

# **Housing Authority of the City of San Antonio**

Financial Report and Compliance Report  
June 30, 2023

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## Independent Auditor's Report

To the Board of Commissioners  
Housing Authority of the City of San Antonio

Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Housing Authority of the City of San Antonio (the "Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust (the "Plan"), which comprises the Authority's aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plan, is based solely on the report of the other auditors.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Plan were not audited in accordance with *Government Auditing Standards*.

### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

*Required Supplementary Information*

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of modernization costs is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is also not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*CohnReznick LLP*

Charlotte, North Carolina  
March 30, 2024

## **Housing Authority of the City of San Antonio**

### **Management's Discussion and Analysis—Unaudited Year Ended June 30, 2023**

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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, 2023, related to its business-type activities, as compared to the FY ended June 30, 2022. The business-type activities of the Authority include the following: Public Housing Program, Section 8 Housing Choice Voucher Program, Capital Fund Program, Resident Engagement, 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's trade name is Opportunity Home San Antonio ("Opportunity Home").

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's total net position increased by \$38.8 million, a 12.0% increase from the prior year.
- During FY 2023, the Authority increased its net capital assets by \$29.5 million, attributable to land additions from three new ground lease transactions and a donated land parcel; capitalization of significant construction projects in both the Beacon and Public Housing portfolios; and the purchase of The Ravello, which added 252 units to the Beacon portfolio.
- The Authority was the recipient of 20 Merit Awards from the National Association of Housing and Redevelopment Officials (NAHRO), the nation's leading affordable housing trade association. Seven of the Merit Awards were nominated for Awards of Excellence, the highest accolade for housing authorities demonstrating innovative solutions in affordable housing. In March 2023, NAHRO presented the Authority with three Awards of Excellence for Majestic Ranch (awarded in both the Project Design and Community Revitalization categories) and the Garcia Street Urban Farm Stand.

## Housing Authority of the City of San Antonio

### Management's Discussion and Analysis—Unaudited Year Ended June 30, 2023

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#### **Majestic Ranch**

San Antonio, as a whole, faces the effects of historic socioeconomic segregation, and a looming housing shortfall. Majestic Ranch is a 288-unit multi-family development specifically targeting working families and was built with appropriate design considerations and amenities. It consists of one, two, and three-bedroom mix of units. This community is designed as walkable, sustainable, and inter-generational with improved connections to the surrounding neighborhood. A collaborative process with residents, community leaders, City Partners, Opportunity Home and other stakeholders was key to developing a plan to provide a higher quality of life and long-term sustainability.

#### **Garcia Street Urban Farm Stand**

Food Security at Opportunity Home became a priority after COVID-19 showed us how food insecure our residents are. Prior to COVID, the sustainability staff secured a grant to build an urban farm. The farm, located in a USDA known food desert, was installed to increase health and nutrition in the Eastside of San Antonio. Over the past year, the farm began to host an Urban Farm Stand on Wednesday nights. The stand has been a huge success with the San Antonio community as more residents at Opportunity Home began to frequent the stand over the year. Opportunity Home has been able to partner with other organizations for various events, such as with Metro Health for free COVID-19 vaccines.

- The Authority's current ratio that measures liquidity was 3.68 at June 30, 2023. The ratio is an indicator of the Authority's strong capacity to meet its short-term financial obligations and demonstrates that it has over three dollars of current assets covering each dollar of total current liabilities.
- The Authority's debt-to-net position ratio was 0.38 at June 30, 2023, demonstrating the Authority's strong long-term solvency position. The ratio means the Authority has 45 cents of debt for every dollar of equity.

#### **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.

## Housing Authority of the City of San Antonio

### Management's Discussion and Analysis—Unaudited Year Ended June 30, 2023

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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.

#### **Opportunity Home San Antonio**

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 6,070 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, 2023, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$362,364,496. 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.



## Housing Authority of the City of San Antonio

### Management's Discussion and Analysis—Unaudited Year Ended June 30, 2023

#### Condensed Statements of Net Position Information

Presented below is the Authority's condensed statements of net position for FY 2023 compared to FY 2022. 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 Statements of Net Position

	FY 2023	FY 2022	Increase (Decrease)	Percentage Change
<b>Assets:</b>				
Unrestricted current assets	\$ 76,151,002	\$ 77,713,780	\$ (1,562,778)	(2.0%)
Restricted current assets	51,574,933	34,197,754	17,377,179	50.8%
Net capital assets	371,320,922	341,797,627	29,523,295	8.6%
Other assets	86,578,341	67,703,740	18,874,601	27.9%
Total assets	<u>585,625,198</u>	<u>521,412,901</u>	<u>64,212,297</u>	<u>12.3%</u>
<b>Deferred outflows of resources:</b>				
Deferred charges on refunding	183,001	268,949	(85,948)	(32.0%)
Deferred swap outflows	121,765	55,761	66,004	118.4%
Total deferred outflows of resources	<u>304,766</u>	<u>324,710</u>	<u>(19,944)</u>	<u>(6.1%)</u>
<b>Liabilities:</b>				
Current liabilities	26,447,671	26,702,114	(254,443)	(1.0%)
Current liabilities payable from restricted assets	8,297,884	7,612,876	685,008	9.0%
Noncurrent liabilities	128,034,042	111,834,454	16,199,588	14.5%
Total liabilities	<u>162,779,597</u>	<u>146,149,444</u>	<u>16,630,153</u>	<u>11.4%</u>
<b>Deferred inflows of resources:</b>				
Leased assets	60,222,069	51,854,931	8,367,138	16.1%
Deferred swap inflows	563,802	186,451	377,351	202.4%
Total deferred inflows of resources	<u>60,785,871</u>	<u>52,041,382</u>	<u>8,744,489</u>	<u>16.8%</u>
<b>Net position:</b>				
Net investment in capital assets	232,672,000	218,095,740	14,576,260	6.7%
Restricted net position	45,824,008	36,052,094	9,771,914	27.1%
Unrestricted net position	83,868,488	69,398,951	14,469,537	20.8%
Total net position	<u>\$ 362,364,496</u>	<u>\$ 323,546,785</u>	<u>\$ 38,817,711</u>	<u>12.0%</u>

#### Assets

The Authority's total assets at June 30, 2023 and 2022, amounted to \$585.6 million and \$521.4 million, respectively, reflecting an increase of 12.3%. Unrestricted current assets decreased by \$1.6 million, or 2.0%, due primarily to a decrease in unrestricted cash which was partially offset by an increase in various accounts receivable. The \$17.4 million, or 50.8%, increase in restricted current assets resulted chiefly from an increase in restricted cash. The most significant contributor to this increase was the receipt of \$7.1 million received in connection with the Refugio Street LP refinance in which proceeds were used to pay down \$7.1 million of the Refugio HOPE VI note owed from Refugio Street LP to Refugio Street Public Facility Corporation. Net capital assets increased by \$29.5 million, or 8.6%, due largely to an increase in buildings of \$39.0 million which resulted from the acquisition of The Ravello Apartments and capitalization of various Beacon and Public Housing projects. Additionally, land increased by \$14.2 million due to three new ground lease transactions entered into for the Horizon Pointe, Bristol at Somerset, and Vista at Silver Oaks developments and a land donation associated with the Potranco development. Partially offsetting the overall increase in net capital assets was an increase in accumulated depreciation of \$26.2 million.

## Housing Authority of the City of San Antonio

### Management's Discussion and Analysis—Unaudited Year Ended June 30, 2023

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Other assets increased by \$18.9 million, or 27.9%, due primarily to an increase in development fees receivable of \$13.2 million and new note issuances totaling \$3.1 million.

#### ***Liabilities***

Total liabilities of the Authority were \$162.8 million and \$146.1 million at June 30, 2023 and 2022, respectively, an increase of 11.4%. Current liabilities totaled \$26.4 million and experienced a slight decrease of \$0.3 million, or 1.0%, from the prior year. Current liabilities payable from restricted assets increased by \$0.7 million, or 9.0%, attributable to a net increase in the current portion of long-term debt. Noncurrent liabilities increased by \$16.2 million, or 14.5%, due primarily to new debt. Construction draws related to 100 Labor added \$10.6 million of new debt. Furthermore, the Science Park, O'Connor, Refugio, and The Ravello refinances resulted in an aggregate addition to debt of \$25.4 million. Partially offsetting the overall increase was the debt payoff for nine Beacon properties (Bella Claire, Churchill Estates, Claremont, Homestead, Towering Oaks, Monterrey Park, La Providencia, Castle Point, and Warren House) totaling \$12.8 million. Also partially offsetting the overall increase was a \$7.3 million reclass of Sendero I PFC long-term debt to current debt due to its scheduled maturity in January 2024.

#### ***Net Position***

The Authority's net position totaled \$362.4 million at June 30, 2023, and is comprised of net investment in capital assets of \$232.7 million; restricted net position of \$45.8 million and unrestricted net position of \$83.9 million. Total net position increased by \$38.8 million, or 12.0%, 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 2023 compared to FY 2022. 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.

## Housing Authority of the City of San Antonio

### Management's Discussion and Analysis—Unaudited Year Ended June 30, 2023

#### Statements of Revenues, Expenses and Changes in Net Position

	FY 2023	FY 2022	Increase (Decrease)	Percentage Change
<b>Operating revenues:</b>				
Tenant	\$ 38,454,200	\$ 37,570,220	\$ 883,980	2.4%
HUD operating subsidy and grant revenue	181,858,671	143,926,693	37,931,978	26.4%
Other revenue	24,823,667	17,842,312	6,981,355	39.1%
Total operating revenues	245,136,538	199,339,225	45,797,313	23.0%
<b>Operating expenses:</b>				
Administrative	40,770,012	36,188,403	4,581,609	12.7%
Tenant services	4,327,773	1,979,018	2,348,755	118.7%
Utilities	9,657,461	9,392,137	265,324	2.8%
Ordinary maintenance and operations	43,827,411	34,787,542	9,039,869	26.0%
Protective services	2,649,505	1,402,659	1,246,846	88.9%
Insurance	4,580,288	3,604,657	975,631	27.1%
Bad debts (recovery)	(546,490)	(229,254)	(317,236)	138.4%
Other	2,782,778	2,351,149	431,629	18.4%
Housing assistance payments	93,592,130	90,892,973	2,699,157	3.0%
Depreciation	14,534,494	15,649,837	(1,115,343)	(7.1%)
Total operating expenses	216,175,362	196,019,121	20,156,241	10.3%
Operating income (loss)	28,961,176	3,320,104	25,641,072	772.3%
<b>Nonoperating revenues (expenses):</b>				
Investment income	2,907,716	32,061	2,875,655	8969.3%
Interest income—leases	121,605	92,051	29,554	32.1%
Mortgage interest income	1,155,344	1,187,682	(32,338)	(2.7%)
Recovery of Section 8 funds	25	2,644	(2,619)	(99.1%)
Interest expense	(5,494,879)	(5,168,791)	(326,088)	6.3%
Amortization expense	(322,532)	-	(322,532)	N/A
Gain (loss) on disposition/retirement of capital assets	(167,602)	(301,026)	133,424	(44.3%)
Purchase of limited partnership interests	(883,819)	(900,000)	16,181	(1.8%)
Other acquisition costs	(700,824)	-	-	N/A
Donations—land	5,196,753	3,800,000	1,396,753	36.8%
Insurance recoveries, net	1,553,696	1,200,056	353,640	29.5%
Refinancing and closing costs	(998,969)	(134,647)	(864,322)	641.9%
Trustee and swap advisor fees	(14,210)	(26,040)	11,830	(45.4%)
Total nonoperating revenues (expenses)	2,352,304	(216,010)	2,568,314	(1189.0%)
Increase (decrease) in net position before capital contributions	31,313,480	3,104,094	28,209,386	908.8%
Capital contributions	8,339,837	6,907,457	1,432,380	20.7%
Equity transfers	(1,165,243)	(84,363)	(1,080,880)	1281.2%
Change in net position	38,488,074	9,927,188	28,560,886	287.7%
Net position at beginning of year	323,546,785	309,925,659	13,621,126	4.4%
Change in reporting entity	329,637	3,693,938	(3,364,301)	(91.1%)
Net position at end of year	\$ 362,364,496	\$ 323,546,785	\$ 38,817,711	12.0%

