rosehill GP, LLC

TPFC was created in 2006 on behalf of the Authority for the purposes of Section 103, IRS Code of 1986, in furtherance of the public purpose of the Authority. TPFC is a non-profit entity and exempt from IRS reporting purposes. The Board of Commissioner of the Authority are also the directors of TPFC.

The purpose of the GP, LLC entities is to transact any or all lawful business for which limited liability companies may be organized under the Code, primarily to serve as the General Partner in the partnerships for the respective developments. Due to the relationship, the respective partnerships of the developments are considered to be related parties of the Authority. The sole member of each GP, LLC is the Texarkana Public Facilities Corporation.

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2. Reporting Entity

The Housing Authority's financial statements include the accounts of all of the Housing Authority's operations. The Housing Authority maintains its accounting records by program and operates the following programs:

**Low Income Public Housing**

This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Housing Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and/or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Housing Authority receives grants from HUD to subsidize operating costs. Tenants are charged rents based on a percentage of their incomes. HUD subsidizes 294 federal public housing units through this program.

**Public Housing Capital Fund**

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Housing Authority under the Low-Income Public Housing Program. A designated portion of these funds may also be used to support operations and to make improvements in the management and operation of the Housing Authority's Low-Income Public Housing Program.

**Section 8 Housing Choice Vouchers**

HUD provides grants to the Housing Authority to subsidize rents paid by low income families and issued vouchers affording them choices in renting from private landlords. The Housing Authority subsidizes the landlord for the differences between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard. This program provided rental assistance to approximately 720 families and individuals this year. The authority also was awarded 28 Mainstream Vouchers.

**Central Office Cost Center**

The Central Office Cost Center ("COCC") is a business unit within the Authority that generates revenue from fees for service from other Authority programs and activities and other business activities.

**Business Activities**

The Authority owns and operates Woodbridge Apartments, an 88-unit complex which is located at 502 Belt Rd, Texarkana, Texas and Sandalwood Apartments, a 28-unit complex which is located at 300 Babb Ln, Texarkana, Texas. Both are market rate properties that receive no federal subsidy.

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3. Basis of Presentation and Accounting

In accordance with uniform financial reporting standards for HUD housing purposes, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged in business type activities.

Proprietary funds are accounted for using the “economic resources” measurement, focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through cost charges.

4. Budgets and Budgetary Accounting

The Housing Authority adopts a formal operating budget each year for its operating programs and on a project-length basis for its capital expenditures, which are approved by the board of Commissioners and submitted to the U.S. Department of Housing and Urban Development for their approval, if required.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts. The cash equivalents are recorded at cost, which approximates market.

6. Tenant Accounts Receivable and Allowance for Bad Debts

Accounts receivable have been adjusted for all known uncollectible accounts.

7. Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in net current assets.

8. Compensated Absences

It is the Authority’s policy to permit full-time permanent employees and regular part-time employees (at least 20 hours per week) to accumulate earned, but unused vacation and sick pay benefits, based on tenure

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

8. Compensated Absences (continued)

with the Authority. The policy allows employees to accumulate unused vacation leave up to a maximum of 240 hours and unused sick leave up to a maximum of 520 hours. Upon termination, employees are paid for unused accumulated vacation provided proper notice of intention to leave the Authority has been submitted. In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, the estimated liability for vested leave benefits is recorded when it is earned as an expense and the cumulative unpaid amount is reported as a liability.

9. Inter-Program Activity

During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting inter-program receivables and payables as well as offsetting inter-program transfers are eliminated for financial statement presentation. For the year ended December 31, 2018, there were inter-program receivables and payables due of \$1,459,374 and there were \$113,759 in operating transfers.

10. Buildings and Equipment

Buildings and equipment are recorded at historical cost. Costs in excess of \$1,000 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15	-	40 years
Equipment	3	-	5 years

Land and land improvements include approximately \$1,536,666 of capitalized land that is not subject to depreciation.

11. Income Taxes

The Authority is a governmental entity and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the financial statements. The Authority's blended component unit is exempt from income taxes.

## **NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### 11. Income Taxes (continued)

The blended component units did not incur taxes for the fiscal year ended December 31, 2018. The income tax filings of the Authority's blended component units are subject to audit by various taxing authorities. The open audit periods for these entities are 2016 through 2018.

### 12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### 13. Leasing Activities

**Public Housing** – The Authority is the lessor of dwelling units to low-income and market rate residents. The low-income rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the leases only for cause. The majority of the capital assets are used in these leasing activities. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within tenant revenue.

**Ground Lease** – The Authority entered into ground lease agreements with its component unit entities as described in Note 1 above, whereby the Authority is the Landlord and the related LLP's are the tenants. The leases are associated with the redevelopment and development of the Authority's sites.

### 14. Impairment of long-lived assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. Management has determined that there were no impairments as of December 31, 2018.

### 15. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will, when applicable, report separate sections for deferred outflows or resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources* a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

16. Unearned Revenue

The Housing Authority reports unearned revenue in connection with resources that have been received, but not yet earned.

17. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

18. Net Position

Net positions are comprised of three categories (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The Housing Authority's positive value of unrestricted net position in the primary government may be used to meet ongoing obligations. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Housing Authority's policy is to first apply restricted resources. Each component of net position is reported separately on the statement of net position.

- i. Net Investment in capital assets – This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. Restricted – This category equals the restricted cash of the Housing Authority and consists of net position restricted for use by (1) external groups such as grantors, creditors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- iii. Unrestricted – This category includes all of the remaining net position that do not meet the definition of the other two categories.

19. Subsequent Events

The financial statements and related disclosures include evaluation of events through and including June 27, 2019, which is the date the financial statements were available to be issued.

## **NOTE B: CASH AND CASH EQUIVALENTS**

Texas Code authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Texas. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Texas or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Texas.

The Housing Authority has designated several banks for the deposit of its funds. The Housing Authority's deposits are included on the balance sheet under the classification cash and cash equivalents and consist of the following:

Cash – operations	\$ 2,260,575
Total	<u>\$ 2,260,575</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of December 31, 2018:

Bank deposits (checking, savings, and treasury obligation accounts)	\$ 2,260,475
Petty cash	<u>100</u>
Total	<u>\$ 2,260,575</u>

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law. Texas law requires collateralization of all municipal deposits by the Federal Depository Insurance Corporation ("FDIC") and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies. As of December 31, 2018, none of the Authority's total cash bank balance was exposed to custodial credit risk.

