

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

**BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

Year Ended September 30, 2022

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Rockwall (the Authority) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedules on pages 18 and 19 are presented for purposes of additional analysis as required by the U S Department of Housing and Urban Development. The schedule of expenditures of federal awards on page 24 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

The financial data schedules 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 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the financial data schedules 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*, I have also issued my report dated June 29, 2023, on my consideration of the Authority'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 Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Lori Ann Cannon, CPA
Sherman, Texas
June 29, 2023

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS

Management's Discussion and Analysis

September 30, 2022

The Management's Discussion and Analysis is intended to serve as introduction to the Rockwall Housing Authority's (the Authority) financial statements. The Authority's basic financial statements are comprised of two components: find financial statements and notes to the financial statements. The Authority has one fund, a Proprietary fund. Proprietary funds are reported in the same way as government-wide statements, only in more detail. The Authority maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The Authority uses an enterprise fund to account for its Public Housing Program, Section 8 Project, Capital Program and CARES Programs.

Financial Highlights:

Key financial assets from the fiscal year 2022 include the following:

- The assets of the Authority exceeded its liabilities at the close of the most recent year by \$1,514,840 (net position)
- The Authority's total net position from operations increased \$51,329.
- Total expenses increased \$176,277 from the prior year.
- Total revenue increased \$162,848 from the prior year. This was due to an increase in federal grants in the Housing Subsidy Program and the Capital Grants Program from the prior year.
- At the end of the current year, unrestricted net assets compromised 27.04% of the net position.

Overview of the Financial Statements:

The Authority's financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns, which add to a total for the entire Authority.

These statements, which are presented on an accrual basis, consist of the *Statement of Net Position*, which is similar to a Balance Sheet. The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the differences between the two reported as net position, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-Current".

The purpose of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net position (formerly equity) is reported in three broad categories (as applicable):

Net Investment in Capital Assets: This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted net position which constraints are placed on assets by creditors (such as debt covenants), grantors, contributions, laws, regulations, etc.

Unrestricted Net Position: Consists of net position that does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position".

The Authority's financial statements also include a Statement of Activities (similar to an Income Statement). This statement includes all of the revenue and expenses of the Authority regardless of when the cash is received or paid. The focus of the Statement of Activities is the "Change in Net Position", which is similar to Net Income or Loss.

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS

Management's Discussion and Analysis (continued)

September 30, 2022

The Statement of Cash Flows discloses net cash provided by or used for operating activities, investing activities and financing activities.

The Authority consists exclusively of Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are done so as required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

Conventional Public Housing: Under the conventional Public Housing Program, the Authority rents units it owns to low-income households. This program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30 percent of adjusted gross household income.

Section 8 Choice Voucher Program: Under the Section 8 Voucher Program, low-income tenants lease housing units directly from private landlords rather than from the Authority. Through Annual Contribution Contracts with HUD, the Authority receives funding to subsidize the rent of low-income families in the private market.

Capital Fund Program (CFP): The Capital Fund Program provides funding to improve the physical conditions and upgrade management of operations to ensure that properties continue to be available to service low-income families. Separate ACCs are executed for this annual allotment of funding.

Public Housing CARES Act Funding Program: The program provides funding to cover additional costs in ordinary maintenance that are due to COVID-19.

HCV CARES Act Funding Program: The program provides funding to cover additional administrative and other related costs that are due to COVID-19.

Notes to the Financial Statements

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by \$1,514,840 at the close of the most recent fiscal year. By far the largest portion of the Authority's assets (72.15%) reflects its investment in capital assets (land, buildings, and equipment). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS

Management's Discussion and Analysis (continued)

September 30, 2022

A summary of the Authority's net position as of September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>% Change</u>
Current Assets	\$ 579,211	\$ 579,137	\$ 74	0%
Capital Assets, Net of Accumulated Depreciation	1,092,990	1,090,458	2,532	0%
Total Assets	<u>1,672,201</u>	<u>1,669,595</u>	<u>2,606</u>	<u>0%</u>
Current Liabilities	43,006	134,466	(91,460)	-68%
Non-Current Liabilities	114,355	71,618	42,737	60%
Total Liabilities	<u>157,361</u>	<u>206,084</u>	<u>(48,723)</u>	<u>-24%</u>
Net Position				
Invested in Fixed Assets	1,092,990	1,090,458	2,532	0%
Restricted	12,195	-	12,195	100%
Unrestricted	409,655	373,053	36,602	10%
Total Net Position	<u>\$ 1,514,840</u>	<u>\$ 1,463,511</u>	<u>\$ 51,329</u>	<u>4%</u>

