

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

**Basic
Financial Statements
and
Supplemental
Information**

**Year ended
September 30, 2019**



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Beaumont, Texas
Beaumont, 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 Beaumont, Texas (the "Authority"), as of and for the year ended September 30, 2019, which collectively comprise the Authority'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 an opinion on these financial statements based on our audit. We did not audit the financial statements of 158 Pointe North, LLC (the "Partnership"), a blended component unit of the Authority which represents 23%, 26%, and 6%, respectively, of the total assets, net position, and total revenues as of and for the year ended September 30, 2019. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the Partnership included in the blended component units, is based solely on the reports of the other auditors. 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 of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority's business-type activities as of September 30, 2019, 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.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 supplemental 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The accompanying financial data schedule and schedule of actual capital fund program cost and advances are presented for purposes of additional analysis as required by U.S. Department of Housing and Urban Development, and is not a required part of the financial statements of the Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements of the Authority. This supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2020 on our 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 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 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.

June 30, 2020
Melbourne, Florida

*Berman Hopkins Wright & LaHam
CPAs and Associates, LLP*

Management's Discussion and Analysis

As management of the Housing Authority of the City of Beaumont, Texas (the "Authority" or "BHA"), we offer the readers of Authority's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with BHA's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Allison Landrum, CEO, Housing Authority of the City of Beaumont at 1890 Laurel Street, Beaumont, Texas 77701.

Financial Highlights

- The assets of the Authority exceeded its liabilities as of September 30, 2019, by \$52,337,838 (net position), an increase of \$595,355 from the previous year.
- The Authority had revenue direct from the U.S. Department of Housing and Urban Development ("HUD") of \$14,462,334, which includes funds for capital asset activities.
- The Authority had cash and cash equivalents as of September 30, 2019, totaling \$15,899,306, a decrease of \$746,494 from the previous year.

Overview of Financial Statements

The financial statements included in this annual report are those of a special-purpose government agency engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in BHA's components of net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of capital assets. The following statements are included:

- Statement of Net Position - this statement reports the Authority's assets and deferred outflows of resources less its liabilities and deferred inflows of resources at the end of the fiscal year. You can think of the Authority's net position as the difference between the Authority's rights (assets and deferred outflows of resources) and the Authority's obligations (liabilities and deferred inflows of resources).
- Statement of Revenues, Expenses, and Changes in Net Position - this statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in prior or future periods.
- Statement of Cash Flows - this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt service, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, payables, etc.).

Overview of Financial Statement (continued)

- Notes to the Basic Financial Statements - notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, the notes reflect the impact (if any) of any uncertainties the Authority may face.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Authority's various programs and the required information mandated by regulatory bodies that fund the Authority's various programs.

Financial Analysis

	<u>Statement of Net Position</u>		
	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Current assets	\$ 17,080,215	\$ 16,017,234	\$ 1,062,981
Capital assets, net	30,977,624	31,940,510	(962,886)
Other noncurrent assets	12,859,277	14,099,082	(1,239,805)
Total assets	<u>60,917,116</u>	<u>62,056,826</u>	<u>(1,139,710)</u>
Current liabilities	5,842,512	1,304,366	4,538,146
Long-term debt	2,486,037	7,534,705	(5,048,668)
Other noncurrent liabilities	250,729	284,562	(33,833)
Total liabilities	<u>8,579,278</u>	<u>9,123,633</u>	<u>(544,355)</u>
Net investment in capital assets	26,002,624	26,640,510	(637,886)
Restricted	13,175,090	14,025,428	(850,338)
Unrestricted	13,160,124	12,267,255	892,869
Total net position	<u>\$ 52,337,838</u>	<u>\$ 52,933,193</u>	<u>\$ (595,355)</u>

Current Assets increased by \$1,062,981 primarily a result of the reclassification of cash restricted for bonds payable from long to short term, see Note B-5.

Net Capital Assets decreased by \$962,886 primarily due to normal depreciation expense of \$1,540,743 which exceeded capital asset additions of \$577,857.

Total Liabilities decreased by \$544,355 primarily as a result of payments on long term debt of \$389,924 and accounts payable of \$111,201. The accounts payable decrease was mostly due to the upcoming sale of the Lexington on the Lakes property which the Authority did not need to perform repairs on units as tenants moved out prior to the sale of the property.

Financial Analysis (continued)

Net Position - The difference between an organization's assets and deferred outflows of resources and its liabilities and deferred inflows of resources is its net position. Total net position is categorized into three components.

1. Net investment in capital assets - the Authority's investment in capital assets, net of accumulated depreciation, is due to the capital asset activity. The Authority had a current year decrease in this component of net position of \$637,866 as a direct result of the changes in the Authority's capital assets and associated debt previously discussed.
2. Restricted - the component of net position which is subject to constraints imposed by law or agreement consisting of reserve accounts, restricted notes receivable, Public Housing development funds and restricted funds for housing assistance payments. As of September 30, 2019, BHA's restricted component of net position was \$13,174,890 which represents a decrease of \$850,538 over the prior year. This decrease is primarily due to the following:
 - Decrease of restricted HAP funds in the amounts of \$645,038;
 - Decrease of restricted cash for community and supportive services of \$162,733;
 - Increase of restricted amounts for Bond fund reserves of \$25,340; and
 - Decrease in HOPE VI loan due from Regent I Beaumont, LP of \$68,107.
3. Unrestricted - the component of the Authority's net position that is neither invested in capital assets nor restricted. These resources are available to meet the Authority's ongoing obligations to its residents and creditors. The Authority's unrestricted component of net position is \$13,160,327 as of September 30, 2019.