## Housing Authority of the City of San Antonio

### Management's Discussion and Analysis—Unaudited Year Ended June 30, 2023

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#### **Operating Revenues and Expenses**

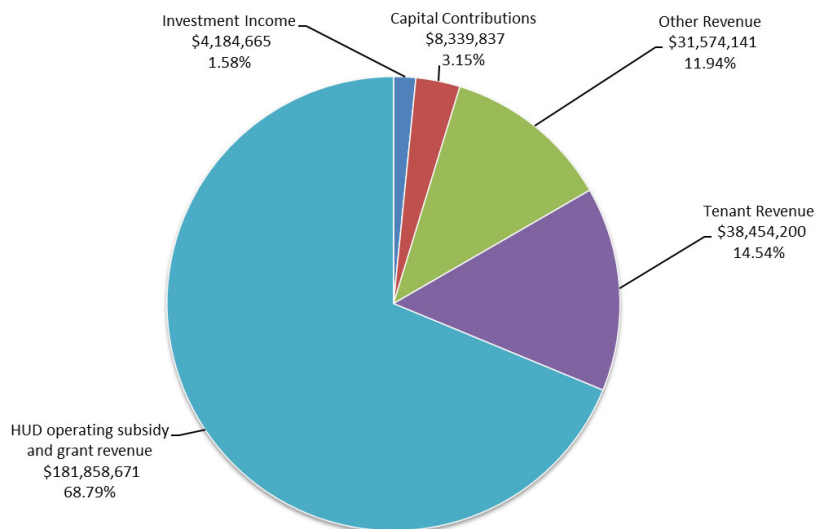
Operating revenues increased by \$45.8 million, or 23.0%, over the previous year and operating expenses increased by \$20.2 million, or 10.3%. HUD operating subsidy and grant revenue was \$37.9 million, or 26.4%, higher compared to FY 2022 primarily due to an increase in Section 8 Housing Assistance Payments ("HAP") revenue. Section 8 HAP was \$129.6 million in FY 2023 versus \$95.7 million in FY 2022 and resulted from a rise in both leasing and payment standards. The primary source of revenue, other than HUD funding, is tenant revenue, which increased by \$0.9 million, or 2.4%, over the prior year. The \$7.0 million, or 39.1%, increase in other revenue was chiefly due to an increase in development fee revenue. The most significant increase in operating expenses was ordinary maintenance and operations expense which increased \$9.0 million, or 26.0%, due to amplified efforts to address a backlog of maintenance and repairs as well as increased costs due to the current inflationary environment. Administrative expenses increased by \$4.6 million, or 12.7%, largely due to an increase in administrative staff salaries. Depreciation expense, which does not require cash expenditures, but impacts the total operating expenses, totaled \$14.5 million.

#### **Nonoperating Revenues, Expenses and Changes in Net Position**

The change in net position from FY 2022 to FY 2023 was an increase of \$38.5 million compared to an increase of \$9.9 million from FY 2021 to FY 2022. Investment income earned in FY 2023 increased by \$2.9 million due to favorable interest rates. During FY 2023, the Authority recognized a land donation of \$5.2 million related to the Potranco Apartments. The purchase of limited partnership interests of \$0.9 million and other acquisition costs of \$0.7 million were associated with the purchase of New Braunfels 2 Housing, LP to acquire The Ravello Apartments. Refinancing and closing costs of \$1.0 million were associated with the refinances of Science Park, O'Connor, and Refugio. Capital contributions, which increased by \$1.4 million compared to the previous year, was comprised of HUD capital grants totaling \$8.3 million.

#### **Revenue by Source—Business-Type Activities**

Total Revenue—\$264,411,514

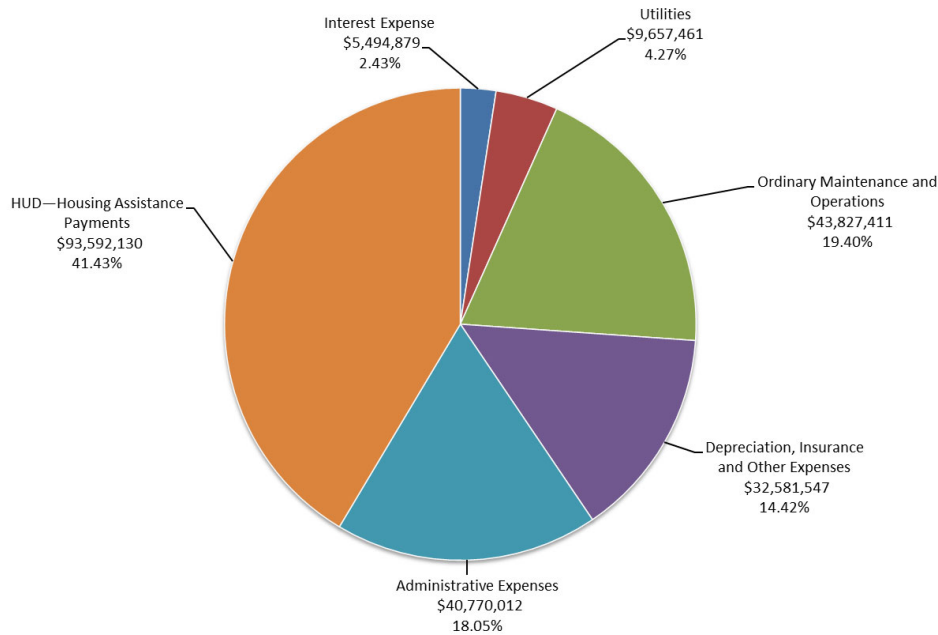


**Housing Authority of the City of San Antonio**

**Management’s Discussion and Analysis—Unaudited  
Year Ended June 30, 2023**

**Expenses by Use—Business-Type Activities**

Total Expenses—\$225,923,440



**Capital Assets and Debt Administration**

**Net Capital Assets**

At the end of FY 2023, the Authority had invested \$371,320,922 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 2023:

**Schedule of Changes in Capital Assets—FY 2023**

Beginning net capital assets	\$ 341,797,627
Additions and transfers in/out	48,430,000
Deletions, net	(4,372,211)
Depreciation	(14,534,494)
Ending net capital assets	<u>\$ 371,320,922</u>

Net capital assets increased by \$29.5 million in FY 2023 when compared to FY 2022. Additions and transfers totaled \$48.4 million, while deletions totaled \$4.4 million. Total depreciation expense for FY 2023 was \$14.5 million. The majority of the additions were attributable to buildings, land, and construction in progress. Additional information on the Authority’s capital assets can be found in Note 8 of the notes to financial statements.

## Housing Authority of the City of San Antonio

### Management's Discussion and Analysis—Unaudited Year Ended June 30, 2023

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#### ***Long-Term Debt***

At the end of FY 2023, the Authority had total long-term debt of \$136.9 million. Of this amount, \$45.0 million represents bonds that were issued to purchase or rehabilitate properties owned by component units of the Authority. The Authority's debt increased by \$12.0 million when compared to FY 2022.

Additional information on the Authority's long-term debt can be found in Note 10 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 operating budgets for the Authority's 2023-2024 FY were approved by the Board of Commissioners on June 7, 2023, and became effective July 1, 2023. The Authority's budget is balanced, with estimated revenues of \$258.0 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 57,000 children, adults, and senior citizens served through its three core housing programs: Section 8, Public Housing, and Beacon Communities. In FY 2024, 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.

**Housing Authority of the City of San Antonio**

**Management's Discussion and Analysis—Unaudited  
Year Ended June 30, 2023**

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**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:

Opportunity Home San Antonio  
Attn: Diana Kollodziej Fiedler, CPA  
Chief Financial Officer  
P.O. Box 1300  
San Antonio, Texas 78295-1300

## **Basic Financial Statements**



## Housing Authority of the City of San Antonio

### Statement of Net Position

June 30, 2023

#### Assets and Deferred Outflows of Resources

##### Assets:

##### Current assets:

##### Unrestricted assets:

##### Cash and cash equivalents:

##### Unrestricted

##### Tenant security deposits

##### Accounts receivable—HUD

##### Accounts receivable—miscellaneous

##### Accounts receivable—tenants

##### Allowance for doubtful accounts—tenants

##### Notes and mortgages receivable

##### Accrued interest receivable

##### Leases receivable

##### Assets held for sale

##### Prepaid expenses and other assets

##### **Total unrestricted assets**

##### Restricted assets:

##### Cash and cash equivalents—modernization and development

##### Cash and cash equivalents—payment of current liabilities

##### Cash and cash equivalents—held by lender and trustee

##### Cash and cash equivalents—other

##### **Total restricted assets**

##### **Total current assets**

##### Noncurrent assets:

##### Capital assets:

##### Land

##### Buildings and improvements

##### Furniture and equipment—dwellings

##### Furniture and equipment—administration

##### Leasehold improvements

##### Construction in progress

##### Less accumulated depreciation

##### **Net capital assets**

##### Other noncurrent assets:

##### Notes and mortgages receivable

##### Accrued interest receivable

##### Leases receivable

##### Subscription assets, net of accumulated amortization

##### Other assets and developer fees receivable

##### Allowance for doubtful accounts—developer fees

##### Noncurrent receivable—insurance holdback

##### Interest rate swap assets

##### Equity in partnership investments

##### **Total noncurrent assets**

##### **Total assets**

##### Deferred outflows of resources:

##### Deferred charges on refunding

##### Deferred swap outflows

##### **Total deferred outflows of resources**

	\$	51,874,868
		285,242
		7,308,381
		6,022,328
		7,786,257
		(5,602,183)
		5,500
		143,638
		60,846
		58,236
		8,207,889
		<u>76,151,002</u>
		22,108,772
		1,962,364
		10,290,619
		17,213,178
		<u>51,574,933</u>
		<u>127,725,935</u>
		119,004,871
		617,539,266
		2,750,997
		7,600,643
		1,649,904
		76,612,344
		<u>825,158,025</u>
		(453,837,103)
		<u>371,320,922</u>
		51,341,167
		9,595,933
		2,731,435
		424,224
		15,478,919
		(754,130)
		134,583
		563,802
		7,062,408
		<u>86,578,341</u>
		<u>585,625,198</u>
		183,001
		121,765
		<u>304,766</u>

