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SAHA | SAN ANTONIO HOUSING AUTHORITY

Opportunity Lives Here

FINANCE COMMITTEE MEETING
JANUARY 21, 2021

SAHA | SAN ANTONIO HOUSING AUTHORITY
Opportunity Lives Here

BOARD OF COMMISSIONERS

Dr. Ana "Cha" Guzmán	Jessica Weaver	Charles Clack	Jo-Anne Kaplan	Olga Kauffman	Ignacio Perez	Ruth Rodriguez
Chair	Vice Chair	Commissioner	Commissioner	Commissioner	Commissioner	Commissioner

INTERIM PRESIDENT & CEO
Ed Hinojosa, Jr.

SAN ANTONIO HOUSING AUTHORITY FINANCE COMMITTEE or **SPECIAL BOARD MEETING TELECONFERENCE

Call In Phone Number: (346) 248-7799
Meeting ID: 86946691729# Passcode: 098802#
1:30 p.m., Thursday, January 21, 2021

The Board of Commissioners will convene for a Committee, or Special Board meeting, by teleconference, for discussion on the following matters:

MEETING CALLED TO ORDER

1. The Board of Commissioners or its Committee may hold a closed meeting pursuant to Texas Government Code § 551.071-076 for consultation concerning attorney-client matters, real estate, litigation, personnel, and security matters. The Board or Committee reserves the right to enter into closed meeting at any time, during the course of the meeting.

PUBLIC COMMENT

2. Public Comment - Citizens are provided up to three minutes each to speak to any agenda items. Citizens wishing to speak to items posted on the agenda should access Phone Number: **(346) 248-7799** and enter Meeting ID: **86946691729#** and Passcode: **098802#**, prior to 1:30 p.m.

   Now is the time for public comments. The Board asks the public to address concerns related to SAHA matters and policy and not include statements that may be considered defamatory of any individual. The Board encourages members of the public to direct specific concerns or problems to SAHA staff for more prompt resolution.

INDIVIDUAL ITEM FOR CONSIDERATION

3. Consideration and appropriate action regarding Resolution 6108, accepting the Independent Auditor's Report for the year ended June 30, 2020 (Diana Kollodziej Fiedler, Director of Finance and Accounting; CohnReznick LLP)

4. Consideration and appropriate action regarding Resolution 6100, certifying that the San Antonio Housing Authority's Investment Policy and Investment strategies have been reviewed in accordance with the requirements set forth in section 2256.005 (E) of the Texas Public Funds Investment Act (Diana Kollodziej Fiedler, Director of Finance and Accounting)

REPORTS PROVIDED TO THE BOARD

- Quarterly Internal Audit Update

5. Adjournment

*Note: Whenever the Texas Open Meetings Act (Section 551.001 et seq. of the Texas Government Code) provides for a closed meeting in matters concerning legal advice, real estate, contracts, personnel matters, or security issues, the Board may find a closed meeting to be necessary. For convenience of the citizens interested in an item preceded by an asterisk, notice is given that a closed meeting is contemplated. However, the Board reserves the right to go into a closed meeting on any other item, whether it has an asterisk, when the Board determines there is a need and a closed meeting is permitted.

**Note: If a quorum of the Board of Commissioners attends the Committee Meeting, this meeting becomes a Special Meeting of the Board, but no Board action will be taken other than recommendations to the full Board, unless the full Board is present.

SAN ANTONIO HOUSING AUTHORITY **January 21, 2021**

BOARD OF COMMISSIONERS
Finance Committee

RESOLUTION 6108, ACCEPTING THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2020

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Ed Hinojosa Jr
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Ed Hinojosa, Jr.
Interim President and CEO

DocuSigned by:
Diana Fiedler
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Diana Kollodziej Fiedler
Director of Finance and Accounting

REQUESTED ACTION:
Consideration and appropriate action regarding Resolution 6108, accepting the Independent Auditor's Report for the year ended June 30, 2020.

FINANCIAL IMPACT:
None.

SUMMARY:
The audit for the Housing Authority of the City of San Antonio and its component units for the year ended June 30, 2020, has been completed. In planning the audit, CohnReznick LLP spoke with staff to coordinate audit engagement details, establish auditor and client responsibilities, and determine any significant changes in SAHA's structure and personnel, as well as determine any new companies and new agreements that may impact the audit approach. CohnReznick LLP also verified any new accounting or audit requirements published by the U.S. Department of Housing and Urban Development, the Government Accounting Standards Board, or the American Institute of Certified Public Accountants, which would affect the audits.

CohnReznick LLP reports include:
- Financial Audit Results Opinion – Unmodified (clean audit)
- Compliance Audit Results Opinion – Unmodified (clean audit)
- Final Audit Communication to Those Charged with Governance

CohnReznick LLP performed the following year-end tasks:
- Tested certain internal controls for the following significant SAHA transaction cycles: cash receipts, cash disbursements, procurement, payroll, accumulation of component activity, recognition of related party activity, and financial close
- Tested major federal assistance program for compliance with federal requirements
- Conducted fraud inquiries about risks to SAHA
- Conducted and evaluated preliminary analytical reviews to determine the nature and extent of procedures to be performed
- Established the audit approach, including preparation of a tailored audit work program
- Computed audit materiality to obtain reasonable assurance of detecting misstatements that could be material to the financial statements taken as a whole
- Reviewed and mailed SAHA-prepared confirmations to customers, creditors, legal counsel, and banks

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- Performed substantive procedures for the various financial statement account balances as of year-end, as deemed necessary, in the following areas: cash, investments, notes receivable, grant and rent revenue, capital assets, payroll and related liabilities, escrow accounts, related party activity, assumption of partnership ownership, and long-term debt
- Reviewed the SAHA-prepared financial statements and utilized a disclosure checklist to ensure all significant disclosures are made
- Finalized analytical review procedures to assess the conclusions reached and evaluate the overall financial statement presentation
- Prepared final communication to Those Charged with Governance

CohnReznick LLP will also issue audit reports as required by HUD or other contractual agreements for the following component units, all of which contained unmodified (clean audit) opinions:

- San Antonio Housing Facility Corporation
- Sendero I Public Facility Corporation
- Springhill/Courtland Heights Public Facility Corporation
- Woodhill Public Facility Corporation
- Converse Ranch, LLC

STRATEGIC GOAL:
Transform core operations to be a high performing and financially strong organization.

ATTACHMENTS:
Resolution 6108
Financial Statements and Independent Auditor's Report - pending
Final Communication to Those Charged with Governance - pending

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CERTIFICATE FOR RESOLUTION 6108

The undersigned officer of the Housing Authority of the City of San Antonio, Texas, a Texas housing authority created pursuant to the laws of the State of Texas (SAHA), hereby certifies as follows:

1. In accordance with Chapter 551, Texas Government Code, as amended (Open Meetings Act), and the bylaws of SAHA, the Board of Commissioners of SAHA (Board) held a meeting on February 4, 2021 (Meeting) of the duly constituted officers and members of the Board, at which a duly constituted quorum was present. Whereupon among other business transacted at the Meeting, a written

RESOLUTION 6108, ACCEPTING THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2020

(Resolution) was duly introduced for the consideration of the Board and discussed. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of the Resolution, prevailed and carried by a majority vote of the Board.

2. A true, full, and correct copy of the Resolution adopted at the Meeting is attached to and follows this Certificate; the Resolution has been duly recorded in the Board's minutes of the Meeting; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting; and the Meeting was held and conducted in accordance with the Open Meetings Act and the Bylaws of SAHA.

SIGNED AND SEALED this 4th day of February 2021.

HOUSING AUTHORITY CITY OF SAN ANTONIO TEXAS

Ed Hinojosa, Jr.
Interim President and CEO

Housing Authority of the City of San Antonio

Financial Report and Compliance Report
June 30, 2020

PRELIMINARY DRAFT - SUBJECT TO CHANGE

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This section of the Housing Authority of the City of San Antonio's (the Authority) annual financial report presents management's discussion and analysis (MD&A) of the Authority's financial performance during the fiscal year (FY) ended June 30, 2020, related to its business-type activities, as compared to the FY ended June 30, 2019. The business-type activities of the Authority include the following: Public Housing Programs, Section 8 Voucher Programs, Capital Fund Programs, Community Development Initiatives Programs, Beacon Communities and the San Antonio Housing Facility Corporation. The MD&A is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position and identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current-year activities, resulting changes and currently known facts, we encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which follow this section.

Overview of the Housing Authority of the City of San Antonio, Texas

The Authority is a municipal housing authority organized under the laws of the state of Texas (now Chapter 392 of the Texas Local Government Code) and by a resolution of the City Council of the City of San Antonio, Texas, adopted on June 17, 1937. The Authority's purpose is to provide and promote safe and sanitary housing for low-income persons residing in San Antonio, Texas. A seven-member Board of Commissioners (the Board), appointed by the Mayor of the City of San Antonio, governs the Authority.

The Authority is one of 39 public housing authorities nationwide with a Moving to Work (MTW) designation from the United States Department of Housing and Urban Development (HUD). The Authority received its MTW designation from HUD in 1999 and approved a restated MTW agreement in June 2009, which extended the program for 10 additional years. During FY 2016, HUD issued a letter to all participating MTW agencies modifying and extending their existing contracts through 2028. The MTW agreement grants the Authority flexibility to develop policies outside the limitations of certain HUD regulations and provisions. As an MTW agency, the Authority's three primary goals are to promote and increase self-sufficiency among public housing and Section 8 residents, to increase housing choices for low-income families and to achieve programmatic efficiencies and reduce costs. Every year, an MTW plan is developed, describing how flexibilities will be applied to best meet community needs with input from stakeholders, residents and landlords. The MTW agreement also allows for funding fungibility by pooling the Public Housing operating subsidy, Section 8 Housing Choice Voucher subsidy and Capital Funds.

Highlights

- The Authority received 18 Awards of Merit for various innovative programs and initiatives from the National Association of Housing and Redevelopment Officials (NAHRO). Additionally, the Authority garnered two NAHRO National Awards of Excellence for the "Walking School Bus" initiative at Cassiano Homes and the design of Wheatley Park Senior Living.

- The Authority's board approved future transactions, tax credits, and bond applications that will be part of $486 million in affordable housing projects. The funding will assist 14 different projects (nearly 3,500 housing units) across Bexar County that will have a portion reserved for residents who earn less than the area median income (AMI), ranging from 30 to 80 percent of AMI. The projects could come open in two to five years.

- The Authority scheduled Phase II Energy Performance Contracting (EPC) for 2020. EPC is an innovative financing technique that uses cost savings from reduced energy consumption to repay the cost of installing energy conservation measures, and allows the Authority to invest the savings back

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into the communities in capital improvement projects. The Authority will invest in the installation of various energy conservation measures at more than 34 developments, including more than 2,300 Public Housing units, with projected savings of more than $9 million throughout the life of the program.

- The Authority's East Meadows Homes, affordable single-family homes built on the Eastside, garnered Best Affordable Single-Family Housing Development in the San Antonio Business Journal's 2020 Building San Antonio Awards.

- The Authority completed its pledge to provide free air conditioning to all Public Housing residents. Through a partnership with the City of San Antonio and the Gordon Hartman Foundation, approximately $1.5 million was utilized for the installation of more than 2,500 air conditioning units at 22 various housing complexes.

- The Authority's current ratio that measures liquidity was 5.20 at June 30, 2020. The ratio is an indicator of the Authority's strong capacity to meet its short-term financial obligations.

- The Authority's debt-to-net position ratio was 0.43 at June 30, 2020, demonstrating the Authority's strong long-term solvency position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of two components: (1) basic financial statements and (2) notes to financial statements. The basic financial statements include the operations of the Authority and its blended component units.

The statement of net position presents financial information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the most recent FY. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

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Basic Financial Statements

As provided for under accounting principles generally accepted in the United States of America, the Authority uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation and amortization, are recognized in the period in which they are incurred. All assets, liabilities, deferred outflows and deferred inflows associated with the operation of the Authority are included in the statement of net position. The Authority presents its activities as a single enterprise proprietary fund. The basic financial statements begin on page 16 of this report.

San Antonio Housing Authority

The Authority operates the following programs:

- **Housing Choice Voucher (HCV) Program**—a HUD-funded program that provides rent subsidies to families residing in privately owned rental properties.

- **Capital Improvement Programs**—HUD-funded programs that include the Capital Fund Program and the Capital Fund Financing Program, which provide funds for new construction and the rehabilitation of existing housing units.

- **Public Housing Program**—a HUD-funded program under which the Authority manages and maintains 6,058 public housing rental units for eligible low-income families, seniors and individuals with disabilities.

Pension Plan Trust Fund—Fiduciary Fund

The Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust, a component unit of the Authority, is accounted for as fiduciary activity in the fiduciary fund financial statements. The basic fiduciary fund financial statements begin on page 22 of this report.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to the full understanding of the data provided in the fund financial statements. The notes to financial statements begin on page 25 of this report.

Financial Analysis

General

Over time, net position may serve as a useful indicator of a government's financial position. At June 30, 2020, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $299,668,655. By far, the largest portion of net position is the Authority's investment in capital assets (e.g., land, buildings, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services and housing to its clients. Consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statements of Net Position Information

Presented below is the Authority's condensed statements of net position for FY 2020 compared to FY 2019. This information reflects the economic resources of the Authority, as well as its economic obligations at the end of the FYs shown. See notes to financial statements.

Condensed Statement of Net Position

	FY 2020	FY 2019	Increase (Decrease)	Percentage Change
Assets:				
Unrestricted current assets	$ 67,854,277	$ 62,146,053	$ 5,708,224	9.2%
Restricted current assets	32,228,019	30,471,236	1,756,783	5.8%
Net capital assets	258,430,652	199,042,249	59,388,403	29.8%
Other assets	66,125,924	76,340,749	(10,214,825)	(13.4%)
Total assets	424,638,872	368,000,287	56,638,585	15.4%
Deferred outflows of resources:				
Deferred charges on refunding	497,369	611,579	(114,210)	(18.7%)
Deferred swap outflows	3,022,358	1,296,697	1,725,661	133.1%
Total deferred outflows of resources	3,519,727	1,908,276	1,611,451	84.4%
Liabilities:				
Current liabilities	17,763,775	16,795,160	968,615	5.8%
Current liabilities payable from restricted assets	1,495,767	1,537,215	(41,448)	(2.7%)
Noncurrent liabilities	109,230,402	76,919,473	32,310,929	42.0%
Total liabilities	128,489,944	95,251,848	33,238,096	34.9%
Net position:				
Net investment in capital assets	178,974,972	140,106,103	38,868,869	27.7%
Restricted net position	22,325,403	17,788,081	4,537,322	25.5%
Unrestricted net position	98,368,280	116,762,531	(18,394,251)	(15.8%)
Total net position	$ 299,668,655	$ 274,656,715	$ 25,011,940	9.1%

Assets

The Authority's total assets at June 30, 2020 and 2019, amounted to $424.6 million and $368.0 million, respectively, representing an increase of 15.4%. Unrestricted current assets increased by $5.7 million, or 9.2%, largely due to the transfer in of $3.3 million from the acquisition of three tax credit partnerships. The $1.8 million, or 5.8%, increase in restricted current assets resulted chiefly from the sale of various Scattered Site properties. Net capital assets surged by $59.4 million, or 29.8%, due to increases in buildings and land of $43.5 million and $23.0 million, respectively. The increase in buildings was attributable to the O'Connor, Science Park II, and Refugio partnerships becoming wholly owned entities of the San Antonio Housing Facility Corporation and the Clark 05 Housing partnership (Rosemont at Highland Park) becoming wholly owned by the San Antonio Housing Development Corporation. The increase in land was caused by the Authority acquiring ownership interests in several properties: Champion at Del Rio, Champion at Marshall Meadows, Champion at Port Royal, Majestic Ranch, Culebra Crossing, Arroyo Seco, Trader Flats, Artisan at Ruiz, and 1604 Lofts. Also contributing to the increase in Fixed Assets was an increase in construction in progress of $16.4 million, with the largest contributors being Victoria Plaza (comprehensive modernization of $12.2 million) and Castle Point (rehabilitation and site improvements of $3.8 million). The overall increase in Fixed Assets was partially offset by an increase in accumulated depreciation of $35.2 million. Other assets decreased by $10.2 million, or 13.4%, due primarily to the elimination of $12.5 million in related party notes receivable as a result of the four new wholly owned partnerships identified above. Offsetting this overall decrease was a land note of $710

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thousand issued between the Authority and Tampico Apartments, LP and an addition of $979 thousand to the Wheatley Family II, LP Choice Neighborhoods Initiatives loan.

Liabilities
Total liabilities of the Authority were $128.5 million and $95.3 million at June 30, 2020 and 2019, respectively, an increase of 34.9%. Noncurrent liabilities increased by $32.3 million, or 42.0%, due mainly to the acquisitions of the O'Connor, Science Park II, Refugio, and Highland Park properties. As a condition of becoming the sole owner, Authority affiliates were required to assume the debt obligations of each partnership. The total mortgage debt for the four properties totaled $21.5 million. Additionally, there was an $12.9 million increase in deferred ground lease revenue which arose from the Facility Corporation entering into ground leases with the Majestic Ranch, Culebra Crossing, Trader Flats, Artisan at Ruiz, 1604 Lofts, and Tampico partnerships. Also impacting the increase in total liabilities were a $1.7 million increase in interest rate swap liabilities and a $1.7 million increase in contract retainage. This overall increase was partially offset by scheduled debt payments of $3.9 million.

Net Position
The Authority's net position totaled $299.7 million at June 30, 2020, and is comprised of net investment in capital assets of $179.0 million; restricted net position of $22.3 million and unrestricted net position of $98.4 million. Total net position increased by $25.0 million, or 9.1%, as a result of operations for the FY. The balance in unrestricted net position represents resources available to meet the Authority's ongoing obligations to tenants, citizens and creditors.

Statements of Revenues, Expenses and Changes in Net Position Information

Presented on the following page is the statements of revenues, expenses and changes in net position information for FY 2020 compared to FY 2019. The information reflects the results of operations for the Authority and displays the sources of revenue, the nature of expenses for the year and the resulting change in net position. All revenues and expenses are accounted for on an accrual basis. See notes to financial statements.