Financial Analysis (continued)

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Operating revenues			
HUD revenues	\$ 13,911,592	\$ 14,826,297	\$ (914,705)
Other revenues	4,315,851	5,130,054	(814,203)
Total operating revenues	<u>18,227,443</u>	<u>19,956,351</u>	<u>(1,728,908)</u>
Operating expenses			
Administrative	2,889,386	2,940,128	(50,742)
Tenant services	294,189	243,754	50,435
Utilities	661,507	737,985	(76,478)
Maintenance	1,775,176	1,707,774	67,402
Protective services	109,206	49,747	59,459
General	1,642,431	1,210,177	432,254
Depreciation	1,540,743	1,691,916	(151,173)
Housing assistance	10,325,234	9,961,906	363,328
Total operating expenses	<u>19,237,872</u>	<u>18,543,387</u>	<u>694,485</u>
Operating income (loss)	(1,010,429)	1,412,964	(2,423,393)
Nonoperating revenues	(135,668)	34,337	(170,005)
Change in net position before capital contributions	<u>(1,146,097)</u>	<u>1,447,301</u>	<u>(2,593,398)</u>
Capital contributions	550,742	106,590	444,152
Change in net position	<u>(595,355)</u>	<u>1,553,891</u>	<u>(2,149,246)</u>
Total net position - beginning	52,933,193	51,343,815	1,589,378
Prior period adjustment	-	35,487	(35,487)
Total net position - beginning, restated	<u>52,933,193</u>	<u>51,379,302</u>	<u>1,553,891</u>
Total net position - ending	<u>\$ 52,337,838</u>	<u>\$ 52,933,193</u>	<u>\$ (595,355)</u>

Total Operating Revenue decreased by \$1,728,908 primarily due to a court settlement during the prior year of \$1,510,546 for underfunded eligibility subsidy in 2012. In addition to lower administrative fees being received from the HCV program.

Total Operating Expenses are categorized by the Authority as administrative, tenant services, utilities, maintenance, protective services, general, depreciation and housing assistance payments. The Authority's total operating expenses increased by \$694,485 over the prior year primarily as a result of the following:

- A \$363,328 increase in Housing Assistance payments. Current year HAP expense is in line with 3-year average.
- A \$151,173 decrease in annual depreciation due to certain fixed assets being fully depreciated in the prior year and the new current year additions being for buildings and improvements which are depreciated for 40 years.
- A \$432,254 increase in general expenses attributable to increased HOPWA grant activity in the current year.

Capital Asset and Debt Activity

At the end of fiscal year 2019, the Authority's capital assets decreased by \$962,886 over the prior year. The net change was primarily due to current year depreciation of \$1,540,743 offset by additions to construction in progress for public housing site of \$520,074.

At the end of the fiscal year 2019, BHA had \$7,529,705 of long term debt consisting of bonds payable for both the Lexington on the Lakes and Regent I properties, which includes the current portion of \$5,043,668 (included in current liabilities). Principal payments of \$389,924 were made in 2019 (see Note B-5). The entire amount of the bonds payable for Lexington on Lakes is considered current due to the sale of the property and repayment of the debt after year end (see Note B-13).

Economic Factors

The Department of Housing and Urban Development (HUD) has historically been underfunded to meet the subsidy needs of Public Housing Authorities (PHAs). We do not expect this trend to change.

Even if HUD were fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. Further, increased funding for the other federal programs may result in reduced appropriations for housing needs.

Rising cost of utility rates, supplies, and other costs may impact our budgets in future years.

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development;
- Local labor supply and demand, which can affect salary and wage rates;
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income;
- Inflationary pressure on utility rates, housing costs, supplies and other costs;
- Current trends in the housing market; and
- Decreased income by tenants and participants in the Section 8 program.
- Covid-19.

Factors Affecting Next Year's Budget

The Authority is primarily dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher and Capital Fund programs; therefore, the Authority is affected more by the federal budget than by local economic conditions.

Housing Authority of the City of Beaumont, Texas

STATEMENT OF NET POSITION

September 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 11,954,287
Cash and cash equivalents - restricted	1,449,732
Accrued interest receivable	2,785,709
Note receivable	68,668
Receivables, net	416,549
Due from HUD	78,654
Prepaid expenses	326,616
Total current assets	<u>17,080,215</u>

NONCURRENT ASSETS

Cash and cash equivalents - restricted	2,495,287
Capital assets, net	30,977,624
Note receivable	9,791,558
Investment in joint ventures	19,663
Assets held for sale	552,769
Total noncurrent assets	<u>43,836,901</u>
Total assets	<u>60,917,116</u>

LIABILITIES

CURRENT LIABILITIES

Current portion of long-term debt	5,043,668
Accounts payable	160,253
Accrued salaries and benefits	48,487
Accrued compensated absences	20,745
Accrued interest payable	134,493
Unearned revenue	237,575
Tenant security deposits	187,007
Other current liabilities	10,284
Total current liabilities	<u>5,842,512</u>

NONCURRENT LIABILITIES

Long-term debt	2,486,037
Accrued compensated absences	82,977
Family self-sufficiency escrow	167,752
Total noncurrent liabilities	<u>2,736,766</u>
Total liabilities	<u>8,579,278</u>

NET POSITION

Net investment in capital assets	26,002,624
Restricted	13,175,090
Unrestricted	13,160,124
Total net position	<u>\$ 52,337,838</u>

The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Beaumont, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended September 30, 2019

OPERATING REVENUES	
HUD operating revenue	\$ 13,911,592
Tenant revenue, net	3,176,080
Other operating revenue	1,139,771
Total operating revenues	<u>18,227,443</u>
OPERATING EXPENSES	
Administrative	2,889,386
Tenant services	294,189
Utilities	661,507
Maintenance	1,775,176
Protective services	109,206
General	1,642,431
Depreciation	1,540,743
Housing assistance payments	10,325,234
Total operating expenses	<u>19,237,872</u>
OPERATING LOSS	<u>(1,010,429)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income - unrestricted	294,848
Interest expense	(430,516)
Total nonoperating revenues (expenses)	<u>(135,668)</u>
Change in net position before capital contributions	(1,146,097)
CAPITAL CONTRIBUTIONS	
HUD capital grants	<u>550,742</u>
Change in net position	(595,355)
Total net position - beginning	<u>52,933,193</u>
Total net position - ending	<u>\$ 52,337,838</u>

The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Beaumont, Texas

STATEMENT OF CASH FLOWS

Year ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Collections from HUD operating grants	\$ 13,910,455
Collections from tenants	3,150,542
Collections from other sources	935,319
Payments to employees	(806,881)
Payments to suppliers	(6,787,363)
Housing assistance payments	(10,368,641)
Net cash provided by operating activities	<u>33,431</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grant funds received	490,932
Purchase of capital assets	(577,857)
Interest paid	(399,850)
Payments on long-term debt	(389,924)
Net cash used in capital and related financing activities	<u>(876,699)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	31,849
Investment in notes receivable	64,925
Net cash provided by investing activities	<u>96,774</u>

DECREASE IN CASH AND CASH EQUIVALENTS

	(746,494)
Cash and cash equivalents at beginning of year	<u>16,645,800</u>
Cash and cash equivalents at end of year	<u>\$ 15,899,306</u>

AS PRESENTED IN THE STATEMENT OF NET POSITION:

Cash and cash equivalents - unrestricted	\$ 11,954,287
Cash and cash equivalents - restricted current	1,449,732
Cash and cash equivalents - restricted noncurrent	2,495,287
	<u>\$ 15,899,306</u>

The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Beaumont, Texas

STATEMENT OF CASH FLOWS (continued)

Year ended September 30, 2019

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (1,010,429)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	1,540,743
Provision for bad debt	179,518
(Increase) decrease in assets:	
Receivables, net	(403,639)
Due from HUD	25,182
Prepaid expenses	(112,847)
Increase (decrease) in liabilities:	
Accounts payable	(111,201)
Accrued salaries and benefits	116
Unearned revenue	(26,319)
Tenant security deposits	(5,869)
Accrued compensated absences	(36,116)
Family self-sufficiency escrow	(5,708)
Net cash provided by operating activities	<u>\$ 33,431</u>

- The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Housing Authority of the City of Beaumont (the "Authority") is a governmental entity created by the City of Beaumont, Texas for the acquisition, development, modernization, operation, and administration of public housing programs. The primary purpose of the Authority is to provide safe, decent, sanitary, and affordable housing to low income families in the City of Beaumont, Texas (the "City"). The housing programs are operated in accordance with the U.S. Department of Housing and Urban Development ("HUD") guidelines.

The Authority's governing board consists of a five member Board of Commissioners (the "Board"), the members of which are appointed by the Mayor of the City. The Authority is not a component unit of the County, as defined in Governmental Accounting Standards Board's ("GASB") Codification of *Governmental Accounting and Financial Reporting Standards*, Section 2100, *Defining the Financial Reporting Entity*, as the Board independently oversees the Authority's operations.

The definition of the reporting entity as described by GASB Codification Section 2100 is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The Authority's reporting entity is comprised of an enterprise fund which includes the activities of several housing programs and blended component units.

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 units consists of three not-for-profit corporations and one limited liability company created as instrumentalities of the Authority for the purpose of providing and developing affordable housing opportunities. All four are included in the basic financial statements, with September 30th fiscal year ends, as the Authority is financially accountable and has a voting majority of the governing board. A copy of each component unit's financial statements or financial information may be obtained by writing to the Housing Authority of the City of Beaumont, 1890 Laurel Street, Beaumont, Texas 77701. The blended component units are as follows:

Beaumont Multifamily Housing Development Corporation (BMHDC) is a not-for-profit corporation, incorporated under the laws of the State of Texas in 1998. BMHDC was established to own and operate a 152 unit multifamily housing complex, known as Lexington on the Lake. The Directors of BMHDC are unique to the corporation and do not serve on the Board of Commissioners for the Authority.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Golden Triangle Redevelopment Corporation (GTRC) is a not-for-profit corporation, incorporated under the laws of the State of Texas in 2007. GTRC was established to develop low and mixed income residential property in the Beaumont community. Some members serving on the Board of Directors of GTRC serve also on the Board of Commissioners for the Authority as well.

BHC Redevelopment Corporation (BHCRC) is a not-for-profit corporation, incorporated under the laws of the State of Texas in 2007. BHCRC was established to provide funding assistance to develop a low and mixed income apartment complex owned by Regent I Beaumont, LP. Some members serving on the Board of Directors of BHCRC serve also on the Board of Commissioners for the Authority as well.

158 Pointe North, LLC (Pointe North) is a limited liability company, established in 2008, to own and operate a 158 unit low-to-moderate income apartment complex. The Authority, through GTRC, is the sole member of Pointe North.

2. Government-wide and fund financial statements

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities rely to a significant extent on fees and charges for support.

Governments use fund accounting, whereby funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses.

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Operating expenses for the Authority include the cost of tenant services, general, administrative, utilities, maintenance, protective services, depreciation and housing assistance payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector; thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded in the period incurred or economic asset used.

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net assets. As provided by GASB Codification Section P80.115, *Proprietary Fund Accounting and Financial Reporting: Defining Operating Revenues and Expenses*, and related guidance, tenant revenue is reported net of \$179,518 in accounts written off.

4. Summary of programs

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD at the Authority. A summary of each significant program is provided below.

Low Rent Public Housing Programs

The Low Rent Public Housing Programs include the following: asset management projects ("AMPs"), Public Housing Capital Fund, and various other related HUD grants.

The purpose of the public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained and managed by the Authority. The developments/units are acquired, developed and modernized under HUD's Development, and Capital Fund programs.

Funding of the program operations and development is provided by operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Summary of programs (continued)

Central Office Cost Center

The Central Office Cost Center ("COCC") is a business unit within the Authority that generates revenue from fees for service and other business activities. The COCC consists of activities funded through these revenue sources.

Housing Assistance Payments Programs

The Section 8 Housing Choice Voucher ("HCV") program utilizes existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the program is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenant. In addition, the Authority receives an administrative fee to cover operating expenses.

The Section 8 New Construction ("S8NC") program assists low-income families in affording decent, safe and sanitary housing by encouraging property owners to construct new housing or rehabilitate existing substandard housing, and then to lease the units with rental subsidies to low-income families.

5. Assets, liabilities and net position

a. *Cash and cash equivalents*

For financial statement purposes cash and cash equivalents are considered to be cash in banks, certificates of deposits and highly liquid investments with original maturities of three months or less.

b. *Receivables and amounts due from HUD*

Receivables consist of revenues earned during the fiscal year and not yet received. Amounts due from HUD represent reimbursable expenses or grant subsidies earned that have not been collected as of September 30, 2019. The receivables are reported net of an allowance for doubtful accounts of \$104,385. The allowance for uncollectible amounts is based on periodic aging of tenant accounts receivables and fraud recovery receivables.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

c. *Notes receivable*

Restricted notes receivable consists of loaned funds to Regent I Beaumont, LP for development activities according to a mixed finance agreement. In accordance with HUD guidelines, these notes receivable are considered restricted upon repayment (see Note B-3). This amount is considered fully collectible by management.

d. *Capital assets*

The Authority's policy is to capitalize assets with a value in excess of \$5,000 and a useful life in excess of one year. The Authority capitalizes the costs of site acquisition and improvement, structures, equipment and direct development costs meeting the capitalization policy. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and contributed assets are valued at fair market value on the date contributed.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Buildings and improvements	5 - 40 years
Equipment	3 - 7 years

e. *Assets held for sale*

Assets held for sale consists of 12 homes under the Authority's home ownership program held for resale with a total cost of \$552,769. Homes were constructed and used by the Authority's Low Income Public Housing program as Section 32 Homeownership homes until the Authority ended the program in 2011.