# Housing Authority of the City of San Antonio

## Statement of Net Position June 30, 2023

### Liabilities, Deferred Inflows of Resources, and Net Position

#### Liabilities:

##### Current liabilities:

##### Unrestricted current liabilities:

Accounts payable	\$ 9,207,629
Construction payable	1,320,017
Accrued wages and payroll taxes	1,103,436
Accrued compensated absences	136,481
Accrued contingencies	833,987
Accounts payable—HUD PHA projects	295,485
Tenant security deposits	1,982,685
Unearned revenue—tenants	684,903
Unearned revenue—other	3,311,033
Current portion of long-term debt	4,863,110
Subscription liability	115,774
Other current liabilities	2,347,942
Accrued interest payable	62,724
Accrued liabilities	182,465
<b>Total unrestricted current liabilities</b>	<b>26,447,671</b>

##### Current liabilities payable from restricted assets:

Long-term debt—current portion	7,817,603
Accrued interest payable	98,299
Family Self-Sufficiency (FSS) escrow	381,982
<b>Total current liabilities payable from restricted assets</b>	<b>8,297,884</b>

##### **Total current liabilities**

**34,745,555**

##### Noncurrent liabilities:

Long-term debt	124,176,495
FSS escrow payable	1,593,690
Accrued compensated absences	2,142,092
Interest rate swap liabilities	121,765
<b>Total noncurrent liabilities</b>	<b>128,034,042</b>

##### **Total liabilities**

**162,779,597**

##### Deferred inflows of resources:

Leased assets	60,222,069
Deferred swap inflows	563,802
<b>Total deferred inflows of resources</b>	<b>60,785,871</b>

##### Net position:

Net investment in capital assets	232,672,000
Restricted net position	45,824,008
Unrestricted net position	83,868,488
<b>Total net position</b>	<b>\$ 362,364,496</b>

See notes to financial statements.

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## Housing Authority of the City of San Antonio

### Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2023

Operating revenues:	
Net tenant rental revenue	\$ 37,083,741
Tenant revenue—other	1,370,459
HUD operating subsidy and grant revenue	180,809,551
Other government grants	1,049,120
Other revenue	24,823,667
<b>Total operating revenues</b>	<u>245,136,538</u>
Operating expenses:	
Administrative	40,770,012
Tenant services	4,327,773
Utilities	9,657,461
Ordinary maintenance and operations	43,827,411
Protective services	2,649,505
Insurance	4,580,288
Bad debts (recovery)	(546,490)
Other	2,782,778
Housing assistance payments	93,592,130
Depreciation	14,534,494
<b>Total operating expenses</b>	<u>216,175,362</u>
<b>Operating income</b>	<u>28,961,176</u>
Nonoperating revenues (expenses):	
Investment income—unrestricted	2,159,846
Investment income—restricted	747,870
Interest income—leases	121,605
Mortgage interest income	1,155,344
Recovery of Section 8 funds	25
Interest expense	(5,494,879)
Amortization expense	(322,532)
Loss on disposition/retirement of capital assets	(167,602)
Purchase of limited partnership interests	(883,819)
Other acquisition costs	(700,824)
Donation—land	5,196,753
Insurance recoveries, net	1,553,696
Refinancing and closing costs	(998,969)
Trustee and swap advisor fees	(14,210)
<b>Total nonoperating revenues (expenses)</b>	<u>2,352,304</u>
<b>Increase in net position before capital contributions</b>	31,313,480
Capital contributions	8,339,837
Equity transfers	(1,165,243)
<b>Change in net position</b>	<u>38,488,074</u>
Net position at beginning of year	323,546,785
Change in reporting entity	329,637
Net position at end of year	<u>\$ 362,364,496</u>

See notes to financial statements.

## Housing Authority of the City of San Antonio

### Statement of Cash Flows Year Ended June 30, 2023

Cash flows from operating activities:	
Dwelling rent receipts	\$ 37,616,151
Operating subsidy and grant receipts	179,951,472
Other income receipts	4,601,710
Cash received from developers	879,253
	<u>223,048,586</u>
Total receipts	223,048,586
Payments to suppliers for goods and services	(62,787,087)
Payments to employees	(41,183,783)
Housing assistance payments	(93,592,130)
	<u>(197,563,000)</u>
Total disbursements	(197,563,000)
<b>Net cash provided by operating activities</b>	<u>25,485,586</u>
Cash flows from noncapital financing activities:	
Recovery of Section 8 funds	25
	<u>25</u>
<b>Net cash provided by noncapital financing activities</b>	<u>25</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(33,053,503)
Refinancing and closing costs	(998,969)
Trustee and swap advisor fees	(14,210)
Proceeds from insurance on capital assets	3,576,116
Proceeds from capital grants	8,339,837
Proceeds from collection of leases receivable	92,970
Subscription payments	(641,999)
Receipt of prepaid ground leases	10,228,540
Proceeds from long-term borrowings	44,915,296
Principal payments on mortgage and notes payable	(43,795,794)
Interest paid on long-term debt and line of credit	(5,494,587)
Homeownership and FSS escrow	262,295
Equity transfers	(1,165,243)
Proceeds from sale of capital assets	1,702,645
	<u>(16,046,606)</u>
<b>Net cash used in capital and related financing activities</b>	<u>(16,046,606)</u>
Cash flows from investing activities:	
Collections on notes receivable	773,085
Issuance of notes receivable	(3,732,292)
Investment income received	2,907,996
Purchase of limited partnership interests	(883,819)
Proceeds from acquisition of limited partnership interests	1,038,675
Interest on notes and mortgages receivable	6,856
Net distributions from joint ventures	17,528
Other investing activities	(700,824)
	<u>(572,795)</u>
<b>Net cash used in investing activities</b>	<u>(572,795)</u>
<b>Net increase in cash and cash equivalents</b>	8,866,210
Cash and cash equivalents at beginning of year	<u>94,868,833</u>
Cash and cash equivalents at end of year	<u>\$ 103,735,043</u>
Supplementary schedule of non-cash investing, capital and financing transactions:	
Net change in payable for the acquisition of capital assets	<u>\$ (1,648,906)</u>
Unpaid interest capitalized into long-term debt	<u>\$ 4,625</u>
Capital assets acquired in exchange for assumption of debt	<u>\$ 10,860,312</u>
Assumed debt in exchange for acquisition of capital assets	<u>\$ 11,566,992</u>

(Continued)

## Housing Authority of the City of San Antonio

### Statement of Cash Flows Year Ended June 30, 2023

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Reconciliation to statement of net position:

Unrestricted cash and cash equivalents	\$ 51,874,868
Tenant security deposits	285,242
Restricted cash and cash equivalents—modernization and development	22,108,772
Restricted cash and cash equivalents—payment of current liabilities	1,962,364
Restricted cash and cash equivalents—held by lender and trustee	10,290,619
Restricted cash and cash equivalents—other	17,213,178
	<hr/>
	\$ 103,735,043

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 28,961,176
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	14,534,494
Lease revenue/amortization of deferred inflows of resources—leased assets	(1,796,945)
Bad debt recovery	(342,180)
Net changes in assets and liabilities:	
Tenants receivable, net	(239,597)
HUD receivable	(4,197,929)
Miscellaneous receivables	(2,994,858)
Other assets and developer fees receivable	(14,387,584)
Allowance for doubtful accounts—other	(205,571)
Prepaid expenses and other assets	(554,964)
Accounts payable	3,498,145
Accrued wages and payroll taxes	(801,183)
Accrued compensated absences	177,652
Accrued contingencies	267,933
Tenant security deposits	48,998
Unearned revenue—tenants	(634,741)
Unearned revenue—other	2,290,731
Other current liabilities	1,813,227
Accrued liabilities	48,782
	<hr/>
<b>Net cash provided by operating activities</b>	<b>\$ 25,485,586</b>

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Plan Net Position—Fiduciary Fund  
December 31, 2022

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Assets:

Cash and cash equivalents \$ 735,966

Investments:

Mutual funds—equity 32,331,484

Mutual funds—fixed income 14,793,657

**Total investments** 47,125,141

Receivables:

Employee contributions 54,001

Employer contributions 117,080

**Total receivables** 171,081

**Total assets** 48,032,188

Liabilities:

Accrued investment manager expenses 62,007

**Total liabilities** 62,007

**Net position restricted for pension** \$ 47,970,181

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Changes in Plan Net Position—Fiduciary Fund  
Year Ended December 31, 2022

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Additions:

Contributions:

Employee	\$ 1,279,183
Employer	<u>2,510,970</u>
<b>Total contributions</b>	<u><u>3,790,153</u></u>

Investment income (expenses):

Interest and dividends	42,806
Net depreciation in fair value of investments	(9,912,614)
Less investment expense	<u>(82,803)</u>
<b>Net investment loss</b>	<u>(9,952,611)</u>
<b>Total additions</b>	<u>(6,162,458)</u>

Deductions:

Benefits paid to participants	(5,360,329)
Administrative expenses	<u>(133,596)</u>
<b>Total deductions</b>	<u>(5,493,925)</u>

**Net decrease in fiduciary net position** (11,656,383)

Net position restricted for pension at beginning of year 59,626,564

Net position restricted for pension at end of year \$ 47,970,181

See notes to financial statements.



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## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 1. Summary of Significant Accounting Policies

The financial statements of the Housing Authority of the City of San Antonio (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).

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### 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.

##### *SP II Limited Partnership (SP II)*

SP II (a Texas limited partnership) is an investment of SAHDC (as general partner). SP II was formed in October 2001 to acquire, construct, develop, and operate a 120-unit apartment project known as Legacy at Science Park in San Antonio, Texas. In December 2019, SAHFAC acquired a 99.99% interest in the partnership. The partnership is now a wholly owned entity of an Authority affiliate.