## **NOTE C: INVESTMENTS**

The Authority's investments consist of certificates of deposit that are carried at fair value based on quoted market prices in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools. During the fiscal year, the Authority closed the investment accounts and as of December 31, 2018 investments totaled \$0.

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, was as follows:

	<b>Balance 12/31/17</b>	<b>Additions/ Transfers</b>	<b>Retirements/ Transfers</b>	<b>Balance 12/31/18</b>
<b>Low Rent Program</b>				
Land	\$ 450,582	\$ 0	\$ (5,038)	\$ 445,544
Buildings	15,770,121	0	(632,277)	15,137,844
Furniture, equipment & machinery - dwellings	1,408,382	0	0	1,408,382
Furniture, equipment & machinery - administration	675,926	0	(139,253)	536,673
Construction in progress	257,407		(257,407)	0
	<u>18,562,418</u>	<u>\$ 0</u>	<u>\$ (1,033,975)</u>	<u>17,528,443</u>
Less accumulated depreciation	<u>(11,981,925)</u>	<u>\$ (591,029)</u>	<u>\$ 857,521</u>	<u>(11,715,433)</u>
Total	<u>\$ 6,580,493</u>			<u>\$ 5,813,009</u>
<b>Housing Choice Vouchers Program</b>				
Furniture, equipment & machinery - administration	\$ 32,673	\$ 0	\$ 0	\$ 32,673
	<u>32,673</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>32,673</u>
Less accumulated depreciation	<u>(32,041)</u>	<u>\$ (256)</u>	<u>\$ 0</u>	<u>(32,297)</u>
Total	<u>\$ 632</u>			<u>\$ 376</u>
	<b>Balance 12/31/17</b>	<b>Additions/ Transfers</b>	<b>Retirements/ Transfers</b>	<b>Balance 12/31/18</b>
<b>Blended Component Unit Program</b>				
Land	\$ 1,019,959	\$ 0	\$ 0	\$ 1,019,959
Buildings	571,855	5,411	0	577,266
Furniture, equipment & machinery - administration	331,889	0	0	331,889
Construction in progress	57,111	0	0	57,111
	<u>1,980,814</u>	<u>\$ 5,411</u>	<u>\$ 0</u>	<u>1,986,225</u>
Less accumulated depreciation	<u>(181,525)</u>	<u>\$ (76,561)</u>	<u>\$ 0</u>	<u>(258,086)</u>
Total	<u>\$ 1,799,289</u>			<u>\$ 1,728,139</u>

**NOTE D: CAPITAL ASSETS (CONTINUED)**

	<b>Balance 12/31/17</b>	<b>Additions/ Transfers</b>	<b>Retirements/ Transfers</b>	<b>Balance 12/31/18</b>
<b>Business Activities</b>				
<b>Program</b>				
Buildings	3,082,133	0	0	3,082,133
Furniture, equipment & machinery - dwellings	69,622	0	0	69,622
Furniture, equipment & machinery - administration	72,951	0	0	72,951
	<u>3,224,706</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>3,224,706</u>
Less accumulated depreciation	<u>(1,079,043)</u>	<u>\$ (86,709)</u>		<u>(1,165,752)</u>
Total	<u>\$ 2,145,663</u>			<u>\$ 2,058,954</u>
	<b>Balance 12/31/17</b>	<b>Additions/ Transfers</b>	<b>Retirements/ Transfers</b>	<b>Balance 12/31/18</b>
<b>COCC Program</b>				
Land	\$ 66,124	\$ 5,039	\$ 0	\$ 71,163
Buildings	700,279	685,026	0	1,385,305
Furniture, equipment & machinery - dwellings	338,669	0	0	338,669
Furniture, equipment & machinery - administration	168,179	112,242	0	280,421
	<u>1,273,251</u>	<u>\$ 802,307</u>	<u>\$ 0</u>	<u>2,075,558</u>
Less accumulated depreciation	<u>(391,815)</u>	<u>\$ (98,992)</u>	<u>\$ (797,268)</u>	<u>(1,288,075)</u>
Total	<u>\$ 881,436</u>			<u>\$ 787,483</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	\$ 591,029
Housing Choice Voucher Program	256
Blended Component Unit Program	76,561
Business Activity Program	86,709
COCC	98,992
	<u>\$ 853,547</u>

**NOTE E: NOTES RECEIVABLE**

The Authority's blended component unit, TPFC, has entered into agreements with the partnerships associated with the tax credit properties. The loans are due to be paid from cash flows in accordance with each respective partnership agreement. The notes are secured by a mortgage on the real and personal property. In addition, TPFC holds twelve forgivable second mortgages related to homes sold with funds remaining from the Hope VI grant.

**NOTE E: NOTES RECEIVABLE (CONTINUED)**

Due to the uncertain timing of cash flows of the respective partnerships, these notes receivables are classified as noncurrent.

A summary of changes in notes receivable for the year ended December 31, 2018 is as follows:

	<b>Balance 12/31/17</b>	<b>Additions/ Transfers</b>	<b>Retirements/ Transfers</b>	<b>Balance 12/31/18</b>
Texarkana Two				
Neighborhood Ventures	\$ 5,421,467	\$ 189,523	\$ 0	\$ 5,610,990
Pecan Ridge at Rosehill	4,018,743	167,007	0	4,185,750
Rosehill Ridge, Ltd.	2,804,317	138,645	0	2,942,962
Hope VI Mortgage	720,394	25,127	0	745,521
Total	<u>\$ 12,964,921</u>	<u>\$ 520,302</u>	<u>\$ 0</u>	<u>\$ 13,485,223</u>

**NOTE F: NON-CURRENT LIABILITIES**

As of December 31, 2018, the non-current liabilities are comprised of the following:

Long term debt	\$ 761,538
Accrued compensated absences	43,176
	<u>\$ 804,714</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2018:

	<b>Balance 12/31/17</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 12/31/18</b>	<b>Amounts Due within One Year</b>
Regions note	546,235		(39,090)	507,145	507,145
Farmers note	577,475		(26,839)	550,636	29,889
Line of credit	240,791	0		240,791	0
Long term debt	\$1,364,501	\$ 0	\$ (65,929)	\$ 1,298,572	\$ 537,034
Compensated absences	72,087	234	0	72,321	29,145
Total	<u>\$1,436,588</u>	<u>\$ 234</u>	<u>\$ (65,929)</u>	<u>\$ 1,370,893</u>	<u>\$ 566,179</u>

The interest expense associated with all of the debt service of the Authority totaled \$57,695 for the year ended December 31, 2018.