Financial Analysis of the Housing Authority's Financial Statements:

A summary of the Authority's change in net position for the year ended September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>% Change</u>
Revenues and Other Increases				
Tenant Revenues	\$ 248,599	\$ 222,031	\$ 26,568	12%
HUD Operating Grants	645,862	551,584	94,278	17%
Capital Grants	102,058	58,224	43,834	75%
Investment Income and Gains	446	66	380	576%
Other Revenues and Increases	17,371	19,583	(2,212)	-11%
Total Revenues and Other Increases	<u>1,014,336</u>	<u>851,488</u>	<u>162,848</u>	<u>19%</u>
Expenses and Other Decreases				
Administrative and General	302,217	193,386	108,831	56%
Tenant and Protective Services	1,075	150	925	617%
Utilities	84,066	66,213	17,853	27%
Maintenance	164,867	148,650	16,217	11%
Housing Assistance Payments	309,760	280,322	29,438	11%
Depreciation and Amortization	101,022	98,009	3,013	3%
Total Expenses and Other Decreases	<u>963,007</u>	<u>786,730</u>	<u>\$ 176,277</u>	<u>22%</u>
Increase (Decrease) in Net Position	<u>\$ 51,329</u>	<u>\$ 64,758</u>	<u>\$ (13,429)</u>	<u>-21%</u>

In comparison to prior year, total tenant revenue increased \$26,568. HUD grants and revenue increased overall \$94,278, mainly due to the Capital Grants Programs and HUD subsidy. In the current year total expenses increased \$176,277 over the prior year.

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS

Management's Discussion and Analysis (continued)

September 30, 2022

Capital Assets:

The Authority's investment in capital assets at September 30, 2022 and 2021 amounts to \$1,092,990 and \$1,090,458, respectively. This investment in capital assets included land, buildings, improvements, equipment and construction in progress. The total increase in the Housing Authority's investment in capital assets for the current year was \$2,532 or 0.23%.

Final Contact:

The Authority's financial statements are designed to present users with a general overview of the Authority's finances and demonstrate the Authority's accountability. If you have questions or need additional information, contact the Housing Authority's executive director at 100 Meadows, Rockwall, TX 75087.

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
STATEMENT OF NET POSITION – Proprietary Fund
September 30, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents:

Unrestricted	\$ 505,816
Cash - Restricted for HAP	12,195
Tenant Security Deposits - Cash	11,825
Total Cash and Cash Equivalents	529,836

Accounts Receivable: Net

Tenants	2,024
HUD	46,971

Inventory	380
Total Current Assets	579,211

NON-CURRENT ASSETS

Capital Assets

Land	88,443
Construction in Progress	190,322
Buildings	4,511,413
Furniture, Equipment and Machinery	129,453
Leasehold Improvements	190,754
Accumulated Depreciation	(4,017,395)

Capital Assets, Net of Accumulated Depreciation	1,092,990
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Total Non-Current Assets	1,092,990
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DEFERRED OUTFLOWS OF RESOURCES

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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,672,201
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The accompanying footnotes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
STATEMENT OF NET POSITION – Proprietary Fund (continued)
September 30, 2022

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	12,999
Accrued Expenses		
Salaries		2,259
Compensated Absences		14,676
Unearned Revenue		1,247
Tenant Security Deposits		11,825
Total Current Liabilities		43,006

LONG-TERM LIABILITIES

Compensated Absences - Noncurrent		114,355
Total Long-Term Liabilities		114,355

TOTAL LIABILITIES		157,361
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DEFERRED INFLOWS OF RESOURCES

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NET POSITION

Net Investment in Capital Assets		1,092,990
Restricted		12,195
Unrestricted		409,655
TOTAL NET POSITION		1,514,840

TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$	1,672,201
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The accompanying footnotes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – Proprietary Fund
For the Year Ended September 30, 2022