f. *Accrued compensated absences*

The Authority provides paid time off for vacation and sick time for regular full-time employees based on tenure with the Authority. The policy allows employees to accumulate unused vacation leave up to a maximum of 120 hours and unused sick leave indefinitely. Upon termination, employees that have completed 6 months or more of employment are paid for unused accumulated vacation. Exempt employees must schedule vacation in increments of a full day only (8 hours); non-exempt employees may take vacation in increments as needed. Employees may also accept a payment in lieu of vacation which is granted twice a year for a maximum amount of 40 hours so long as the employee has a minimum balance of 80 hours of vacation time. In accordance with GASB Codification Section C60 *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.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

g. Unearned revenue

Unearned revenues include amounts collected before revenue recognition criteria are met. The unearned revenues consist of \$34,292 of prepaid rents and \$203,283 related to the HOPE VI endowment, see Note B-1.

h. Eliminations

For financial reporting purposes, the Authority eliminates amounts that are internally generated from and among various programs within the Authority as well as certain activity with blended component units. The following have been eliminated from the financial statements.

i). Interprogram due to/from

In the normal course of operations, certain programs pay for common costs that create interprogram receivables or payables. These interprogram receivables or payables are eliminated for the presentation of the Authority as a whole. For the year ended September 30, 2019, \$58,039 was eliminated.

ii). Fee for service

The Authority's Central Office Cost Center internally charges fees for services rendered to the AMPs and other programs of the Authority. In addition, the Authority charges fees to other programs. These charges include management fees, bookkeeping fees, and asset management fees. For financial reporting purposes \$775,337 of fees have been eliminated for the year ended September 30, 2019.

iii). Internal loans

The Authority's blended component units, Pointe North and GTRC, have made loans to other component units for development activities. For financial reporting purposes \$543,333 has been eliminated as of September 30, 2019, (See Note B-11).

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

i. *Net position*

In accordance with GASB Codification Section 1800.155, *Reporting Net Position in Government-Wide Financial Statements*, total equity as of September 30, 2019, is classified into three components of net position:

ij). *Net investment in capital assets*

This category consists of 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 net position*

This category consists of net assets restricted in their 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. The statement of net position of the Authority reports restricted net position which consists of follow amounts;

HOPE VI loan	\$ 9,785,587
Modernization and development	1,446,202
Bond fund reserves	1,229,750
Community and supportive services	678,050
Pointe North reserves	2,326
HAP reserves	32,975
	<hr/>
	\$ 13,174,890

iii). *Unrestricted net position*

This category includes all of the remaining net position that does not meet the definition of the other two categories.

6. Budgets

Budgets are prepared on an annual basis for each significant program and are used as a management tool throughout the accounting cycle with the exception of the Capital Fund Grant Program which uses a multi-year budget per Capital Grant. Budgets are approved annually by the Board of Commissioners.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. 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 units are subject to the income tax provisions of Texas Statutes and the Internal Revenue Code.

The Authority's blended component units account for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*, which clarifies the accounting and disclosure requirements for uncertainty in tax position. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the financial statements. The two-step approach involves recognizing any tax positions that are "more likely than not" to occur and then measuring those positions to determine if they are recognizable in the financial statements. Management regularly reviews and analyzes all tax positions and has determined no aggressive tax positions have been taken.

The blended component units did not incur taxes for the fiscal year ended September 30, 2019. 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 2015 through 2019.

8. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Leasing activities

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.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. 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. No instance of impairment was noted in 2019.

11. Impact of recently issued accounting policies

In June 2017, the GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting. This statement is effective for the Authority's September 30, 2022 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

NOTE B - DETAILED NOTES

1. Cash and cash equivalents

As of September 30, 2019, the Authority's cash and cash equivalents consist of cash with a balance of \$15,899,306.

In accordance with GASB Codification Section C20, *Cash Deposits with Financial Institutions*, the Authority's exposure to deposit risk is disclosed as follows:

Credit Risk. Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies in the United States of America. As of September 30, 2019, the Authority was not exposed to credit risk since they follow HUD regulations.

Custodial Credit Risk. 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 September 30, 2019, none of the Authority's total cash or investments were exposed to custodial credit risk.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE B - DETAILED NOTES (continued)

1. Cash and cash equivalents (continued)

Restricted cash and cash equivalents

As of September 30, 2019, restricted cash and cash equivalents consist of:

<i>Current</i>	
Tenant security deposits	\$ 187,007
HAP Reserves	32,975
Bond fund reserves	1,229,750
Subtotal current	1,449,732
<i>Noncurrent</i>	
Modernization and development	1,446,202
HOPE VI endowment	881,333
FSS escrow	167,752
Subtotal noncurrent	2,495,287
Total	\$ 3,945,019

2. Receivables, net

As of September 30, 2019, receivables consist of:

Accrued interest receivable (see Note B-3)	\$ 2,785,709
Notes receivable - current (see Note B-3)	68,668
Fraud recovery	74,326
Tenant receivable	60,107
Other	386,501
Total receivables	3,375,311
Allowance for doubtful accounts - tenants	(30,059)
Allowance for doubtful accounts - fraud	(74,326)
	\$ 3,270,926

3. Notes receivable

In accordance with a mixed finance agreement, the Authority has loaned funds to Regent I Beaumont, LP, to finance the development of a low and mixed income apartment complex in Beaumont. The Bond Funds Loan bears interest at rate of 5.62%, matures on August 15, 2024, and is secured with the Regent I property. The HOPE VI Loan is non-recourse and is subordinate to the Bond Funds Loan.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE B - DETAILED NOTES (continued)

3. Notes receivable (continued)

A summary of changes in notes receivable for the year ended September 30, 2019 is as follows:

	Receivable at October 1, 2018	Additions	Reductions	Receivable at September 30, 2019
Due from Regent I Beaumont, LP:				
Bond Funds Loan	\$ 2,619,630	\$ -	\$ (64,926)	\$ 2,554,704
HOPE VI Loan	9,828,232	262,999	-	10,091,231
Total	<u>\$ 12,447,862</u>	<u>\$ 262,999</u>	<u>\$ (64,926)</u>	12,645,935
Less accrued interest (see Note B-2)				(2,785,709)
Less current portion (see Note B-2)				(68,668)
Notes receivable long term				<u>\$ 9,791,558</u>

4. Capital assets

A summary of changes in capital assets for the year ended September 30, 2019 is as follows:

	Balance at October 1, 2018	Transfers in/ Additions	Transfers out/ Deletions	Balance at September 30, 2019
Non-depreciable:				
Land	\$ 4,473,586	\$ 18,559	\$ -	\$ 4,492,145
Construction in progress	338,895	520,074	(338,895)	520,074
Total non-depreciable	<u>4,812,481</u>	<u>538,633</u>	<u>(338,895)</u>	<u>5,012,219</u>
Depreciated:				
Buildings and improvements	54,939,534	351,489	(18,559)	55,272,464
Equipment	642,965	45,189	-	688,154
Total depreciated	<u>55,582,499</u>	<u>396,678</u>	<u>(18,559)</u>	<u>55,960,618</u>
Total capital assets	<u>60,394,980</u>	<u>935,311</u>	<u>(357,454)</u>	<u>60,972,837</u>
Less accumulated depreciation				
Buildings and improvements	(27,909,925)	(1,492,818)	-	(29,402,743)
Equipment	(544,545)	(47,925)	-	(592,470)
Total accumulated depreciation	<u>(28,454,470)</u>	<u>(1,540,743)</u>	<u>-</u>	<u>(29,995,213)</u>
Capital assets, net	<u>\$ 31,940,510</u>	<u>\$ (605,432)</u>	<u>\$ (357,454)</u>	<u>\$ 30,977,624</u>

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE B - DETAILED NOTES (continued)

5. Noncurrent liabilities

A summary of changes in noncurrent liabilities is as follows:

	Payable at October 1, 2018	Additions	Reductions	Payable at September 30, 2019	Due Within One Year
Lexington on the Lake	\$ 5,300,000	\$ -	\$ (325,000)	\$ 4,975,000	\$ 4,975,000
Regent I Beaumont, LP	2,619,629	-	(64,924)	2,554,705	68,668
Total long-term debt	7,919,629	-	(389,924)	7,529,705	5,043,668
Compensated absences	139,838	119,171	(155,287)	103,722	20,745
FSS escrow liability	172,702	101,218	(106,168)	167,752	-
Total	\$ 8,232,169	\$ 220,389	\$ (651,379)	\$ 7,801,179	\$ 5,064,413

Lexington on the Lake

In 1999, the Authority issued bonds through the Bank of New York in the amount of \$8,280,000 to construct a 152 unit apartment complex known as Lexington on the Lake. The bonds bear interest at value varying between 6.25% and 7.75% and mature in December of 2028. The bonds are secured with the Lexington on the Lake property. During January 2020, the Authority sold the Lexington on the Lake property and used the proceeds to pay the entirety of the outstanding bonds (see Note B-13). The entire balance of \$4,975,000 is considered current as of September 30, 2019.

Regent I Beaumont, LP

In 2009, the Authority issued bonds through Capital One Bank in the amount of \$3,045,000 for the purpose of loaning the proceeds to Regent I Beaumont, LP to assist in the development of a low and mixed income apartment complex in Beaumont. The bonds bear interest at rates varying between 5.44% and 5.62% and mature in August of 2024. The bonds are secured with the Regent I property. The outstanding balance as of September 30, 2019 was \$2,554,705.

As of September 30, 2019, the future principal and interest maturities for the bonds are as follows for the years ending September 30:

	Principal	Interest
2020	\$ 68,668	\$ 141,561
2021	72,629	137,601
2022	76,817	133,412
2023	81,247	128,982
2024	2,255,344	114,124
	\$ 2,554,705	\$ 655,680

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE B - DETAILED NOTES (continued)

6. Retirement benefits

The Authority provides pension benefits for its full-time employees through a defined contribution pension plan administered by Mass Mutual Financial Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 5% to 8% of the eligible employees' base salary to the plan. Contribution and allocated investment earnings are fully vested after 5 years of continuous service. Vesting occurs at 20% per year of plan service. Authority contributions and applicable interest forfeited by employees who terminate prior to five years of service are applied to the Authority's current period contribution requirement. During 2019, the Authority made the required contributions in the amount of \$156,800. The Authority recognized pension expense of \$165,008, which includes forfeitures totaling \$8,208. There were no significant unpaid pension liabilities outstanding at September 30, 2019.

7. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. As part of the Authority's risk management program, certain commercial insurance policies are purchased, and the Authority participates in a risk retention group to cover designated exposures and potential loss situations. The group collects reserve deposits and carries reinsurance; however, the group may charge each group member additional amounts if losses are in excess of reserve deposits and reinsurance amounts.

There were no significant reductions of insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

8. Commitments and contingencies

a. *Legal*

In the normal course of operations, the Authority may be party to various pending or threatened legal actions. As of the date of this report, management is not aware of any such instances that have a material impact on the Authority.

b. *Grants and contracts*

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. As of the date of this report, the Authority is not subject to any reviews.

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE B - DETAILED NOTES (continued)

11. Segment information

Condensed component unit information for the Authority's blended component units as listed in Note A-1 is presented below.

Condensed Statement of Net Position

	BMHDC	GTRC	BHCRC	Pointe North	Elimination	Total Blended Component Units
Assets:						
Current assets	\$ 195,616	\$ 1,756,022	\$ -	\$ 775,512	\$ -	\$ 2,727,150
Restricted assets	1,295,373	-	-	58,069	-	1,353,442
Capital assets, net	2,961,592	35,632	-	12,700,401	-	15,697,625
Notes receivable	-	243,333	9,860,226	300,000	(543,333)	9,860,226
Accrued interest receivable	-	-	2,785,709	-	-	2,785,709
Total assets	4,452,581	2,034,987	12,645,935	13,833,982	(543,333)	32,424,152
Liabilities:						
Current liabilities	5,420,631	312,569	74,639	61,901	(543,333)	5,326,407
Noncurrent liabilities	5,450	3,011	2,486,037	19,006	-	2,513,504
Total liabilities	5,426,081	315,580	2,560,676	80,907	(543,333)	7,839,911
Net position:						
Net investment in capital assets	(2,013,408)	35,632	-	12,700,401	-	10,722,625
Restricted	1,229,750	-	9,785,587	2,326	-	11,017,663
Unrestricted	(189,842)	1,683,775	299,672	1,050,348	-	2,843,953
Total net position	\$ (973,500)	\$ 1,719,407	\$ 10,085,259	\$ 13,753,075	\$ -	\$ 24,584,241

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE B - DETAILED NOTES (continued)