**Regions Note Payable** – On January 11, 2008, the Authority entered into a promissory note with Regions Bank in connection with the purchase of Woodbridge Apartments in the amount of \$870,668 at an interest rate of 4.4%. The note is secured by the real estate and an assignment of rents. The note requires monthly payments of \$5,487 through January 2019, with a balloon payment of \$505,787 due on January 8, 2019.

**NOTE F: NON-CURRENT LIABILITIES (CONTINUED)****Regions Note Payable (continued)**

As of December 31, 2018, the future principal and interest maturities for the note payable are \$507,145 and \$1,904, respectively for the year ending December 31, 2019.

**Farmers Note Payable** – On March 28, 2014, the Authority blended component unit, TPFC, entered into a promissory note with Farmers Bank & Trust, for the construction of Sandalwood Apartments, in the amount of \$810,083 at an interest rate of 4.5%. The note is secured by the real estate. Commencing January 28, 2017, monthly payments of \$4,504 are due through December 28, 2020 whereupon the entire balance of principal and interest are due. As of December 31, 2018, the future principal and interest maturities for the note payable are as follows for the years ending December 31:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 29,889	\$ 24,062
2020	520,747	23,950
Total	<u>\$ 550,636</u>	<u>\$ 48,012</u>

**Line of Credit** – On April 5, 2012, the Authority entered into a line of credit with Regions Bank where it may borrow up to \$500,000. The line of credit bears interest at 2.73% per annum. It is secured by one of the Authority's business activity properties. The outstanding balance on the line of credit at December 31, 2018 was \$240,791, with the entire balance classified as a noncurrent liability.

**NOTE G: COMMITMENTS AND CONTINGENCIES****Commitments – Construction**

At December 31, 2018, the Housing Authority had the following capital fund grants:

	<u>TX21P014501-15</u>	<u>TX21P014501-16</u>
Funds Approved	\$ 474,593	\$ 568,486
Funds Expended	<u>(162,350)</u>	<u>(170,545)</u>
Excess of Funds Approved	<u>312,243</u>	<u>397,941</u>
 Funds Advanced (HUD Grants)	 \$ 162,350	 170,545
Funds Expended	<u>(162,350)</u>	<u>(170,545)</u>
Excess of Funds Advanced	<u>\$ 0</u>	<u>0</u>
	<u>TX21P014501-17</u>	<u>TX21P014501-18</u>
Funds Approved	\$ 720,963	\$ 974,399
Funds Expended	<u>(212,000)</u>	<u>(292,320)</u>
Excess of Funds Approved	<u>\$ 508,963</u>	<u>\$ 682,079</u>
 Funds Advanced (HUD Grants)	 \$ 212,000	 \$ 292,320
Funds Expended	<u>(212,000)</u>	<u>(292,320)</u>
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>

#### **NOTE G: COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The Actual Modernization Cost Certificate for the 2011 RHF, 2012 RHF, 2013 CFP, and 2014 CFP was signed by the Executive Director and sent to HUD for their approval. HUD approved for audit the cost certificates. The audited costs for the 2011 RHF, 2012 RHF, 2013 CFP, and 2014 CFP agree with the costs shown on the Form HUD-53001.

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

#### **NOTE H: RETIREMENT PLAN**

The Authority provides pension benefits for its full-time employees through a defined contribution pension plan administered by AXA Equitable Retirement. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment, after a 90-day continuous and uninterrupted employment period. As of May 1, 2018, the Authority contributes 3% of the W-2 wages into the pension plan. Prior to this, the Authority contributed 10% of the total W-2 wages into the pension plan. The employees' required contribution rate is 0%. Per the retirement plan, employees do not have the option to make contributions on a voluntary basis. The Authority's contributions for each employee vest at a rate of 20% each year, and become fully vested after five years of continuous service. The vesting rate begins upon completion of 1,000 hours. The Authority's total payroll for fiscal year ended December 31, 2018, was \$1,186,133. The Authority made the required contributions of \$314,519.

#### **NOTE I: RISK MANAGEMENT**

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Authority carries commercial insurance coverage to cover this risk. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

## **OTHER INFORMATION**

**Housing Authority of the City of Texarkana**  
**Combining Statement of Net Position by Program**  
**December 31, 2018**

	Low Rent Program 14,850	Housing Choice Vouchers Program 14,871	Component Unit Blended
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,440,520	\$ 20,825	\$ 745,824
Accounts receivable, net	1,454,514	0	66,139
Prepaid expenses	43,566	3,101	18,706
Inter-program due from	490,820	0	948,310
Assets held for sale	112,765	0	0
Total current assets	<u>3,542,185</u>	<u>23,926</u>	<u>1,778,979</u>
Noncurrent assets:			
Capital assets:			
Land	445,544	0	1,019,959
Buildings	15,137,844	0	577,266
Equipment	1,945,054	32,673	331,889
Construction in progress	0	0	57,111
	<u>17,528,442</u>	<u>32,673</u>	<u>1,986,225</u>
Less accumulated depreciation	<u>(11,715,433)</u>	<u>(32,297)</u>	<u>(258,086)</u>
Net capital assets	<u>5,813,009</u>	<u>376</u>	<u>1,728,139</u>
Notes receivable	<u>0</u>	<u>0</u>	<u>13,485,223</u>
Total Assets	<u>\$ 9,355,194</u>	<u>\$ 24,302</u>	<u>\$ 16,992,341</u>

Business Activities	COCC	Mainstream Vouchers	Subtotal	Elimination	Total
\$ 29,091	\$ 0	\$ 24,315	\$ 2,260,575	\$ 0	\$ 2,260,575
4,056	0		1,524,709	0	1,524,709
15,811	13,981		95,165	0	95,165
0	20,244		1,459,374	(1,459,374)	0
0	0		112,765	0	112,765
48,958	34,225	24,315	5,452,588	(1,459,374)	3,993,214
0	71,163	0	1,536,666	0	1,536,666
		0		0	20,182,548
3,082,133	1,385,305		20,182,548		
142,573	619,090	0	3,071,279	0	3,071,279
0	0	0	57,111	0	57,111
3,224,706	2,075,558	0	24,847,604	0	24,847,604
(1,165,752)	(1,288,075)	0	(14,459,643)	0	(14,459,643)
2,058,954	787,483	0	10,387,961	0	10,387,961
0	0	0	13,485,223	0	13,485,223
\$ 2,107,912	\$ 821,708	\$ 24,315	\$ 29,325,772	\$ (1,459,374)	\$ 27,866,398