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Statement of Revenues, Expenses and Changes in Net Position

	FY 2020	FY 2019	Increase (Decrease)	Percentage Change
Operating revenues:				
Tenant	$ 33,617,000	$ 30,404,190	$ 3,212,810	10.6%
HUD operating subsidy and grant revenue	150,878,490	141,606,562	9,271,928	6.5%
Other revenue	7,222,656	6,329,242	893,414	14.1%
Total operating revenues	191,718,146	178,339,994	13,378,152	7.5%
Operating expenses:				
Administrative	30,908,843	29,663,467	1,245,376	4.2%
Tenant services	4,398,655	2,545,958	1,852,697	72.8%
Utilities	7,415,337	7,048,901	366,436	5.2%
Ordinary maintenance and operations	24,130,098	26,984,679	(2,854,581)	(10.6%)
Protective services	983,638	753,395	230,243	30.6%
Insurance	2,966,827	2,580,268	386,559	15.0%
Bad debts	111,687	(1,049,369)	1,161,056	110.6%
Other	3,060,654	1,910,327	1,150,327	60.2%
Housing assistance payments	100,236,974	98,161,528	2,075,446	2.1%
Depreciation	14,937,704	14,085,340	852,364	6.1%
Total operating expenses	189,150,417	182,684,494	6,465,923	3.5%
Operating income (loss)	2,567,729	(4,344,500)	6,912,229	159.1%
Nonoperating revenues (expenses):				
Investment income	776,629	1,086,129	(309,500)	(28.5%)
Mortgage interest income	1,673,882	1,975,202	(301,320)	(15.3%)
Recovery of Section 8 funds	60,796	113,007	(52,211)	(46.2%)
Interest expense	(3,303,201)	(2,902,776)	(400,425)	(13.8%)
Gain on disposition/retirement of capital assets	4,558,943	2,426,984	2,131,959	87.8%
Purchase of limited partnership interests	(1,630,000)	-	(1,630,000)	N/A
Donations—land	9,865,382	-	9,865,382	N/A
Insurance recoveries, net	499,355	2,222,194	(1,722,839)	(77.5%)
Loss on investments	(1,915)	(25)	(1,890)	7560.0%
Refinancing and closing costs	-	(157,928)	157,928	100.0%
Trustee and swap advisor fees	(30,954)	(27,830)	(3,124)	(11.2%)
Legal fees	-	(665,500)	665,500	100.0%
Total nonoperating revenues (expenses)	12,468,917	4,069,457	8,399,460	206.4%
Increase in net position before capital contributions	15,036,646	(275,043)	15,311,689	5567.0%
Capital contributions	8,918,911	13,791,221	(4,872,310)	(35.33%)
Special item	2,000,000	-	2,000,000	N/A
Equity transfers	(234,734)	-	(234,734)	N/A
Change in net position	25,720,823	13,516,178	12,204,645	90.3%
Net position at beginning of year	274,656,715	261,140,537	13,516,178	5.2%
Change in reporting entity	(708,883)	-	(708,883)	N/A
Net position at end of year	$ 299,668,655	$ 274,656,715	$ 25,011,940	9.1%

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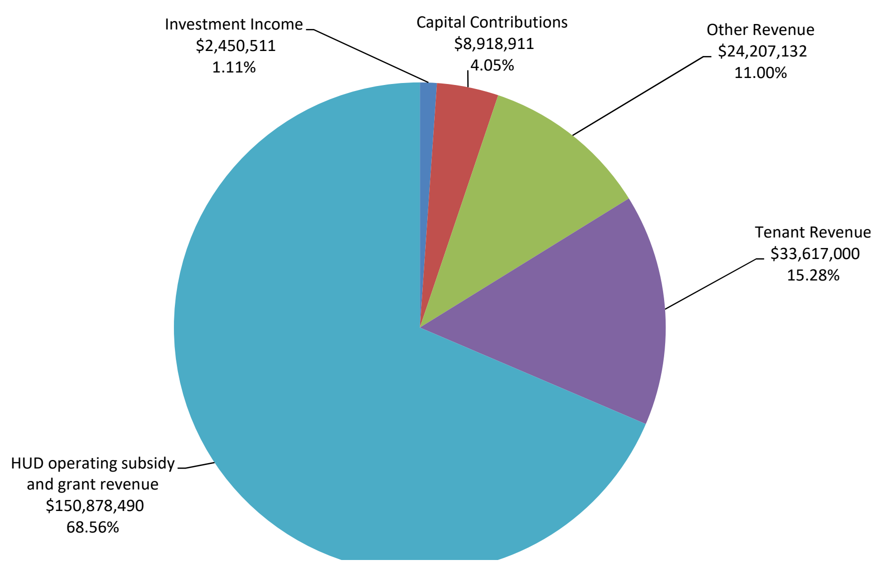
Operating Revenues and Expenses
Operating revenues increased by $13.4 million, or 7.5%, over the previous year and operating expenses increased by $6.5 million, or 3.5%. HUD operating subsidy and grant revenue was $9.3 million, or 6.5%, higher compared to FY 2019 due primarily to CARES Act funding of $4.2 million. Additionally, Housing assistance payment revenue was $4.8 million higher due primarily to requests from HUD-held funds totaling $3.3 million. The primary source of revenue, other than HUD funding, is tenant income, which increased by $3.2 million, or 10.6%, over the prior year. The $893 thousand, or 14.1%, increase in other revenue was chiefly due to bond issuer fees of $941 thousand earned by the Las Varas Public Facility Corporation for its role in issuing bonds for the Trader Flats and 1604 Lofts projects. The most significant increase in operating expenses was tenant services expense which increased $1.9 million, or 72.8%, due to costs intended to help prevent, prepare for, and respond to the COVID-19 pandemic. Partially offsetting this increase was a decrease of $2.9 million in ordinary maintenance and operations. Due to the pandemic, there was a decline in maintenance labor and unit make-ready costs as maintenance staff were directed to only address emergency requests. Housing assistance payments increased by $2.1 million due to an increase in the number of units leased as well as higher per unit costs due to increases in Small Area Fair Market Rents. Depreciation expense, which does not require cash expenditures, but impacts the total operating expenses, totaled $14.9 million for FY 2020.

Nonoperating Revenues, Expenses and Changes in Net Position
Total nonoperating revenues (expenses) increased by $8.4 million. In FY 2020, the Authority recognized $9.9 million in land donations related to the following four properties: Champion at Del Rio, Champion at Marshall Meadows, Champion at Port Royal, and Arroyo Seco. During FY 2020, the Authority also purchased the limited partner interests in four limited partnerships which is discussed further in Note 17 of the notes to financial statements. Additionally, a legal settlement from HUD was received in FY 2020 for $2.0 million and is presented as a special item. Capital contributions, which decreased by $4.9 million, was comprised of $7.6 million from HUD capital grants and $1.3 million from the Choice Neighborhoods Implementation grant, which is one of the funding sources for the Wheatley Courts redevelopment.

Revenue by Source—Business-Type Activities

Total Revenue—$220,072,044



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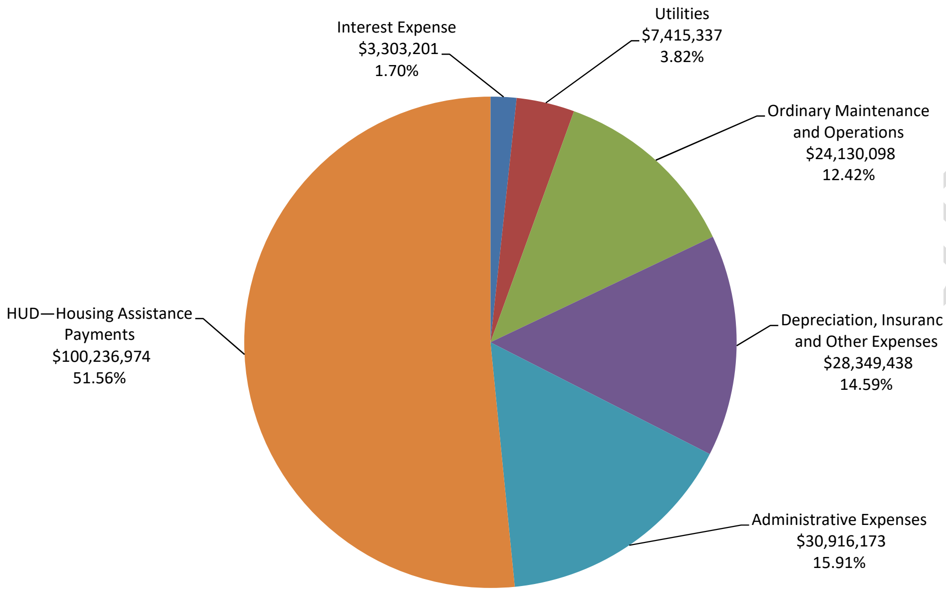
Expenses by Use—Business-Type Activities

Total Expenses—$194,351,221



Capital Assets and Debt Administration

Net Capital Assets

At the end of FY 2020, the Authority had invested $258,430,652 in a broad range of capital assets, including land, buildings, furniture, equipment, vehicles and construction in progress. The schedule below reflects the changes in capital assets, net of depreciation, during FY 2020:

Schedule of Changes in Capital Assets—FY 2020

Beginning net capital assets	$ 199,254,038
Additions and transfers in/out	75,653,327
Deletions, net	(1,539,009)
Depreciation	(14,937,704)
Ending net capital assets	$ 258,430,652

Net capital assets increased by $59.2 million in FY 2020 when compared to FY 2019. Additions and transfers totaled $75.7 million, while deletions totaled $1.5 million. Total depreciation expense for FY 2020 was $14.9 million. The majority of the additions were attributable to the addition of four blended component units and construction in progress. Additional information on the Authority's capital assets can be found in Note 6 of the notes to financial statements.

Long-Term Debt
At the end of FY 2020, the Authority had total long-term debt of $87.6 million. Of this amount, $32.3 million represents bonds that were issued to purchase or rehabilitate properties owned by component units of the Authority. The Authority's debt increased by $17.5 million when compared to FY 2019.

Additional information on the Authority's long-term debt can be found in Note 8 of the notes to financial statements.

Economic Factors and Next Year's Budget

Significant economic factors affecting the Authority's budget in the next year 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
- Local and national property rental markets that determine Housing Assistance Payments

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.

The spread of a novel strain of coronavirus (COVID-19) has caused significant volatility and economic disruption. There is an abundance of uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on tenants, employees and vendors, all of which are uncertain and cannot be determined at this time.

The operating budgets for the Authority's 2020-2021 FY were approved by the Board of Commissioners on June 4, 2020, and became effective July 1, 2020. The Authority's budget is balanced, with estimated revenues of $209 million, with these funds being used primarily for Section 8 payments to landlords, public housing operations, salaries and benefits, upgrades, repairs and maintenance of the Authority's housing communities, as well as other operating costs.

The Authority's goal remains to continue to provide housing to over 65,000 children, adults, and senior citizens served through its three core housing programs: Section 8, Public Housing, and Beacon Communities. In FY 2021, the Authority looks forward to developing additional high-quality affordable housing units; significantly enhancing property management and housing operations; expanding educational, job training and health services to residents and implementing additional efficiencies across the Authority.

PRELIMINARY DRAFT – SUBJECT TO CHANGE

Requests for Information

This financial report is designed to provide our citizens, taxpayers, tenants, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. Questions concerning any of the information provided in this report, or the Authority's component units, or requests for additional information should be addressed to:

San Antonio Housing Authority
Attn: Diana Kollodziej Fiedler, CPA, CGMA
Director of Finance and Accounting
P.O. Box 1300
San Antonio, Texas 78295-1300

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Basic Financial Statements

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Housing Authority of the City of San Antonio

Statement of Net Position
June 30, 2020

Assets and Deferred Outflows of Resources

Assets:	
Current assets:	
Unrestricted assets:	
Cash and cash equivalents:	
Unrestricted	$ 24,823,632
Tenant security deposits	149,431
Accounts receivable–HUD	4,906,071
Accounts receivable–miscellaneous	3,010,993
Accounts receivable–tenants	2,468,440
Allowance for doubtful accounts—tenants	(1,090,250)
Notes and mortgages	17,928
Accrued interest receivable	1,027
Assets held for sale	210,007
Investments–unrestricted	25,061,499
Prepaid expenses and other assets	8,295,499
Total unrestricted assets	67,854,277
Restricted assets:	
Cash and cash equivalents—modernization and development	4,408,674
Cash and cash equivalents—payment of current liabilities	965,516
Cash and cash equivalents—held by lender and trustee	5,410,496
Cash and cash equivalents—other	6,517,277
Investments	14,926,056
Total restricted assets	32,228,019
Total current assets	100,082,296
Noncurrent assets:	
Capital assets:	
Land	70,286,099
Buildings and improvements	530,129,086
Furniture and equipment—dwellings	2,514,773
Furniture and equipment—administration	5,169,358
Leasehold improvements	1,722,765
Construction in progress	36,940,845
	646,762,926
Less accumulated depreciation	(388,332,274)
Net capital assets	258,430,652
Other noncurrent assets:	
Notes and mortgages receivable	49,373,895
Accrued interest receivable	7,613,368
Other assets and developer fees receivable	3,739,068
Allowance for doubtful accounts—developer fees	(1,526,780)
Noncurrent receivable—insurance holdback	154,578
Equity in partnership investments	6,771,795
Total noncurrent assets	66,125,924
Total assets	424,638,872
Deferred outflows of resources:	
Deferred charges on refunding	497,369
Deferred swap outflows	3,022,358
Total deferred outflows of resources	3,519,727

See notes to financial statements.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities:		
Current liabilities:		
Unrestricted current liabilities:		
Accounts payable	$	6,048,582
Construction payable		2,781,882
Accrued wages and payroll taxes		1,483,148
Accrued compensated absences		436,316
Accrued contingencies		229,151
Accounts payable—HUD PHA projects		99,612
Tenant security deposits		1,730,814
Unearned revenue—tenants		650,551
Unearned revenue—ground leases and other		641,121
Current portion of long-term debt		3,089,890
Other current liabilities		253,454
Accrued interest payable		74,500
Accrued liabilities		244,754
Total unrestricted current liabilities		17,763,775
Current liabilities payable from restricted assets:		
Long-term debt—current portion		1,350,891
Accrued interest payable		125,080
Family Self-Sufficiency (FSS) escrow		19,796
Total current liabilities payable from restricted assets		1,495,767
Total current liabilities		19,259,542
Noncurrent liabilities:		
Long-term debt		83,205,546
FSS escrow payable		1,964,750
Accrued compensated absences		1,357,942
Unearned revenue—ground leases and other		19,679,806
Interest rate swap liabilities		3,022,358
Total noncurrent liabilities		109,230,402
Total liabilities		128,489,944
Net position:		
Net investment in capital assets		178,974,972
Restricted net position		22,325,403
Unrestricted net position		98,368,280
Total net position	$	299,668,655

PRELIMINARY DRAFT - SUBJECT TO CHANGE

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PRELIMINARY DRAFT - SUBJECT TO CHANGE

Housing Authority of the City of San Antonio

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Operating revenues:	
Net tenant rental revenue	$ 32,161,735
Tenant revenue—other	1,455,265
HUD operating subsidy and grant revenue	150,811,239
Other government grants	67,251
Other revenue	7,222,656
Total operating revenues	191,718,146
Operating expenses:	
Administrative	30,908,843
Tenant services	4,398,655
Utilities	7,415,337
Ordinary maintenance and operations	24,130,098
Protective services	983,638
Insurance	2,966,827
Bad debts	111,687
Other	3,060,654
Housing assistance payments	100,236,974
Depreciation	14,937,704
Total operating expenses	189,150,417
Operating income	2,567,729
Nonoperating revenues (expenses):	
Investment income—unrestricted	561,252
Investment income—restricted	215,377
Mortgage interest income	1,673,882
Recovery of Section 8 funds	60,796
Interest expense	(3,303,201)
Gain on disposition/retirement of capital assets	4,558,943
Purchase of limited partnership interests	(1,630,000)
Donations—land	9,865,382
Insurance recoveries, net	499,355
Loss on investments	(1,915)
Trustee and swap advisor fees	(30,954)
Total nonoperating revenues (expenses)	12,468,917
Increase in net position before capital contributions	15,036,646
Capital contributions	8,918,911
Special item	2,000,000
Equity transfers	(234,734)
Change in net position	25,720,823
Net position at beginning of year	274,656,715
Change in reporting entity	(708,883)
Net position at end of year	$ 299,668,655

See notes to financial statements.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Housing Authority of the City of San Antonio

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:	
Dwelling rent receipts	$ 32,931,952
Operating subsidy and grant receipts	150,357,745
Other income receipts	6,812,118
Cash received from developers	1,670,984
Total receipts	191,772,799
Payments to suppliers for goods and services	(45,512,810)
Payments to employees	(27,887,556)
Housing assistance payments	(100,236,974)
Total disbursements	(173,637,340)
Net cash provided by operating activities	18,135,459
Cash flows from noncapital financing activities:	
Recovery of Section 8 funds	60,796
Legal settlement	2,000,000
Net cash provided by noncapital financing activities	2,060,796
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(34,681,793)
Trustee and swap advisor fees	(30,954)
Proceeds from insurance on capital assets	1,183,631
Proceeds from capital grants	8,918,911
Receipt of prepaid ground leases	13,173,701
Principal payments on mortgage and notes payable	(3,905,729)
Interest paid on long-term debt and line of credit	(3,192,864)
Line of credit drawdowns	2,991,896
Line of credit principal payments	(2,944,893)
Homeownership and FSS escrow	(237,797)
Equity transfers	(710,918)
Proceeds from sale of capital assets	6,857,892
Net cash used in capital and related financing activities	(12,578,917)
Cash flows from investing activities:	
Collections on notes receivable	43,630
Issuance of notes receivable	(1,689,307)
Investment income received	774,749
Purchase of investment securities	(39,987,499)
Purchase of limited partnership interests	(1,630,000)
Proceeds from acquisition of limited partnership interests	3,339,784
Interest on notes and mortgages receivable	11,107
Net contributions to joint ventures	(38,020)
Other investing activities	18,017
Net cash used in investing activities	(39,157,539)
Net decrease in cash and cash equivalents	(31,540,201)
Cash and cash equivalents at beginning of year	73,815,224
Cash and cash equivalents at end of year	$ 42,275,023
Supplementary schedule of non-cash investing, capital and financing transactions:	
Net change in payable for the acquisition of capital assets	$ 731,588
Unpaid interest capitalized into long-term debt	$ 4,489
Assumed debt in exchange for acquisition of capital assets	$ 21,488,340
Capital assets acquired in exchange for assumption of debt	$ 29,426,455
Donations of land	$ 9,865,382

PRELIMINARY DRAFT
SUBJECT TO CHANGE

(Continued)

Housing Authority of the City of San Antonio

Statement of Cash Flows
Year Ended June 30, 2020

Reconciliation to statement of net position:		
Unrestricted cash and cash equivalents	$	24,823,632
Tenant security deposits		149,430
Restricted cash and cash equivalents—modernization and development		4,408,673
Restricted cash and cash equivalents—payment of current liabilities		965,516
Restricted cash and cash equivalents—held by lender and trustee		5,410,496
Restricted cash and cash equivalents—other		6,517,276
	$	42,275,023
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	2,567,729
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		14,937,704
Earned revenue/amortization of unearned revenue—ground lease and other		(326,410)
Expensed debt issuance costs		634,140
Expensed prepaid insurance		68,308
Bad debt recovery		132
Net changes in assets and liabilities:		
Assets held for sale		(174,789)
Tenants receivable, net		(593,199)
HUD receivable		(263,810)
Miscellaneous receivables		835,833
Other assets and developer fees		(170,533)
Allowance for doubtful accounts—other		73,174
Prepaid expenses and other		(63,828)
Accounts payable		773,177
Accrued wages and payroll taxes		317,979
Accrued compensated absences		336,646
Accrued interest payable		38,114
Accrued contingencies		5,953
Tenant security deposits		111,176
Unearned revenue—tenants		270,866
Unearned revenue—other		(256,934)
Other current liabilities		(766,242)
Accrued liabilities		(219,727)
Net cash provided by operating activities	$	18,135,459

See notes to financial statements.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Housing Authority of the City of San Antonio

Statement of Plan Net Position—Fiduciary Fund
December 31, 2019

Assets:	
Investments:	
Mutual funds—equity	$ 32,078,898
Mutual funds–fixed income	16,155,046
Total investments	48,233,944
Cash and cash equivalents	843,316
Receivables:	
Employee contributions	35,838
Employer contributions	73,962
Accrued investment income	34,481
Total receivables	144,281
Net position restricted for pension	$ 49,221,541

See notes to financial statements.

PRELIMINARY DRAFT – SUBJECT TO CHANGE

Housing Authority of the City of San Antonio

Statement of Changes in Plan Net Position—Fiduciary Fund
Year Ended December 31, 2019

Additions:	
Contributions:	
Employee	$ 871,384
Employer	1,779,603
Total contributions	2,650,987
Investment income (expenses):	
Interest and dividends	961,951
Net appreciation in fair value of investments	6,969,403
Net investment income	7,931,354
Total additions	10,582,341
Deductions:	
Benefits paid to participants	(3,226,207)
Administrative expenses	(252,121)
Total deductions	(3,478,328)
Net increase in fiduciary net position	7,104,013
Net position restricted for pension at beginning of year	42,117,528
Net position restricted for pension at end of year	$ 49,221,541

See notes to financial statements.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

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PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies

The financial statements of the Housing Authority of the City of San Antonio (the Authority) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for government entities. The Governmental Accounting Standards Board (GASB) is the governing body for establishing governmental accounting and financial reporting standards. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Authority was created by the City of San Antonio in 1937, under the provisions of the United States Housing Act of 1937, as a public benefit corporation. The Board of Commissioners (the Board), a seven-member group appointed by the Mayor, has governance responsibility over all activities related to the Authority. These financial statements present the Authority and its component units: entities for which the Authority is considered to be financially accountable and which serve as the Authority's instruments to enhance its purpose to build and maintain affordable housing for low- and moderate-income families.

Blended component units, although legally separate entities are, in substance, part of the Authority's operations. Thus, blended component units are appropriately presented as funds of the primary government. Each blended component unit has a June 30 year-end. The governing boards of the following component units are the same as the primary government's governing board. Additionally, management of the primary government has operational responsibility for the component units; therefore, making them blended component units.

Because members of the Board have the authority to make decisions, appoint administrators and managers, and significantly influence operations and have primary accountability for fiscal matters, the Authority is not included in any other governmental "reporting entity" as defined by GASB Codification Section 2100, *Defining the Financial Reporting Entity*.

Blended Component Units—Enterprise Funds
The following component units are combined with the Authority's activities.

San Antonio Housing Facility Corporation (SAHFAC)
SAHFAC is organized under section 501(c)(3) of the IRC. SAHFAC owns 14 multi-family rental developments with 1,466 units. SAHFAC serves as the general partner for Homestead Redevelopment Partnership, Ltd. (Homestead) and is the sole member of various limited liability companies that are general partners of tax credit limited partnerships. Additionally, SAHFAC leases the Central Office Building to the Authority with a lease term of 40 years, expiring in 2035.

San Antonio Housing Development Corporation (SAHDC)
SAHDC, organized in 1977 under section 501(c)(3) of the Internal Revenue Code (IRC), owns four multi-family rental developments with 506 apartments and manages one senior citizen development that is a component unit of the Authority. SAHDC also serves as the developer and general partner of three limited partnerships created with private investors to expand housing opportunities for low-income families and senior citizens. SAHDC serves as the general partner for Vera Cruz Redevelopment Partnership, Ltd. (Vera Cruz).

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

San Antonio Housing Finance Corporation (SAHFC)
SAHFC was created under the Texas Housing Finance Corporations Act as a vehicle through which tax-exempt housing revenue bonds are issued to finance the construction, acquisition and renovation for occupancy by low- and moderate-income families. The users of the bond proceeds are liable for repayment of the bonds. SAHFC retains no liability relating to the bond issues.