11. Segment information (continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	BMHDC	GTRC	BHCRC	Pointe North	Total Blended Component Units
Operating revenues:					
Tenant revenue, net	\$ 1,449,542	\$ -	\$ -	\$ 860,138	\$ 2,309,680
Other revenue	109,825	164,948	-	351,210	625,983
Total operating revenues	1,559,367	164,948	-	1,211,348	2,935,663
Operating expenses:					
Depreciation	233,266	1,888	-	473,447	708,601
Other operating expenses	630,762	112,839	-	794,910	1,538,511
Total operating expenses	864,028	114,727	-	1,268,357	2,247,112
Operating income (loss)	695,339	50,221	-	(57,009)	688,551
Nonoperating revenues (expenses):					
Investment income	-	4,055	561	52	4,668
Mortgage interest income	-	-	262,999	-	262,999
Interest expense	(430,516)	-	-	-	(430,516)
Total nonoperating revenues (expenses)	(430,516)	4,055	263,560	52	(162,849)
Change in net position	264,823	54,276	263,560	(56,957)	525,702
Beginning net position	(1,238,323)	1,665,131	9,821,699	13,810,032	24,058,539
Ending net position	\$ (973,500)	\$ 1,719,407	\$ 10,085,259	\$ 13,753,075	\$ 24,584,241

Condensed Statement of Cash Flows

	BMHDC	GTRC	BHCRC	Pointe North	Total
Net cash provided by (used in):					
Operating activities	\$ 837,579	\$ (224,068)	\$ 262,999	\$ 302,810	\$ 1,179,320
Capital and related financing activities	(722,061)	(14,020)	(65,486)	-	(801,567)
Investing activities	-	(43,125)	(197,513)	52	(240,586)
Net increase (decrease) in cash	115,518	(281,213)	-	302,862	137,167
Beginning cash	1,303,941	1,711,695	-	484,976	3,500,612
Ending cash	\$ 1,419,459	\$ 1,430,482	\$ -	\$ 787,838	\$ 3,637,779

Housing Authority of the City of Beaumont, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

NOTE B - DETAILED NOTES (continued)

12. Subsequent events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 30, 2020, the date the financial statements were available to be issued and aside from the items described below, has determined that no additional material events occurred that would require disclosure.

During January 2020 the Authority sold the property, Lexington on the Lake, and used the proceeds to pay the remaining amount of outstanding bonds to the Bank of New York, see Note B-5.

Subsequent to year end, the Authority, like most other businesses, was faced with the COVID-19 pandemic. The overall impact and duration of COVID-19 is uncertain as of the date of this report, however with the unemployment rate on the rise, the Authority will be significantly impacted as residents may have a loss of income and related evictions are placed on temporary hold. The Authority has revised operational activities to conform with the current guidelines. As of the date of this report, the Authority has been awarded additional funding under the CARES Act in the amounts of \$234,094 and \$231,025 for Housing Choice Voucher program and Low Rent Public Housing program, respectively, for administrative purposes to conform to the operational changes.

SUPPLEMENTAL INFORMATION

PHA: TX023 FYED: 9/30/19

Line Item No.	Account Description	AMP3 (Concord Homes) Operating 14,850	AMP3 (Concord Homes) Capital Fund 14,872	AMP5 (Tracewood I) Operating 14,850	AMP5 (Tracewood I) Capital Fund 14,872	AMP9 (Scattered Sites) Operating 14,850	AMP9 (Scattered Sites) Capital Fund 14,872	(R) C
111	Cash - Unrestricted	1,736,118	-	398,763	-	655,957	-	
113	Cash - other restricted	-	-	17,428	-	1,472,584	-	
114	Cash - Tenant Security Deposits	875	-	13,974	-	12,888	-	
100	Total Cash	1,736,993	-	430,165	-	2,141,429	-	
122	Accounts Receivable - HUD	5,300	-	25,400	-	16,410	-	
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	
126	Accounts Receivable - Tenants Dwelling Rents	143	-	436	-	4,056	-	
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(72)	-	(219)	-	(2,026)	-	
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	
127	Notes, Loans, & Mortgages Receivable - current	-	-	-	-	-	-	
128	Fraud recovery	-	-	-	-	-	-	
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	
129	Accrued interest receivable	-	-	-	-	-	-	
120	Total Receivables, net of allowances for doubtful accounts	5,371	-	25,617	-	18,438	-	
142	Prepaid Expenses and Other Assets	-	-	28,628	-	28,818	-	
144	Interprogram due from	-	-	-	-	-	-	
145	Assets held for sale	-	-	-	-	552,769	-	
150	Total Current Assets	1,742,364	-	484,410	-	2,741,454	-	
161	Land	184,421	-	262,970	-	365,752	-	
162	Buildings	6,519,257	-	3,152,629	-	3,682,677	-	
163	Furniture, Equipment & Machinery - Dwellings	-	-	65,632	-	1,170	-	
164	Furniture, Equipment & Machinery - Administration	29,641	-	28,680	-	28,329	-	
165	Leasehold Improvements	568,978	-	590,625	-	204,239	-	
166	Accumulated Depreciation	(4,854,710)	-	(3,082,860)	-	(1,787,423)	-	
167	Construction In Progress	63,523	-	110,923	-	119,925	-	
160	Total Fixed Assets, Net of Accumulated Depreciation	2,511,110	-	1,128,599	-	2,614,669	-	
171	Notes, loans, and mortgages receivable - Noncurrent	-	-	-	-	-	-	
176	Investment in joint ventures	-	-	-	-	-	-	
180	Total Non-Current Assets	2,511,110	-	1,128,599	-	2,614,669	-	
190	Total Assets	4,253,474	-	1,613,009	-	5,356,123	-	
312	Accounts Payable <= 90 Days	-	-	-	-	-	-	
321	Accrued Wage/Payroll Taxes Payable	699	-	3,607	-	1,735	-	
322	Accrued Compensated Absences	321	-	1,267	-	718	-	
325	Accrued interest payable	-	-	-	-	-	-	
341	Tenant Security Deposits	875	-	13,974	-	12,888	-	
342	Unearned Revenues	421	-	4,205	-	1,503	-	
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-	
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	
345	Other current liabilities	-	-	-	-	-	-	
347	Interprogram due to	-	-	-	-	-	-	
310	Total Current Liabilities	2,316	-	23,053	-	16,844	-	
352	Long-Term debt, net of current - operating borrowings	-	-	-	-	-	-	
353	Noncurrent Liabilities - Other	-	-	17,428	-	26,382	-	
354	Accrued compensated Absences - Non Current	1,285	-	5,068	-	2,872	-	
350	Total Noncurrent Liabilities	1,285	-	22,496	-	29,254	-	
300	Total Liabilities	3,601	-	45,549	-	46,098	-	
508.4	Net investment in Capital Assets	2,511,110	-	1,128,599	-	2,614,669	-	
511.4	Restricted Net Position	-	-	-	-	1,446,202	-	
512.4	Unrestricted Net Position	1,738,763	-	438,861	-	1,249,154	-	
513	Total Equity	4,249,873	-	1,567,460	-	5,310,025	-	
600	Total Liabilities and Equity	4,253,474	-	1,613,009	-	5,356,123	-	
70300	Net Tenant Rental Revenue	21,440	-	140,353	-	162,941	-	
70400	Tenant Revenue - Other	300	-	8,447	-	7,850	-	
70500	Total Tenant Revenue	21,740	-	148,800	-	170,791	-	
70600	HUD PHA Grants	113	13,500	234,821	75,850	175,840	38,238	
70610	HUD PHA Capital Grants	-	63,523	-	110,923	-	119,925	
70710	Management Fee Revenue	-	-	-	-	-	-	
70720	Asset Management Fee Revenue	-	-	-	-	-	-	
70730	Bookkeeping Fee Revenue	-	-	-	-	-	-	
70740	Front Line Services Fees Revenue	-	-	-	-	-	-	
70800	Other government grants	-	-	-	-	-	-	
71100	Investment Income - Unrestricted	5,235	-	1,576	-	3,749	-	
71200	Mortgage interest income	-	-	-	-	-	-	