**Housing Authority of the City of Texarkana**  
**Combining Statement of Net position by Program**  
**(Continued)**  
**December 31, 2018**

	Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Component Unit Blended
<b>LIABILITIES and NET POSITION</b>			
Current liabilities:			
Accounts payable	\$ 1,128	\$ 2,652	\$ 776
Accrued expenses	28,073	4,736	14,659
Tenant security deposit liability	31,885	0	4,700
Unearned revenue	2,471	0	299
Current portion of long term debt	0	0	29,889
Interprogram due to	465,668	0	0
Total current liabilities	<u>529,225</u>	<u>7,388</u>	<u>50,323</u>
Non-current liabilities:			
Long term debt, net of current	0	0	761,538
Accrued compensated absences	16,583	1,892	12,646
Total non-current liabilities	<u>16,583</u>	<u>1,892</u>	<u>774,184</u>
Total liabilities	<u>545,808</u>	<u>9,280</u>	<u>824,507</u>
Net Position:			
Net investment in capital assets	5,813,010	377	936,712
Restricted net position	199,128	1,408	13,485,223
Unrestricted net position	2,797,248	13,237	1,745,899
Total net position	<u>8,809,386</u>	<u>15,022</u>	<u>16,167,834</u>
Total Liabilities and Net Position	<u>\$ 9,355,194</u>	<u>\$ 24,302</u>	<u>\$ 16,992,341</u>

Business Activities	COCC	Mainstream Vouchers	Subtotal	Elimination	Total
\$ 9,893	\$ 0	\$ 0	\$ 14,449	\$ 0	\$ 14,449
502	13,311	0	61,281	0	61,281
29,091	0	0	65,676	0	65,676
12,197	0	0	14,967	0	14,967
507,145	0	0	537,034	0	537,034
993,706	0	0	1,459,374	(1,459,374)	0
<u>1,552,534</u>	<u>13,311</u>	<u>0</u>	<u>2,152,781</u>	<u>(1,459,374)</u>	<u>693,407</u>
0	0	0	761,538	0	761,538
318	11,737	0	43,176	0	43,176
<u>318</u>	<u>11,737</u>	<u>0</u>	<u>804,714</u>	<u>0</u>	<u>804,714</u>
<u>1,552,852</u>	<u>25,048</u>	<u>0</u>	<u>2,957,495</u>	<u>(1,459,374)</u>	<u>1,498,121</u>
1,551,809	787,483	0	9,089,391	0	9,089,391
0	0	24,315	13,710,074	0	13,710,074
(996,749)	9,177	0	3,568,812	0	3,568,812
<u>555,060</u>	<u>796,660</u>	<u>24,315</u>	<u>26,368,277</u>	<u>0</u>	<u>26,368,277</u>
<u>\$ 2,107,912</u>	<u>\$ 821,708</u>	<u>\$ 24,315</u>	<u>\$ 29,325,772</u>	<u>\$ (1,459,374)</u>	<u>\$ 27,866,398</u>

**Housing Authority of the City of Texarkana**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position by Program**  
**Year Ended December 31, 2018**

	Low Rent Program 14.850	Housing Choice Vouchers Programs 14.871	Component Unit Blended
<b>OPERATING REVENUES:</b>			
Dwelling rent	\$ 683,022	\$ 0	\$ 90,161
Tenant rent-other	71,189	0	559
Operating grants	1,062,040	3,650,841	0
Total operating revenues	<u>1,816,251</u>	<u>3,650,841</u>	<u>90,720</u>
<b>OPERATING EXPENSES:</b>			
Administrative	653,412	411,666	415,303
Asset management fee	35,280	0	2,500
Tenant services	143,511	0	150
Utilities	196,568	0	1,145
Maintenance	489,796	57,140	66,913
Protective services	62,391	0	2,953
Insurance	54,374	2,986	20,357
General expenses	695,664	25,272	113,287
Extraordinary maintenance	0	0	12,850
Housing assistance payments	0	3,254,425	0
Depreciation	591,029	256	76,561
Total operating expenses	<u>2,922,025</u>	<u>3,751,745</u>	<u>712,019</u>
Operating income (loss)	<u>(1,105,774)</u>	<u>(100,904)</u>	<u>(621,299)</u>
<b>NONOPERATING REVENUES:</b>			
Fee revenue	0	0	0
Investment interest income - unrestricted	9,365	82	506,345
Fraud recovery	0	1,452	0
Other revenue	1,961	0	3,015
Operating transfers in (out)	0	113,759	(113,759)
Gain on sale of capital assets	6,404	0	223,159
Total non operating revenues	<u>17,730</u>	<u>115,293</u>	<u>618,760</u>
<b>NONOPERATING EXPENSES:</b>			
Interest expense	<u>0</u>	<u>0</u>	<u>34,537</u>
Total nonoperating expenses	<u>0</u>	<u>0</u>	<u>34,537</u>
Change in net position	(1,088,044)	14,389	(37,076)
Net Position, beginning	<u>9,897,430</u>	<u>633</u>	<u>16,204,910</u>
Net Position, ending	<u><u>\$ 8,809,386</u></u>	<u><u>\$ 15,022</u></u>	<u><u>\$ 16,167,834</u></u>