OPERATING REVENUES	
Tenant Rental Revenue - Net	\$ 232,026
Other Tenant Charges	16,573
Operating Subsidies and Grants	645,862
Insurance Proceeds	14,161
Other Revenue	3,210
Total Operating Revenues	<u>911,832</u>
OPERATING EXPENSES	
Administrative and General	302,217
Tenant and Protective Services	1,075
Utilities	84,066
Maintenance	164,867
Housing Assistance Payments	309,760
Depreciation	101,022
Total Operating Expenses	<u>963,007</u>
Net Income (Loss) from Operations	<u>(51,175)</u>
NON-OPERATING INCOME (EXPENSE)	
Interest Income	<u>446</u>
Net Income (Loss) before Contributions and Transfers	(50,729)
CONTRIBUTIONS	
HUD Capital Grant Income	<u>102,058</u>
Change in Net Position	51,329
Net Position, Beginning of Year:	<u>1,463,511</u>
Net Position, End of Year	<u><u>\$ 1,514,840</u></u>

The accompanying footnotes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS

STATEMENT OF CASH FLOWS – Proprietary Fund

For the Year Ended September 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received:

Cash Payments from HUD	\$ 599,729
Cash Payments from Tenants	291,769
Other Cash Payments	17,371

Cash Paid:

Administrative and General	(248,037)
Utilities	(84,066)
Maintenance	(164,867)
Housing Assistance Payments	(309,760)

NET CASH PROVIDED BY OPERATING ACTIVITIES 102,139

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest Income 446

NET CASH PROVIDED BY INVESTING ACTIVITIES 446

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Received from Capital Grants 102,058

Cash Paid for Fixed Asset Additions (103,554)

**NET CASH USED BY CAPITAL AND RELATED FINANCING
ACTIVITIES** (1,496)

NET INCREASE IN CASH AND CASH EQUIVALENTS 101,089

CASH AND CASH EQUIVALENTS

Beginning of Year 428,747

End of Year \$ 529,836

The accompanying footnotes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
STATEMENT OF CASH FLOWS – Proprietary Fund (continued)
For the Year Ended September 30, 2022

Reconciliation of Net Operating Income to Net Cash Flows
from Operating Activities:

Net Income from Operations	\$ (51,175)
Adjustments to Reconcile Net Operating Income to Net Cash Flows from Operating Activities:	
Depreciation	101,022
(Increase) Decrease in Assets	
Accounts receivable:	
Tenants	32,022
HUD	59,143
Other	9,850
Increase (Decrease) in Liabilities:	
Accounts Payable	6,637
Tenant Security Deposits	1,550
Accrued Expenses:	
Salaries	(1,912)
Compensated Absences	49,455
Deferred Revenue	(104,453)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 102,139</u>

The accompanying footnotes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies

Reporting Entity - The Rockwall Housing Authority (the Authority) family and elderly duplexes were built in 1951 under the laws of the State of Texas. Reese Manor was built in 1983. The purpose of the Authority is to administer the Public Housing programs and other programs as authorized by the United States Housing Act of 1937, as amended. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

The Authority is comprised of:

- Reese Manor, which is an elderly, four-story building consisting of 40 apartments.
- Five duplexes for elderly or disabled persons.
- Seven duplexes for families.

For financial reporting purposes, the Authority has included all funds, organizations, account groups, agencies, boards, commissions, and authorities for which it is financially accountable. The Authority has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Authority has no component units that meet the GASB criteria.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenue of proprietary funds is tenant rent. Operating expenses for proprietary funds include the cost of housing assistance payments, utilities, sales and services, administrative and general expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place.

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, entitlement and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements included timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The HRA reports the following major proprietary fund:

The *Public Housing Fund* requires U.S. Department of Housing and Urban Development (HUD) to make an annual contribution to cover the HRA's rental assistance payments and administrative expenses.

The Authority did not meet the definition of a major corporation as defined in 200.414. The Authority did not elect to use Indirect Costs, including the 10% de minimis cost rate.

New accounting pronouncement - In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases, for reporting leases. The Authority does not have any material leases that must be accounted for under this new standard.

Cash and Cash Equivalents - The Authority's cash and cash equivalents are considered to be cash and cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit and other authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable participation by each of the funds.