San Antonio Homeownership Opportunities Corporation
In July 1994, the Authority created San Antonio Homeownership Opportunities Corporation under section 501(c)(3) of the IRC to redevelop single-family properties to provide opportunities for lower income families to buy their first home through lease-purchase and other programs.

Las Varas PFC (LVPFC)
Las Varas PFC, created in September 2005, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC and was organized to act on behalf of the Authority, as provided by the Texas PFC Act. It serves as the sole member of various limited liability companies that are general partners of tax credit limited partnerships.

Springhill/Courtland Heights (Springhill/Courtland Heights) Public Facility Corporation (PFC)
Springhill/Courtland Heights PFC, created in 1998, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC. It was organized to act on behalf of the Authority, as provided by the Texas PFC Act, as amended, for financing the acquisition, rehabilitation, renovation, repair, equipping and furnishing of three multi-family apartment complexes with 505 units. Springhill/Courtland Heights PFC receives rental subsidies pursuant to a Housing Assistance Payment (HAP) contract with HUD for persons of low-to-moderate income.

Woodhill PFC
Woodhill PFC, created in 1999, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC. It was organized to act on behalf of the Authority, as provided by the Texas PFC Act, as amended, for financing the acquisition, rehabilitation, renovation, repair, equipping and furnishing of one multi-family apartment complex with 532 units.

Refugio Street PFC (RSPFC)
Refugio Street PFC, created in December 2001, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC and organized to act on behalf of the Authority, as provided by the Texas PFC Act, as amended. Refugio Street PFC serves as general partner for Refugio Street Limited Partnership. The partnership was formed for the purpose of financing the acquisition and development of one multi-family apartment complex with 210 units.

Sendero I PFC
Sendero I PFC, created in 2002, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC. It was organized to act on behalf of the Authority, as provided by the Texas PFC Act, as amended, for the purpose of financing the acquisition and development of a 192-unit affordable housing project. Affordable rents shall not exceed certain thresholds based on percentages of area median income.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Vera Cruz Redevelopment Partnership, Ltd. (Vera Cruz)
Vera Cruz (a Texas limited partnership) is an investment of SAHDC (as general partner). Vera Cruz was formed on October 31, 1991, to acquire, own, develop, improve and lease the 29-unit Villa de San Alfonso Senior Citizens Apartments to low-income tenants and is operated in a manner to qualify for federal low-income housing tax credits. In October 2009, SAHFAC acquired a 99% interest in the partnership. The partnership is now a wholly owned entity of an Authority affiliate.

Homestead Redevelopment Partnership, Ltd. (Homestead)
Homestead (a Texas limited partnership) is an investment of SAHFAC (as general partner). Homestead was formed on October 31, 1991, to acquire, own, develop, improve and lease the 158-unit Homestead Apartments to low-income tenants and is operated in a manner to qualify for federal low-income housing tax credits. In September 2009, SAHDC acquired a 75% interest in the partnership. SAHDC acquired an additional 24% interest in June 2011. The partnership is now a wholly owned entity of an Authority affiliate.

Converse Ranch, LLC
Converse Ranch, LLC was organized as a Texas limited liability company on April 5, 2007, to acquire the 124-unit apartment complex known as Converse Ranch Apartments. Currently, the Authority serves as the sole owner of Converse Ranch, LLC.

Converse Ranch II, LLC
Converse Ranch II, LLC was organized as a Texas limited liability company on May 27, 2009, to acquire the 104-unit apartment complex known as Converse Ranch Apartments (Phase II). Currently, SAHFAC serves as the sole owner of Converse Ranch II, LLC.

Sunshine Plaza Apartments, Inc.
Sunshine Plaza Apartments, Inc. was formed in 1988 under section 501(c)(3) of the IRC to serve as owner of the Sunshine Plaza Apartments, a 100-unit senior citizens housing development, built under HUD Section 8—New Construction Program.

Pecan Hill Apartments, Inc.
Pecan Hill Apartments, Inc. was formed in 1988 under section 501(c)(3) of the IRC to serve as owner of the Pecan Hill Apartments, a 100-unit senior citizens housing development, built under HUD Section 8—New Construction Program.

Education Investment Foundation, Inc.
Education Investment Foundation, Inc., created in 1991 pursuant to section 501(c)(3) of the IRC, supports the residents of public housing and Section 8-assisted units through educational scholarships, recreational activities and family self-sufficiency (FSS) training programs.

Presented on the following pages are condensed financial statements for the blended component units. Included are condensed statements of net position; condensed statements of revenues, expenses and changes in net position and condensed statements of cash flows.

PRELIMINARY DRAFT – SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)
June 30, 2020

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	San Antonio Homeownership Opportunities Corporation	Las Varas PFC
Assets:					
Current assets	$ 12,706,588	$ 1,740,351	$ 279,503	$ 64,055	$ 1,096,664
Restricted current assets	11,881,562	460,070	-	65,000	-
Net capital assets	65,885,162	13,459,426	249,954	12,509	12,977,912
Other assets	34,043,896	5,416,791	2,223	166,106	879,625
Total assets	124,517,208	21,076,638	531,680	307,670	14,954,201
Deferred outflows of resources:					
Deferred charges on refunding	-	-	-	-	-
Deferred swap outflow	2,443,743	-	-	-	-
Total deferred outflows of resources	2,443,743	-	-	-	-
Liabilities:					
Unrestricted current liabilities	5,504,995	1,110,193	2,816	3,922	149,766
Liabilities payable from restricted assets	640,630	147,467	-	-	-
Long-term debt	46,127,926	16,210,715	-	-	1,466,667
Other long-term liabilities	22,991,641	-	-	-	31,907
Total liabilities	75,265,192	17,468,375	2,816	3,922	1,648,340
Net position (deficit):					
Net investment (deficit) in capital assets	38,352,730	441,282	249,954	12,509	12,977,913
Restricted	4,178,571	395,289	-	65,000	-
Unrestricted (deficit)	9,164,458	2,771,692	278,910	226,239	327,948
Total net position (deficit)	$ 51,695,759	$ 3,608,263	$ 528,864	$ 303,748	$ 13,305,861

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)
June 30, 2020

	Springhill/ Courtland Heights PFC	Woodhill PFC	Refugio Street PFC	Sendero I PFC	Vera Cruz Redevelopment Partnership, Ltd.
Assets:					
Current assets	$ 1,235,260	$ 4,479,773	$ 418,771	$ 2,522,028	$ 174,800
Restricted current assets	344,018	528,526	-	132,701	-
Net capital assets	6,983,039	14,612,855	-	6,688,739	676,123
Other assets	-	-	9,147,978	-	-
Total assets	8,562,317	19,621,154	9,566,749	9,343,468	850,923
Deferred outflows of resources:					
Deferred charges on refunding	-	73,482	-	258,646	-
Deferred swap outflow	578,615	-	-	-	-
Total deferred outflows of resources	578,615	73,482	-	258,646	-
Liabilities:					
Unrestricted current liabilities	381,177	612,399	-	243,838	28,435
Liabilities payable from restricted assets	195,685	322,620	-	329,307	4,819
Long-term debt	5,238,401	6,687,960	-	8,077,814	966,433
Other long-term liabilities	578,615	-	-	-	-
Total liabilities	6,393,878	7,622,979	-	8,650,959	999,687
Net position (deficit):					
Net investment (deficit) in capital assets	1,566,401	7,696,386	-	(1,429,683)	222,784
Restricted	344,018	507,896	-	102,648	-
Unrestricted (deficit)	836,635	3,867,375	9,566,749	2,278,190	(371,548)
Total net position (deficit)	$ 2,747,054	$ 12,071,657	$ 9,566,749	$ 951,155	$ (148,764)

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)
June 30, 2020

	Homestead Redevelopment Partnership, Ltd.	Converse Ranch, LLC	Converse Ranch II, LLC	Sunshine Plaza Apartments, Inc.	Pecan Hill Apartments, Inc.	Education Investment Foundation, Inc.
Assets:						
Current assets	$ 510,979	$ 1,078,540	$ 133,501	$ 1,454,645	$ 1,210,818	$ 502
Restricted current assets	40,877	528,019	279,839	-	-	144,330
Net capital assets	535,462	6,237,499	5,893,756	1,204,802	1,179,018	6,693
Other assets	-	-	-	-	19,995	-
Total assets	1,087,318	7,844,058	6,307,096	2,659,447	2,409,831	151,525
Deferred outflows of resources:						
Deferred charges on refunding	-	165,241	-	-	-	-
Deferred swap outflow	-	-	179,862	-	-	-
Total deferred outflows of resources	-	165,241	179,862	-	-	-
Liabilities:						
Unrestricted current liabilities	181,315	236,744	649,477	107,723	101,385	371,995
Liabilities payable from restricted assets	82,686	-	9,616	-	-	-
Long-term debt	3,512,021	6,559,117	4,575,552	-	-	-
Other long-term liabilities	-	-	179,862	-	-	-
Total liabilities	3,776,022	6,795,861	5,414,507	107,723	101,385	371,995
Net position (deficit):						
Net investment (deficit) in capital assets	402,454	(277,687)	1,145,091	1,204,802	1,179,018	6,693
Restricted	40,877	528,018	270,223	-	-	144,330
Unrestricted (deficit)	(3,132,035)	963,107	(342,863)	1,346,922	1,129,428	(371,493)
Total net position (deficit)	$ (2,688,704)	$ 1,213,438	$ 1,072,451	$ 2,551,724	$ 2,308,446	$ (220,470)

PRELIMINARY DRAFT
SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2020

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	San Antonio Homeownership Opportunities Corporation	Las Varas PFC
Operating revenues (expenses):					
Net tenant rental revenue	$ 9,633,946	$ 2,070,981	$ -	$ -	$ -
Tenant revenue—other	371,906	210,287	-	-	-
HUD operating grants and housing assistance payments	-	-	-	-	-
Other government grants	116,573	-	-	-	-
Other revenue	3,626,337	68,354	82,700	-	1,198,175
Operating expenses	(9,429,582)	(3,830,861)	(17,897)	(57,726)	16,647
Depreciation expense	(916,083)	(721,080)	-	(446)	-
Total operating revenues (expenses)	3,403,097	(2,202,319)	64,803	(58,172)	1,214,822
Nonoperating revenues (expenses):					
Investment income	228,336	13,045	946	1,065	2,023
Mortgage interest income	634,005	314,443	436	10,940	-
Interest expense	(1,737,294)	(400,592)	-	-	-
Financing and trustee fees	(4,832)	(15,846)	-	-	-
Other	8,386,373	(943,235)	(762)	(3,985)	5,229
Total nonoperating revenues (expenses)	7,506,588	(1,032,185)	620	8,020	7,252
Transfers in (out)	793,586	1,725,301	(32,913)	-	(556,659)
Change in net position	11,703,271	(1,509,203)	32,510	(50,152)	665,415
Net position (deficit) at beginning of year	39,992,488	5,117,466	496,354	353,900	12,640,446
Net position (deficit) at end of year	$ 51,695,759	$ 3,608,263	$ 528,864	$ 303,748	$ 13,305,861

PRELIMINARY DRAFT
SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2020

	Springhill/ Courtland Heights PFC	Woodhill PFC	Refugio Street PFC	Sendero I PFC	Vera Cruz Redevelopment Partnership, Ltd.
Operating revenues (expenses):					
Net tenant rental revenue	$ 2,505,563	$ 4,593,273	$ -	$ 2,037,930	$ 175,954
Tenant revenue—other	62,260	237,379	-	140,136	3,188
HUD operating grants and housing assistance payments	1,144,143	-	-	-	-
Other government grants	-	-	-	-	-
Other revenue	219,208	38,887	-	39,696	50
Operating expenses	(2,776,924)	(3,474,357)	(12,253)	(1,468,763)	(202,813)
Depreciation expense	(363,670)	(999,871)	-	(292,561)	(46,348)
Total operating revenues (expenses)	790,580	395,311	(12,253)	456,438	(69,969)
Nonoperating revenues (expenses):					
Investment income	9,774	40,588	3,083	28,473	1,995
Mortgage interest income	-	-	414,264	-	-
Interest expense	(215,973)	(247,103)	-	(372,439)	(10,032)
Financing and trustee fees	-	(39,915)	-	(79,399)	-
Other	-	-	-	-	-
Total nonoperating revenues (expenses)	(206,199)	(246,430)	417,347	(423,365)	(8,037)
Transfers in (out)	-	-	(75,646)	-	-
Change in net position	584,381	148,881	329,448	33,073	(78,006)
Net position (deficit) at beginning of year	2,162,673	11,922,776	9,237,301	918,082	(70,758)
Net position (deficit) at end of year	$ 2,747,054	$ 12,071,657	$ 9,566,749	$ 951,155	$ (148,764)

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2020

	Homestead Redevelopment Partnership, Ltd.	Converse Ranch, LLC	Converse Ranch II, LLC	Sunshine Plaza Apartments, Inc.	Pecan Hill Apartments, Inc.	Education Investment Foundation, Inc.
Operating revenues (expenses):						
Net tenant rental revenue	$ 996,579	$ 974,396	$ 845,592	$ 313,458	$ 316,245	$ -
Tenant revenue—other	180,094	-	13,802	1,533	27,343	-
HUD operating grants and housing assistance payments	-	-	-	536,854	608,170	-
Other government grants	-	-	30,334	-	-	-
Other revenue	9,025	112,607	3,495	10	131	336,166
Operating expenses	(1,112,720)	(641,227)	(513,910)	(578,126)	(726,560)	(206,050)
Depreciation expense	(167,772)	(220,048)	(204,700)	(81,380)	(73,806)	(3,219)
Total operating revenues (expenses)	(94,794)	225,728	174,613	192,349	151,523	126,897
Nonoperating revenues (expenses):						
Investment income	5,955	9,926	4,937	14,626	11,142	951
Mortgage interest income	-	-	-	-	-	-
Interest expense	(226,937)	(200,986)	(135,326)	-	-	-
Financing and trustee fees	-	-	(4,832)	-	-	-
Other	-	-	-	-	-	-
Total nonoperating revenues (expenses)	(220,982)	(191,060)	(135,221)	14,626	11,142	951
Transfers in (out)	-	(20,422)	(10,703)	-	-	-
Change in net position	(315,776)	14,246	28,689	206,975	162,665	127,848
Net position (deficit) at beginning of year	(2,372,928)	1,199,192	1,043,762	2,344,749	2,145,781	(348,318)
Net position (deficit) at end of year	$ (2,688,704)	$ 1,213,438	$ 1,072,451	$ 2,551,724	$ 2,308,446	$ (220,470)

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Fiduciary Component Units

Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust (the Plan)

The Plan, established in 1948, is a public retirement system authorized by section 810.001 of the Texas Government Code, and a governmental plan within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan was established as a defined contribution plan covering all regular full-time employees of the Authority who have completed one year (at least 1,000 hours) of service.

The Plan is included as a component unit since the primary government has fiduciary responsibility for the Plan and the Plan serves only the Authority's employees or retirees. The Plan's fiscal year-end is December 31, 2019.

Separately Issued Financial Statements

Separate financial statements have been issued for the following component units:

- Converse Ranch, LLC
- Springhill/Courtland Heights PFC
- Woodhill PFC
- Sendero I PFC
- San Antonio Housing Facility Corporation
- Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust

The reports may be obtained at the Authority's administrative offices located at 818 South Flores Street, San Antonio, Texas 78204.

Limited Partnerships—Joint Ventures

Various limited partnership entities, as described below, are considered joint ventures of the component units. A joint venture is an organization that results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. A component unit of the Authority has contributed capital to the following partnerships:

SPII Limited Partnership

SAHDC and Carleton Development, Ltd. are co-developers of a 120-unit senior community at the Legacy at Science Park Apartments.

O'Connor Road Limited Partnership

SAHDC and Carleton Development, Ltd. are co-developers of a 150-unit senior community at the Legacy on O'Connor Road Apartments.

San Juan Square, Ltd.

SAHFAC and NRP San Juan Square, LLC are co-developers of a 143-unit multi-family project at the San Juan Square Apartments.

PRELIMINARY DRAFT
SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

The Alhambra Apartments, Ltd.
SAHFAC and NRP Alhambra, LLC are co-developers of a 140-unit multi-family project at the Alhambra Senior Apartments.

Midcrowne Senior Pavilion, LP
SAHFAC and American Affordable Homes, LP are co-developers of a 196-unit senior apartment project at the Midcrowne Pavilion Apartments.

ARDC Sutton, Ltd.
SAHFAC and Franklin Development Properties, Ltd. are co-developers of a 208-unit multi-family project at the Park at Sutton Oaks.

Various component units of the Authority serve as general partner for 20 other limited partnerships that are listed in the schedule to Note 5. For those partnerships, the general partner was not required to make a capital contribution at inception.

Authority Programs
In addition to the operation of the above component units, the Authority operated the following programs during the current year.

Public Housing
The Authority manages and maintains 6,103 public housing rental units for eligible low-income families, seniors and people with disabilities. The rental units are located in 36 developments for families, 36 developments for seniors and disabled persons and a number of scattered site single-family homes throughout the City of San Antonio.

Section 8—Housing Assistance Payment Programs
The Housing Assistance Payment Programs provide rent subsidies for approximately 13,000 families residing in privately owned rental properties.

Not-For-Profit Programs
Section 8—Project Based Management
Section 8 Project Based Management properties provide housing to low- and moderate-income elderly and nonelderly families. These properties include: Villa de Valencia Apartments, Reagan West Apartments, Sunshine Plaza Apartments, Pecan Hill Apartments and Cottage Creek Apartments.

Other Not-For-Profit Activities
Other not-for-profit activities include the activities of various programs and corporations. These include SAHFC; San Antonio Homeownership Opportunities Corporation; Sendero I PFC; Las Varas PFC; Education Investment Foundation, Inc.; Refugio Street PFC; Central Office Building; SAHDC; SAHFAC; Woodhill PFC; Converse Ranch, LLC and the Central Office Cost Center, which is the Authority's "management company arm."

Capital Improvement Programs
HUD-Funded Capital Fund and Capital Fund Financing Programs
HUD-Funded Capital Fund and Capital Fund Financing Programs provide funds for new construction and the rehabilitation of existing housing units.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Energy Performance Contracting
Energy Performance Contracting is a capital improvement program for designing, installing and financing energy improvement projects where the savings achieved by the project are expected to reduce energy costs of the project over the term of the agreement.

Community Initiatives Programs
Resident and Opportunity Supportive Services Program
The Resident and Opportunity Supportive Services Program addresses the needs of public housing residents by providing supportive services, resident empowerment activities and/or assisting residents in becoming economically self-sufficient. The primary focus of the program is on “welfare to work” and on independent living for the elderly and persons with disabilities.

Jobs Plus Grant
The Jobs Plus Grant is a welfare to work demonstration aimed at significantly increasing employment and income of public housing residents through intensive employment focused programs targeting every able-bodied, working-welfare recipient at a public housing development in selected cities. The initiative is also a response to new national policies, such as time-limited welfare and cuts in public housing subsidies, which endanger the ability of public housing residents to pay rent.

B. Basic Financial Statements—Fund Financial Statements

All activities of the Authority are reported as business-type activities (enterprise fund), with the exception of the Plan, which is reported as a fiduciary-type activity, since it accumulates resources for pension benefit payments to qualified Authority employees, and the resources reported in that fund are not available to support the Authority’s programs. The effect of interprogram activity has been removed from the proprietary statements. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through fees and user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting
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 at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the grantor have been met and qualifying expenditures have occurred.

Capital grant funds used to acquire or construct capital assets are recognized as a receivable and a capital contribution (revenues) in the period when all applicability requirements have been met.

The Plan’s financial statements are prepared using the accrual basis of accounting. Employer and Plan member contributions are recognized in the period that the contributions are due.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are tenant rental revenue, HUD operating grants and Housing Assistance Payments, since they are used to subsidize rents at Authority-owned properties. Operating expenses for enterprise funds include the cost of the ordinary maintenance and operation expenses, utilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Deposits and Investments

Authority's Deposits and Investments

For purposes of the statement of cash flows, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds and short-term investments with original maturities of three months or less from the date of acquisition.

Portions of the Authority's cash, cash equivalents and investments are restricted by "use" limitations externally imposed by creditors, funding source agreements or legislation. Restricted cash includes HUD Family Self-Sufficiency (FSS) escrow amounts for residents in the FSS program. Restricted cash and cash equivalents also include amounts set aside for debt service in accordance with debt covenants and funds that are only allowed to be expended for certain specified modernization and development activities.

Investments are accounted for at either amortized cost or at fair value, which is the price that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Fair value of actively traded securities is determined by the reported market value of securities and mutual funds trading on national exchanges. Values of securities not actively traded are based on observable inputs of similar financial instruments or on the fair value of the underlying assets. Realized gains and losses are determined on the specific-identification method. Accrued income on investments is recorded as earned, since it is both measurable and available. Investment transactions are recorded on the settlement date.