Housing Authority of the City of Beaumont, Texas

SCHEDULE OF ACTUAL CAPITAL FUND PROGRAM COSTS AND ADVANCES

Year ended September 30, 2019

PROGRAM	TX24P 023501-16	TX24P 023501-17	TX24P 023501-18	TOTAL
BUDGET	\$ 734,456	\$ 759,458	\$ 1,279,868	\$ 2,773,782
ADVANCES				
Cash receipts - prior years	\$ 542,066	\$ 11,962	\$ -	\$ 554,028
Cash receipts - current year	192,389	603,434	-	795,823
Cumulative as of September 30, 2019	734,455	615,396	-	1,349,851
COSTS				
Prior years	566,340	11,961	-	578,301
Current year	168,115	652,235	11,010	831,360
Cumulative as of September 30, 2019	734,455	664,196	11,010	1,409,661
DUE FROM HUD	\$ -	\$ 48,800	\$ 11,010	\$ 59,810
SOFT COSTS				
Prior years	\$ 313,069	\$ 5,666	\$ -	\$ 318,735
Current year	137,447	143,171	-	280,618
Cumulative as of September 30, 2019	450,516	148,837	-	599,353
HARD COSTS				
Prior years	253,272	6,295	-	259,567
Current year	30,668	509,064	11,010	550,742
Cumulative as of September 30, 2019	283,940	515,359	11,010	810,309
CUMULATIVE HARD AND SOFT COSTS	\$ 734,456	\$ 664,196	\$ 11,010	\$ 1,409,662

The following grant has been awarded and are unspent as of September 30, 2019:

TX24P023501-19 \$ 1,240,126

See independent auditor's report.

SINGLE AUDIT SECTION

Housing Authority of the City of Beaumont, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2019

	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>Direct from the U.S. Department of Housing and Urban</u>				
<u>Development:</u>				
Housing Voucher Cluster:				
Section 8 Housing Choice Voucher Program	14.871	N/A	-	\$ 10,753,661
Public and Indian Housing	14.850	N/A	-	1,486,759
Section 8 Project-Based Cluster:				
Section 8 New Construction Program	14.182	N/A	-	1,215,981
Public Housing Capital Fund Program	14.872	N/A	-	831,360
Resident Opportunity and Supportive Services	14.870	N/A	-	76,563
PIH Family Self-Sufficiency Program	14.896	N/A	-	98,010
Pass through from Jefferson County:				
Housing Opportunity for Person with AIDS	14.241	N/A	-	325,707
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 14,788,041

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Beaumont and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Auditor Requirements for Federal Awards*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Section 8 Housing Choice Voucher Program ("HCV"), CFDA Number 14.871, to be an expenditure for the purposes of this schedule. Therefore, the amount in this Schedule represents the total amount received directly from HUD and not the expenditures paid by the Authority.

Note 2 - INDIRECT COST RATE

The Authority did not elect to use the 10-percent de minimis indirect cost rate.

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 4 - SUB-RECIPIENTS

During the year ended September 30, 2019, the Authority had no sub-recipients.

Note 5 - NONCASH FEDERAL ASSISTANCE

The Authority did not receive any noncash Federal assistance for the year ended September 30, 2019.

Note 6 - LOAN GUARANTEES

At September 30, 2019, the Authority is not the guarantor of any loans outstanding other than those disclosed in the basic financial statements.

See independent auditor's report.

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 Beaumont, Texas
Beaumont, 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 activities of the Housing Authority of the City of Beaumont, Texas (the "Authority"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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 Authority'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 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 30, 2020
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

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CPAS AND ASSOCIATES, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Beaumont, Texas' (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended September 30, 2019. The Authority'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 Authority'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 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 Authority'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 Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority 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 September 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Finding No. 2019-001** and **2019-002**. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Authority 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 Authority'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as **Finding No. 2019-001** and **2019-002** that we consider to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

June 30, 2020
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Housing Authority of the City of Beaumont, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiency identified? **None reported**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiencies identified? **Yes (Finding No. 2019-001 and 2019-002)**

Type of auditor's report issued on compliance for major programs:

- **Housing Voucher Cluster - Unmodified**
- **Public and Indian Housing - Unmodified**

Are there audit findings required to be reported in accordance with 2 CFR 200.516(a) are included in this schedule? **Yes**

The program tested as a major program is as follows:

Housing Voucher Cluster

Section 8 Housing Choice Voucher Program - CFDA No. 14.871

Public and Indian Housing - CFDA No. 14.850

The threshold for distinguishing types A and B programs was **\$750,000**

Did the auditee qualify as a low-risk auditee? **No**

B. FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS AUDIT

None.

Housing Authority of the City of Beaumont, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS

2019-001 Eligibility

Public and Indian Housing - CFDA No. 14.850

Significant Deficiency in Internal Controls

Other matter required to be reported in accordance with Uniform Guidance

Condition: Out of a total tenant population of approximately 280 tenants, 40 tenant files were tested and exceptions were noted as follows:

- 5 files had annual recertifications performed later than 12 months.