Business Activities	COCC	Mainstream Vouchers	Subtotal	Eliminations	Total
\$ 750,061	\$ 0	\$ 0	\$ 1,523,244	\$ 0	\$ 1,523,244
0	0	0	71,748	0	71,748
0	0	24,315	4,737,196	0	4,737,196
750,061	0	24,315	6,332,188	0	6,332,188
163,619	504,074	0	2,148,074	(424,890)	1,723,184
30,000	0	0	67,780	(67,780)	0
650	0	0	144,311	0	144,311
79,563	23,198	0	300,474	0	300,474
271,274	116,742	0	1,001,865	(209,439)	792,426
25,998	3,710	0	95,052	0	95,052
31,203	17,098	0	126,018	0	126,018
16,725	16,960	0	867,908	0	867,908
0	0	0	12,850	0	12,850
0	0	0	3,254,425	0	3,254,425
86,709	98,992	0	853,547	0	853,547
705,741	780,774	0	8,872,304	(702,109)	8,170,195
44,320	(780,774)	24,315	(2,540,116)	702,109	(1,838,007)
0	659,787	0	659,787	(659,787)	0
24	0	0	515,816	0	515,816
0	0	0	1,452	0	1,452
40,856	42,322	0	88,154	(42,322)	45,832
0	0	0	0	0	0
0	0	0	229,563	0	229,563
40,880	702,109	0	1,494,772	(702,109)	792,663
23,158	0	0	57,695	0	57,695
23,158	0	0	57,695	0	57,695
62,042	(78,665)	24,315	(1,103,039)	0	(1,103,039)
493,018	875,325	0	27,471,316	0	27,471,316
\$ 555,060	\$ 796,660	\$ 24,315	\$ 26,368,277	\$ 0	\$ 26,368,277

**Housing Authority of the City of Texarkana**  
**Combining Statement of Cash Flows by Program**  
**Year Ended December 31, 2018**

	Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Component Unit Blended
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from dwelling and non-dwelling rents	\$ 754,005	\$ 0	\$ 89,723
Cash received from operating grants	1,062,040	3,677,513	0
Cash payments to other suppliers of goods and services	(1,769,923)	(3,644,580)	(402,885)
Cash payments to employees for services	(550,326)	(129,940)	(262,240)
Cash payments for payments in lieu of taxes	(55,681)	0	0
Net cash provided (used) by operating activities	(559,885)	(97,007)	(575,402)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Proceeds from notes receivable activity	0	0	(520,302)
Fraud recovery	(675)	1,452	0
Tenant security deposits	(6,508)	0	0
Transfers in (out)	0	113,759	(113,759)
Interprogram due to, due from	53,759	0	44,224
Net cash provided (used) by noncapital financing activities	46,576	115,211	(589,837)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payments for capital acquisitions	63,690	0	(5,411)
Gain on sale of capital assets	6,404	0	223,159
Repayment of bonds, notes, and loans payable	0	0	(26,839)
Payment of interest on debt	0	0	(34,537)
Net cash provided (used) by capital and related financing activities	70,094	0	156,372
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments sold during the fiscal year	250,292	0	0
Other revenue	(462,365)	0	30,717
Receipts of interest income - unrestricted	9,365	82	506,345
Net cash provided by investing activities	(202,708)	82	537,062
Net increase (decrease) in cash	(645,923)	18,286	(471,805)
Cash and cash equivalents, beginning	2,086,443	2,538	1,217,629
Cash and cash equivalents, ending	\$ 1,440,520	\$ 20,825	\$ 745,824

<u>Business Activities</u>	<u>COCC</u>	<u>Mainstream Vouchers</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
\$ 762,864	\$ 0	\$ 0	\$ 1,606,592	\$ 0	\$ 1,606,592
0	0	24,315	4,763,868	0	4,763,868
(514,571)	(293,416)	0	(6,625,375)	702,109	(5,923,266)
(153,158)	(397,605)	0	(1,493,269)	0	(1,493,269)
0	0	0	(55,681)	0	(55,681)
95,135	(691,021)	24,315	(1,803,865)	702,109	(1,101,756)
0	0	0	(520,302)	0	(520,302)
0	0	0	777	0	777
1,148	0	0	(5,360)	0	(5,360)
0	0	0	0	0	0
(73,591)	(24,392)	0	0	0	0
(72,443)	(24,392)	0	(524,885)	0	(524,885)
0	654,748	0	713,027	(659,785)	53,242
0	0	0	229,563	0	229,563
(39,090)	0	0	(65,929)	0	(65,929)
(23,158)	0	0	(57,695)	0	(57,695)
(62,248)	654,748	0	818,966	(659,785)	159,181
0	0	0	250,292	0	250,292
40,679	60,665	0	(330,304)	(42,322)	(372,626)
24	0	0	515,816	0	515,816
40,703	60,665	0	435,804	(42,322)	393,482
1,147	0	24,315	(1,073,980)	0	(1,073,980)
27,943	0	0	3,334,553	0	3,334,553
<u>\$ 29,091</u>	<u>\$ 0</u>	<u>\$ 24,315</u>	<u>\$ 2,260,575</u>	<u>\$ 0</u>	<u>\$ 2,260,575</u>

**Housing Authority of the City of Texarkana**  
**Combining Statement of Cash Flows by Program**  
**(Continued)**  
**Year Ended December 31, 2018**

	Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Component Unit Blended
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (1,105,774)	\$ (100,904)	\$ (621,299)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	591,029	256	76,561
Allowance for doubtful accounts	(4,447)	0	0
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable-tenants	3,841	0	231
Prepaid expenses	8,366	(819)	(8,263)
Accounts receivable-PHA	0	26,672	0
Increase (decrease) in liabilities:			
Accounts payable-trade	(5,750)	(20,992)	(25,434)
Accrued wages/payroll taxes payable	7,676	2,021	461
Accrued compensated absences	3,144	(3,241)	5,027
Other current liabilities	(2,689)	0	(1,458)
Accounts payable-PILOT	(55,681)	0	0
Unearned revenue	400	0	(1,228)
Net cash provided (used) by operating activities	<u>\$ (559,885)</u>	<u>\$ (97,007)</u>	<u>\$ (575,402)</u>

<u>Business Activities</u>	<u>COCC</u>	<u>Mainstream Vouchers</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
\$ 44,320	\$ (780,774)	\$ 24,315	\$ (2,540,116)	\$ 702,109	\$ (1,838,007)
86,709	98,992	0	853,547	0	853,547
0	0	0	(4,447)	0	(4,447)
3,949	0	0	8,021	0	8,021
206	4,689	0	4,179	0	4,179
0	0	0	26,672	0	26,672
(49,193)	(5,933)	0	(107,302)	0	(107,302)
0	(3,009)	0	7,149	0	7,149
290	(4,986)	0	234	0	234
0	0	0	(4,147)	0	(4,147)
0	0	0	(55,681)	0	(55,681)
<u>8,854</u>	<u>0</u>	<u>0</u>	<u>8,026</u>	<u>0</u>	<u>8,026</u>
<u>\$ 95,135</u>	<u>\$ (691,021)</u>	<u>\$ 24,315</u>	<u>\$ (1,803,865)</u>	<u>\$ 702,109</u>	<u>\$ (1,101,756)</u>