Plan Investments

Investments in the Plan are administered by the Advisory Committee of the Plan and are held by the Frost Bank Trust Department (Trustee). Plan investments in marketable debt and equity securities are reported at fair value. Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted market price of the fund, which represents the net position value of the shares held by the fund at year-end. The fair value of each fund is based on the fair value of each funds' underlying investments at the end of the reporting period. Plan interest is recorded on the accrual basis as earned, and dividends are accrued as of the ex-dividend date.

Purchases and sales of investments in the Plan are recorded on a trade-date basis and, accordingly, the related receivable and payable for any unsettled trades are recorded. At December 31, 2019, there were no unsettled trades.

Net appreciation in fair value of the Plan's assets includes the related gains and losses on sales of investments and the unrealized gains and losses (representing the change in market value).

PRELIMINARY DRAFT SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

E. Interprogram Receivables and Payables

The Authority pays all bills and salaries for its programs and component units through its centralized check-writing system. As a result, interprogram receivables and payables arise from interprogram and intercompany transactions and are recorded in all affected corporations in the period in which transactions are executed in the normal course of operations. Interprogram receivables, payables and transfers between programs and component units have been eliminated in the basic financial statements.

F. Accounts Receivable

Tenant receivables, other receivables and the allowance for doubtful accounts are shown separately on the financial statements. The allowance for doubtful accounts is established as losses are estimated to have occurred though a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically-identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

G. Notes and Mortgages Receivable

The majority of notes and mortgages receivable are due from tax credit partnerships in which the Authority serves as the general partner. The Authority evaluates the collectibility of the notes and mortgages receivable by reading the various tax credit partnerships' financial statements and determining projections for future cash flows. It has been the Authority's experience that once the tax credits expire, the limited partners will withdraw from the partnership and the Authority will become the sole owner. If a note payable remains outstanding at the time a partnership becomes wholly owned by the Authority, the amounts are still paid from the partnership to the Authority until they are fully paid. The Authority also has the ability to modify the terms of the notes once the Authority becomes the sole owner of the entire partnership. Thus, all amounts due under notes and mortgages receivable are considered collectible, and no allowance was recorded at June 30, 2020. A schedule of notes and mortgages receivable is provided in Note 3 to the financial statements.

H. Other Assets and Developer Fees Receivable

The Authority has several developer fees receivable from various tax credit partnerships. The developer fees generally include repayment terms based on excess cash flows from the developed property, which makes estimates of any potential allowance for uncollectible amounts difficult. The Authority evaluates the collectibility of these receivables on an annual basis using several methods, which include reading the developments' financial statements and projecting estimated cash flows to future periods, among others. As part of this process, the Authority compares the previous-year projections to the current-year collections in order to assure the allowance for uncollectible amounts is reasonable and reflects the latest cash flow trends. For additional information, see Note 4 to the financial statements.

PRELIMINARY DRAFT
SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

I. Restricted Assets

Certain proceeds of the Authority's enterprise fund debts, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the repayment funds are maintained in separate bank accounts and/or maintained by trustees, as established by indenture agreements. The use of these funds is limited by third parties. The restricted investments include restricted assets to be used for the replacement of property and for other project expenditures or are held in escrow for families who successfully fulfill the FSS program requirements.

J. Capital Assets

On January 28, 2019, the Authority amended its capitalization policy and adopted new thresholds to determine an asset's eligibility for capitalization and applied it prospectively. Based on the amendment, furniture, equipment and machinery that exceed $5,000 and buildings and improvements, which are purchased or constructed, that exceed $50,000, and have useful lives of more than one year are capitalized at cost or estimated cost if historical cost is not available. Donated capital assets are recorded at the acquisition value at the time of donation. The cost of site and building improvements that add value to the asset or materially extend the asset's life are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation on all exhaustible capital assets of the Authority is charged as an expense with accumulated depreciation being reported on the statement of net position. Depreciation is generally recorded on the straight-line basis over the estimated life of the assets. The estimated useful lives are as follows:

Buildings and leasehold improvements	10-40 years
Furniture, equipment and machinery	3-10 years

K. Compensated Absences

Paid Time Off (PTO)
The PTO policy is included in the Authority's Personnel Procedures Handbook. Under the current policy, PTO accrues for regular full-time employees upon employment, at a rate of 15 to 25 days annually, depending upon years of service, but cannot be used prior to six months of service. Employees must complete one year of service in order to be paid PTO upon termination. Effective December 20, 2014, the maximum PTO hours an employee can carry increased from 360 hours to 440 hours.

As of June 30, 2020, the current portion of accrued compensated absences was comprised of PTO totaling $436,316 and the long-term portion of accrued compensated absences was comprised of PTO totaling $1,357,942.

L. Capital Contributions

Capital contributions consist of funds received through various grants to assist in the acquisition or construction of capital assets. A major portion of these contributions comes from the Public Housing Capital Fund Program.

PRELIMINARY DRAFT
SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

M. Net Position

Net position is classified into three components:

- **Net investment in capital assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- **Restricted net position**—This component of net position consists of external constraints placed on net position used by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position**—This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted net position." These funds are available to use for any lawful and prudent purpose of the Authority.

N. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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 these estimates.

O. Restricted and Unrestricted Resources

Under the terms of grant agreements, the Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the Authority's policy to first apply cost-reimbursement grant resources to such programs and then operating revenues.

P. Equity in Partnership Investments

Investments by certain component units in limited partnerships are accounted for as equity investments. The component units of the Authority recognize their share of the operating results of the limited partnerships based on their ownership share of the limited partnerships and the partnership agreements. Under this method, the investment is initially recorded at cost and then increased or decreased by the proportionate share of the partnerships' net earnings or losses. The Authority is not obligated to fund capital deficits; therefore, any total capital deficits related to the Authority are only recognized to the extent of the Authority's contributed capital. A schedule of equity in partnership investments is provided in Note 5.

PRELIMINARY DRAFT
SUBJECT TO CHANGE

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Deferred Outflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category, which are deferred charges on refunding and deferred swap outflows. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the re-acquisition price. Each deferred charge is amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred swap outflows are recognized in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Authority recognizes the fair value of the swap agreements as either an asset or liability on its statement of net position with the offsetting gain or loss as either a deferred inflow or outflow of resources, if deemed an effective hedge. The Authority has applied the synthetic instrument method to determine its swap agreements constitute effective cash flow hedges.

As of June 30, 2020, the Authority's deferred outflows of resources were comprised of the following:

Deferred charges on refunding:	
Sendero I PFC	$ 258,646
Converse Ranch I, LLC	165,241
Woodhill Apartments PFC	73,482
Total deferred charges on refunding	497,369
Deferred swap outflows:	
Converse Ranch II, LLC	179,862
San Antonio Housing Facility Corporation (Castle Point Apartments)	842,065
Springhill/Courtland Heights PFC	578,615
San Antonio Housing Facility Corporation (Monterrey Park and La Providencia)	385,744
San Antonio Housing Facility Corporation (Burning Tree and Encanta Villa)	1,036,072
Total deferred swap outflows	3,022,358
Total deferred outflows of resources	$ 3,519,727

R. Unearned Revenue

Unearned revenue is generally comprised of various ground leases in which funds were provided for the purchase of land parcels which, in turn, were leased to project developments for periods ranging from 10 to 99 years. The Authority recognized the funds received for the prepaid leases as unearned revenue and will amortize the prepayments over the initial periods on a straight-line basis. For detailed information, see Note 7 to the financial statements.

PRELIMINARY DRAFT SUBJECT TO CHANGE

Note 2. Cash, Cash Equivalents and Investments

A. The Authority's Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Unrestricted:	
Cash and cash equivalents	$ 24,823,632
Tenant security deposits	149,431
Investments	25,061,500
Restricted:	
Cash and cash equivalents—modernization and development	4,408,674
Cash and cash equivalents—payment of current liabilities	965,516
Cash and cash equivalents—held by lender and trustee	5,410,496
Cash and cash equivalents—other	6,517,277
Investments	14,926,055
Total cash, cash equivalents and investments	$ 82,262,581

Cash, cash equivalents and investments as of June 30, 2020, consist of the following:

Petty cash	$ 1,150
Deposits with financial institutions	36,863,380
Short-term investments—United States Treasury notes	39,987,555
Funds held by lender and trustee	5,410,496
Total cash, cash equivalents and investments	$ 82,262,581

Investments Authorized by the Authority

Investment types that are authorized by the Authority include direct obligations of the federal government backed by the full faith and credit of the United States, including United States Treasury bills, notes and bonds; obligations of federal government agencies; securities of government-sponsored agencies; various types of deposits, demand and sweep accounts and certificates of deposit (CDs); municipal depository funds; certain types of repurchase agreements; certain separate trading of registered interest and principal securities and certain types of mutual fund investments. Each authorized investment has a maximum maturity of three years, a maximum portfolio percentage of 50% and is limited to a maximum investment of 50% in any one issuer. None of the specified limits have been exceeded. In addition, the Authority does not hold any unauthorized investments.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of debt agreements of the Authority. The investment types authorized by the Authority's debt agreements include direct obligations of the federal government, including United States Treasury bills, notes and bonds; bonds, debentures, participation certificates or notes of the Government National Mortgage Association (GNMA); bonds, debentures, participation certificates or notes of certain government-sponsored agencies; direct and general obligation of any state of the United States of America or any municipality or political subdivision of such state; corporate obligations; negotiable or nonnegotiable CDs, time deposits or other similar banking arrangements with national or state chartered banks; certain types of mutual funds or money market funds; certain types of repurchase agreements; certain types of commercial paper of finance companies; certain types of investment agreements and certain types of tax-exempt obligations.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 2. Cash, Cash Equivalents and Investments (Continued)

The maximum maturity, maximum portfolio percentage and maximum investment in any one issuer are not limited, except for authorized types of commercial paper of finance companies and certain investment contracts, which are limited to a maximum maturity of 270 days. None of the specified limits have been exceeded, and the Authority held no unauthorized investments.

Investments Held by Lenders

Investment of funds held by lenders are governed by provisions of the debt agreements and HUD provisions for project accounts, rather than the investment requirements of the Public Funds Investment Act (PFIA). The Authority has replacement and residual reserve accounts that are held by the lender. Investing is performed in accordance with investment policies set forth by HUD. The mortgage company may invest funds in excess of $250,000 in institutions under the control of, and whose deposits are insured by, the Federal Deposit Insurance Corporation, National Credit Union Association or other United States government insurance corporations under the following conditions:

- Mortgage companies must determine the institution has a rating consistent at all times with current minimally acceptable ratings as established and published by GNMA.

- Mortgage companies must monitor the institution's ratings no less than on a quarterly basis and change institutions when necessary. The mortgage companies must document the ratings of the institutions where the funds are deposited and maintain the documentation in the administrative record for three years, including the current year.

If the mortgage company does not perform the required quarterly review of the institutions where there are deposits in excess of $250,000, and does not maintain the funds in an institution with a rating consistent with minimally acceptable ratings, as established and published by GNMA, and the institution fails, the mortgage company is held responsible for replacing any lost funds. HUD will seek all available remedies to recover whatever funds are lost as a result of the failed institution.

Required accounts that are held by the lender include project, residual receipts reserve and replacement reserve accounts that are not limited as to maximum maturity, maximum percentage of portfolio or maximum investment in any one issuer.

Fair Value Classification

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

The Authority has investments in money market funds held with its bond trustee of $911,280 that are recorded at amortized cost and has the following investments and other items requiring recurring fair value measurements as of June 30, 2020:

- **Debt securities**—United States Treasury securities of $39,987,555 are valued using quoted market prices (Level 2 inputs).

- **Investment derivative instruments**—Interest rate swaps resulted in a total negative fair value of $3,022,358 and were valued using a market approach that considers benchmark interest rates (Level 2 inputs).

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 2. Cash, Cash Equivalents and Investments (Continued)

Investment Risks

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Exposure*, the following information addresses the interest rate risk, credit risk, concentration of credit risk and custodial credit risk. The Authority does not hold any foreign securities; therefore, there is no foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity the investment's fair value is to changes in market interest rates. The Authority manages its exposure to interest rate risk by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary to provide the cash flow and liquidity needed for operations. The Authority does not place a limit on interest rate risk. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations, including investments held by bond trustees, is provided in the following table, which shows the distribution of the Authority's investment by maturity:

Investment	Maturity Dates	Amount
United States Treasury notes—short term	August 20, 2020; November 12, 2020	$ 39,987,555
Held by bond trustee:		
BlackRock Liquidity Funds FedFund Institutional		
Shares—money market fund	N/A	911,280
Total investments		$ 40,898,835

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the United States Treasury are considered risk-free. Presented below is the minimum rating required by (where applicable) HUD, the Authority's investment policy, or debt agreements, and the actual rating by Moody's as of year-end:

Investment	Amount	Investment Minimum Rating	Moody's Rating
United States Treasury notes—short term	$ 39,987,555	N/A	N/A
Funds held by bond trustee:			
BlackRock Liquidity Funds FedFund Institutional Shares—			
money market fund	911,280	Aaa-mf	Aaa-mf
Total investments	$ 40,898,835		

Concentration of Credit Risk

The investment policy of the Authority or HUD contains no limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than United States Treasury securities and money market funds) that represent 5% or more of the total Authority's investments. The Authority does not place a limit on concentration of credit risk.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 2. Cash, Cash Equivalents and Investments (Continued)

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an owner or a holder will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority's investment policy requires collateralization of 100% of its deposits. All collateral should conform to those investment instruments listed in PFIA. The Authority does not place a limit on custodial credit risk.

As of June 30, 2020, the Authority's deposits were fully collateralized by the Authority's depository with United States government agency securities held by its safekeeping agent, the Federal Reserve Bank, in the name of the Authority.

As of June 30, 2020, all the Authority's investments held by the bank trustees and lenders were held by the same broker-dealer (counterparty) that was used by the Authority to buy the securities.

B. The Plan's Cash, Cash Equivalents and Investments

As of December 31, 2019, the Plan's portfolio was comprised of the following:

Description	Fair Value
Mutual funds–equity	$ 32,078,898
Mutual funds–fixed income	16,155,046
Total investments	$ 48,233,944

Investment Risks
In accordance with GASB Statement No. 40, the following disclosures address credit risk, concentration of credit risk and interest rate risk at December 31, 2019. The Plan does not hold any foreign securities; therefore, there is no foreign currency risk.

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government are excluded from this requirement. The Plan's Pension Advisory Committee defines risk in the Plan's investment policy as the possibility of losing money over the rolling 10-year time horizon. Generally, Plan assets may be invested only in investment grade bonds rated BBB (or equivalent) or better. Within the context of a managed portfolio or pooled account, an individual manager may position less than investment-grade bonds on an opportunistic basis.

PRELIMINARY DRAFT SUBJECT TO CHANGE

Note 2. Cash, Cash Equivalents and Investments (Continued)

Presented below is the actual rating for each investment type as of December 31, 2019:

Investment Type	Fair Value	Not Rated
T Rowe Price Global Multi Sector Bond Fund #175	$ 5,039,847	$ 5,039,847
Metropolitan West Total Return Bond Fund	9,099,177	9,099,177
FPA New Income Inc. #78	2,016,022	2,016,022
Total fixed income investments	$ 16,155,046	$ 16,155,046

Concentration of Credit Risk

The Plan is required to disclose investments in any one issuer that represent 5% or more of the total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The Plan's investment policy limits the investment in securities of any one company to 15% of the total fund, and no more than 30% of the total fund should be invested in any one industry. At December 31, 2019, there were no investments in any one issuer that represent 5% or more of total Plan investments. Additionally, the Plan did not invest more than 15% of the investment portfolio in one company or more than 30% in one industry.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan does not place a limit on the maturity of its fixed income investments.

Presented below are the investments affected by interest rate risk and their applicable weighted-average maturities as of December 31, 2019:

Investment Type	Fair Value	Percentage of Total	Weighted-Average Maturity (Years)
T Rowe Price Global Multi Sector Bond Fund #175	$ 5,039,847	31.2%	4.59
Metropolitan West Total Return Bond Fund	9,099,177	56.3%	5.92
FPA New Income Inc. #78	2,016,022	12.5%	1.57
Total fixed income investments	$ 16,155,046	100.0%	4.03

Fair Value Measurement

Plan investments at fair value as of December 31, 2019, using fair value measurements are as follows:

	Total Fair Value	Level 1	Level 2	Level 3
Mutual funds—equity	$ 32,078,898	$ 32,078,898	$ -	$ -
Mutual funds—fixed income	16,155,046	16,155,046	-	-
	$ 48,233,944	$ 48,233,944	$ -	$ -

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 2. Cash, Cash Equivalents and Investments (Continued)

Investments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active exchange markets for those securities.

Note 3. Notes and Mortgages Receivable

The following summarizes the notes and mortgages receivable and the related accrued interest receivable as of June 30, 2020:

	Due Within One Year	Due After One Year	Total
The Authority			
HUD Section 32 Homeownership Program	$ -	$ 8,482	$ 8,482
San Juan Square II, Ltd.	-	2,612,259	2,612,259
ARDC San Marcos, Ltd.	-	1,392	1,392
ARDC Sutton, Ltd.	-	6,588,819	6,588,819
Durango Midrise, LP	-	16,919,768	16,919,768
ARDC Sutton II, Ltd.	-	2,012,084	2,012,084
San Juan III, Ltd.	-	4,578,983	4,578,983
Wheatley Family I, LP	-	1,029,481	1,029,481
Wheatley Senior, LP	-	139,968	139,968
Tampico Apartments, LP	-	710,000	710,000
SAHFAC			
Wheatley Family I, LP	-	10,948,452	10,948,452
Wheatley Family II, LP	-	4,876,518	4,876,518
Wheatley Senior, LP	-	6,285,144	6,285,144
San Antonio Homeownership Opportunities Corporation			
Real estate sales notes	8,091	150,085	158,176
Secondary lien notes	-	1,587	1,587
Home sales notes	9,837	14,433	24,270
Las Varas PFC			
Second lien notes	-	109,808	109,808
Total	$ 17,928	$ 56,987,263	$ 57,005,191

Note 4. Other Assets and Developer Fees Receivable

At June 30, 2020, other assets and developer fees receivable totaled $3,739,068. This amount is made up of developer fees receivable totaling $3,423,276 and other noncurrent receivables of $315,792. Additionally, an allowance for doubtful accounts totaling $1,526,780 is recorded for developer fees receivable.

Note 5. Equity in Partnership Investments

Various component units of the Authority serve as the general partner of various tax credit limited partnerships in which they have contributed capital. The investments in partnerships are accounted for under the equity method. Under this method, the investment is initially recorded at cost and is then increased or decreased by the proportionate share of the partnerships' net earnings or losses. The Authority is not required to fund capital deficits; therefore, any total capital deficits related to the Authority are only recognized to the extent of the Authority's contributed capital.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

The general partners include SAHFAC, SAHDC, LVPFC and RSPFC. The general partners have ownership interests ranging from 0.0045% to 0.0100%.

A reconciliation of changes in the equity in partnership investments is presented below:

Partnership	General Partner (GP)	GP % of Ownership	Balance at July 1, 2019	Cash Contributions From GP	Cash Distributions to GP	GP's Share of Profit (Loss)	Balance at June 30, 2020
ARDC Sutton, Ltd.	SAHFAC	0.005%	$ 1,499,565	$ -	$ -	$ (32)	$ 1,499,533
Midcrowne Senior Pavilion, LP	SAHFAC	0.01%	3,263,869	-	-	(45)	3,263,824
The Alhambra Apartments, Ltd.	SAHFAC	0.01%	607,529	-	(141,016)	(15)	466,498
San Juan Square, Ltd.	SAHFAC	0.01%	1,464,506	-	-	(87)	1,464,419
ARDC Military, Ltd.*	LVPFC	0.01%	-	-	-	-	-
ARDC Salado, Ltd.*	LVPFC	0.01%	-	-	-	-	-
ARDC San Marcos, Ltd.*	LVPFC	0.005%	-	-	-	-	-
Costa Almadena, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Costa Mirada, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Durango Midrise, LP*	LVPFC	0.01%	-	-	-	-	-
Enclave Gardens, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Primrose SA IV Housing, LP*	LVPFC	0.01%	-	77,219	-	-	77,219
The Mirabella, Ltd.*	LVPFC	0.01%	-	-	-	-	-
TX Pleasanton Housing, LP*	LVPFC	0.01%	-	-	-	-	-
ARDC Sutton II, Ltd.*	SAHFAC	0.005%	-	-	-	-	-
Costa Valencia, Ltd.*	SAHFAC	0.01%	-	-	-	-	-
New Braunfels 2 Housing, LP*	SAHFAC	0.005%	-	-	-	-	-
San Juan III, Ltd.*	SAHFAC	0.01%	-	-	-	-	-
San Juan Square II, Ltd.*	SAHFAC	0.0045%	-	-	-	-	-
Wheatley Family I, LP*	SAHFAC	0.01%	-	-	-	-	-
Wheatley Family II, LP	SAHFAC	0.01%	100	-	-	-	100
Wheatley Senior, LP*	SAHFAC	0.01%	-	-	-	-	-
Trader Flats Ltd.	SAHFAC	0.0051%	-	51	-	-	51
1604 Lofts Ltd.	SAHFAC	0.0051%	-	51	-	-	51
Majestic SA Apartments, LP	SAHFAC	0.01%	-	100	-	-	100
			$ 6,835,569	$ 77,421	$ (141,016)	$ (179)	$ 6,771,795

*For all partnerships marked with an asterisk, the general partner was not required to make a capital contribution at inception. Additionally, as the general partners are not required to fund capital deficits and these entities have cumulative loss positions as of June 30, 2020, the general partners have not recorded the related deficit capital positions of these partnerships, as they exceed the general partners' contributed capital.