Context: The auditor haphazardly selected 40 tenants out of the population, which we consider to be a statistically valid sample size, for testing tenant rent calculations and other eligibility requirements. The auditor viewed the tenant files and support to determine if controls over compliance were operating effectively.

Criteria: The Authority's ACOP and 24 CFR 960.257 requires internal controls to be in place to ensure proper procedures are being followed in compliance with HUD requirements regarding complete and accurate tenant files for all public housing sites.

Cause: The Authority did not fully implement the established internal controls to ensure proper compliance with regards to timely correct recertifications.

Effect: The Authority is not in full compliance with all HUD requirements regarding timely annual recertifications.

Auditor's Recommendations: The Authority should correct the deficiencies noted in the tested files. In addition, the Authority should follow the quality control review procedures to ensure proper monitoring of the Authority's compliance with the requirements related to annual recertifications.

View of Responsible Officials: See Corrective Action Plan.

Housing Authority of the City of Beaumont, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2019

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS (continued)

2019-002 Eligibility

Housing Voucher Cluster

Significant Deficiency in Internal Controls

Other matter required to be reported in accordance with Uniform Guidance

Condition: Out of a total tenant population of approximately 1,708 tenants, 40 tenant files were tested and exceptions were noted as follows:

- 2 files had incorrect payment standards used,
- 1 file was missing a 214 declaration document for a member of the household,
- 1 file had a rent reasonableness error, and
- 2 files had calculation and document errors noted for child support income.

Context: The auditor haphazardly selected 40 tenants out of the population, which we consider to be a statistically valid sample size, for testing tenant rent calculations and other eligibility requirements. The auditor viewed the tenant files and support to determine if controls over compliance were operating effectively.

Criteria: The Authority's administrative plan and 24 CFR 982.516 requires internal controls to be in place to ensure proper procedures are being followed in compliance with HUD requirements regarding complete and accurate tenant files.

Cause: The Authority did not fully implement the established internal controls to ensure proper compliance with regards to payment standards used, income calculations, and documentation.

Effect: The Authority is not in full compliance with all HUD requirements regarding documentation and calculations used in the tenant recertification process.

Auditor's Recommendations: The Authority should correct the deficiencies noted in the tested files. In addition, the Authority should follow the quality control review procedures to ensure proper monitoring of the Authority's compliance with the requirements related to tenant eligibility.

View of Responsible Officials: See Corrective Action Plan.

Housing Authority of the City of Beaumont, Texas
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

September 30, 2019

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2018-001 Financial Reporting

Significant Deficiency in Internal Controls

Condition: During our audit of the Authority's financial statements, we detected certain deficiencies in internal control over financial reporting as described below which are identified as a significant deficiency in internal control over financial reporting in accordance with audit standards generally accepted in the United States of America, AU-C Section 265 ("AU-C 265"). Numerous adjustments were needed during the audit process to properly reflect the financial data schedule in accordance with generally accepted accounting principles.

Auditor's Recommendations: The Authority should continue to develop and implement internal controls over external reporting to ensure reporting remains accurate and timely and that variances between expected and actual outcomes are investigated and corrected before unaudited REAC submissions.

Current Status: Cleared in the current year.



HOUSING AUTHORITY

of the City of Beaumont, Texas

CORRECTIVE ACTION PLAN

June 30, 2020

U.S. Department of Housing and Urban Development

The Housing Authority of Beaumont, Texas respectfully submits the following corrective action plan for the year ended September 30, 2019.

Berman Hopkins Wright & LaHam, CPAs and Associates, LLP
8035 Spyglass Hill Road
Melbourne, FL 32940

Audit period: October 1, 2018 – September 30, 2019

FINDINGS – FINANCIAL STATEMENTS AUDIT

2019-001 Eligibility

Public and Indian Housing

Significant Deficiency in Internal Controls

Other matter required to be reported in accordance with Uniform Guidance

Condition: Out of a total tenant population of approximately 280 tenants, 40 tenant files were tested, and exceptions were noted as follows:

- 5 files had annual recertifications performed later than 12 months.

Auditor's Recommendations: The Authority should correct the deficiencies noted in the tested files. In addition, the Authority should follow the quality control review procedures to ensure proper monitoring of the Authority's compliance with the requirements related to annual recertifications.

Action Taken: A review of the deficiencies indicated that these files were for tenants who were elderly or disabled and had difficulties coming into the office due to weather, illness, hospitalization, or transportation.

The Vice-President of Assisted Programs will closely review the Annual Recertification Work List each month to ensure that recertifications are completed in a timely manner. If it is determined that a tenant is having difficulties completing their recertification, the caseworker will conduct a home visit to ensure the recertification is completed.

The deficiencies have been resolved in the files noted.

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A FAIR HOUSING AND EQUAL EMPLOYMENT OPPORTUNITY AGENCY

The Housing Authority offers accommodations for persons accessing its facilities, as required by the Americans with Disabilities Act. If you require special accommodations, please contact the Beaumont Housing Authority office for assistance. Hearing impaired may contact Relay Texas at 1-800-735-2989 or 7-1-1.



HOUSING AUTHORITY

of the City of Beaumont, Texas

2019-002 Eligibility

Housing Voucher Cluster

Significant Deficiency in Internal Controls

Other matter required to be reported in accordance with Uniform Guidance

Condition: Out of a total tenant population of approximately 1,708 tenants, 40 tenant files were tested, and exceptions were noted as follows:

- 2 files had incorrectly payment standards used,
- 1 file was missing a 214-declaration document for a member of the household,
- 1 file had a rent reasonableness error, and
- 2 files had calculation and documents errors noted for child support income.

Auditor's Recommendations: The Authority should correct the deficiencies noted in the tested files. In addition, the Authority should follow the quality control review procedures to ensure proper monitoring of the Authority's compliance with the requirements related to tenant eligibility.

Action Taken: A review of the deficiencies indicated that the errors were limited to two caseworkers. These caseworkers have been counseled and will receive additional training to ensure compliance with our HCV Administrative Plan.

In addition, BHA will bring in additional training to all staff to ensure a better understanding of the payment standard and rent calculation procedures.

The deficiencies identified by the auditor have been corrected.

If the Department of Housing and Urban Development has questions regarding this plan, please call Allison Landrum, Chief Executive Officer at (409) 951-7200.

Sincerely,

Allison Landrum
Chief Executive Officer