##### *O'Connor Road Limited Partnership (O'Connor)*

O'Connor (a Texas limited partnership) is an investment of SAHDC (as general partner). O'Connor was formed in October 2001 to acquire, construct, develop, and operate a 150-unit apartment project known as Legacy at O'Connor Road in San Antonio, Texas. In December 2019, SAHFAC acquired a 99.99% interest in the partnership. The partnership is now a wholly owned entity of an Authority affiliate.

##### *Refugio Street Limited Partnership (Refugio)*

Refugio (a Texas limited partnership) is an investment of RSPFC (as general partner). Refugio was formed in November 2002 to acquire, construct, develop, and operate a 210-unit apartment project known as Refugio Place Apartment Homes in San Antonio, Texas. In December 2019, SAHFAC acquired a 99.99% interest in the partnership. The partnership is now a wholly owned entity of an Authority affiliate.

##### *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.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### *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.

##### *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.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### *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.

#### Condensed Statements of Net Position (Deficit) June 30, 2023

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	SP II Limited Partnership	O'Connor Road Limited Partnership	Refugio Street Limited Partnership
<b>Assets:</b>						
Current assets	\$14,696,226	\$ 6,509,421	\$ 455,333	\$ 220,448	\$ 225,538	\$ 1,591,517
Restricted current assets	12,729,630	2,146,087	-	842,081	1,008,904	1,752,423
Net capital assets	146,437,759	39,033,334	154,983	3,236,970	4,245,349	8,664,682
Other assets	56,088,946	2,643,836	-	-	-	-
<b>Total assets</b>	<b>229,952,561</b>	<b>50,332,678</b>	<b>610,316</b>	<b>4,299,499</b>	<b>5,479,791</b>	<b>12,008,622</b>
<b>Deferred outflows of resources:</b>						
Deferred charges on refunding	-	-	-	-	-	-
Deferred swap outflow	-	121,765	-	-	-	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>121,765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>						
Unrestricted current liabilities	5,947,326	9,190,475	632	123,259	296,726	472,128
Liabilities payable from restricted assets	192,128	186,741	-	-	-	-
Long-term debt	76,149,405	40,334,203	-	4,522,848	5,636,123	13,881,088
Other long-term liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>82,288,859</b>	<b>49,711,419</b>	<b>632</b>	<b>4,646,107</b>	<b>5,932,849</b>	<b>14,353,216</b>
<b>Deferred inflows of resources:</b>						
Leased assets	59,916,381	-	-	-	-	-
Deferred swap inflow	344,930	121,765	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>60,261,311</b>	<b>121,765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position (deficit):</b>						
Net investment (deficit) in capital assets	72,752,353	144,551	154,983	(1,351,870)	(1,473,010)	(5,515,659)
Restricted	9,103,040	2,146,087	-	842,081	1,008,904	1,418,642
Unrestricted (deficit)	5,546,998	(1,669,379)	454,701	163,181	11,048	1,752,423
<b>Total net position (deficit)</b>	<b>\$87,402,391</b>	<b>\$ 621,259</b>	<b>\$ 609,684</b>	<b>\$ (346,608)</b>	<b>\$ (453,058)</b>	<b>\$ (2,344,594)</b>

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 1. Summary of Significant Accounting Policies (Continued)

#### Condensed Statements of Net Position (Deficit) June 30, 2023

	San Antonio Homeownership Opportunities Corporation	Las Varas PFC	Springhill/ Courtland Heights PFC	Woodhill PFC	Refugio Street PFC	Sendero I PFC
<b>Assets:</b>						
Current assets	\$ 42,924	\$16,523,235	\$ 2,281,359	\$ 3,529,681	\$ 295,810	\$ 2,530,470
Restricted current assets	70,759	-	1,278,528	-	8,170,568	204,417
Net capital assets	-	17,255,301	6,552,721	12,918,934	-	6,008,351
Other assets	100,019	626,043	218,872	27,421	2,786,180	-
<b>Total assets</b>	<b>213,702</b>	<b>34,404,579</b>	<b>10,331,480</b>	<b>16,476,036</b>	<b>11,252,558</b>	<b>8,743,238</b>
<b>Deferred outflows of resources:</b>						
Deferred charges on refunding	-	-	-	-	-	36,949
Deferred swap outflow	-	-	-	-	-	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,949</b>
<b>Liabilities:</b>						
Unrestricted current liabilities	13,689	286,085	1,309,528	701,853	-	259,079
Liabilities payable from restricted assets	-	-	-	-	-	7,465,420
Long-term debt	-	1,466,667	4,668,689	-	-	-
Other long-term liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>13,689</b>	<b>1,752,752</b>	<b>5,978,217</b>	<b>701,853</b>	<b>-</b>	<b>7,724,499</b>
<b>Deferred inflows of resources:</b>						
Leased assets	-	-	-	-	-	-
Deferred swap inflow	-	-	218,872	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>218,872</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position (deficit):</b>						
Net investment (deficit) in capital assets	-	17,255,301	1,688,313	12,918,934	-	(1,393,435)
Restricted	-	-	1,278,528	-	8,170,568	177,731
Unrestricted (deficit)	200,013	15,396,526	1,167,550	2,855,249	3,081,990	2,271,392
<b>Total net position (deficit)</b>	<b>\$ 200,013</b>	<b>\$32,651,827</b>	<b>\$ 4,134,391</b>	<b>\$15,774,183</b>	<b>\$11,252,558</b>	<b>\$ 1,055,688</b>

Housing Authority of the City of San Antonio

Notes to Financial Statements  
Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)  
June 30, 2023

	Vera Cruz Redevelopment Partnership, Ltd.	Homestead Redevelopment Partnership, Ltd.	Converse Ranch, LLC	Converse Ranch II, LLC	Sunshine Plaza Apartments, Inc.	Pecan Hill Apartments, Inc.	Education Investment Foundation, Inc.
<b>Assets:</b>							
Current assets	\$ 40,122	\$ 118,002	\$ 736,940	\$ 90,979	\$ 2,193,208	\$ 1,179,689	\$ -
Restricted current assets	-	-	587,788	289,635	30,962	-	3,782
Net capital assets	538,046	185,255	5,635,390	5,281,335	3,215,367	1,804,615	-
Other assets	2,010	10,096	-	4,736	6,380	5,691	-
<b>Total assets</b>	<b>580,178</b>	<b>313,353</b>	<b>6,960,118</b>	<b>5,666,685</b>	<b>5,445,917</b>	<b>2,989,995</b>	<b>3,782</b>
<b>Deferred outflows of resources:</b>							
Deferred charges on refunding	-	-	146,052	-	-	-	-
Deferred swap outflow	-	-	-	137,360	-	-	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>146,052</b>	<b>137,360</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>							
Unrestricted current liabilities	1,031,419	2,463,120	262,601	636,775	213,423	95,010	4,833
Liabilities payable from restricted assets	-	-	-	192,128	2,339,260	-	-
Long-term debt	-	1,981,400	6,173,081	4,018,241	-	-	-
Other long-term liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,031,419</b>	<b>4,444,520</b>	<b>6,435,682</b>	<b>4,847,144</b>	<b>2,552,683</b>	<b>95,010</b>	<b>4,833</b>
<b>Deferred inflows of resources:</b>							
Leased assets	-	-	-	-	-	-	-
Deferred swap inflow	-	-	-	137,360	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,360</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position (deficit):</b>							
Net investment (deficit) in capital assets	(455,379)	185,255	(523,950)	1,070,966	799,050	1,804,615	-
Restricted	-	-	587,788	281,109	30,962	-	3,782
Unrestricted (deficit)	4,138	(4,316,422)	606,650	(532,534)	2,063,222	1,090,370	(4,833)
<b>Total net position (deficit)</b>	<b>\$ (451,241)</b>	<b>\$ (4,131,167)</b>	<b>\$ 670,488</b>	<b>\$ 819,541</b>	<b>\$ 2,893,234</b>	<b>\$ 2,894,985</b>	<b>\$ (1,051)</b>

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 1. Summary of Significant Accounting Policies (Continued)

#### Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit) Year Ended June 30, 2023

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	SP II Limited Partnership	O'Connor Road Limited Partnership	Refugio Street Limited Partnership
<b>Operating revenues (expenses):</b>						
Net tenant rental revenue	\$ 11,362,496	\$ 7,122,080	\$ -	\$ 918,804	\$ 1,143,588	\$ 1,687,801
Tenant revenue—other	443,902	270,879	-	534	5,796	25,399
HUD operating grants and housing assistance payments	-	-	-	-	-	-
Other government grants	1,169,908	241,223	-	-	-	-
Other revenue	19,995,966	21,501	75,000	460	3,480	308,499
Operating expenses	(15,235,887)	(11,534,492)	(17,212)	(678,210)	(850,250)	(1,427,948)
Depreciation expense	(1,708,151)	(1,647,544)	-	(131,779)	(162,261)	(308,806)
<b>Total operating revenues (expenses)</b>	<b>16,028,234</b>	<b>(5,526,353)</b>	<b>57,788</b>	<b>109,809</b>	<b>140,353</b>	<b>284,945</b>
<b>Nonoperating revenues (expenses):</b>						
Investment income	467,719	140,677	9,970	5,719	2,743	63,097
Interest income—leases	70,925	-	-	-	-	-
Mortgage interest income	549,766	54,406	-	-	-	-
Interest expense	(2,669,791)	(2,245,553)	-	(131,950)	(164,702)	(403,985)
Financing and trustee fees	(742,876)	(334,646)	-	(3,713)	(4,444)	(125,863)
Other	5,226,581	(1,584,643)	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>2,902,324</b>	<b>(3,969,759)</b>	<b>9,970</b>	<b>(129,944)</b>	<b>(166,403)</b>	<b>(466,751)</b>
Transfers in (out)	12,813,216	6,667,363	(81,807)	-	-	-
<b>Change in net position</b>	<b>31,743,774</b>	<b>(2,828,749)</b>	<b>(14,049)</b>	<b>(20,135)</b>	<b>(26,050)</b>	<b>(181,806)</b>
Net position (deficit) at beginning of year	55,658,617	3,120,371	623,733	(326,473)	(427,008)	(2,162,788)
Change in reporting entity	-	329,637	-	-	-	-
Net position (deficit) at end of year	\$ 87,402,391	\$ 621,259	\$ 609,684	\$ (346,608)	\$ (453,058)	\$ (2,344,594)



## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 1. Summary of Significant Accounting Policies (Continued)

#### Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit) Year Ended June 30, 2023