PRELIMINARY DRAFT SUBJECT TO CHANGE

Note 6. Capital Assets

The Authority's Capital Assets

Capital asset activity for the year ended June 30, 2020, for the business-type activities was as follows:

	Balance at July 1, 2019	Additions	Deletions	Transfers/ Reclass	Balance at June 30, 2020
Capital assets not being depreciated:					
Land	$ 47,338,050	$ 23,539,719	$ (591,670)	$ -	$ 70,286,099
Construction in progress	20,504,454	23,643,416	(673,011)	(6,534,014)	36,940,845
Total capital assets not being depreciated	67,842,504	47,183,135	(1,264,681)	(6,534,014)	107,226,944
Capital assets being depreciated:					
Buildings and improvements	475,649,686	51,381,618	(3,416,397)	6,514,179	530,129,086
Furniture and equipment:					
Dwellings	2,514,773	-	-	-	2,514,773
Administration	4,784,929	716,418	(351,824)	19,835	5,169,358
Leasehold improvements	1,584,810	137,955	-	-	1,722,765
Total capital assets being depreciated	484,534,198	52,235,991	(3,768,221)	6,534,014	539,535,982
Less accumulated depreciation:					
Buildings and improvements	(345,133,851)	(38,363,296)	3,165,304	-	(380,331,843)
Furniture and equipment:					
Dwellings	(2,498,492)	(7,995)	-	-	(2,506,487)
Administration	(4,416,079)	(237,519)	328,589	-	(4,325,009)
Leasehold improvements	(1,074,242)	(94,693)	-	-	(1,168,935)
Total accumulated depreciation	(353,122,664)	(38,703,503)	3,493,893	-	(388,332,274)
Total capital assets being depreciated, net	131,411,534	13,532,488	(274,328)	6,534,014	151,203,708
Business-type activities capital assets, net	$ 199,254,038	$ 60,715,623	$ (1,539,009)	$ -	$ 258,430,652

Depreciation expense for the current year totaled $14,937,704.

Note 7. Unearned Revenue

Ground Lease Agreements

Unearned revenue is generally comprised of various ground leases in which funds were provided for the purchase of land parcels which, in turn, were leased to project developments for periods ranging from 10 to 99 years. The Authority recognized the funds received for the prepaid leases as unearned revenue and will amortize the prepayments over the initial periods on a straight-line basis. As of June 30, 2020, prepaid ground leases totaled $20,108,767, of which $428,961 is classified as current unearned revenue. The remaining amount is reported as noncurrent unearned revenue. The book value of the land related to the prepaid ground leases totaled $39,518,441 as of June 30, 2020.

On August 5, 2005, the Authority entered into a ground lease agreement with Clark 05 Housing, LP for a period of 55 years for the lease of land to construct and operate a rental project, comprised of 252 rental units. Clark 05 Housing, LP provided $361,316 for the purchase of land, which is considered a prepayment of the annual rent for the initial period, often 10 years of the lease term. After the initial period, Clark 05 Housing, LP will provide an annual lease payment of $100.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 7. Unearned Revenue (Continued)

SAHFAC entered into 22 ground lease agreements with various limited partnerships for a period of 52 to 99 years for the lease of land to construct and operate rental projects. The limited partnerships provided a total of $24,065,897 for the purchase of land, which is considered prepayment of annual rents for the initial periods of 10 to 15 years of the lease terms. After the end of the initial period, the limited partnerships will provide annual lease payments of $100.

Las Varas PFC entered into 10 ground lease agreements with various limited partnerships for a period of 55 to 75 years for the lease of land to construct and operate rental projects. The limited partnerships provided a total of $13,081,271 for the purchase of land, which is considered prepayment of annual rents for the initial periods of 10 to 15 years of the lease terms. After the end of the initial period, the limited partnerships will provide annual lease payments of $10 to $100.

Unearned Revenue
Current unearned revenue consists of prepaid tenant rent of $651,919, HUD Housing Choice Vouchers grant revenue of $184,119, deferred development fee revenue of $15,000, and rooftop lease revenue of $11,673.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 8. Bonds and Notes Payable

The long-term indebtedness of the Authority's business-type activities is presented as follows:

Program	Issue	Original Amount	Due Within One Year	Due After One Year	Balance Outstanding at June 30, 2020
SAHDC					
Mortgage loan for Bella Claire payable to Walker & Dunlop. Term is 30 years, with final maturity February 1, 2035. The interest rate is 5.96%, with monthly principal and interest payments of $6,328. The loan is secured by a deed of trust on the property.	Mortgage note	$ 1,060,000	$ 32,795	$ 705,920	$ 738,715
Multifamily Housing Revenue Bonds, Series 2005, issued for Clark 05 Housing Limited Partnership. Term is 33 years, with final maturity October 1, 2038. The interest rate is 6.52%, with monthly principal and interest payments averaging $78,421. The bonds are secured by a multifamily fee and leasehold deed of trust, assignment of rents, security agreement and fixture filing.	Revenue Bonds—Series 2005	$ 13,870,000	$ 153,645	$ 11,992,774	$ 12,146,419
		14,930,000	186,440	12,698,694	12,885,134
SAHFAC					
Mortgage loan for Towering Oaks payable to Walker & Dunlop. Term is 30 years, with final maturity February 1, 2035. The interest rate is 5.96%, with monthly principal and interest payments of $20,746. The loan is secured by a deed of trust on the property.	Mortgage note	3,430,000	106,119	2,284,250	2,390,369
Mortgage loan for Churchill Estates payable to Walker & Dunlop. Term is 30 years, with final maturity February 1, 2035. The interest rate is 5.96%, with monthly principal and interest payments of $8,298. The loan is secured by a deed of trust on the property.	Mortgage note	1,390,000	43,005	925,688	968,693
Multifamily Housing Revenue Bonds, Series 2014, issued for Converse Ranch II. Term is 10 years, with final maturity September 30, 2024. The interest rate is fixed by a swap contract at 3.25%, with monthly principal and interest payments averaging $27,215. The loan is secured by a deed of trust on the property.	Revenue Bonds—Series 2014	5,600,000	173,113	4,575,552	4,748,665
Mortgage loan for Castle Point payable to Frost Bank. Term is 10 years, with final maturity December 6, 2026. The interest rate is fixed by a swap contract at 3.865%, with monthly principal and interest payments averaging $21,043. The loan is secured by a deed of trust on the property.	Mortgage note	4,000,000	118,826	3,492,267	3,611,093
Mortgage loan for Monterrey Park and La Providencia payable to Frost Bank. Term is 10 years, with final maturity December 19, 2027. The interest rate is fixed by a swap contract at 4.102%, with monthly principal and interest payments averaging $37,137. The loan is secured by deeds of trust on the properties.	Mortgage note	6,800,000	191,717	6,145,238	6,336,955
Mortgage loan for Burning Tree and Encanta Villa payable to Frost Bank. Term is 10 years, with final maturity December 10, 2028. The interest rate is fixed by a swap contract at 3.935%, with monthly principal and interest payments averaging $35,864. The loan is secured by deeds of trust on the properties.	Mortgage note	6,800,000	171,962	6,382,918	6,554,880
Mortgage loan for SP II Limited Partnership payable to ORIX Real Estate Capital, LLC. Term is 18 years, with final maturity June 1, 2022. The interest rate is 7.625%, with monthly principal and interest payments of $24,291. The loan is collateralized by the project.	Mortgage note	3,432,000	104,828	2,390,685	2,495,513
Mortgage loan for O'Connor Road Limited Partnership payable to ORIX Real Estate Capital, LLC. Term is 18 years, with final maturity June 1, 2022. The interest rate is 7.625%, with monthly principal and interest payments of $29,430. The loan is collateralized by the project.	Mortgage note	4,158,000	127,003	2,896,408	3,023,411
Mortgage loan for Refugio Street Limited Partnership payable to ORIX Real Estate Capital, LLC. Term is 30 years, with final maturity August 1, 2035. The interest rate is 6.72%, with monthly principal and interest payments of $31,878. The loan is collateralized by the project.	Mortgage note	4,930,000	143,587	3,477,155	3,620,742
Mortgage loans for Claremont and Warren House payable to the Texas Department of Housing and Community Affairs. Both loans have a term of 30 years, with final maturities August 1, 2028. The loans are non-interest bearing, with monthly principal payments of $531 and $729, respectively.	Mortgage note	191,200	6,373	45,676	52,049
The loans are secured by deeds of trust on the properties.	Mortgage note	262,500	8,750	61,249	69,999
Neighborhood Stabilization Program loan for Sutton Oaks payable to the City of San Antonio. Term is 30 years, with final maturity September 30, 2039. The loan is non-interest bearing. Principal payments will be deferred for 30 years until the maturity date and thereafter are forgiven if SAHFAC remains in compliance with all terms and conditions set forth in the loan documents. The note is secured by a subordinate deed of trust on the property.	Sutton NSP note	900,000	-	900,000	900,000
		41,893,700	1,195,283	33,577,086	34,772,369

PRELIMINARY DRAFT SUBJECT TO CHANGE

Note 8. Bonds and Notes Payable (Continued)

Program	Issue	Original Amount	Due Within One Year	Due After One Year	Balance Outstanding at June 30, 2020
Section 8 Project Based					
Mortgage loan issued by Springhill/Courtland Heights Public Facility Corporation payable to Frost Bank. Term is 10 years, with final maturity December 6, 2026. The interest rate is fixed by a swap contract at 3.865%, with monthly principal and interest payments averaging $31,515. The loan is secured by deeds of trust on Cottage Creek I, II, and Courtland Heights.	Mortgage note	6,000,000	178,238	5,238,401	5,416,639
Converse Ranch, LLC					
Mortgage loan for Converse Ranch I payable to Walker & Dunlop. Term is 40 years, with final maturity June 1, 2053. The interest rate is 2.98%, with monthly principal and interest payments of $26,562. The loan is secured by a deed of trust on the property.	Mortgage note	$ 7,443,700	$ 121,310	$ 6,559,117	$ 6,680,427
Other Affordable Housing					
Multifamily Housing Revenue Bonds, Series 2013, issued for Sendero I PFC. Term is 10 years, with final maturity January 1, 2024. The interest rate is 4.305%, with monthly principal and interest payments of $54,915. The loan is secured by a deed of trust on the Legacy at Crown Meadows Apartments.	Revenue Bonds—Series 2013	10,000,000	299,254	8,077,814	8,377,068
Multifamily Housing Revenue Bonds, Series 2012, issued for Woodhill PFC. Term is 10 years, with final maturity September 1, 2022. The interest rate is 3.40%, with monthly principal and interest payments of $44,852. The loan is secured by a deed of trust on the Woodhill Apartments.	Revenue Bonds—Series 2012	9,000,000	301,991	6,687,960	6,989,951
Capital Fund Financing Program (CFFP)					
CFFP loan agreement dated November 9, 2006, with Fannie Mae for the accelerated renovation and rehabilitation of eight public housing developments. Term is 20 years, with final maturity December 1, 2026. The interest rate is 4.85%, with monthly principal and interest payments of $182,721. The loan is secured with pledged Capital Grant Funds. On June 14, 2012, Fannie Mae assigned its interest in the loan and the loan agreement to Deutsche Bank National Trust Company.	CFFP loan	27,828,627	1,714,773	8,917,438	10,632,211
Vera Cruz Redevelopment Partnership, Ltd.					
Mortgage loan payable to San Antonio Housing Trust Foundation. Term is 30 years, with final maturity November 28, 2023. The interest rate is 1.00%, with principal and interest due monthly, as determined by available cash flow. The loan is secured by a subordinate deed of trust on the Villa de San Alfonso Apartments. Accrued interest has been added to the outstanding balance.	Loan	350,000	-	453,340	453,340
Homestead Redevelopment Partnership, Ltd.					
Mortgage loan payable to Texas Department of Housing and Community Affairs. Term is 30 years, with final maturity April 1, 2026. The interest rate is 3.00%, compounded annually, with monthly principal and interest payments of $2,109. The loan is secured by a deed of trust on the Homestead Apartments.	Loan	500,000	21,617	111,390	133,007
Energy Performance Contract Loan					
Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. to finance the implementation of the HUD Energy Performance Contract. The interest rate is 3.26%, with monthly principal and interest payments averaging $31,485. The EPC term ends May 31, 2024.	Loan	3,637,964	421,875	884,306	1,306,181
		$ 121,583,991	$ 4,440,781	$ 83,205,546	$ 87,646,327

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 8. Bonds and Notes Payable (Continued)

The following table provides the annual principal and interest requirements of the Authority and its component units as of June 30, 2020, for long-term debt outstanding:

	Principal	Interest	Total
Years ending June 30:			
2021	$ 4,440,781	$ 3,995,520	$ 8,436,301
2022	9,607,069	3,754,151	13,361,220
2023	10,455,533	3,037,188	13,492,721
2024	11,814,498	2,680,876	14,495,374
2025	7,651,624	2,215,889	9,867,513
2026-2030	24,107,701	7,452,447	31,560,148
2031-2035	5,848,531	4,238,111	10,086,642
2036-2040	10,306,793	2,225,154	12,531,947
2041-2045	1,168,481	425,213	1,593,694
2046-2050	1,355,974	237,720	1,593,694
2051-2053	889,342	40,312	929,654
	$ 87,646,327	$ 30,302,581	$ 117,948,908

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Due Within One Year
Mortgages, bonds and notes	$ 70,087,460	$ 21,492,828	$ 3,933,961	$ 87,646,327	$ 4,440,781
Compensated absences	1,457,612	2,865,773	2,529,127	1,794,258	436,316
	$ 71,545,072	$ 24,358,601	$ 6,463,088	$ 89,440,585	$ 4,877,097

Note 9. Derivative Financial Instrument

Interest Rate Swaps

The Authority has five interest rate swap agreements (swaps) with one counterparty as of June 30, 2020. The objective of the agreements was to attain a synthetic fixed interest rate at a cost that was expected to be less than rates associated with fixed-rate debt. The swap agreement terms state the Authority is to make monthly fixed interest rate payments at a specified rate on a notional principal amount and in exchange receive monthly payments based upon a specified percentage of the one-month London InterBank Offered Rate (LIBOR) plus a spread.

The swaps have an aggregate negative fair value of $3,022,358 at June 30, 2020. The fair value was estimated using a proprietary valuation model developed by a counterparty. The swaps have been determined to constitute an effective hedge at June 30, 2020, by using the synthetic instrument method. The aggregate fair value is classified as an interest rate swap liability and a deferred outflow of resources.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 9. Derivative Financial Instrument (Continued)

The following contains the terms, fair values and credit ratings issued by Standard & Poor's of the swaps as of June 30, 2020:

Related Debt Issuance	Current Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
Converse Ranch II, LLC	$ 4,748,665	10/23/2014	3.250%	67.8% of 1-month LIBOR plus 1.380%	$ (179,862)	11/01/2024	A-
SAHFAC (Castle Point)	3,611,093	12/06/2016	3.865%	82.4% of 1-month LIBOR plus 1.774%	(842,065)	12/06/2026	A-
Springhill/Courtland Heights PFC	5,416,639	12/06/2016	3.865%	82.4% of 1-month LIBOR plus 1.774%	(578,615)	12/06/2026	A-
SAHFAC (Monterrey Park and La Providencia)	6,336,955	12/19/2017	4.102%	82.4% of 1-month LIBOR plus 1.799%	(385,744)	12/19/2027	A-
SAHFAC (Burning Tree and Encanta Villa)	6,554,880	12/10/2018	3.935%	80.7% of 1-month LIBOR plus 1.480%	(1,036,072)	12/10/2028	A-
Totals	$ 26,668,232				$ (3,022,358)		

Credit Risk

The Authority was not exposed to credit risk on its outstanding swaps at June 30, 2020, because the swaps had a negative fair value. However, should interest rates change and the swaps become positive, the Authority would be exposed to credit risk in the amount of the swaps' fair value. Fair value is only a factor upon termination. The swaps' counterparty has guaranteed all payments and is rated A- by Standard & Poor's. The swap agreements provide no collateral by the counterparty.

Interest Rate Risk

The swaps decrease the Authority's exposure to interest rate risk.

Basis Risk

The swaps do not expose the Authority to basis risk because the interest rates on the loans and the swaps are the same, equal to the variable rates specified in the table above.

Termination Risk

The swaps were issued pursuant to the International Swap Dealers Association Master Agreements, which include standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate an interest rate swap if the other party fails to perform under the terms of the contract. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. As of June 30, 2020, the swaps had an aggregate negative fair value of $3,022,358.

Note 10. Line of Credit

SAHFAC has a revolving line of credit with Frost Bank for $3,000,000, which may be used for short-term borrowing needs. The line of credit bears interest at the applicable prime rate, as listed in *The Wall Street Journal*, plus 0.25%. As of June 30, 2019, the all-in rate was 3.50%. The line of credit was renewed October 14, 2017, and has a term of three years. As of June 30, 2020, $47,003 was borrowed against the line of credit.

PRELIMINARY DRAFT
SUBJECT TO CHANGE

Note 10. Line of Credit (Continued)

Line of credit activity for the year ended June 30, 2020, was as follows:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020
Line of credit	$ -	$ 2,991,896	$ 2,944,893	$ 47,003

Note 11. Conduit Debt

From time to time, SAHFC issues tax-exempt revenue bonds for the financing of residential developments for persons of low- and moderate-income families. The bonds are secured by the property financed and are payable solely from, and secured by, a pledge of rental receipts. The bonds do not constitute a debt or pledge of the faith and credit of SAHFC and, accordingly, have not been reported in the accompanying financial statements.

As of June 30, 2020, there were 17 series of tax-exempt revenue bonds outstanding with an aggregate principal amount payable of $192,822,094.

Note 12. Defined Contribution Plan

A. Plan Description

Effective June 7, 1948, the Authority established the Plan. The Plan is a defined contribution pension plan established as a public retirement system under the Texas Government Code by the Authority, the Plan sponsor. Under the terms and provisions of the Plan, the Authority has the ability to amend the Plan. Additionally, the Plan covers all full-time employees of the Authority who have completed one year of service and are 21 years old. Eligible employees enter the plan on the first day of January, April, July or October which coincides with or follows the date the eligibility requirements are met. At December 31, 2019, there were 535 participants.

B. Contributions

Each year, participants must contribute 5.0% and may elect to contribute up to 100.0% of eligible compensation, up to the maximum dollar limitation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The administrator directs the investment of contributions into various investment options. The Plan may invest in common stock, preferred stock, convertible equities, corporate bonds, debentures, fixed income funds and mutual funds, among others. For participants hired before July 1, 2017, the Authority contributes 11.0% of a participant's compensation for the Plan year, plus 5.7% of a participant's compensation for the Plan year that exceeds the social security taxable wage base in effect at the beginning of the Plan year. For participants hired on or after July 1, 2017, the Authority contributes 7.0% of a participant's compensation for the Plan year, plus 5.7% of a participant's compensation for the Plan year that exceeds the social security taxable wage base in effect at the beginning of the Plan year. Contributions are subject to certain limitations. The employer's required contribution of $1,779,603 and the employees' required contributions of $871,384 were made to the Plan during the Plan year ended December 31, 2020. Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of continuous service. A participant is fully vested after five years of credited service. Plan provisions and contributing requirements are established and may be amended by the Authority's Board.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 12. Defined Contribution Plan (Continued)

C. Plan Amendments

Effective December 3, 2015, the Plan was amended to provide for a three- to five-person Plan Administrator consisting of, at a minimum, the Chief Executive Officer, the Chief Financial Officer and the Chief Legal Officer; and to amend section 4.1 of the Plan, Conditions of Eligibility, to make the early entry of certain classes of employees automatic instead of discretionary, and pursuant to the United States Supreme Court's decision in Obergefell v. Hodges (June 26, 2015), the Plan must treat same-sex spouses the same as opposite-sex spouses for all purposes.

Effctive May 5, 2016, the Plan was amended to provide for a three- to five-person Plan Administrator consisting of, at a minimum, the Chief Executive Officer, the Chief Financial Officer and the Chief Administrative Officer (or the person serving in each capacity), to provide for the immediate entry into participation by existing eligible employees holding titles of Director or above, to reform the application of forfeitures under the Plan, and to create a priority list of default beneficiaries for those situations in which the participant is not survived by a designated beneficiary.

D. Forfeitures

Participant forfeitures of nonvested balances will be used to reduce future employer contributions. During the Plan year ended December 31, 2019, employer contributions were reduced by $91,727 from forfeited nonvested accounts. There were no unallocated forfeitures at December 31, 2019.

E. Plan Termination

Although it has not expressed any intent to do so, the Authority has the right under the Plan to discontinue its contribution at any time and to terminate the Plan. In the event of Plan termination, participants would become 100% vested in their employer contributions.