**Housing Authority of the City of Texarkana  
Schedule of Expenditures of Federal Awards  
And Notes to the Schedule of Federal Awards  
Year Ended December 31, 2018**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Grantor	Type	Federal CFDA #	Expenditures
<hr/> U.S. Department of HUD <hr/>			
<b>Housing Voucher Cluster:</b>			
Section 8 Housing Choice Vouchers	A – Major	14.871	\$ 3,650,841
Mainstream Vouchers	A – Nonmajor	14.879	<u>24,315</u>
<b>Subtotal Housing Voucher Cluster</b>			\$ 3,675,156
<b>Public and Indian Housing:</b>			
Public Housing Program	B – Nonmajor	14.850	664,781
<b>Public Housing Capital Fund</b>	B – Nonmajor	14.872	396,833
			<hr/>
Total Federal Financial Awards			<u><u>\$ 4,736,770</u></u>
<b>Threshold for Type A/Type B Program</b>			<u><u>\$ 750,000</u></u>

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

**Basis of Accounting** - - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Housing Authority under programs of the federal government for the year ended December 31, 2018. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of the Uniform Guidance, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Because the Schedule presents only a selected portion of the operations of the Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the Housing Authority.

**Indirect Cost Rate** - - The Authority did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Housing Authority of the City of Texarkana**  
**Financial Data Schedule**  
**Year Ended December 31, 2018**

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Component Unit Blended
	<b>ASSETS</b>			
	Current assets:			
111	Cash-unrestricted	\$ 1,209,507	\$ 19,417	\$ 741,124
113	Cash-other restricted	199,128	1,408	0
114	Cash-tenant security deposits	31,885	0	4,700
100	Total cash	<u>1,440,520</u>	<u>20,825</u>	<u>745,824</u>
	Receivables:			
125	A/R-miscellaneous	1,442,323	0	66,139
126	A/R-tenants-dwelling rents	12,657	0	0
126.1	Allowance for doubtful accounts	(1,141)	0	0
128	Fraud Recovery	675	0	0
120	Total receivables, net	<u>1,454,514</u>	<u>0</u>	<u>66,139</u>
	Other Current Assets:			
142	Prepaid expenses	43,566	3,101	18,706
144	Interprogram due from	490,820	0	948,310
145	Assets held for sale	112,765	0	0
	Total other current assets	<u>647,151</u>	<u>3,101</u>	<u>967,016</u>
150	Total current assets	<u>3,542,185</u>	<u>23,926</u>	<u>1,778,979</u>
	Noncurrent Assets:			
	Fixed Assets:			
161	Land	445,544	0	1,019,959
162	Buildings	15,137,844	0	577,266
163	Furn. equip & mach-dwellings	1,408,381	0	0
164	Furn, equip & mach-admin	536,673	32,673	331,889
166	Accumulated depreciation	(11,715,433)	(32,297)	(258,086)
167	Construction in progress	0	0	57,111
160	Total fixed assets, net	<u>5,813,009</u>	<u>376</u>	<u>1,728,139</u>
171	Notes receivable	<u>0</u>	<u>0</u>	<u>13,485,223</u>
180	Total non-current assets	<u>5,813,009</u>	<u>376</u>	<u>15,213,362</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 9,355,194</u>	<u>\$ 24,302</u>	<u>\$ 16,992,341</u>

Business Activities	COCC	Mainstream Vouchers	Subtotal	Elimination	Total
\$ 0	\$ 0	\$ 0	\$ 1,970,048	\$ 0	\$ 1,970,048
0	0	24,315	224,851	0	224,851
29,091	0	0	65,676	0	65,676
29,091	0	0	2,260,575	0	2,260,575
177	0	0	1,508,639	0	1,508,639
3,879	0	0	16,536	0	16,536
0	0	0	(1,141)	0	(1,141)
0	0	0	675	0	675
4,056	0	0	1,524,709	0	1,524,709
15,811	13,981	0	95,165	0	95,165
0	20,244	0	1,459,374	(1,459,374)	0
0	0	0	112,765	0	112,765
15,811	34,225	0	1,667,304	(1,459,374)	207,930
48,958	34,225	24,315	5,452,588	(1,459,374)	3,993,214
0	71,163	0	1,536,666	0	1,536,666
3,082,133	1,385,305	0	20,182,548	0	20,182,548
69,622	338,669	0	1,816,672	0	1,816,672
72,951	280,421	0	1,254,607	0	1,254,607
(1,165,752)	(1,288,075)	0	(14,459,643)	0	(14,459,643)
0	0	0	57,111	0	57,111
2,058,954	787,483	0	10,387,961	0	10,387,961
0	0	0	13,485,223	0	13,485,223
2,058,954	787,483	0	23,873,184	0	23,873,184
\$ 2,107,912	\$ 821,708	\$ 24,315	\$ 29,325,772	\$ (1,459,374)	\$ 27,866,398

**Housing Authority of the City of Texarkana**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2018**

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers Program 14.896	Component Unit Blended
	<b>LIABILITIES and NET POSITION</b>			
	Current liabilities:			
312	Accounts payable	\$ 1,128	\$ 2,652	\$ 776
321	Accrued wage/payroll taxes payable	17,019	3,474	6,157
322	Accrued compensated absences	11,054	1,262	8,502
333	Accounts payable – other government	0	0	0
341	Tenant security deposits	31,885	0	4,700
342	Unearned revenue	2,471	0	299
343	Current portion of long term debt	0	0	29,889
347	Interprogram due to	465,668	0	0
310	Total current liabilities	<u>529,225</u>	<u>7,388</u>	<u>50,323</u>
	Non-current liabilities:			
351	Long term debt, net of current	0	0	761,538
354	Accrued compensated absences	16,583	1,892	12,646
350	Total noncurrent liabilities	<u>16,583</u>	<u>1,892</u>	<u>774,184</u>
300	Total liabilities	<u>545,808</u>	<u>9,280</u>	<u>824,507</u>
	Net Position:			
508.4	Net investment in capital assets	5,813,010	377	936,712
511.4	Restricted net position	199,128	1,408	13,485,223
512.4	Unrestricted net position	<u>2,797,248</u>	<u>13,237</u>	<u>1,745,899</u>
513	Total net position	<u>8,809,386</u>	<u>15,022</u>	<u>16,167,834</u>
600	Total Liabilities, Deferred Inflows of Resources and and Net Position	<u>\$ 9,355,194</u>	<u>\$ 24,302</u>	<u>\$ 16,992,341</u>