	San Antonio Homeownership Opportunities Corporation	Las Varas PFC	Springhill/ Courtland Heights PFC	Woodhill PFC	Refugio Street PFC	Sendero I PFC
Operating revenues (expenses):						
Net tenant rental revenue	\$ -	\$ -	\$ 2,019,444	\$ 3,670,554	\$ -	\$ 2,069,427
Tenant revenue—other	-	-	34,159	232,065	-	166,312
HUD operating grants and housing assistance payments	-	-	1,624,123	-	-	-
Other government grants	-	-	-	-	-	-
Other revenue	70,959	5,698,620	5,066	68,486	-	26,149
Operating expenses	(101,985)	(240,657)	(3,740,120)	(4,119,684)	-	(1,626,729)
Depreciation expense	-	-	(383,207)	(994,322)	-	(291,687)
<b>Total operating revenues (expenses)</b>	<b>(31,026)</b>	<b>5,457,963</b>	<b>(440,535)</b>	<b>(1,142,901)</b>	<b>-</b>	<b>343,472</b>
Nonoperating revenues (expenses):						
Investment income	2,419	534,751	96,266	106,313	251,310	76,049
Interest income—leases	-	-	-	-	-	-
Mortgage interest income	6,394	-	-	-	177,268	-
Interest expense	-	-	(194,400)	(37,399)	-	(405,206)
Financing and trustee fees	-	-	-	(14,132)	-	(5,500)
Other	(320)	-	333,524	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>8,493</b>	<b>534,751</b>	<b>235,390</b>	<b>54,782</b>	<b>428,578</b>	<b>(334,657)</b>
Transfers in (out)	(12,509)	(2,692,175)	-	5,633,568	-	-
<b>Change in net position</b>	<b>(35,042)</b>	<b>3,300,539</b>	<b>(205,145)</b>	<b>4,545,449</b>	<b>428,578</b>	<b>8,815</b>
Net position (deficit) at beginning of year	235,055	29,351,288	4,339,536	11,228,734	10,823,980	1,046,873
Change in reporting entity	-	-	-	-	-	-
Net position (deficit) at end of year	\$ 200,013	\$ 32,651,827	\$ 4,134,391	\$ 15,774,183	\$ 11,252,558	\$ 1,055,688

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 1. Summary of Significant Accounting Policies (Continued)

#### Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit) Year Ended June 30, 2023

	Vera Cruz Redevelopment Partnership, Ltd.	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	\$ 181,720	\$ 994,902	\$ 921,359	\$ 885,199	\$ 316,740	\$ 326,437	\$ -
Tenant revenue—other	2,547	166,879	18,462	20,257	1,407	60,637	-
HUD operating grants and housing assistance payments	-	-	-	-	682,463	709,730	-
Other government grants	-	-	-	44,165	-	-	-
Other revenue	360	1,869	98,996	2,320	-	(19,995)	292
Operating expenses	(272,812)	(1,361,848)	(929,459)	(890,882)	(558,818)	(748,121)	(4,441)
Depreciation expense	(45,675)	(118,097)	(226,230)	(204,140)	(137,553)	(142,580)	-
<b>Total operating revenues (expenses)</b>	<b>(133,860)</b>	<b>(316,295)</b>	<b>(116,872)</b>	<b>(143,081)</b>	<b>304,239</b>	<b>186,108</b>	<b>(4,149)</b>
Nonoperating revenues (expenses):							
Investment income	2,129	3,350	24,355	9,209	66,814	29,897	428
Interest income—leases	-	-	-	-	-	-	-
Mortgage interest income	-	-	-	-	-	-	-
Interest expense	(9,909)	(262,441)	(189,988)	(105,886)	(71,605)	(90)	-
Financing and trustee fees	(517)	(3,637)	-	(990)	(2,104)	(2,289)	-
Other	-	-	-	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>(8,297)</b>	<b>(262,728)</b>	<b>(165,633)</b>	<b>(97,667)</b>	<b>(6,895)</b>	<b>27,518</b>	<b>428</b>
Transfers in (out)	-	72,113	-	-	-	-	(6,241)
<b>Change in net position</b>	<b>(142,157)</b>	<b>(506,910)</b>	<b>(282,505)</b>	<b>(240,748)</b>	<b>297,344</b>	<b>213,626</b>	<b>(9,962)</b>
Net position (deficit) at beginning of year	(309,084)	(3,624,257)	952,993	1,060,289	2,595,890	2,681,359	8,911
Change in reporting entity	-	-	-	-	-	-	-
Net position (deficit) at end of year	<b>\$ (451,241)</b>	<b>\$ (4,131,167)</b>	<b>\$ 670,488</b>	<b>\$ 819,541</b>	<b>\$ 2,893,234</b>	<b>\$ 2,894,985</b>	<b>\$ (1,051)</b>

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### 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, 2022.

##### ***Separately Issued Financial Statements***

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

- Converse Ranch, LLC
- Springhill/Courtland Heights PFC
- Sendero I PFC
- San Antonio Housing Facility Corporation
- SP II Limited Partnership
- O'Connor Road Limited Partnership
- Refugio Street Limited Partnership
- 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:

*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.

*Primrose SA IV Housing, LP*

LVPFC and Cascade Affordable Housing, LLC are co-developers of a 248-unit senior community at the Sorrento Apartments.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### **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.

Component units of the Authority serve as general partner for various 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 6,070 public housing rental units for eligible low-income families, seniors and people with disabilities. The rental units are located in 38 developments for families, 37 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.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### 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.

##### *Resident Engagement*

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

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.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### 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.

On July 1, 2022, the Authority adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 establishes a Subscription-Based Information Technology arrangement ("SBITA") as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology ("IT") software, alone or in combination with tangible assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The Authority has subscription agreements for various IT software licenses ranging from three to five years. The adoption of this standard resulted in a subscription asset, net of accumulated amortization, of \$424,224, and a subscription liability of \$115,774.

#### **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 fund's 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.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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, 2022, 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).

#### 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 through 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, 2023. 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

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 1. Summary of Significant Accounting Policies (Continued)

collections in order to assure the allowance for uncollectible amounts is reasonable and reflects the latest cash flow trends. For additional information, see Note 5 to the financial statements.

#### 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, 2023, the current portion of accrued compensated absences was comprised of PTO totaling \$136,481 and the long-term portion of accrued compensated absences was comprised of PTO totaling \$2,142,092.

#### 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.



## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### 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 7.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Q. Deferred Outflows/Inflows 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 described in a subsequent paragraph.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Authority has two items that qualify for reporting in this category, which are leased assets and deferred swap inflows. The leased assets are composed of various ground and rooftop leases described in Note 4 and prepaid ground leases described in Note 9.

The deferred swap outflows and inflows mentioned previously 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, 2023, the Authority's deferred outflows/inflows of resources were comprised of the following:

Deferred charges on refunding:	
Sendero I PFC	\$ 36,949
Converse Ranch I, LLC	146,052
Total deferred charges on refunding	<u>183,001</u>
Deferred swap outflows:	
The Ravello Apartments	121,765
Total deferred swap outflows	121,765
Total deferred outflows of resources	<u>\$ 304,766</u>
Leased assets	\$ 60,222,069
Deferred swap inflows:	
Converse Ranch II, LLC	137,360
San Antonio Housing Facility Corporation (Burning Tree and Encanta Villa)	207,570
Springhill/Courtland Heights PFC	218,872
Total deferred swap inflows	563,802
Total deferred inflows of resources	<u>\$ 60,785,871</u>

##### R. Unearned Revenue

Current unearned revenue consists of prepaid tenant rent of \$684,903, HUD Housing Choice Vouchers grant revenue of \$673,289, deferred development fee revenue of \$85,914, deferred operating subsidy and other public housing revenue of \$2,526,608, and other deferred revenue of \$25,222.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### S. Leases Receivable

Leases receivable are measured at the present value of the lease payments expected to be received during the lease term. Management concluded the discount rates implicit in the lease contracts could not be readily determined. Therefore, management elected to utilize the Authority's incremental borrowing rate at the commencement date of each lease in order to determine the present value of each lease receivable.

##### T. Regulated Leases

The Authority is a lessor of residential dwelling units under regulated leases as defined by GASB 87 and as such recognizes rental revenue in accordance with the terms of the lease contract. The leases which are twelve months in length are regulated by HUD as to rent, unit size, household composition, and tenant income. For the year ended June 30, 2023, rental revenue earned under the aforementioned leases totaled \$37,083,741.

#### Note 2. Cash, Cash Equivalents, and Investments

##### A. Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Unrestricted:	
Cash and cash equivalents	\$ 51,874,868
Tenant security deposits	285,242
Restricted:	
Cash and cash equivalents—modernization and development	22,108,772
Cash and cash equivalents—payment of current liabilities	1,962,364
Cash and cash equivalents—held by lender, trustee, and escrow agent	10,290,619
Cash and cash equivalents—other	17,213,178
Total cash, cash equivalents, and investments	<u>\$ 103,735,043</u>

Cash, cash equivalents, and investments as of June 30, 2023, consist of the following:

Petty cash	\$ 1,050
Deposits with financial institutions	93,339,240
Funds held by lender, trustee, and escrow agent	10,394,753
Total cash, cash equivalents, and investments	<u>\$ 103,735,043</u>

##### ***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

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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

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.

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.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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

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 \$812,465 that are recorded at amortized cost and has the following investments and other items requiring recurring fair value measurements as of June 30, 2023:

- **Investment derivative instruments**—Interest rate swaps resulted in a total positive fair value of \$442,037 and were valued using a market approach that considers benchmark interest rates (Level 2 inputs).

#### **Investment Risks**

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, 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
Held by bond trustee:		
BlackRock Liquidity Funds FedFund Institutional Shares—money market fund	N/A	\$ 463,388
JPMorgan U.S. Government Money Market Fund	N/A	229,188
Allspring 100% Treasury Money Market Fund	N/A	119,889
Total investments		<u>\$ 812,465</u>

#### *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. The following schedule presents the minimum ratings required by (where applicable) HUD, the Authority's investment policy, or debt agreements, and the actual ratings by Moody's as of year-end:

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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

Investment	Amount	Investment Minimum Rating	Moody's Rating
Held by bond trustee:			
BlackRock Liquidity Funds FedFund Institutional Shares— money market fund	\$ 463,388	Aaa-mf	Aaa-mf
JPMorgan U.S. Government Money Market Fund	229,188	Aaa-mf	Aaa-mf
Allspring 100% Treasury Money Market Fund	119,889	Aaa-mf	Aaa-mf
Total investments	<u>\$ 812,465</u>		

#### 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.

#### Depository Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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 Authority's investment policy requires all HUD-sourced funds on deposit to be fully collateralized. All non-HUD funds such as reserves and partnership funds are required to be invested in accordance with the PFIA. All collateral should conform to those investment instruments listed in PFIA. The Authority does not place a limit on custodial credit risk.