F. Tax Status

The Plan obtained its latest determination letter dated December 12, 2013, as applicable for the restated plan executed on January 1, 2013, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC) section 401(b) and that, therefore, the Plan is tax-exempt. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

G. Risks and Uncertainties

The Plan may invest in various types of investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

PRELIMINARY DRAFT
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Note 13. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for all risks of loss (with the exception of workers' compensation and employee health and accident insurance.). Settled claims resulting from other risks of loss have not exceeded commercial insurance coverage in any of the past two years.

Health and Dental Insurance Plan

On August 2, 2007, the Board approved a self-funded health insurance plan and contract with Humana as the third-party administrator for health and dental insurance. The plan went into effect January 1, 2008. The contract with Humana was terminated on December 31, 2017. The Board approved a contract with Blue Cross Blue Shield of Texas (BCBS) as the third-party administrator for health and dental insurance on September 7, 2017. BCBS began serving as the third-party administrator on January 1, 2018.

In a self-funded plan, the employee payroll deductions for health and dental insurance are collected and held by the Authority in a separate bank account specifically to pay health and dental claims. The Authority makes an initial deposit with the third-party administrator to start the plan. Thereafter, the third-party administrator processes claims and makes payments directly to health care providers. The Authority transfers funds weekly to the third-party administrator to cover the prior week's claims paid. The plan provides protection for the Authority against catastrophic claims with a $100,000 individual stop-loss and a formula driven aggregate stop-loss limit.

The actuarially determined claims liability of $229,151 is based on the requirements of GASB Statement No. 10, as amended by GASB Statement No. 30. The liability includes provisions for medical, dental and prescription drug claim reserves for incurred, but not paid, and incurred, but not reported, claims. No allowance was made for the expense of processing run-out claims, since it is assumed any expense related to run-out claims processing would be included as current administration expenses.

A reconciliation of changes in the liability for health and dental plan expenses for fiscal year 2019 and fiscal year 2020 were as follows:

	Liability at Beginning of Fiscal Year	Claims and Changes in Estimates in Current Year	Claim Payments	Balance at Fiscal Year-End
Years ended June 30:				
2019	$ 194,672	$ 3,661,853	$ 3,633,327	$ 223,198
2020	223,198	3,373,937	3,367,984	229,151

Note 14. Commitments and Contingencies

The Authority is exposed to the risk of contingent liabilities in the ordinary course of its operations. Specifically, such risks arise as a result of the Authority's participation in various state and federal grant programs and as a result of threatened and pending litigation. Disallowed costs could result if the Authority's expenditures made under its grants programs are found to be improper in that they violate state or federal regulations. Such disallowed costs would have to be paid back to the granting agency from the general funds of the Authority. The Authority is not aware of any costs that have been disallowed in the current year and does not anticipate any costs will be disallowed.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 14. Commitments and Contingencies (Continued)

A. Grants

The Authority receives significant financial assistance from federal, state and local agencies in the form of grants and operating subsidies. HUD provided approximately 78% of the Authority's revenue in the current year. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies; therefore, to the extent the Authority has not complied with rules and regulations governing the grants, if any, refunds of any money received may be required. Management believes there are no significant contingent liabilities relating to compliance with grant rules and regulations.

B. Construction Contracts

The Authority entered into construction contracts for the rehabilitation of various low-income and multi-family housing projects that were in progress as of year-end. The unexpended balance of construction contracts is $13,792,808 at June 30, 2020.

C. Environmental Remediation

The Authority's revitalization activities for its developments are subject to extensive and evolving environmental laws and regulations. For the year ended June 30, 2020, the Authority has expended $34,688 related to environmental remediation efforts. The annual level of future remediation expenditures is difficult to estimate due to the many uncertainties relating to conditions of individual sites, as well as uncertainties about the status of environmental laws and regulations and developments in remedial technology. Future information and developments will require the Authority to continually reassess the expected impact of these environmental matters.

D. Pending Litigation

The Authority is the subject of various claims and litigation that have arisen in the ordinary course of its operations. Management, in consultation with legal counsel, is of the opinion that the Authority's liabilities in these cases, if decided adversely to the Authority, will not be material.

E. Guarantees

SAHFAC and SAHDC are governed by Chapter 22 of the Texas Business Organizations Code, which requires each corporation to adopt bylaws, which are rules adopted to regulate or manage their actions. The initial bylaws were adopted by the Authority's Board. Per Article VII of both corporations' bylaws, the corporations shall issue obligations only upon approval of the Authority given not more than 60 days prior to the date of a proposed issue.

In July 2004, SP II LP and O'Connor Road LP, affiliated entities of SAHFAC and SAHDC, obtained permanent financing of $3,432,000 and $4,158,000, respectively. The SP II LP and O'Connor Road LP multi-family notes both mature on June 1, 2022. SAHFAC and SAHDC serve as key principals for both multi-family notes and have unconditionally guaranteed all amounts, of which SP II LP and O'Connor Road LP may become personally liable.

On August 1, 2012, SAHFAC guaranteed the payment of the 10-year, $9,000,000 Series 2012 bond issuance of Woodhill PFC, an affiliated entity of SAHFAC. The bonds mature on September 1, 2022. In the event Woodhill PFC is unable to make a payment, SAHFAC will be required to make that payment.

PRELIMINARY DRAFT
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Note 14. Commitments and Contingencies (Continued)

On December 1, 2013, SAHFAC guaranteed the payment of the 10-year, $10,000,000 Series 2013 bond issuance of Sendero I PFC, an affiliated entity of SAHFAC. The bonds mature on January 1, 2024. In the event Sendero I PFC is unable to make a payment, SAHFAC will be required to make that payment.

On December 6, 2016, SAHFAC guaranteed the payment of the 10-year, $6,000,000 promissory note issued by Springhill/Courtland Heights PFC, an affiliated entity of SAHFAC. The note matures on December 1, 2026. In the event Springhill/Courtland Heights PFC is unable to make a payment, SAHFAC will be required to make that payment.

Note 15. Related-Party Transactions

As stated in Note 1, the Authority is considered to be financially accountable to the component units, and the component units serve as the Authority's instruments to enhance its purpose to build and maintain affordable housing for low- and moderate-income families. Consequently, related transactions in the following areas occurred in the current year.

- Management fees of $55,216 were paid to SAHDC by a component unit—Sunshine Plaza Apartments, Inc.

- Of the total notes receivable outstanding, $56,702,867 is due from various partnerships, which are related parties of the Authority. During the fiscal year, the Authority received payments in the amount of $26,081.

Note 16. Recently Issued Accounting Pronouncements

The following pronouncements will become effective in future reporting periods. The Authority's management has not determined their impact:

GASB Statement No. 87, *Leases*, will be effective for the Authority beginning with its year ending June 30, 2022. This statement addresses the information needs of financial users by improving financial and accounting reporting for leases by governments.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the Authority beginning with its year ending June 30, 2022. This statement provides a single method of reporting conduit debt obligation by issuers and eliminates diversity in practice associated with (1) commitment extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures.

Note 17. Change in Reporting Entity

On December 31, 2019, the San Antonio Housing Facility Corporation (SAHFAC) acquired the limited partner interests of the SP II, O'Connor Road, and Refugio Street limited partnerships. As a result, the limited partnerships became wholly owned by SAHFAC and the entities are now considered blended component units of the Authority in accordance with GASB Statement No. 61.

On April 8, 2020, the San Antonio Housing Development Corporation (SAHDC) acquired the limited partner interests of the Clark 05 Housing Limited Partnership. As a result, the limited partnership became wholly owned by SAHDC and the entity is now considered a blended component unit of the Authority in accordance with GASB Statement No. 61.

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Supplementary Information

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Housing Authority of the City of San Antonio

Schedule of Modernization Costs
Year Ended June 30, 2020

HUD Project Number	Approved Funds	Expended Funds	Disbursed Funds	Approved Funds Available to Expend	Expended Funds Available to be to be Disbursed
TX 59P006501-10	$ 9,744,572	$ 9,744,572	$ 9,744,572	$ -	$ -
TX 59P006501-11	8,151,333	8,151,333	8,151,333	-	-
TX 59P006501-12	7,410,330	7,410,330	7,410,330	-	-
TX 59P006501-13	7,192,132	7,192,132	7,192,132	-	-
TX 59P006501-14	7,294,109	7,294,109	7,294,109	-	-
TX 59P006501-15	7,539,807	7,539,807	7,539,807	-	-
TX 59P006501-16	7,805,380	7,805,380	7,805,380	-	-
TX 59P006501-17	7,973,378	7,973,378	7,973,378	-	-
TX 59P006501-18	12,332,100	10,838,251	10,401,210	1,493,849	437,041
TX 59P006501-19	12,929,611	4,750,049	3,172,948	8,179,562	1,577,101
TX 59E006501-11	250,000	250,000	250,000	-	-
TX 59E006501-15	250,000	250,000	250,000	-	-
	$ 88,872,752	$ 79,199,341	$ 77,185,199	$ 9,673,411	$ 2,014,142

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Housing Authority of the City of San Antonio

Schedule of Development Costs
Year Ended June 30, 2020

	HUD Project Number TX6J006CNG112
Administration	$ 1,705,931
Critical community improvements	3,488,837
Fees and costs	4,729,013
Dwelling structures	8,702,669
Site improvements	5,963,726
Relocation costs	243,761
Supportive services	4,541,992
Evaluation	276,720
Total development costs	29,652,649
HUD funds disbursed	29,652,649
Total development costs in excess of HUD funds disbursed	$ -

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Compliance Section

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Housing Authority of the City of San Antonio

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I—Summary of Auditor's Results

1. Financial Statements

   Type of auditor's report issued:

   Internal control over financial reporting:

Material weakness(es) identified?	______ Yes	______ No
Significant deficiency(ies) identified?	______ Yes	______ None Reported
Noncompliance material to financial statements noted?	______ Yes	______ No

2. Federal Awards

   Internal control over major programs:

Material weakness(es) identified?	______ Yes	______ No
Significant deficiency(ies) identified?	______ Yes	______ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)?	______ Yes	______ No

   Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.881	Moving to Work Demonstration Program
14.871, 14.879	Housing Voucher Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 3,000,000	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

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Section II—Financial Statement Findings

A. Internal Control Findings

No matters to report.

B. Compliance Findings

No matters to report.

Section III—Federal Award Findings and Questioned Costs

A. Internal Control Findings

B. Compliance Findings

No matters to report.

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Housing Authority of the City of San Antonio

Correct Action Plan
Year Ended June 30, 2020

(INSERT CORRECTIVE ACTION PLAN HERE)

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Housing Authority of the City of San Antonio

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Direct Programs			
United States Department of Housing and Urban Development:			
HOPE VI Cluster:			
Choice Neighborhoods Implementation Grant	14.889	TX6J006CNG112	$ 2,247,527
Total HOPE VI Cluster			2,247,527
Section 8 Project-Based Cluster:			
Section 8 Moderate Rehabilitation	14.856	FW-4045K	1,807,321
Section 8 New Construction/Subs Rehab:			
Villa de Valencia	14.182	TX59E000020	337,540
Reagan West	14.182	TX59E000018	45,422
Total Section 8 New Construction/Subs Rehab			382,962
Total Section 8 Project-Based Cluster			2,190,283
Housing Voucher Cluster:			
Section 8 Veterans Affairs Supportive Housing—VASH	14.871		2,923,112
HCV Temporary Vouchers (Non-MTW)	14.871		246,804
Section 8 Mainstream Program	14.879	FW-4045DV	1,135,770
Total Housing Voucher Cluster			4,305,686
Moving to Work (MTW) Demonstration Program:			
MTW—Low Rent Public Housing Authority Owned Housing	14.881	FW-1247	27,482,789
MTW—Section 8 Housing Choice Voucher Program	14.881	FW-4045V	109,573,617
MTW—2018 Capital Fund Program	14.881	TX59P006501-18	3,582,342
MTW—2019 Capital Fund Program	14.881	TX59P006501-19	4,610,862
Total MTW Demonstration Program			145,249,610
Family Self-Sufficiency Program:			
2018 HCV/PH Combined FSS Grant	14.896	TX006FSS18TX2673	455,496
2019 HCV/PH Combined FSS Grant	14.896	TX006FSS20TX3445	438,480
Total Family Self-Sufficiency Program			893,976
Resident Opportunity and Supportive Services (ROSS)—Service Coordinator Grant:			
2015 ROSS—Service Coordinator	14.870	TX006RPS098A015	42,501
2018 ROSS—Service Coordinator	14.870	ROSS191334	125,791
Total ROSS—Service Coordinator Grant			168,292
Job-Plus Pilot Initiative	14.895	TX006FJP000815	751,858
Total United States Department of Housing and Urban Development			155,807,232

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PRELIMINARY DRAFT - SUBJECT TO CHANGE

Housing Authority of the City of San Antonio

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Pass-Through Programs			
United States Department of Health and Human Services:			
Alamo Community College District:			
Alamo College HPOG Grant	93.093	90FX0048-05-00	67,251
Total United States Department of Health and Human Services			67,251
Total Federal Financial Assistance			$ 155,874,483

See notes to schedule of expenditures of federal awards.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Housing Authority of the City of San Antonio

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Note 1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in 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 Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

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

Subrecipients: There were no subrecipients in the current year.

Low-rent expenditures represent the current-year operating subsidy from HUD.

Section 8 and Shelter Plus Care Program expenditures represent the current year earned annual contribution from HUD.

De minimis election: The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

A reconciliation of the SEFA to the statement of revenues, expenses and changes in net position for the year ended June 30, 2020, is as follows:

Total federal financial assistance per SEFA		$ 155,874,483
A. Federal assistance per statement of revenues, expenses and changes in net position:		
HUD operating grants and housing assistance payments	$ 46,559,714	
Other government grants	67,251	
HUD housing assistance grants	104,251,525	
Capital contributions	8,918,911	
B. Less grant revenue for multifamily properties separately reported to REAC:		
a. Sunshine Plaza—HUD Project No. 115-94026	(536,854)	
b. Pecan Hill—HUD Project No. 115-94027	(608,170)	
c. Springhill I PFC—HUD Grant No. TX59E000035	(660,339)	
d. Springhill II PFC—HUD Grant No. TX59E000036	(483,804)	
C. Less FY 2020 Capital Fund Financing Program principal payments	(1,633,751)	
		$ 155,874,483

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HOUSING AUTHORITY OF THE CITY OF SAN ANTONIO (SAHA) AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Presented to: Finance Committee of Housing Authority of the City of San Antonio Board of Commissioners

January 21, 2021

CohnReznick LLP

A member of Nexia International
CohnReznick is an independent member of Nexia International

CohnReznick

AGENDA

- Audit Plan, Audit Status, and Financial Statement Highlights
- Auditor's Required Communication
- New Accounting Updates

AUDIT PLAN, AUDIT STATUS AND FINANCIAL STATEMENT HIGHLIGHTS

AUDIT PLAN

- Initial audit of SAHA and related entities by CohnReznick.
- Engagement team comprised of:
  - Ahamadou Bocar, Partner
  - Eric Rumberger, Director
  - Jonathan Kearney, Manager
  - Dulce Urquiza, Senior Associate
  - Daryl Beville, Senior Associate
- Utilized MBE subcontractor Garza/Gonzalez and Associates to perform compliance and controls procedures on-site.

AUDIT PLAN

- Initial year audit procedures included the following:
  - AICPA required correspondence with predecessor and review of their workpapers for SAHA and related entities
  - Review prior year financial statements and all minutes to board meetings
  - Planning discussions and interviews with SAHA management and staff, and obtained all relevant policies and procedures manuals to gain understanding of internal control structure to design audit approach
  - Obtained copies of all relevant legal documents of SAHA (i.e. organization docs, loan docs, etc.)

AUDIT PLAN

- Audit was conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards, and the Uniform Guidance.

- The management and staff of SAHA were extremely cooperative and well-prepared.

- We performed no services for SAHA which would impair our independence.

AUDIT PLAN

Plan as Discussed with SAHA's Management:

- Interviewed SAHA personnel, gained understanding and documentation of systems and processes, performed walkthroughs for (1) Financial Reporting, (2) Cash Receipts/Disbursements, (3) Journal Entries, (4) Payroll, (5) Cash, (6) Investments, (7) Housing Assistance Payments Eligibility/Occupancy/Admissions/Terminations, (8) Employee Expense Reimbursements.
  - Internal control audit is in process of being reviewed. No material weaknesses or significant deficiencies in internal controls over financial reporting over compliance were identified as of yet.
  - Any potential issues identified will be discussed with management.

AUDIT PLAN

Plan as Discussed with SAHA's Management:

- Held fraud discussions with key governance, management and operational personnel.
  - No instances of fraud or other significant areas of concern were identified by management.

- We reviewed and tested the 6/30/2020 reconciliations for cash/investments, receivables, allowance for doubtful accounts, accounts payable, accrued compensated absences, unearned revenue, and notes payable.
  - We obtained copies of the reconciliations and tested accordingly, agreed balances with the general ledger and agreed the balances with confirmations where applicable.

AUDIT PLAN

Plan as Discussed with SAHA’s Management:

- Detail tested capital assets, including management’s depreciation of capital assets.
  - Capital assets additions, disposals, and resulting gain/loss on disposals were detail tested and reconciled to supporting schedules.
- We reviewed and tested program revenues.
- Legal correspondence with both internal and external counsel.

AUDIT PLAN

Plan as Discussed with SAHA's Management:

- We audited the Financial Data Submission prepared by SAHA management.

- We audited the Schedule of Expenditures of Federal Awards prepared by SAHA management and determined the major programs for compliance testing under the requirements of the Uniform Guidance.
  - The Moving to Work Demonstration Program (CFDA 14.881) was identified as the major programs.
  - Compliance audit is in process of being reviewed. No material instances of noncompliance were identified as of yet.
  - Any potential issues identified will be discussed with management.

AUDIT STATUS

- SAHA Audit
  - In review phase, initial draft of financial statements prepared by SAHA have been reviewed and comments provided.
- San Antonio Housing Facility Corporation
- Converse Ranch, LLC
  - Audit finalized and REAC submission complete
- Sendero I Public Facility Corporation
  - Audit finalized
- Woodhill Public Facility Corporation
  - Audit finalized
- Springhill/Courtland Heights Public Facility Corporation
  - Audit drafted and completing documentation to finalize

FINANCIAL STATEMENT HIGHLIGHTS

As of June 30, 2020:

- Total assets of $424,639,000.
- Total deferred outflows of $3,520,000.
- Total liabilities of $128,490,000.
- Total net position of $299,669,000.
- Net increase in net position of $25,721,000.

AUDITOR'S REQUIRED COMMUNICATION

AUDITOR'S REQUIRED COMMUNICATION

Required Communication with Management and Those Charged with Governance:

- Auditor's Responsibility Under US Generally Accepted Auditing Standards:
  - Express an opinion about whether the financial statements prepared with your oversight are fairly presented, in all material respects, in conformity with the accounting principles adopted by SAHA.
  - Plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

AUDITOR'S REQUIRED COMMUNICATION

Required Communication with Management and Those Charged with Governance:

- Significant Audit Aspects:
  - Management is responsible for the selection and use of appropriate accounting policies.
  - The significant accounting policies, as well as the evaluation of new accounting policies, used by SAHA are described in the Note 1 to the financial statements.
  - We noted no transactions entered into by SAHA during the year for which there is a lack of authoritative guidance or consensus.
  - All significant transaction have ben recognized in the financial statements in the proper period.

AUDITOR'S REQUIRED COMMUNICATION

Required Communication with Management and Those Charged with Governance:

- Significant Accounting Estimates:
  - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting SAHA's financial statements were:
    - Management's estimate of the accrued compensated absences is based on SAHA's personnel policy and accounting estimates related to a given employee's length of service and age. We evaluated the key factors and assumptions used to develop the accrued compensated absences in determining that is reasonable in relation to the financial statements taken as a whole.
    - Management's estimate of the fair value of interest rate swaps. We evaluated the key factors and assumptions used to develop the estimate of fair value of the swaps in determining that is reasonable in relation to the financial statements taken as a whole.

AUDITOR'S REQUIRED COMMUNICATION

Required Communication with Management and Those Charged with Governance:

- Significant Accounting Estimates:
  - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting SAHA's financial statements were:
    - Management's estimate of the collectability of accounts and notes receivable. We evaluated the key factors and assumptions used to determine the collectability of accounts and notes receivable in determining that it is reasonable in relation to the financial statements taken as a whole.
    - The useful lives of capital assets are based on expected future benefit of the capitalized assets.

AUDITOR'S REQUIRED COMMUNICATION

Required Communication with Management and Those Charged with Governance:

- Significant Audit Findings:
  - The financial statement disclosures are neutral, consistent, and clear.
  - We encountered no significant difficulties in dealing with management in performing and completing our audit.
  - Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

AUDITOR'S REQUIRED COMMUNICATION

Required Communication with Management and Those Charged with Governance:

- Significant Audit Findings:
  - The internal control and compliance audit is in process of being reviewed. No material weaknesses or significant deficiencies in internal controls over financial reporting or compliance were identified as of yet.
  - Any potential issues will be discussed with management.
  - We will request certain representations from management to be included in the management representation letter at the conclusion of the audit.