Capital Assets - Capital Assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets depreciate using the straight-line method over their estimated useful lives. Useful lives vary from fifteen to forty years for leasehold improvements and buildings, and three to seven for equipment. Capital assets that are not being depreciated include land and construction in progress.

HUD Contributions - Federal financial assistance received for operating purposes is recorded as operating revenue, while capital grants are recorded as non-operating revenue.

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Activities of the Authority - On September 30, 2022, the Authority had 64 units of low-rent housing under management in its low-income housing program; and is authorized to administer 36 units of Section 8 Housing.

Income Taxes - The Authority is a governmental subdivision of the State of Texas and is exempt from Federal and State income taxes.

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

Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond September 30, 2022, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Inventories - Inventories are recorded using the consumption method of accounting and consist of maintenance and office supplies. Supplies are recorded at invoice costs, computed on a first-in, first out method.

Unearned Revenue - Unearned revenue represents rental receipts received before the first of the month when due.

Budgetary Accounting - The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development, and once approved, is adopted by the Board of the Housing Authority.

Capital Grants - This represents grants provided by HUD that the Authority spends on capital assets.

Net Position - Net position represents the difference between assets and liabilities. Net position is displayed in two components:

1. Net Investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
2. Restricted net position – Consists of net position balance restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
3. Unrestricted net position – All other net position balances that do not meet the definition of “restricted” or “investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

Rent Increase - Under the regulatory agreements, the project may not increase rents without following the HUD requirements.

Compensated Absences – The Authority records vacation and sick leave earned and unpaid at the end of the fiscal year. This amount would be due the employee upon termination, up to a maximum of 120 sick hours and no maximum of vacation hours. At year-end, the amount of accrued compensation estimated to be used in the next fiscal year and that is considered current is \$14,676; the non-current amount is \$114,355. The total accrued compensation as of September 30, 2022 is \$129,031.

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2022

Note 2 - Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the HRA's deposits and investments may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. In accordance with Texas statutes as authorized and as Board of Directors, the Authority maintains deposits at those depository banks which are members of the Federal Reserve System. Cash balances from all funds are invested to the extent possible in demand deposit, CD's and money market accounts. Earnings from such investments are recorded in their respective funds.

Texas statutes require that all Authority deposits be protected by insurance or collateral. Authorized collateral under Texas Sec 404.0221 is as follows:

1. Direct obligations of or obligations the principle and interest of which are guaranteed by the United States government;
2. Direct obligations of or obligations guaranteed by agencies or instrumentalities of the United States government, including letters of credit; and
3. A general or special obligation issued by public agency and approved by the attorney general that is payable from taxes, revenues, or both.
4. If pledged collateral consists of securities with a declining principle balance, the market value of the collateral pledged may not be less than 125 percent of the amount of the stated deposits to be secured.
5. Eligible collateral includes only;
 - a. A security with fixed, stated rates; or
 - b. A letter of credit described by Subsection (b) (2) for a stated amount.
6. Collateral is not required for deposits to the extent that the deposits are insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund.

At year end, the Authority's carrying amount of deposits was \$529,786 and the bank balance was \$548,864 for the separate bank accounts including checking, money market and a CD account. Of the bank balance, \$548,864 was covered by federal depository insurance.

A reconciliation of cash and cash equivalents – investments combined with cash and equivalents on the balance sheet is as follows, which totals \$505,816.

Carrying Amounts of Deposits (checking accounts, money markets and CDs)	\$ 529,786
Cash on Hand	50
	<u>\$ 529,836</u>
Cash and Cash Equivalents	\$ 505,816
Cash and Cash Equivalents - Restricted	12,195
Tenant Security Deposits	11,825
	<u>\$ 529,836</u>

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2022

Note 3 – Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

	September 30, 2021	Additions	Dispositions	Transfers	September 30, 2022
Land	\$ 88,443	\$ -	\$ -	\$ -	\$ 88,443
Construction in Progress	171,977	102,057	-	(83,712)	190,322
Buildings	4,427,701	-	-	83,712	4,511,413
Furniture, Equipment and Machinery	127,956	1,497	-	-	129,453
Site Improvements	190,754	-	-	-	190,754
Total capital assets	5,006,831	103,554	-	-	5,110,385
Less: accumulated depreciation	(3,916,373)	(101,022)	-	-	(4,017,395)
Net capital assets	<u>\$ 1,090,458</u>	<u>\$ 2,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,990</u>

The depreciation expense for the year ended September 30, 2022 was \$101,022.