	Balance Reported on the Authority's Financial Statements	Balance Deposited with Financial Institutions	FDIC Insurance	Uninsured Deposits (Collateralized)	Uninsured and Uncollateralized Deposits
Demand deposits	\$ 102,613,705	\$ 104,304,107	\$ 7,312,563	\$ 90,801,746	\$ 6,189,798
Money Market Funds	812,465	812,465	-	-	812,465
United States Treasury Bills	308,873	308,873	-	308,873	-
Total bank deposits	<u>\$ 103,735,043</u>	<u>\$ 105,425,445</u>	<u>\$ 7,312,563</u>	<u>\$ 91,110,619</u>	<u>\$ 7,002,263</u>

As of June 30, 2023, \$91,110,619 of the Authority's deposits with financial institutions were fully collateralized by securities held by the pledging financial institution. Of the \$14,314,826 remaining deposits, \$7,312,563 were covered by the Federal Deposit Insurance Corporation, and \$7,002,263 were uninsured and uncollateralized and were therefore exposed to custodial credit risk.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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

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

As of December 31, 2022, the Plan's portfolio was comprised of the following:

Description	Fair Value
Mutual funds—equity	\$ 32,331,484
Mutual funds—fixed income	14,793,657
Total investments	<u>\$ 47,125,141</u>

#### **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, 2022. 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.

Presented below is the actual rating for each investment type as of December 31, 2022:

Investment Type	Fair Value	Not Rated
American Beacon AHL Target Risk R5	\$ 1,138,895	\$ 1,138,895
BlackRock Strategic Income Opportunities Portfolio Class K	4,122,318	4,122,318
Metropolitan West Total Return Bond Fund	9,532,323	9,532,323
Fidelity US Bond Index Instl Prem	121	121
Total fixed income investments	<u>\$ 14,793,657</u>	<u>\$ 14,793,657</u>

#### *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, 2022, 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.

**Housing Authority of the City of San Antonio**

**Notes to Financial Statements  
Year Ended June 30, 2023**

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

*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, 2022:

Investment Type	Fair Value	Percentage of Total	Weighted-Average Maturity (Years)
American Beacon AHL Target Risk R5	\$ 1,138,895	7.7%	7.03
BlackRock Strategic Income Opportunities Portfolio Class K	4,122,318	27.9%	7.97
Metropolitan West Total Return Bond Fund	9,532,323	64.4%	5.95
Fidelity US Bond Index Instl Prem	121	0.0%	8.50
Total fixed income investments	<u>\$ 14,793,657</u>	<u>100.0%</u>	<u>6.60</u>

*Fair Value Measurement*

Plan investments at fair value as of December 31, 2022, using fair value measurements are as follows:

	Total Fair Value	Level 1	Level 2	Level 3
Mutual funds—equity	\$ 32,331,484	\$ 32,331,484	\$ -	\$ -
Mutual funds—fixed income	14,793,657	14,793,657	-	-
	<u>\$ 47,125,141</u>	<u>\$ 47,125,141</u>	<u>\$ -</u>	<u>\$ -</u>

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



## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 3. Notes and Mortgages Receivable

The following summarizes the notes and mortgages receivable and the related accrued interest receivable as of June 30, 2023:

	Due Within One Year	Due After One Year	Total
<b>The Authority</b>			
ARDC Sutton, Ltd.	\$ -	\$ 6,889,785	\$ 6,889,785
Durango Midrise, LP	-	18,680,081	18,680,081
ARDC Sutton II, Ltd.	-	1,630,487	1,630,487
San Juan III, Ltd.	-	4,717,730	4,717,730
Wheatley Family I, LP	-	1,116,692	1,116,692
Wheatley Senior, LP	-	142,985	142,985
Tampico Apartments, LP	-	734,778	734,778
Alazan Lofts Ltd.	-	1,076,400	1,076,400
<b>SAHFAC</b>			
Wheatley Family I, LP	-	11,189,903	11,189,903
Wheatley Family II, LP	-	4,730,000	4,730,000
Wheatley Senior, LP	-	6,436,611	6,436,611
Tampico Apartments, LP	-	920,281	920,281
Kitty Hawk Flats Ltd.	-	269,812	269,812
Snowden Apartments, LP	-	1,245,296	1,245,296
Somerset SA Apartments, LP	-	1,000,000	1,000,000
<b>San Antonio Homeownership Opportunities Corporation</b>			
Real estate sales notes	5,500	100,018	105,518
<b>Las Varas PFC</b>			
Second lien notes	-	56,241	56,241
Total	<u>\$ 5,500</u>	<u>\$ 60,937,100</u>	<u>\$ 60,942,600</u>

#### Note 4. Leases Receivable

On March 2, 2020, the San Antonio Housing Facility Corporation, a blended component unit of the Authority, entered into a lease agreement (the “ground lease”) as a lessor of land to Culebra Commons 2019, LLC. The term of the ground lease is for 75 years, commencing on March 2, 2020 and terminating on February 28, 2095. An initial lease receivable was recorded in the amount of \$596,473. At commencement of the ground lease, an advanced rent payment of \$3,800,000 was received and administrative rent in the amount of \$25,000 is due annually. The discount rate for the ground lease is 3.98%.

On February 1, 2021, the San Antonio Housing Facility Corporation, a blended component unit of the Authority, entered into a lease agreement (the “ground lease”) as a lessor of land to 120 Josephine 2020 LLC. The term of the ground lease is for 75 years, commencing on February 1, 2021 and terminating on February 1, 2096. An initial lease receivable was recorded in the amount of \$597,680. At commencement of the ground lease, an advanced rent payment of \$11,737,024 was received and administrative rent in the amount of \$25,000 is due annually. The discount rate for the ground lease is 3.98%.

On March 31, 2022, the San Antonio Housing Facility Corporation, a blended component unit of the Authority, entered into a lease agreement (the “ground lease”) as a lessor of land to Potranco 2021 LLC. The term of the ground lease is for 75 years, commencing on March 31, 2022 and terminating on March 30, 2097. An initial lease receivable was recorded in the amount of \$534,270. At commencement of the

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 4. Leases Receivable (Continued)

ground lease, an advanced rent payment of \$1,875,000 was received and administrative rent in the amount of \$25,000 is due annually. The discount rate for the ground lease is 4.54%.

On November 21, 2017, the Authority entered into an amended and restated lease agreement (the "rooftop lease") as a lessor of rooftop space at the Parkview Apartments to New Cingular Wireless PCS, LLC (now AT&T). The rooftop lease commenced November 21, 2017 and has an initial five-year term. The rooftop lease may be extended for three successive five-year terms. Annual rent for 2023 was \$20,646 and rent is increased annually by two percent. An initial lease receivable was recorded in the amount of \$274,565. The discount rate for the rooftop lease is 3.98%.

On August 2, 2017, the Authority entered into an amended and restated lease agreement (the "rooftop lease") as a lessor of rooftop space at the Fair Avenue Apartments to New Cingular Wireless PCS, LLC (now AT&T). The rooftop lease commenced January 1, 2017 and has an initial five-year term. The rooftop lease may be extended for three successive five-year terms. Annual rent for 2023 was \$19,325 and rent is increased annually by two percent. An initial lease receivable was recorded in the amount of \$249,030. The discount rate for the rooftop lease is 3.98%.

On November 21, 2017, the Authority entered into a lease agreement (the "rooftop lease") as a lessor of rooftop space at the San Pedro Arms Apartments to Sprint Spectrum Realty Company, LLC (now T-Mobile). The rooftop lease commenced January 1, 2017 and has an initial five-year term. The rooftop lease may be extended for three successive five-year terms. Annual rent for 2023 was \$24,776 and rent is increased annually by two percent. An initial lease receivable was recorded in the amount of \$311,819. The discount rate for the rooftop lease is 3.98%.

On March 25, 2022, the Authority entered into a lease agreement (the "rooftop lease") as a lessor of rooftop space at the Victoria Plaza Apartments to Cellco Partnership (d/b/a Verizon Wireless). The rooftop lease commenced March 25, 2022 and has an initial five-year term. The rooftop lease may be extended for three successive five-year terms. Annual rent for 2023 was \$27,724 and rent is increased annually by two percent. An initial lease receivable was recorded in the amount of \$431,233. The discount rate for the rooftop lease is 4.54%.

A summary of lease-related revenue for the leases previously described is presented below:

	Year Ending June 30, 2023
Lease-related Revenue	
Lease Revenue	
Land	\$ (22,045)
Rooftop	(74,298)
Total Lease Revenue	(96,343)
Interest Revenue	(122,359)
Total	<u>\$ (218,702)</u>

A schedule of future receipts that are included in the lease receivable, showing principal and interest receipts to maturity, is presented on the following page.

**Housing Authority of the City of San Antonio**

**Notes to Financial Statements  
Year Ended June 30, 2023**

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**Note 4. Leases Receivable (Continued)**

	Principal	Interest	Total Receipts
Years ending June 30:			
2024	\$ 60,846	\$ 158,945	\$ 219,791
2025	51,226	120,460	171,687
2026	55,300	118,320	173,620
2027	59,585	116,008	175,593
2028	64,089	113,516	177,605
2029-2033	396,429	523,209	919,638
2034-2038	399,404	430,359	829,763
2039-2043	139,513	351,961	491,474
2044-2048	47,148	327,852	375,000
2049-2053	57,934	317,066	375,000
2054-2058	71,198	303,802	375,000
2059-2063	87,513	287,487	375,000
2064-2068	107,583	267,417	375,000
2069-2073	132,277	242,723	375,000
2074-2078	162,665	212,335	375,000
2079-2083	200,066	174,934	375,000
2084-2088	246,108	128,892	375,000
2089-2093	302,794	72,206	375,000
2094-2098	150,603	11,899	162,500
Total Future Receipts	<u>\$ 2,792,281</u>	<u>\$ 4,279,391</u>	<u>\$ 7,071,670</u>

**Note 5. Subscription-Based Information Technology Arrangements**

The Authority obtains the right to use vendors' information technology software through various long-term contracts. Payments are fixed annually. The subscriptions have been recorded at the present value of the future minimum payments as of the inception dates using internal borrowing rates ranging from 4.52% to 6.24%. The cost and accumulated amortization of the subscription assets totaled \$564,675 and \$140,451, respectively, as of June 30, 2023. The subscription liability was \$115,774 as of June 30, 2023. A summary of changes in subscription assets and liabilities is below:

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 5. Subscription-Based Information Technology Arrangements (Continued)

Subscription Assets	Beginning of Year	Additions	Subtractions	End of Year	Amounts Due Within One Year
Electronic signature software	\$ 223,860	\$ -	\$ -	\$ 223,860	
Enterprise application software	-	147,499	-	147,499	
Cloud-based communications software	182,081	-	(182,081)	-	
Property management software	-	193,316	-	193,316	
	405,941	340,815	(182,081)	564,675	
Less: Accumulated Amortization					
Electronic signature software	-	(95,940)	-	(95,940)	
Enterprise application software	-	(12,292)	-	(12,292)	
Cloud-based communications software	-	(182,081)	182,081	-	
Property management software	-	(32,219)	-	(32,219)	
	-	(322,532)	182,081	(140,451)	
Total Subscription Assets, net	\$ 405,941	\$ 18,283	\$ -	\$ 424,224	
Subscription Liabilities	\$ 405,941	\$ 340,815	\$ (630,982)	\$ 115,774	\$ 115,774

A summary of principal and interest payments for the subscription assets is below:

	Principal	Interest	Total Payments
Years ending June 30:			
2024	\$ 115,774	\$ 5,403	\$ 121,178
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
Total Future Payments	\$ 115,774	\$ 5,403	\$ 121,178

#### Note 6. Other Assets and Developer Fees Receivable

At June 30, 2023, other assets and developer fees receivable totaled \$15,478,919. This amount is made up of developer fees receivable totaling \$14,943,749 and other noncurrent receivables of \$535,170. Additionally, an allowance for doubtful accounts totaling \$754,130 is recorded for developer fees receivable.