AUDITOR'S REQUIRED COMMUNICATION

Required Communication with Management and Those Charged with Governance:

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

AUDITOR'S REQUIRED COMMUNICATION

Required Communication with Management and Those Charged with Governance:

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

NEW ACCOUNTING UPDATES

NEW ACCOUNTING UPDATES

GASB No. 87 - Leases

- Standard will require recognition of lease assets and liabilities for leases previously classified as operating leases.
- Lessee should recognize a “right-to-use” asset and liability for present value of payments expected to be made during term of the lease. Expense recognized over term of the lease.
- Lessor should recognize receivable for present value of payments expected to be received during term of the lease. Revenue recognized over term of the lease.
- Effective for fiscal year ending June 30, 2022.

NEW ACCOUNTING UPDATES

GASB No. 96 – Subscription-Based Information Technology Arrangements

- Similar to the GASB 87, the standard will require recognition of assets and liabilities for long-term IT arrangements.
- Agency should recognize a "right-to-use" asset and liability for present value of payments expected to be made during term of the agreement. Expense recognized over term of the agreement.
- Effective for fiscal year ending June 30, 2023.

San Antonio Housing Authority
Resolution 6108

RESOLUTION 6108, ACCEPTING THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2020

WHEREAS, the agency planning requirements of the Quality Housing and Work Responsibility Act of 1998 (QHWRA) and the U.S. Department of Housing and Urban Development's (HUD) October 21, 1999 Final Rule contains implementing instructions for agency planning requirements; and

WHEREAS, the OMB under 2 Code of Federal Regulations (CFR) Part 200, Subpart F and the HUD regulations require that all Public Housing Authorities conduct a financial and compliance audit and submit it to the HUD local field office annually; and

WHEREAS, SAHA has contracted with independent auditors that have conducted a financial and compliance audit of SAHA and its related entities and have presented said report to the SAHA Board of Commissioners on February 4, 2021; and

WHEREAS, the Independent Auditor's Report indicates an unmodified (clean audit) opinion on the Financial Audit Results; and

WHEREAS, staff requests that the Board of Commissioners review and accept the annual Independent Auditor's Report for the year ended June 30, 2020.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of SAHA hereby:

> Approves Resolution 6108, accepting the Independent Auditor's Report for the year ended June 30, 2020.

Passed and approved the 4th day of February 2021.

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Ana M. "Cha" Guzman
Chair, Board of Commissioners

Attested and approved as to form:

____

Ed Hinojosa, Jr.
Interim President and CEO

SAN ANTONIO HOUSING AUTHORITY **January 21, 2021**

BOARD OF COMMISSIONERS
Finance Committee

RESOLUTION 6100, CERTIFYING THAT THE SAN ANTONIO HOUSING AUTHORITY'S INVESTMENT POLICY AND INVESTMENT STRATEGIES HAVE BEEN REVIEWED IN ACCORDANCE WITH THE REQUIREMENTS SET FORTH IN SECTION 2256.005 (E) OF THE TEXAS PUBLIC FUNDS INVESTMENT ACT

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Ed Hinojosa, Jr.	**Diana Kollodziej Fiedler**
Interim President and CEO	**Director of Finance and Accounting**

REQUESTED ACTION:
Consideration and appropriate action regarding Resolution 6100, certifying that the San Antonio Housing Authority's Investment Policy and Investment strategies have been reviewed in accordance with the requirements set forth in section 2256.005 (E) of the Texas Public Funds Investment Act.

FINANCIAL IMPACT:
None.

SUMMARY:
Section 2256.005 (e) of the Texas Public Funds Investment Act requires that the governing body of each covered entity review its Investment Policy and Investment strategies not less than annually and adopt a written instrument by rule, order, ordinance, or resolution stating such.

The Investment Policy denotes the allowed investment activities, which must conform to all federal, state, and local statutes governing the investment of public and non-public funds. The policy contains relevant information to guide responsible personnel regarding authorized investment activities.

There are no proposed changes to the Investment Policy at this time.

ATTACHMENTS:
Resolution 6100
2021 Investment Policy

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CERTIFICATE FOR RESOLUTION 6100

The undersigned officer of the Housing Authority of the City of San Antonio, Texas, a Texas housing authority created pursuant to the laws of the State of Texas (“SAHA”), hereby certifies as follows:

1. In accordance with Chapter 551, Texas Government Code, as amended (the “Open Meetings Act”), and the bylaws of SAHA, the Board of Commissioners of SAHA (the “Board”) held a meeting on February 4, 2021, (the “Meeting”) of the duly constituted officers and members of the Board, at which a duly constituted quorum was present. Whereupon among other business transacted at the Meeting, a written

RESOLUTION 6100, CERTIFYING THAT THE SAN ANTONIO HOUSING AUTHORITY’S INVESTMENT POLICY AND INVESTMENT STRATEGIES HAVE BEEN REVIEWED IN ACCORDANCE WITH THE REQUIREMENTS SET FORTH IN SECTION 2256.005 (e) OF THE TEXAS PUBLIC FUNDS INVESTMENT ACT

(the “Resolution”) was duly introduced for the consideration of the Board and discussed. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of the Resolution, prevailed and carried by a majority vote of the Board.

2. A true, full, and correct copy of the Resolution adopted at the Meeting is attached to and follows this Certificate; the Resolution has been duly recorded in the Board’s minutes of the Meeting; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting; and the Meeting was held and conducted in accordance with the Open Meetings Act and the Bylaws of SAHA.

SIGNED AND SEALED this 4th day of February 2021.

Ed Hinojosa, Jr.
Interim President and CEO

San Antonio Housing Authority
Resolution 6100

RESOLUTION 6100, CERTIFYING THAT THE SAN ANTONIO HOUSING AUTHORITY'S INVESTMENT POLICY AND INVESTMENT STRATEGIES HAVE BEEN REVIEWED IN ACCORDANCE WITH THE REQUIREMENTS SET FORTH IN SECTION 2256.005 (e) OF THE TEXAS PUBLIC FUNDS INVESTMENT ACT

WHEREAS, the State of Texas has passed legislation requiring written Investment Policies for all public agencies; and

WHEREAS, the State requires the governing body of an investing entity review its Investment Policy and Investment strategies not less than annually and adopt a resolution stating such; and

WHEREAS, staff of the Authority has previously prepared the Investment Policy to meet the requirements of the State of Texas Law; and

WHEREAS, there are no proposed changes to this policy at this time.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of SAHA hereby:

Approves Resolution 6100, certifying the Investment Policy and Investment strategies have been reviewed.

Passed and approved the 4th day of February 2021.

____

Ana M. "Cha" Guzman
Chair, Board of Commissioners

Attested and approved as to form:

____

Ed Hinojosa, Jr.
Interim President and CEO

INVESTMENT POLICY
February 4, 2021

1.0 POLICY:

It is the policy of the Housing Authority of the City of San Antonio, Texas to invest all funds in a manner that will provide the highest investment return with the maximum security while assuring sufficient liquidity to meet the daily cash flow demands of the Housing Authority. Investment activities must conform to all federal, state, and local statutes governing the investment of public and non-public funds.

2.0 SCOPE:

This investment policy applies to all financial assets of the Housing Authority and related entities. These funds are accounted for in the Housing Authority Annual Audit Reports and include:

2.1 Operating Funds and Reserves for Public Housing, Section 8, and all programs

2.2 Development Reserves, Bond Proceeds, and Escrow Accounts

2.3 Any newly acquired or special funds

2.4 Non-Profit and Partnership Funds

3.0 OBJECTIVE:

As required by the Act, the investment of funds shall be governed by the following investment objectives, in order of preference:

3.1 Preservation and Safety of Principal: Investment decisions of the Authority shall be undertaken in a manner that seeks to ensure the preservation and safety of capital in the overall portfolio. To obtain this goal, adequate diversification is required to assure that potential losses on individual investments do not exceed the income generated from the remainder of the portfolio. There shall be a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis.

3.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements that might be reasonably anticipated. Investment in securities with an active secondary market are preferred investments.

3.3 Yield and Return on Investment: The San Antonio Housing Authority investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the Authority's investment risk constraints and cash flow characteristics of the portfolio.

3.4 Legal Limitations: Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code and the U. S. Department of Housing and Urban Development Public and Indian Housing Notice 95-27 issued May 11, 1995.

3.5 Administrative Cost: In choosing an investment, the San Antonio Housing Authority shall consider the administrative work involved, particularly with regards to investments of short duration.

4.0 PRUDENCE:

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Prudence shall be measured by considering the investment of all funds or funds under the entity's control over which the officer had responsibility rather than a consideration as to the prudence of a single investment.

This standard states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived." The investment officer and those delegated with investment authority under this policy, when acting in accordance with the written procedures and this policy in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio, provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner and that appropriate action is taken to control adverse market effects.

5.0 DELEGATION OF AUTHORITY:

The Board of Commissioners of the Housing Authority of the City of San Antonio retains the ultimate responsibility as fiduciaries over the assets of the organization. The Board hereby delegates to the CEO and the CEO's designated staff the day-to-day responsibility of managing the Housing Authority's investment activities. The CEO will report the investment activities to the Board of Commissioners on at least a quarterly basis as required by the Public Funds Investment Act.

The CEO, with assistance from the CEO's designated staff, will establish the system of procedures and controls to regulate the investment activities. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established and approved by the President and CEO. The CEO designates the Chief Financial Officer as responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. The Chief Financial Officer will also oversee all investment activities and assure that appropriate internal controls are in place and being followed.

The CEO also designates the Director of Finance and Accounting as the Investment Officer of the Housing Authority to be responsible for the day to day operating decisions related to investment decisions and activities. In addition, the Investment Officer shall be responsible for all transactions undertaken and together with the Chief Financial Officer, shall establish a system of procedures and controls to regulate the activities of subordinate officials and staff. The CEO, Chief Financial Officer, and Director of Finance and Accounting shall be authorized to make investment decisions and place investment orders. All participants in the investment process shall act responsibly as custodians of the public trust.

6.0 ETHICS AND CONFLICTS OF INTEREST:

Officers, employees, board members, and investment officials involved in the investment process shall refrain from personal business activity that could conflict, or could reasonably be perceived as a conflict, with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers, employees, board members, and investment officials shall disclose to the President and CEO, in writing, any material financial interests in financial institutions that conduct business with this Authority. Officers, employees, board members, and investment officials shall further disclose any large personal financial investment positions that could be related to the investment activities of the Housing Authority, particularly with regard to the time of purchases and sale of investments. All Federal, State of Texas, and Housing Authority Ethics Policies shall be strictly followed.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:

The Investment Officer shall maintain a list of all financial institutions authorized to provide investment services for the Housing Authority.

7.1 All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with annual financial statements and certification in writing that the financial institution or the broker/dealer has read and will follow all Federal and State of Texas laws and regulations regarding investments made by the San Antonio Housing Authority.

7.2 An annual review of the financial statements will be completed by the Investment Officer.

7.3 A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Housing Authority transacts business.

7.4 The board or designated investment committee of the San Antonio Housing Authority shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the San Antonio Housing Authority.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS:

8.1 HUD Funds: The San Antonio Housing Authority is required to invest HUD sourced funds in investments approved by the U.S. Department of Housing and Urban Development. These investments must be fully collateralized. ATTACHMENT A is applicable to HUD funds and contains a listing and description of approved investments.

8.2 Non-HUD Funds: Funds in excess of HUD funds, unrestricted funds, reserves, partnership funds, bond proceeds, foundation funds, and other funds are not subject to ATTACHMENT A; however, these funds shall be invested in accordance with the Public Funds Investment Act.

9.0 COLLATERALIZATION:

Full collateralization is required for all Housing Authority investments. In order to protect the Housing Authority assets collateralization of one-hundred percent (100%) is required at all times. All collateral shall conform to those investment instruments listed in ATTACHMENT A of the Public Funds Investment Act.

Collateral will always be held by an independent third party with whom the financial institution or broker/dealer has a current custodial agreement. A clearly marked evidence of ownership or safekeeping receipt must be available to the Housing Authority.

Collateral substitution may be allowed when the substituted collateral is on the approved list of investments listed in ATTACHMENT A or the Public Funds Investment Act.

10.0 DIVERSIFICATION:

The San Antonio Housing Authority will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50% of the San Antonio Housing Authority total investment portfolio will be invested in a single security type or in securities issued by a single financial institution or broker/dealer.

11.0 MAXIMUM MATURITIES:

11.1 Operating Funds: To the extent possible the San Antonio Housing Authority will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest in securities maturing more than three years (3) from the date of purchase. This maximum maturity policy applies to all operating funds.

11.2 Non-operating or Excess Funds: Funds in excess of operating needs, unrestricted funds, foundation funds, bond proceeds, reserves, escrow funds, and other funds not required for operations may be held in securities without regard to the three year (3) limitation referenced in Section 11.1. The Investment Officer shall assure that sufficient liquidity exists at all times to meeting operating commitments.

12.0 INTERNAL CONTROL:

The Investment Officer shall establish an annual process of independent review as part of the annual audit. This review will provide internal control by assuring compliance with policies and procedures.

13.0 PERFORMANCE STANDARDS AND REPORTING:

As required by Section 2256 of the Public Funds Act, at least quarterly, the Investment Officer or designee will prepare an investment report for the Housing Authority Board of Commissioners. The report shall contain the name of the financial institution or broker/dealer holding the investment, the investment position, the cost of the investment, the fair market value, the purchase date, maturity date, and any interest accrued. Investment performance will be measured by standards set by the U.S. Department of Housing and Urban Development.

14.0 INVESTMENT POLICY ADOPTION:

The San Antonio Housing Authority investment policy shall be adopted by resolution of the Board of Commissioners. The policy shall be reviewed on a periodic basis and revised by the Investment Officer as necessary. It is the intent of the Housing Authority that if any changes of federal or State of Texas laws affect this policy, the new law or change becomes effective as stated and this policy is automatically conformed to existing law.

15.0 EXEMPTION:

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements contained herein. At maturity or liquidation, such funds shall be reinvested only as provided by this policy.

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ATTACHMENT A

INVESTMENT INSTRUMENTS APPROVED BY HUD

1. DIRECT OBLIGATION OF THE FEDERAL GOVERNMENT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES

    a. U.S. Treasury Bills

    b. U. S. Treasury Notes and Bonds

        (1) U.S. Treasury Notes

        (2) U.S. Treasury Bonds

2. OBLIGATIONS OF FEDERAL GOVERNMENT AGENCIES

    a. Federal Financing Bank (FFB)

    b. Government National Mortgage Association (GNMA). Mortgage-Backed Securities (GNMA I and GNMA II)

    c. GNMA Participation Certifies

    d. Maritime Administration Merchant Marine Bonds, Notes, and Obligations

    e. Small Business Administration (SBA). Small Business Investment Corporation (SBIC) Debentures

    f. Tennessee Valley Authority (TVA) Power Bonds and Notes

3. SECURITIES OF GOVERNMENT-SPONSORED AGENCIES

a. Farm Credit Consolidated System-Wide Discount Notes

b. Federal Farm Credit Banks Consolidated System-Wide Bonds

c. Federal Home Loan Banks Consolidated Obligations

These securities are the secured joint and several obligations of the Federal Home Loan Banks comprised of:

(1) Bonds

(2) Notes

(3) Discount Notes

d. FHLMC Mortgage Participation Certificates (PC) (Guaranteed)

e. FHLMC Collateralized Mortgage Obligations (CMOs)

f. Federal National Mortgage Association (FNMA) Debentures

g. FNMA Notes

h. FNMA Short-Term Discount Notes

i. FNMA Capital Debentures

j. Student Loan Marketing Associations (SLMA) Obligations

SLMA issues obligations comprises of guaranteed student loans as follows:

(1) Floating Rate and Master Notes

(2) The Series E and F Floating Rate Notes

(3) Zero Coupon Notes

4. DEMAND AND SAVINGS DEPOSITS

5. MONEY-MARKET DEPOSIT ACCOUNT

6. MUNICIPAL DEPOSITORY FUND

7. SUPER NOW ACCOUNTS

8. CERTIFICATES OF DEPOSIT

a. Certificates of Deposit are permitted at depository institutions that are insured by an agency of the Federal Government. Caution must be exercised for certificates exceeding the $250,000.00 insurance limit or when the term is longer than 30-90 days. The new FDIC limit of $250,000.00 is in effect through December 2013. Although the certificates' rate of return may be attractive for larger amounts and longer terms, U. S. treasury Securities offer superior safety and liquidity for the same amounts and terms. Certificates shall be in the HA's name. In addition a General Depository Agreement must be executed by each financial institution that issues a Certificate of Deposit.

b. Certificate amounts above $250,000.00 are permitted provided that the excess is 100 percent collateralized by clearly identified (not pooled) U.S. Government securities. Possession of the collateral securities and a continuous perfected security interest may be the only sure protection against loss in case of bank failure.

c. Brokered deposits should be avoided because it is impossible to get $100,000.00 federal insurance on a number of deposits placed by brokers.

9. REPURCHASE AGREEMENTS

Repurchase (repos) agreements for a term not to exceed 30 days may be entered into with Federally insured depository institutions to purchase and sale of securities identified under subparagraphs b, c, and d. A repurchase agreement is an agreement negotiated with a bank usually for a short period (1 to 7 days) wherein securities approved for investment are purchased from that bank at a stated price with the bank agreeing to repurchase them on a specified date for a specified amount. The minimum may vary, although it is usually $100,000.00. There are three main types: (1) fixed term, where both parties are bound to the negotiated time period; (2) demand, where the agreement stays in effect until terminated by either party, and; (3) day-to-day, where daily renewal is by mutual consent and 24-hour notice is required for termination. The HA should review existing and future repos for compliance with the following certifications. Prior approval by HUD is not necessary, however, the repos seller depository or its agency must provide a written certification to HUD, Assistant Secretary for Public and Indian Housing (Office of Finance and Budget), the Area Office, and to the HA.

a. that the depository's repo program complies with applicable Federal and State statutes and regulations and that the program does not involve sales or loans of Federal securities by securities dealer that are not regulated or that report to the Federal Reserve Board;

b. that the depository owns the underlying Federal securities (approved for repurchase under HUD guidelines) when the repo interest is sold and that the value of the securities is equal to or greater than the amount the HA pays for the repo;

c. that the HA has possession of the securities (or the HA will take possession of the securities on behalf of the HA) as a bailee (evidenced by a safe keeping receipt and a written bailment for hire contract), from the time the repo interest is sold to the HA and will be (or is expected to be) maintained for the full term of the repo;

d. that the repo agreement and any related documents identify specific Federal securities related to the specific repo purchased by the HA;

e. that the repo interest does not represent any interest in a pool or fund of Federal securities for which registration under the Investment Company Act of 1940 may be required;

f. that the HA will have a continuous perfected security interest in the underlying Federal securities under State or Federal law for the full term of the repo (disclosing the method by which perfection has or will be accomplished, i.e., by possession, filing, registration of book-entry securities) and/or Federal preemption of State law by Federal regulation;

g. that the depository or a reporting dealer selling the repo has not received any adverse financial report from a credit reporting agency, State or Federal regulatory agency; and

h. that the depository will not substitute other securities as collateral, except to increase the value of the repo security to match the repo's purchase price.

10. SWEEP ACCOUNTS

11. SEPARATE TRADING OF REGISTERED INTEREST AND PRINCIPAL OF SECURITIES (STRIPS)

12. MUTUAL FUNDS

A Mutual Fund (Fund) is an investment company that makes investments on behalf of individuals and institutions. The Fund pools the money of the investors and buys various securities that are consistent with the Fund's objective.

a. Mutual Fund Criteria: The Fund shall be organized as a no-load, open-end, diversified management company and its shares shall be registered under the Securities Act of 1993. The Fund shall be under the control of the Securities Exchange Act of 1934, Investment Adviser Act of 1940, and the Investment Company Act of 1940. The investment objective of the Fund shall be to obtain as much income as possible consistent with the preservation, conservation, and stability of capital. The mutual fund objective cannot be changed without the prior approval of fund shareholders.

b. The securities purchased by the Fund shall be on the HUD-approved list of investment securities. The fund will not engage in options or financial futures. The HA shall limit the amount of funds invested in the Fund to no more than 20 percent of the HA's available investment funds. The Fund shall disclose clearly the basis of earnings and how they are distributed. The HA shall obtain a statement of potential default and risk. The HA's invested funds shall be accessible to the HA daily. It shall be demonstrated that any limitations on withdrawals will not impair the HA's day-to-day cash management needs.

c. The management fee shall be fixed at a reasonable amount. The Fund shall disclose the relationships of the investment advisor, manager, trustee, custodian, and transfer agent. The Fund shall clearly state all services (such as wire transfers and check writing privileges) and charges.

d. Investment in the Fund shall be authorized by a Board Resolution. A certified copy of the resolution shall accompany the initial application for the Fund.

13. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this section does not qualify as an authorized investment during the period the investment does not have the minimum rating. Management has the authority to waive the minimum portfolio credit quality if the quality decline is due to a downgrade or default of U.S. Government securities. The San Antonio Housing Authority shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

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MEMORANDUM

To: Finance Committee

From: Ed Hinojosa, Jr., Interim President and CEO DS EHJ

Presented by: Aiyana Longoria, Director of Internal Audit

RE: Update and Discussion Regarding Internal Audit

SUMMARY:

Internal Audit provides independent and objective assurance, auditing, and consulting services to add value, improve internal controls, and strengthen the Agency's operations. The function helps the Housing Authority accomplish its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. In addition to its oversight activities, internal audit serves as a resource for identifying opportunities for best practices and efficiencies. The mission of the San Antonio Housing Authority Internal Audit Department is to:

- Ensure the Housing Authority remains a good steward of the public trust by working with all levels of management and staff, as well as the Board of Commissioners, to identify significant risk areas and the internal controls in place to mitigate those risks;
- Provide continuous quality improvement through the review of processes and procedures to identify operational efficiencies and best practices; and,
- Perform all assurance and consulting activities with the highest level of integrity and objectivity.

In accordance with the approved Internal Audit Charter, the Director of Internal Audit (i.e., the Chief Audit Executive), is required to communicate any significant deviation from the approved internal audit plan to the Audit Committee, the President and CEO, and the Legal and Compliance Officer, or equivalent, through periodic activity reports.

This update provides the required communication, as follows:

- Internal Audit Department Update
- Internal Audit Plan Status - FY 2020-2021 Quarter 3
- Summary and Status of Management Corrective Action Plans (related to Internal Audit reporting)

Management Corrective Action Plans resulting from internal audits are entered into a spreadsheet to allow for easier tracking of the status of open items. A copy of the spreadsheet is attached. Each of the action items are color-coded to indicate their status as follows: green indicates the action has a due date 30 days or more in the future, red indicates that the action is behind schedule, and yellow indicates the action has a due date less than 30 days in the future.

PROPOSED ACTION:
None at this time.

FINANCIAL IMPACT:
Not applicable.

STRATEGIC GOAL:
Transform core operations to be a high performing and financially strong organization.

ATTACHMENTS:
Slide presentation: Internal Audit Update – January 21, 2021
Summary and Status of Management Corrective Action Plans as of 1/4/2021

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Internal Audit Update

Presentation to Finance Committee
January 21, 2021

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Internal Audit Q3 Activities in Support of SAHA Strategic Goals

- **Strategic Goal 1:** ***Empower and equip families to improve their quality of life and achieve economic stability***
  - Working with CDI Family Self-Sufficiency program on escrow review process and streamlining review to meet the changes in the FSS program direction

- **Strategic Goal 5:** ***Transform core operations to be a high performing and financially strong organization***
  - CSA for Disaster Preparedness
  - Audit of Vendor Quality and Dispute Resolution
  - Audit of Waitlist and Tenant Selection Plans for Third Party Managed Communities
  - Modified Operations Compliance Audits

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Status of 2019-2020 Internal Audit Plan

Internal Audits

- **Audit of Resident and Program Participant Termination Process in Federal Housing Programs**
  - ➢ Final Report sent to the Finance Committee on December 18, 2020
    - ❑ Three Significant Deficiencies, Four Other Internal Control Deficiencies, and Two Observations
    - ❑ Items pending correction will be monitored until completed
  - ➢ Completion of this report closes out the audits from FY 2019-2020

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Status of 2020-2021 Audit Plan

❑ Control Self-Assessment (CSA) Disaster Preparedness

- ➢ CSA is led by Internal Audit, but working group consists of representation from:
    - ❑ Federal Housing Programs, Beacon Communities, Innovative Technology, Human Resources, Safety and Security, Risk, Construction Services, Public Affairs, Community Development Initiatives, and Regulatory Compliance
- ➢ Document has been drafted, working group will reconvene in January 2021, to review the draft final Disaster Preparedness Plan and determine next steps

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Status of 2020-2021 Audit Plan, cont'd.

- **Audit of Vendor Quality and Dispute Resolution**
  - Audit in progress, kick-off meeting held November 6, 2020
  - Audit will review 26 vendors awarded through 14 contracts that were renewed during the scope period of October 1, 2019 - September 30, 2020
- **Audit of Waitlist and Tenant Selection Plans for Third Party Managed Communities**
  - Audit in progress, kick-off meeting held on November 13, 2020
  - Audit will review: Sutton Oaks, the Park at Sutton Oaks, San Juan I, San Juan II, and the Gardens at San Juan Square, Wheatley Senior, and East Meadows I

Status of 2020-2021 Audit Plan, cont'd.

Compliance Audits

- **Assisted Housing Program** *(Ongoing)*
  - Continued Modified operations compliance audits for AHP consisting of:
    - ➢ New Admissions Income Targeting and Prorated Rent - audit verifies move-ins were not over the income limit at admission and prorated rents were correct
    - ➢ Over and Under Housed Report - audit to identify if the over/under is due to a Reasonable Accommodation or if the over or under housed has been addressed (via notes)
    - ➢ Certification Audit Report - the review will cover when certifications were open, approved and effective, and that the Housing Assistance Payment/Utilities Assistance Payment (HAP/UAP) differences are correct
    - ➢ Review of Port Out billing - audit of HAP/UAP for clients that have ported out to other housing authorities
    - ➢ Review of HAP/UAP and prorated rent - review of newly executed HAP contracts

Status of 2020-2021 Audit Plan, cont'd.

Compliance Audits cont'd.

- **Public Housing** *(Ongoing)*
  - Continued Modified operations compliance audits for PH consisting of:
    - Certification Audit report - audit of date certifications were open, approved, and effective
    - Security deposit report - audit to verify what was charged and collected
    - Transfer report - audit to verify that a valid certification was processed within 120 days of the transfer or that a new one was completed, if the last certification was older than 120 days
    - Flat Rent and Utility Allowance - review of occupied units to determine if the correct flat rent and utility allowances are utilized
    - Over/Under Housed - review all occupied units and determine if the resident is in the correct sized unit

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Action Items

Status of Corrective Action Items resulting from Internal Audits

- Currently, there are twenty four (24) open action items
- Nineteen (19) of the action items are expected to be completed this fiscal year
- Five (5) of the action items are expected to be completed next fiscal year, 2021-2022

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Status of Third Party Audits

9

There are no Third Party Audits to report

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QUESTIONS?

STATUS OF MANAGEMENT CORRECTIVE ACTION ITEMS as of 1/4/21

Audit Plan Year	Final Report Date	Audit Title	Finding Type	Finding Number and Title	Finding / Condition Description and Recommendation	Management's Corrective Action Plan	Original Estimated Completion Date	Revised Estimated Completion Date	Status	Resp. Officer's Initials	Comments
	Fiscal Year 2016-2017										
FY 16-17	8/20/18	Audit of CDI Grant Funds	Internal Control Deficiency	Finding 3 - *BCJI - Delay in the Initial Execution of the Grant*	The BCJI grant was awarded on September 25, 2012, to be effective October 1, 2012. Selection of the research partner, Trinity University, was not presented to the Board of Commissioners until June 21, 2013, almost nine months later. **Recommendation** To ensure compliance with grant provisions, CDI should develop a standard operating procedure for each grant. The procedure should address all grant provisions including, but not limited to, documentation, drawdown, and reporting requirements.	*[CDI] staff will review notes from Grants Committee meetings and complete a grants SOP for the Department.*	12/31/2018	3/31/2021	***In Progress***	BP	SOP for Grant Procedures, Monitoring, and Oversight has been drafted. It is pending review and approval from grant committee.
FY 16-17	8/20/18	Audit of CDI Grant Funds	Internal Control Deficiency	Finding 5 - *BCJI - Missed Financial Reporting Deadlines*	Of the 19 Federal Financial Reports reviewed for the BCJI grant, five were filed over one day after the due date as indicated on the electronic confirmation receipt. **Recommendation** A method for monitoring/confirming the report submission should be established to ensure timely reporting.	*a. [CDI] Staff will review notes from Grants Committee meetings and complete a grants SOP for the Department. The SOPs will create a system to ensure that important dates and deadlines are met, including grant performance and financial reports.*	12/31/2018	3/31/2021	***In Progress***	BP	SOP for Grant Procedures, Monitoring and Oversight has been drafted. It is pending review and approval from grant committee.
FY 16-17	8/20/18	Audit of CDI Grant Funds	Internal Control Deficiency	Finding 6 - *BCJI - Late Submission of Expenses*	The Federal Financial Report, submission 12 with a reporting period end date of September 30, 2015, included $2,363.86 in expenses incurred during the previous quarter. These expenses were reported on line 10-e of the Federal Share of Expenditures report, in the column labeled *This Period.* **Recommendation** Ensure that all expenses and related reporting are completed in the required time frame, as listed in the BCJI Grant documentation.	*[CDI] staff will review notes from Grants Committee meetings and complete a grants SOP for the Department. The SOPs will create a system to ensure that important dates and deadlines are met, including grant performance and financial reports.* *The Director of CDI will review and analyze adding an analyst position to the CDI Department. CDI will work with Finance and Accounting to determine the scope of work for the proposed analyst position and determine, during next fiscal year's budget process, if the adding the position is financially feasible.*	7/1/2019	3/31/2021	***In Progress***	BP	SOP for Grant Procedures, Monitoring, and Oversight has been drafted. It is pending review and approval from grant committee.
FY 16-17	4/16/19	Audit of Tenant Participation Funds at Parkview Apartments	Significant Deficiency	Finding 3 - Check Disbursements	**Recommendation** Internal Audit recommends that the Property Manager or Case Management Specialist assist the RC with establishing a bank account that will conform to the requirements set forth in the RC Manual, including the requirement for dual signatures, with the Treasurer being one of the signatories on each disbursement. Additionally, either the Property Manager or the Case Management Specialist should be on the bank account.	*CDI Management will meet with PH Management to determine the best course of action for supporting RC with establishing bank accounts. An SOP will be developed to provide guidance for SAHA staff who have expressed concerns with adding their names to the RC bank account.*	5/8/2019	3/31/2021	***In Progress***	BP	
	Fiscal Year 2019-2020										

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FY 19-20	10/30/20	Audit of Rent Calculation and Collection Processes at Public Housing Communities	Significant Deficiency	Finding 1- Incorrect rent calculations, and incomplete corrections	**Recommendation** Management should reemphasize to staff the importance of accuracy in all aspects of calculating rent amounts, including correctly determining household income and allowances; and in obtaining and reviewing documentation for deductions, as well as the importance of complying with HUD regulations and SAHA policies and procedures for corrections. Management should also develop a monitoring plan to ensure complete corrections for files that have been returned with a rent determination error.	*Intensive Rent Calculation training was conducted June 29 and June 30 for all Public Housing Customer Service Specialists and Assistant Community Managers. The training included methods of verification, annual income calculation, adjusted income calculation, and rent calculation. Management is currently working with Internal Audit and Innovative Technology (IT) to create a quality control database for staff to utilize in correcting deficiencies. The database will enable staff to effectively monitor errors and corrections of files.*	7/31/2021		***In Progress***	BP	
FY 19-20	10/30/20	Audit of Rent Calculation and Collection Processes at Public Housing Communities	Significant Deficiency	Finding 2 - Incorrect collection or application of security deposits	**Recommendation** Management should reemphasize to staff the importance of collecting deposits and verifying that they have been appropriately accounted for in the tenant ledger.	*Monthly Quality control for Security deposit collection Reports has been occurring since July 2020 for Property manager review. Move Out SOP is being updated and training is scheduled for February 2021.*	2/28/2021		***In Progress***	BP	
FY 19-20	10/30/20	Audit of Rent Calculation and Collection Processes at Public Housing Communities	Significant Deficiency	Finding 3 - Incorrect Account Settlement in Elite	**Recommendation** Management should reemphasize to staff the importance of calculating prorated rent and verifying that they have been appropriately accounted for in the tenant ledger.	*The Move Out SOP is being updated and training is scheduled for February 2021.*	2/28/2021		***In Progress***	BP	
FY 19-20	10/30/20	Audit of Rent Calculation and Collection Processes at Public Housing Communities	Significant Deficiency	Finding 4 - Inconsistent move-out procedures	**Recommendation** Written procedures should be established specifically for the move-out process that is separate from the eviction process. The procedures should address the processing time required to close-out tenant accounts, collections process, EIV module notification, as well as standardize usage of entering information into Elite for tenant ledgers, tenant notes, and entity alerts.	*The Move Out SOP is being updated and training is scheduled for February 2021.*	2/28/2021		***In Progress***	BP	
FY 19-20	10/30/20	Audit of Rent Calculation and Collection Processes at Public Housing Communities	Observation	Observation 1 - Electronic Documentation in Shared Google Drive.	**Recommendation** Tenant documents, to include forms and letters, should be "backed up" or copied as a pdf to a shared Public Housing folder in the SAHA Google shared drive. This prevents the need to obtain the physical file when it is not possible, and allows for any SAHA staff person to access this document in the future if the creator of the document is no longer a SAHA employee.	*Management is not currently expecting to move to a digital file system. Move Out SOP is being updated and training is scheduled for February 2021.*	2/28/2021		***In Progress***	BP	

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FY 19-20	10/30/20	Audit of Rent Calculation and Collection Processes at Public Housing Communities	Observation	Observation 2 - Inconsistent application of automated late fees	**Recommendation** Management may need to evaluate the current late fee policy or process to determine if any improvements can be made to reduce the delay in application of late fees.	*Currently, late fees are not being assessed due to COVID-19; however, during this time, staff will be re-evaluating the process for implementation by July 1, 2021, dependent on policy update cycle.*	7/1/2021		***In Progress***	BP	
FY 19-20	10/30/20	Audit of Public Housing Compliance	Significant Deficiency	Finding 5 - Possible unreported income	**Recommendation** Management should reemphasize to staff that the EIV System and/or resident-provided documents must be carefully reviewed and all income verified, to make sure rent amounts are calculated correctly and are based on the resident's entire income.	*Unreported Income SOP will be updated and implemented with training for staff by March 1, 2021.*	3/1/2021		***In Progress***	BP	
FY 19-20	10/30/20	Audit of Public Housing Compliance	Significant Deficiency	Finding 6- Security deposit issues	**Recommendation** Management should reemphasize to staff that a security deposit must be charged and collected.	*Monthly Quality Control for Security deposit collection Reports have been occurring since July 2020 for Property manager review. Move Out SOP is being updated and training is scheduled for February 2021.*	2/28/2021		***In Progress***	BP	
FY 19-20	10/30/20	Audit of Public Housing Compliance	Significant Deficiency	Finding 7 - Annual reexamination not processed prior to a unit transfer	**Recommendation** Management should reemphasize to staff to ensure annual reexaminations are conducted prior to a family moving to a new unit.	*Management will be reevaluating policies and procedures for annual reexaminations at transfers and implement new policy by July 1, 2021.*	7/1/2021		***In Progress***	BP	
FY 19-20	10/30/20	Audit of Public Housing Compliance	Significant Deficiency	Finding 8 - Incorrect prorated rent charged at move-in	**Recommendation** Management should reemphasize to staff the importance of charging the correct prorated rent in conformance with HUD regulations and SAHA policies and procedures.	*Prorated rent procedures will be added to Eligibility SOP and calculation to Adjusted Income Worksheet. Directive will be sent out to staff.*	12/31/2020	1/31/2021	***In Progress***	BP	
FY 19-20	10/30/20	Audit of Public Housing Compliance	Significant Deficiency	Finding 9 - Lack of adequate notification of a rent increase	**Recommendation** Management should reemphasize to staff the significance and the importance of complying with HUD and SAHA requirements.	*Management will issue a directive by November 1, 2020.*	11/1/2020	1/31/2021	***In Progress***	BP	

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FY 19-20	12/18/20	Audit of Resident and Program Participant Termination Process in Federal Housing Programs	Significant Deficiency	Finding 1 - Outstanding debt owed to SAHA	**Recommendation** Ensure every effort is made to recoup monies owed to SAHA to include reporting any bad debt to SAHA's third-party collection agency.	*Assisted Housing Programs has removed the policy to send bad debt to SAHA's third-party collection agency effective July 1, 2020. The change was made due to the concern that the collection reporting would have on the client's credit history. An applicant will not be housed in the future, as all debts will show and they must make arrangements before continuing in the process. Management is currently reviewing current AHP policies / procedures on recoupment of monies for bad debts owed, including performing collections within SAHA. The Public Housing Move Out SOP is being updated to include specific procedures and timeline for collections in order to provide reinforcement of collection policies and procedures for property managers to abide by in collecting debt. Staff training is scheduled for February 2021. Management has followed up with the appropriate property managers to send the monies to collections in PH, and with appropriate action (depending on whether for participant / owner) for AHP cases.*	2/28/2021		***In Progress***	BP	
FY 19-20	12/18/20	Audit of Resident and Program Participant Termination Process in Federal Housing Programs	Significant Deficiency	Finding 2 - Court fees not charged on Public Housing tenant ledgers	**Recommendation** Ensure all charges to include judgments and or evictions are documented and applied consistently to each file.	*Monthly Quality Control for eviction reports will be run for Property Manager review. Move Out SOP is being updated to include move out reason definitions and training is scheduled for February 2021.*	2/28/2021		***In Progress***	BP	
FY 19-20	12/18/20	Audit of Resident and Program Participant Termination Process in Federal Housing Programs	Significant Deficiency	Finding 3 - Terminations not entered into Enterprise Income Verification (EIV)	**Recommendation** Ensure this process is part of the termination/move out checklist and create a standard operating procedure to ensure terminations are entered into the EIV DOTM.	*A reminder will be issued to AHP and PH staff responsible for entering information into EIV. The AHP Terminations SOP will be updated to include the EIV reporting process. PH Move Out SOP being updated will include the EIV reporting process. Will establish a procedure to ensure EIV/PIC Analyst sends out email to Property Managers when submissions are complete to remind properties to enter termination into EIV. Property Manager will QC information entered. Move Out SOP is being updated and training is scheduled for February 2021.*	2/28/2021		***In Progress***	BP	
FY 19-20	12/18/20	Audit of Resident and Program Participant Termination Process in Federal Housing Programs	Internal Control Deficiency	Finding 4 - Termination report discrepancy	**Recommendation** Ensure management confirms all information in Elite is entered properly and any system generated reports reflect accurate information	*Move Out SOP is being updated to include move out reason definitions and training is scheduled for February 2021. A reminder will be issued to staff on termination reasons and reporting.*	2/28/2021		***In Progress***	BP	
FY 19-20	12/18/20	Audit of Resident and Program Participant Termination Process in Federal Housing Programs	Internal Control Deficiency	Finding 5 - Delay in reviewing files for termination	**Recommendation** Ensure staff and management are aware of the importance of sending files through the termination process in a timely manner. Include a time frame to specify how long both staff and management have to review the file prior to sending the file for review of termination.	*A reminder will be issued to staff and a report for expired vouchers will be established to notify staff of when to move forward with termination. Move Out SOP is being updated to include move out reason definitions and training is scheduled for February 2021. The Move Out SOP will include clarification on timelines for Public Housing.*	2/28/2021		***In Progress***	BP	

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FY 19-20	12/18/20	Audit of Resident and Program Participant Termination Process in Federal Housing Programs	Internal Control Deficiency	Finding 6 - Notice to Vacate and/or Final Notice to Vacate (FNTV)	**Recommendation** Ensure procedures are reviewed and reinforced with staff to ensure all required documents are maintained in the program file.	*Move Out SOP is being updated and will include timelines for Notice to Vacates. File Order SOP will be updated to clarify the process for termination / evicted files.*	7/1/2021		***In Progress***	BP	
FY 19-20	12/18/20	Audit of Resident and Program Participant Termination Process in Federal Housing Programs	Internal Control Deficiency	Finding 7 - Missing documentation	**Recommendation** Ensure procedures are reviewed and reinforced with staff to ensure all required documents are maintained in the program file.	*Training will be issued to Assisted Housing Programs staff on termination checklist. AHP Terminations SOP will be updated to include processes for entering Elite notes, reviewing files for proper documentation, and completing the termination checklist. PH Move Out SOP will include and address the process for entering information into Elite and reviewing files for proper documentation. Reminders will be included in training for Public Housing staff and AHP staff.*	7/1/2021		***In Progress***	BP	
FY 19-20	12/18/20	Audit of Resident and Program Participant Termination Process in Federal Housing Programs	Observation	Observation 1 - No abandonment policy	**Recommendation** Recommend adding steps to the PH Eviction SOP regarding when to use the abandonment policy vs court eviction process.	*Move Out SOP is being updated and will include Texas Property Law sections on handling Abandonment of units and related SAHA Policy.*	2/28/2021		***In Progress***	BP	
FY 19-20	12/18/20	Audit of Resident and Program Participant Termination Process in Federal Housing Programs	Observation	Observation 2 - Inconsistent use of Public Housing termination end date	**Recommendation** Ensure an SOP is created to assist staff in clarifying which date to use for the end of participation depending on situations for termination.	*Move Out SOP is being updated and will include effective dates and timelines.*	2/28/2021		***In Progress***	BP	