Business Activities	COCC	Mainstream Vouchers	Subtotal	Elimination	Total
\$ 9,893	\$ 0	\$ 0	\$ 14,449	\$ 0	\$ 14,449
0	5,486	0	32,136	0	32,136
502	7,825	0	29,145	0	29,145
0	0	0	0	0	0
29,091	0	0	65,676	0	65,676
12,197	0	0	14,967	0	14,967
507,145	0	0	537,034	0	537,034
993,706	0	0	1,459,374	(1,459,374)	0
<u>1,552,534</u>	<u>13,311</u>	<u>0</u>	<u>2,152,781</u>	<u>(1,459,374)</u>	<u>693,407</u>
0	0	0	761,538	0	761,538
318	11,737	0	43,176	0	43,176
<u>318</u>	<u>11,737</u>	<u>0</u>	<u>804,714</u>	<u>0</u>	<u>804,714</u>
<u>1,552,852</u>	<u>25,048</u>	<u>0</u>	<u>2,957,495</u>	<u>(1,459,374)</u>	<u>1,498,121</u>
1,551,809	787,483	0	9,089,391	0	9,089,391
0	0	24,315	13,710,074	0	13,710,074
<u>(996,749)</u>	<u>9,177</u>	<u>0</u>	<u>3,568,812</u>	<u>0</u>	<u>3,568,812</u>
<u>555,060</u>	<u>796,660</u>	<u>24,315</u>	<u>26,368,277</u>	<u>0</u>	<u>26,368,277</u>
<u>\$ 2,107,912</u>	<u>\$ 821,708</u>	<u>\$ 24,315</u>	<u>\$ 29,325,772</u>	<u>\$ (1,459,374)</u>	<u>\$ 27,866,398</u>

**Housing Authority of the City of Texarkana**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2018**

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Component Unit Blended
	<b>Revenues</b>			
70300	Net tenant rental revenue	\$ 683,022	\$ 0	\$ 90,161
70400	Tenant revenue-other	71,189	0	559
70500	Total tenant revenue	754,211	0	90,720
70600	HUD PHA operating grants	1,062,040	3,650,841	0
70710	Management fee	0	0	0
70720	Asset management fee	0	0	0
70730	Book keeping fee	0	0	0
70740	Front line service fee	0	0	0
70700	Total fee revenue	0	0	0
71100	Investment income – unrestricted	9,365	82	506,345
71400	Fraud recovery	0	1,452	0
71500	Other revenue	1,961	0	3,015
71600	Gain on sale of capital assets	6,404	0	223,159
70000	Total Revenue	1,833,981	3,652,375	823,239
	<b>Expenses</b>			
	Administrative:			
91100	Administrative salaries	160,596	97,903	205,087
91200	Auditing fees	9,100	8,000	7,738
91300	Management fee	251,831	92,328	6,236
91310	Book-keeping fee	23,027	57,705	0
91400	Advertising and marketing	809	725	23,973
91500	Employee benefit contributions	46,367	30,817	49,599
91600	Office expenses	111,134	19,267	36,720
91700	Legal expense	5,098	2,351	33,534
91800	Travel	3,062	3,211	15,203
91900	Other	42,388	99,359	37,213
91000	Total operating-administrative	653,412	411,666	415,303
92000	Asset management fee	35,280	0	2,500
	Tenant services:			
92100	Tenant services – salaries	118,864	0	0
92300	Employee benefit contributions	18,822	0	0
92400	Tenant services – other	5,825	0	150
92500	Total tenant services	143,511	0	150

Business Activities	COCC	Mainstream Vouchers	Subtotal	Elimination	Total
\$ 750,061	\$ 0	\$ 0	\$ 1,523,244	\$ 0	\$ 1,523,244
0	0	0	71,748	0	71,748
750,061	0	0	1,594,992	0	1,594,992
0	0	24,315	4,737,196	0	4,737,196
0	344,158	0	344,158	(344,158)	0
0	67,780	0	67,780	(67,780)	0
0	80,732	0	80,732	(80,732)	0
0	167,117	0	167,117	(167,117)	0
0	659,787	0	659,787	(659,787)	0
24	0	0	515,816	0	515,816
0	0	0	1,452	0	1,452
40,856	42,322	0	88,154	(42,322)	45,832
0	0	0	229,563	0	229,563
790,941	702,109	24,315	7,826,960	(702,109)	7,124,851
48,159	289,494	0	801,239	0	801,239
7,052	7,010	0	38,900	0	38,900
54,597	0	0	404,992	(344,158)	60,834
0	0	0	80,732	(80,732)	0
4,183	6,422	0	36,112	0	36,112
5,290	72,057	0	204,130	0	204,130
11,255	42,256	0	220,632	0	220,632
2,596	20,655	0	64,234	0	64,234
282	7,128	0	28,886	0	28,886
30,205	59,052	0	268,217	0	268,217
163,619	504,074	0	2,148,074	(424,890)	1,723,184
30,000	0	0	67,780	(67,780)	0
0	0	0	118,864	0	118,864
0	0	0	18,822	0	18,822
650	0	0	6,625	0	6,625
650	0	0	144,311	0	144,311

**Housing Authority of the City of Texarkana**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2018**

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Component Unit Blended
	<b>Expenses (continued)</b>			
	Utilities:			
93100	Water	29,150	0	286
93200	Electricity	114,807	0	760
93300	Gas	7,638	0	0
93600	Sewer	44,973	0	99
93000	Total utilities	196,568	0	1,145
	Ordinary maintenance and operations:			
94100	Labor	164,537	0	8,988
94200	Materials and other	16,419	0	3,540
94300	Contracts	256,880	57,140	50,331
94500	Employee benefit contributions	51,960	0	4,054
94000	Total maintenance	489,796	57,140	66,913
	Protective services:			
95200	Other contract costs	62,391	0	2,953
95000	Total protective services	62,391	0	2,953
	Insurance:			
96110	Property insurance	40,768	185	9,474
96120	Liability insurance	2,974	269	3,931
96130	Workmen's compensation	10,632	2,532	6,952
96100	Total insurance premiums	54,374	2,986	20,357
	Other general expenses:			
96200	Other	618,370	6,771	95,360
96210	Compensated absences	52,558	11,963	15,311
96400	Bad debt – tenant rents	10,762	0	2,616
96800	Severance	13,974	6,538	0
96000	Total other general expenses	695,664	25,272	113,287
96710	Interest of mortgage payable	0	0	34,537
96900	Total operating expenses	2,330,996	497,064	657,145
97000	Excess revenue over operating expenses	(497,015)	3,155,311	166,094