Note 4 - Accounts Receivable – Tenants

Accounts receivable arise in the normal course of business. It is the policy of management to review the outstanding accounts receivable at year end as well as the bad debt write-offs experienced in the past. An allowance for doubtful write-offs was experienced in the past in accordance with professional accounting standards. The allowance for the doubtful accounts balance at year end September 30, 2022 is \$225. This is reflected in the accounts receivable tenant net balance of \$2,024 in the financial statements.

Note 5 - Insurance and Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority continues to carry commercial insurance for the risks of loss. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Note 6 - FDS Schedule Submitted to HUD

For the year ended September 30, 2022, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net position and other data to HUD as required on the GAAP basis. The FDS schedules are on pages 24-25. The schedules are presented in the manner prescribed by Housing and Urban Development.

Note 7 - Retirement Plan

The Authority has adopted a money purchase plan for the eligible employees. An independent third party has been selected to administer and act as administrator to the plan. Contributions to the plan for the year ended September 30, 2022 were \$4,000.

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)
For the Year Ended September 30, 2022

Note 8 - Contingencies

Litigation Claims:

In the normal course of operation, the Authority may be subject to the litigation and claims. At September 30, 2022, the Authority was not involved in any matters which management believes would have material effect on the financial statements.

Note 9 - Contingent Liabilities

Under the terms of Federal grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

Note 10 - Current Vulnerability Due to Certain Concentrations

The Authority's solo asset is a 64-unit apartment project. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 11 - Subsequent Events

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through June 29, 2023, the date on which the financial statements were available to be issued.

After the fiscal year end, but prior to the release of this report, the Authority spent \$101,807 on a window replacement project for their properties, funded by capital funds from HUD.

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS (TX095)
ENTITY WIDE BALANCE SHEET SUMMARY
September 30, 2022

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2022

	Project Total	14.871 Housing Choice Vouchers	ELIM	Total
111 Cash - Unrestricted	\$ 23,139	\$ 294,518	\$ -	\$ 317,657
113 Cash - Other Restricted	-	12,195	-	12,195
114 Cash - Tenant Security Deposits	11,825	-	-	11,825
122 Accounts Receivable - HUD Other Projects	46,971	-	-	46,971
126 Accounts Receivable - Tenants	2,249	-	-	2,249
126.1 Allowance for Doubtful Accounts -Tenants	(225)	-	-	(225)
131 Investments - Unrestricted	188,159	-	-	188,159
143 Inventories	400	-	-	400
143.1 Allowance for Obsolete Inventories	(20)	-	-	(20)
144 Inter Program Due From	170,462	-	(170,462)	-
150 Total Current Assets	442,960	306,713	(170,462)	579,211
161 Land	88,443	-	-	88,443
162 Buildings	4,511,413	-	-	4,511,413
163 Furniture, Equipment & Machinery - Dwellings	50,618	-	-	50,618
164 Furniture, Equipment & Machinery - Administration	78,835	-	-	78,835
165 Leasehold Improvements	190,754	-	-	190,754
166 Accumulated Depreciation	(4,017,395)	-	-	(4,017,395)
167 Construction in Progress	190,322	-	-	190,322
160 Total Capital Assets, Net of Accumulated Depreciation	1,092,990	-	-	1,092,990
290 Total Assets and Deferred Outflow of Resources	1,535,950	306,713	(170,462)	1,672,201
312 Accounts Payable <= 90 Days	12,999	-	-	12,999
321 Accrued Wage/Payroll Taxes Payable	2,259	-	-	2,259
322 Accrued Compensated Absences - Current Portion	14,676	-	-	14,676
341 Tenant Security Deposits	11,825	-	-	11,825
342 Unearned Revenue	1,247	-	-	1,247
347 Inter Program - Due To	-	170,462	(170,462)	-
310 Total Current Liabilities	43,006	170,462	(170,462)	43,006
354 Accrued Compensated Absences - Non Current	114,355	-	-	114,355
350 Total Non-Current Liabilities	114,355	-	-	114,355
300 Total Liabilities	157,361	170,462	(170,462)	157,361
508.4 Net Investment in Capital Assets	1,092,990	-	-	1,092,990
511.4 Restricted Net Position	-	12,195	-	12,195
512.4 Unrestricted Net Position	285,599	124,056	-	409,655
513 Total Equity - Net Assets / Position	1,378,589	136,251	-	1,514,840
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 1,535,950	\$ 306,713	\$ (170,462)	\$ 1,672,201