#### Note 7. 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.

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 on the following page.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 7. Equity in Partnership Investments (Continued)

Partnership	General Partner (GP)	GP % of Ownership	Balance at July 1, 2022	Cash Contributions From GP	Cash Distributions to GP	GP's Share of Profit (Loss)	Eliminations	Balance at June 30, 2023
1604 Lofts Ltd.	SAHFAC	0.0051%	\$ 51	\$ -	\$ -	\$ -	\$ -	\$ 51
ARDC Sutton, Ltd.	SAHFAC	0.0050%	1,499,471	-	-	(36)	-	1,499,435
Copernicus Apartments Ltd.	SAHFAC	0.0051%	51	-	-	-	-	51
Majestic SA Apartments, LP	SAHFAC	0.0100%	100	-	-	-	-	100
Midcrowne Senior Pavilion, LP	SAHFAC	0.0100%	3,263,768	354,784	-	(33)	-	3,618,519
San Juan Square, Ltd.	SAHFAC	0.0100%	1,464,229	-	-	(176)	-	1,464,053
The Alhambra Apartments, Ltd.	SAHFAC	0.0100%	294,533	-	-	(37)	-	294,496
Trader Flats Ltd.	SAHFAC	0.0051%	51	-	-	-	-	51
Snowden Apartments, LP	SAHFAC	0.0100%	-	100	-	-	-	100
Enclave Gardens, Ltd.	LVPFC	0.0100%	203,180	-	(17,628)	-	-	185,552
Alazan Lofts, Ltd.*	SAHFAC	0.0051%	-	-	-	-	-	-
ARDC Ruiz, Ltd.*	SAHFAC	0.0050%	-	-	-	-	-	-
ARDC Sutton II, Ltd.*	SAHFAC	0.0050%	-	-	-	-	-	-
Costa Valencia, Ltd.*	SAHFAC	0.0100%	-	-	-	-	-	-
Fiesta Trails, Ltd.*	SAHFAC	0.0051%	-	-	-	-	-	-
Horizon Pointe Apartments, LP*	SAHFAC	0.0100%	-	-	-	-	-	-
Kitty Hawk Flats, Ltd*	SAHFAC	0.0051%	-	-	-	-	-	-
Mira Vista SA Apartments, LP*	SAHFAC	0.0100%	-	-	-	-	-	-
New Braunfels 2 Housing, LP*	SAHFAC	0.0050%	-	-	-	-	-	-
San Juan III, Ltd.*	SAHFAC	0.0100%	-	-	-	-	-	-
San Juan Square II, Ltd.*	SAHFAC	0.0045%	-	-	-	-	-	-
Somerset SA Apartments, LP*	SAHFAC	0.0090%	-	-	-	-	-	-
SOSA at Palo Alto, LP*	SAHFAC	0.0100%	-	-	-	-	-	-
Tampico Apartments, Ltd*	SAHFAC	0.0050%	-	-	-	-	-	-
Vista at Everest, LP*	SAHFAC	0.0051%	-	-	-	-	-	-
Vista at Interpark, LP*	SAHFAC	0.0051%	-	-	-	-	-	-
Watson Road Apartments Ltd.*	SAHFAC	0.0051%	-	-	-	-	-	-
Wheatley Family I, LP*	SAHFAC	0.0100%	-	-	-	-	-	-
Wheatley Family II, LP*	SAHFAC	0.0100%	-	-	-	-	-	-
Wheatley Senior, LP*	SAHFAC	0.0100%	-	-	-	-	-	-
ARDC Military, Ltd.*	LVPFC	0.0100%	-	-	-	-	-	-
ARDC Salado, Ltd.*	LVPFC	0.0100%	-	-	-	-	-	-
ARDC San Marcos, Ltd.*	LVPFC	0.0050%	-	-	-	-	-	-
Costa Almadena, Ltd.*	LVPFC	0.0100%	-	-	-	-	-	-
Costa Mirada, Ltd.*	LVPFC	0.0100%	-	-	-	-	-	-
Durango Midrise, LP*	LVPFC	0.0100%	-	-	-	-	-	-
Fairfield Bethel Place LP*	LVPFC	0.0100%	-	-	-	-	-	-
Fairfield Sorento LP*	LVPFC	0.0100%	-	-	-	-	-	-
The Mirabella, Ltd.*	LVPFC	0.0100%	-	-	-	-	-	-
TX Pleasanton Housing, LP*	LVPFC	0.0100%	-	-	-	-	-	-
			\$ 6,725,434	\$ 354,884	\$ (17,628)	\$ (282)	\$ -	\$ 7,062,408

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, 2023, the general partners have not recorded the related deficit capital positions of these partnerships, as they exceed the general partners' contributed capital.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 8. Capital Assets

##### *The Authority's Capital Assets*

Capital asset activity for the year ended June 30, 2023, for the business-type activities was as follows:

	Balance at July 1, 2022	Additions	Deletions	Transfers/ Reclass	Balance at June 30, 2023
Capital assets not being depreciated:					
Land	\$104,807,481	\$ 14,200,665	\$ (3,275)	\$ -	\$ 119,004,871
Construction in progress	76,491,979	22,003,475	(2,465,894)	(19,417,216)	76,612,344
Total capital assets not being depreciated	181,299,460	36,204,140	(2,469,169)	(19,417,216)	195,617,215
Capital assets being depreciated:					
Buildings and improvements	578,563,076	21,558,235	(1,903,042)	19,320,997	617,539,266
Furniture and equipment:					
Dwellings	2,658,028	-	-	92,969	2,750,997
Administration	5,279,262	2,503,498	(182,117)	-	7,600,643
Leasehold improvements	1,649,904	-	-	-	1,649,904
Total capital assets being depreciated	588,150,270	24,061,733	(2,085,159)	19,413,966	629,540,810
Less accumulated depreciation:					
Buildings and improvements	(419,739,392)	(24,637,560)	-	-	(444,376,952)
Furniture and equipment:					
Dwellings	(2,570,823)	(39,429)	-	-	(2,610,252)
Administration	(4,292,817)	(1,618,007)	182,117	-	(5,728,707)
Leasehold improvements	(1,049,071)	(72,121)	-	-	(1,121,192)
Total accumulated depreciation	(427,652,103)	(26,367,117)	182,117	-	(453,837,103)
Total capital assets being depreciated, net	160,498,167	(2,305,384)	(1,903,042)	19,413,966	175,703,707
Business-type activities capital assets, net	\$ 341,797,627	\$ 33,898,756	\$ (4,372,211)	\$ (3,250)	\$ 371,320,922

Depreciation expense for the current year totaled \$14,534,494.

#### Note 9. Prepaid Ground Leases

Comprising a significant portion of the deferred inflows of resources are 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 deferred inflows of resources and will amortize the prepayments over the initial periods on a straight-line basis. As of June 30, 2023, prepaid ground leases totaled \$58,315,290. The book value of the land related to the prepaid ground leases totaled \$87,056,127 as of June 30, 2023.

SAHFAC entered into 33 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 \$62,984,168 for the purchase of land, which is considered prepayment of annual rents for the initial periods of 10 to 99 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 11 ground lease agreements with various limited partnerships for a period of 55 to 99 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

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 9. Prepaid Ground Leases (Continued)

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.

#### Note 10. 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, 2023
<b>SAHFAC</b>					
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 2.43%, 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	\$ 192,128	\$ 4,018,241	\$ 4,210,369
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	193,138	5,824,609	6,017,747
Mortgage loan for SP II Limited Partnership payable to ORIX Real Estate Capital, LLC DBA Lument Capital. Term is 35 years, with final maturity September 1, 2057. The interest rate is 3.84%, with monthly principal and interest payments of \$20,088. The loan is collateralized by the project.	Mortgage note	4,636,700	65,992	4,522,848	4,588,840
Mortgage loan for O'Connor Road Limited Partnership payable to ORIX Real Estate Capital, LLC DBA Lument Capital. Term is 35 years, with final maturity September 1, 2057. The interest rate is 3.84%, with monthly principal and interest payments of \$25,032. The loan is collateralized by the project.	Mortgage note	5,778,000	82,236	5,636,123	5,718,359
Mortgage loan for Refugio Street Limited Partnership payable to KeyBank National Association. Term is 35 years, with final maturity September 1, 2057. The interest rate is 4.65%, with monthly principal and interest payments of \$54,678. The loan is collateralized by the project.	Mortgage note	11,330,100	136,753	11,094,909	11,231,662
Construction loan for 100 Labor Street, LLC. The loan requires interest only payments until conversion to permanent financing. The interest rate is 2.90%. Draws are made periodically as the project is constructed. The permanent loan amount is \$40,525,900 and principal and interest payments of \$142,751 are payable beginning April 1, 2023 through maturity on March 1, 2063.	Construction loan	40,525,900	548,922	32,108,045	32,656,967
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
		<u>75,570,700</u>	<u>1,219,169</u>	<u>64,104,775</u>	<u>65,323,944</u>

Program	Issue	Original Amount	Due Within One Year	Due After One Year	Balance Outstanding at June 30, 2023
<b>SAHDC</b>					
Multifamily Housing Revenue Bonds, Series 2005, issued for Costa Valencia, Ltd. Term is 40 years, with final maturity June 1, 2048. The interest rate is 5.75%, with monthly principal and interest payments of \$62,774. The bonds are collateralized by the project.	Revenue Bonds— Series 2005	11,780,000	184,345	9,793,962	9,978,307
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	186,741	11,467,083	11,653,824
Mortgage loan for San Juan Square II payable to Capital One Bank. Term is 15 years, with final maturity December 29, 2025. The interest rate is 7.4%, with monthly principal and interest payments of \$29,911. The loan is secured by a deed of trust, assignment of rents, security agreement and fixture filing.	Mortgage note	4,320,000	102,119	3,414,505	3,516,624
Multifamily Housing Revenue Bonds, Series 2023, issued for New Braunfels 2 Housing, LP ("The Ravello"). Term is 10 years, with final maturity February 14, 2033. The interest rate is fixed by a swap contract at 4.84%, with monthly principal and interest payments averaging \$63,379. The bonds are secured by a deed of trust on the property.	Revenue Note— Series 2023	11,750,000	62,773	11,687,227	11,750,000
		<u>41,720,000</u>	<u>535,978</u>	<u>36,362,777</u>	<u>36,898,755</u>