Business Activities	COCC	Mainstream Vouchers	Subtotal	Elimination	Total
30,096	774	0	60,306	0	60,306
18,263	17,924	0	151,754	0	151,754
0	3,891	0	11,529	0	11,529
31,204	609	0	76,885	0	76,885
79,563	23,198	0	300,474	0	300,474
76,248	16,257	0	266,030	0	266,030
37,001	0	0	56,960	(42,322)	14,638
134,274	88,683	0	587,308	(167,117)	420,191
23,751	11,802	0	91,567	0	91,567
271,274	116,742	0	1,001,865	(209,439)	792,426
25,998	3,710	0	95,052	0	95,052
25,998	3,710	0	95,052	0	95,052
17,182	2,830	0	70,439	0	70,439
272	4,715	0	12,161	0	12,161
13,749	9,553	0	43,418	0	43,418
31,203	17,098	0	126,018	0	126,018
0	0	0	720,501	0	720,501
5,347	10,843	0	96,022	0	96,022
11,378	0	0	24,756	0	24,756
0	6,117	0	26,629	0	26,629
16,725	16,960	0	867,908	0	867,908
23,158	0	0	57,695	0	57,695
642,190	681,782	0	4,809,177	(702,109)	4,107,068
148,751	20,327	24,315	3,017,783	0	3,017,783

**Housing Authority of the City of Texarkana**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2018**

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Component Unit Blended
	Other Expenses:			
97100	Extraordinary maintenance	0	0	12,850
97300	Housing assistance payments	0	3,254,425	0
97400	Depreciation expense	591,029	256	76,561
	Total other expense	591,029	3,254,681	89,411
90000	Total expenses	2,922,025	3,751,745	746,556
	Other Financing Sources (Uses):			
10040	Operating transfers from/to component unit	0	113,759	(113,759)
		0	113,759	(113,759)
10000	Excess(deficiency) of revenue over(under) expenses	(1,088,044)	14,389	(37,076)
11030	Beginning net position	9,897,430	633	16,204,910
	Ending net position	\$ 8,809,386	\$ 15,022	\$ 16,167,834
11170	Administrative fee equity		\$ 13,614	
11180	Housing assistance pmts equity		\$ 25,723	
11190	Unit months available	3,155	8,696	144
11210	Unit months leased	3,070	7,694	137

Business Activities	COCC	Mainstream Vouchers	Subtotal	Elimination	Total
\$ 0	\$ 0	\$ 0	\$ 12,850	\$ 0	\$ 12,850
0	0	0	3,254,425	0	3,254,425
86,709	98,992	0	853,547	0	853,547
86,709	98,992	0	4,120,822	0	4,120,822
728,899	780,774	0	8,929,999	(702,109)	8,227,890
0	0	0	0	0	0
0	0	0	0	0	0
62,042	(78,665)	24,315	(1,103,039)	0	(1,103,039)
493,018	875,325	0	27,471,316	0	27,471,316
\$ 555,060	\$ 796,660	\$ 24,315	\$ 26,368,277	\$ 0	\$ 26,368,277
			\$ 13,614		\$ 13,614
			\$ 25,723		\$ 25,723
1,392					
1,364					

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**Barry E. Gaudette, CPA, PC**  
**405 Burbank Alley**  
**Milton, GA 30004**

**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**

To the Board of Housing Commissioners  
Housing Authority of the City of Texarkana  
Texarkana, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Texarkana, Texas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Texarkana, Texas's basic financial statements, and have issued our report thereon dated June 27, 2019.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 Housing Authority of the City of Texarkana, Texas's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Barry E. Gaudette, CPA, PC***

June 27, 2019

**Barry E. Gaudette, CPA, PC**  
**405 Burbank Alley**  
**Milton, GA 30004**

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Housing Commissioners  
Housing Authority of the City of Texarkana  
Texarkana, Texas

**Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the City of Texarkana, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Texarkana, Texas's major federal programs for the year ended December 31, 2018. Housing Authority of the City of Texarkana, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of Texarkana, Texas's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Housing Authority of the City of Texarkana, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### **Report on Internal Control over Compliance**

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

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

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

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

***Barry E. Gaudette, CPA, PC***

June 27, 2019

**Housing Authority of the City of Texarkana**  
**Status of Prior Audit Findings**  
**December 31, 2018**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2017-001 Utility Allowances

Housing Voucher Cluster

*Deficiency in Internal Control*  
*Noncompliance*  
*Repeated from prior year 2015*

Condition: During our testing of the Housing Voucher Cluster, we noted that improper utility allowance information was being used. A utility study was performed which resulted in the Board approving new utility allowance schedules. However, it was noted in our testing that the approved utility allowance schedules were not correctly utilized in tenant recertification.

We reviewed 25 files with 7 of those files reporting incorrect utility allowance used and 18 reported the correct utility allowance.

Auditor's Recommendation: Management should review schedules used for eligibility functions to determine that they are approved and for the appropriate year.

Current Status:  
This finding is cleared.

**Housing Authority of the City of Texarkana  
Schedule of Findings and Questioned Costs  
December 31, 2018**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Audit Requirements for Federal Awards* (Uniform Guidance)? No

Identification of major programs;

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
14.871	Housing Choice Vouchers Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

**Section II - Findings Related to the Financial Statements**

There were no findings which are required to be reported under *Government Auditing Standards*.

**Section III - Findings and Questioned Costs for Federal Awards**

There were no findings or questioned costs.

To the Board of Commissioners  
Housing Authority of the City of Texarkana

We have audited the financial statements of the business type activities of the Housing Authority of the City of Texarkana for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 26, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Housing Authority of the City of Texarkana are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the Housing Authority of the City of Texarkana during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive estimates affecting the Housing Authority of the City of Texarkana's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 27, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Housing Authority of the City of Texarkana's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Housing Authority of the City of Texarkana's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's, discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements, financial data schedule and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the board of commissioners charged with governance and management of the Housing Authority of the City of Texarkana and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Barry E. Gaudette, CPA*