HOUSING AUTHORITY OF THE CITY OF ROCKWALL, TEXAS (TX095)
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
September 30, 2022

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2022

	Project Total	14.871 Housing Choice Vouchers	14.PHC Public Housing CARES Act Funding	14.HCC HCV CARES Act Funding	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 232,026	\$ -	\$ -	\$ -	\$ -	\$ 232,026
70400 Tenant Revenue - Other	16,573	-	-	-	-	16,573
70600 HUD PHA Operating Grants	268,846	342,970	23,430	10,616	-	645,862
70610 Capital Grants	102,058	-	-	-	-	102,058
71100 Investment Income - Unrestricted	76	370	-	-	-	446
71400 Fraud Recovery	-	678	-	-	-	678
71500 Other Revenue	16,693	-	-	-	-	16,693
70000 Total Revenue	636,272	344,018	23,430	10,616	-	1,014,336
91100 Administrative Salaries	156,417	(15,915)	-	-	-	140,502
91200 Auditing Fees	8,800	-	-	-	-	8,800
91310 Book-keeping Fee	-	3,069	-	-	-	3,069
91400 Advertising and Marketing	362	-	-	-	-	362
91500 Employee Benefit contributions - Administrative	21,899	-	-	-	-	21,899
91600 Office Expenses	35,648	-	-	-	-	35,648
91700 Legal Expense	500	-	-	-	-	500
91800 Travel	2,223	-	-	-	-	2,223
91900 Other	34,172	8,529	9,839	10,616	-	63,156
91000 Total Operating - Administrative	260,021	(4,317)	9,839	10,616	-	276,159
92400 Tenant Services - Other	1,075	-	-	-	-	1,075
92500 Total Tenant Services	1,075	-	-	-	-	1,075
93100 Water	15,908	-	-	-	-	15,908
93200 Electricity	43,986	-	-	-	-	43,986
93300 Gas	10,976	-	-	-	-	10,976
93600 Sewer	13,196	-	-	-	-	13,196
93000 Total Utilities	84,066	-	-	-	-	84,066
94200 Ordinary Maintenance and Operations - Materials and Other	15,363	-	13,591	-	-	28,954
94300 Ordinary Maintenance and Operations Contracts	118,103	-	-	-	-	118,103
94000 Total Maintenance	133,466	-	13,591	-	-	147,057
96110 Property Insurance	14,165	-	-	-	-	14,165
96130 Workmen's Compensation	425	-	-	-	-	425
96140 All Other Insurance	1,063	-	-	-	-	1,063
96100 Total insurance Premiums	15,653	-	-	-	-	15,653
96200 Other General Expenses	10,248	-	-	-	-	10,248
96400 Bad debt - Tenant Rents	157	-	-	-	-	157
96000 Total Other General Expenses	10,405	-	-	-	-	10,405
96900 Total Operating Expenses	504,686	(4,317)	23,430	10,616	-	534,415
97200 Casualty Losses - Non-capitalized	17,810	-	-	-	-	17,810
97300 Housing Assistance Payments	-	309,760	-	-	-	309,760
97400 Depreciation Expense	101,022	-	-	-	-	101,022
90000 Total Expenses	623,518	305,443	23,430	10,616	-	963,007
10010 Operating Transfer In	114,633	-	-	-	(114,633)	-
10020 Operating transfer Out	(114,633)	-	-	-	114,633	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 12,754	\$ 38,575	\$ -	\$ -	\$ -	\$ 51,329

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

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

I have audited, 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, the financial statements of the business activities of the Housing Authority of the City of Rockwall (Authority), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated June 29, 2023.

Report on Internal Control over Financial Reporting

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

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

My consideration of internal control over 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 significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lori Ann Cannon, CPA

Lori Ann Cannon, CPA
Sherman, Texas

June 29, 2023