# Housing Authority of the City of San Antonio

## Notes to Financial Statements Year Ended June 30, 2023

### Note 10. Bonds and Notes Payable (Continued)

Program	Issue	Original Amount	Due Within One Year	Due After One Year	Balance Outstanding at June 30, 2023
<b>Section 8 Project Based</b>					
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	195,718	4,668,689	4,864,407
<b>Converse Ranch, LLC</b>					
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	132,312	6,173,081	6,305,393
<b>Other Affordable Housing</b>					
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	7,438,734	-	7,438,734
<b>Capital Fund Financing Program (CFFP)</b>					
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	1,982,755	3,245,798	5,228,553
<b>Vera Cruz Redevelopment Partnership, Ltd.</b>					
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	467,076	-	467,076
<b>Sunshine Plaza Apartments, Inc.</b>					
Mortgage loan for Sunshine Plaza payable to Frost Bank. Term is 10 years, with final maturity December 30, 2030. The interest rate is fixed at 2.87%, with monthly principal and interest payments averaging \$12,212. The loan is secured by a deed of trust on the property.	Loan	2,600,000	77,057	2,339,260	2,416,317
<b>Energy Performance Contract Loan</b>					
Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. to finance the Authority's Phase II HUD Energy Performance Contract. The interest rate is 2.77%, with monthly principal and interest payments averaging \$73,959. The EPC term ends December 31, 2032.	Loan	9,171,558	631,914	7,282,115	7,914,029
		<u>\$ 180,684,585</u>	<u>\$ 12,680,713</u>	<u>\$ 124,176,495</u>	<u>\$ 136,857,208</u>



## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 10. 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, 2023, for long-term debt outstanding:

	Principal	Interest	Total
Years ending June 30:			
2024	\$ 12,680,713	\$ 5,652,202	\$ 18,332,915
2025	8,952,954	5,170,533	14,123,487
2026	4,157,305	4,907,523	9,064,828
2027	7,179,472	4,691,853	11,871,325
2028	3,065,502	4,491,598	7,557,100
2029-2033	31,960,669	19,390,386	51,351,055
2034-2038	12,340,091	14,023,901	26,363,992
2039-2043	19,758,991	9,082,111	28,841,102
2044-2048	13,366,782	6,546,235	19,913,017
2049-2053	11,949,876	4,170,457	16,120,333
2054-2058	11,586,339	2,068,400	13,654,739
2059-2063	7,727,445	544,104	8,271,549
Subtotal	144,726,139	80,739,303	225,465,442
Amounts to be drawn in future periods or upon refinance	(7,868,931)	-	(7,868,931)
Total	<u>\$ 136,857,208</u>	<u>\$ 80,739,303</u>	<u>\$ 217,596,511</u>

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Due Within One Year
Mortgages, bonds and notes	\$ 124,943,309	\$ 44,142,705	\$ 32,228,806	\$ 136,857,208	\$ 12,680,713
Compensated absences	2,100,921	2,477,547	2,299,895	2,278,573	136,481
	<u>\$ 127,044,230</u>	<u>\$ 46,620,252</u>	<u>\$ 34,528,701</u>	<u>\$ 139,135,781</u>	<u>\$ 12,817,194</u>

#### Note 11. Derivative Financial Instrument

##### **Interest Rate Swaps**

The Authority has four interest rate swap agreements (swaps) with one counterparty as of June 30, 2023. 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 the Secured Overnight Financing Rate (SOFR) plus a spread.

The swaps have an aggregate positive fair value of \$442,037 at June 30, 2023. 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, 2023, by using the synthetic instrument method. The fair value of each swap is classified as an asset and deferred inflow of resources or as a liability and deferred outflow of resources.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

#### Note 11. 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, 2023:

Related Debt Issuance	Current Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
				87.4% of 1-month CME Term SOFR plus 1.580%			
New Braunfels 2 Housing, LP ("The Ravello")	\$ 11,750,000	2/14/2023	4.840%		\$ (121,765)	02/14/2033	A-
Converse Ranch II, LLC	4,210,369	3/1/2023	2.430%	67.8% of SOFR* plus 1.417%	137,360	11/01/2024	A-
Springhill/Courtland Heights PFC	4,864,407	3/1/2023	3.865%	82.4% of SOFR* plus 1.840%	218,872	12/06/2026	A-
SAHFAC (Burning Tree and Encanta Villa)	6,017,747	3/1/2023	3.935%	80.7% of SOFR* plus 1.560%	207,570	12/10/2028	A-
Totals	<u>\$ 26,842,523</u>				<u>\$ 442,037</u>		

\*The Secured Overnight Financing Rate (SOFR) is determined by using a weighted average of rates for the five U.S. Government Securities business days preceding each monthly reset date.

#### **Credit Risk**

The Authority was exposed to credit risk on three swaps that had a positive fair value. At June 30, 2023, three swaps had an aggregate positive fair value of \$563,802 and one swap had a negative fair value of \$121,765. The \$563,802 represents the Authority's credit exposure to the related counterparty and the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. 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, 2023, the swaps had an aggregate positive fair value of \$442,037.

#### Note 12. 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, 2023, the all-in rate was 8.50%. The line of credit was renewed with an effective date of October 14, 2023, and has a term of three years. There were no borrowings against the line of credit at June 30, 2023.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### **Note 13. Conduit Debt**

From time to time, SAHFC and LVPFC issue 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 or LVPFC and, accordingly, have not been reported in the accompanying financial statements.

As of December 31, 2022, there were 24 series of tax-exempt revenue bonds outstanding with an aggregate principal amount payable of \$607,665,764, maturing from 2025 to 2063.

#### **Note 14. 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. A Plan amendment made effective April 1, 2022 removed the service requirement for eligibility and allows eligible employees to participate in the plan upon their hire date. At December 31, 2022, there were 753 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 Plan 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. The Plan was amended, effective July 1, 2022, so the Authority now contributes 11.0% for all employees. Contributions are subject to certain limitations. The employer's required contribution of \$2,510,970 and the employees' required contributions of \$1,279,183 were made to the Plan during the Plan year ended December 31, 2022. 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.

##### **C. Plan Amendments**

Effective December 17, 2021, the Plan was amended to implement a recent contractual obligation of the employer concerning contributions to the Plan. The amendment states that the employer shall make contributions on behalf of the President/Chief Executive Officer in the amount of five percent (5%) of such employee's compensation, and the employee shall be relieved of the obligations of subparagraph 5.1.a which states that as a condition of participating in the Plan, and as a condition of sharing in employer contributions, each participant is required to make mandatory contributions to the Plan.

Effective April 1, 2022, the Plan was amended to remove the service requirement for eligibility. The amendment states that any eligible employee shall be eligible to participate in accordance with Section 4.2 as of the later of (1) April 1, 2022, or (2) their date of hire.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### **Note 14. Defined Contribution Plan (Continued)**

Effective June 11, 2022, the Plan was amended to increase certain employer contributions to the Plan. The amendment states effective for compensation earned on or after June 11, 2022, the employer shall contribute an amount which equals the sum of the following amounts on behalf of all participants eligible to share in allocations for the Plan year: (A) 11% of the total compensation of such participant, plus (B) 5.7% of the excess compensation of such participant.

Effective July 1, 2022, the Authority contributes 11.0% for all employees. Before the amendment, for participants hired before July 1, 2017, the Authority contributed 11.0% of a participant's eligible compensation for the Plan year, plus 5.7% of a participant's eligible 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 contributed 7.0% of a participant's eligible compensation for the Plan year, plus 5.7% of a participant's eligible compensation for the Plan year that exceeds the social security taxable wage base in effect at the beginning of the Plan year.

#### **D. Forfeitures**

Participant forfeitures of nonvested balances will be used to reduce future employer contributions. During the Plan year ended December 31, 2022, employer contributions were reduced by \$119,020 from forfeited nonvested accounts. There were no unallocated forfeitures at December 31, 2022.

#### **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 plan net position.

#### **Note 15. 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.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 15. Risk Management (Continued)

##### *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 \$833,987 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 2022 and fiscal year 2023 is presented below:

	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:				
2022	\$ 286,273	\$ 6,681,764	\$ 6,401,983	\$ 566,054
2023	566,054	7,448,604	7,180,671	833,987

#### Note 16. 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.

##### 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 72% 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

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### **Note 16. Commitments and Contingencies (Continued)**

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 \$7,120,771 at June 30, 2023.

#### **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, 2023, the Authority has expended \$32,188 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.

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.

On December 30, 2020, SAHFAC guaranteed the payment of the 10-year, \$2,600,000 promissory note issuance of Sunshine Plaza Apartments, Inc. The note matures on December 30, 2030. In the event that Sunshine Plaza Apartments, Inc. is unable to make a payment, SAHFAC will be required to make that payment.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 17. Restricted Net Position

The restricted net position of the Authority consists of the following eight components:

Blended component units - lender-held escrows and reserves	\$	12,003,863
Blended component units - other restricted cash		80,526
Blended component units - program income restricted for affordable housing purposes		9,490,841
HCV restricted cash		11,517,442
Public Housing - proceeds and settlement funds		10,703,816
Public Housing - restricted for payment of CFFP loan		1,284,897
Public Housing - other restricted cash		361,163
Section 8 substantial rehabilitation - residual receipts and reserves		381,460
		<hr/>
Total restricted net position	\$	<u>45,824,008</u>

#### Note 18. 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.

- Of the total notes receivable outstanding, \$60,780,841 is due from various partnerships, which are related parties of the Authority. During the fiscal year, the Authority received payments in the amount of \$750,000.

#### Note 19. 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. 101, *Compensated Absences*, will be effective for the Authority beginning with its year ending June 30, 2025. This statement updates the recognition and measurement guidance for compensated absences.

#### Note 20. Acquisitions

On February 14, 2023, the limited partners of New Braunfels 2 Housing, LP transferred their partnership interests to SAHDC in exchange for \$883,819. The general partner, which has a 0.0050% ownership interest, is New Braunfels 2 Development, LLC. The sole member of the general partner is SAHFAC. The Investor Limited Partner was Bank of America, N.A., which owned 99.99% of the partnership. The Special Limited Partner was Banc of America CDC Special Holding Company, Inc., which owned 0.00% of the partnership. The Class B Limited Partner was CAH-IDA New Braunfels 2 Housing Class B LLC, which owned 0.0050%. As a result of the transfer, SAHDC acquired a 99.99% interest in The Ravello Apartments community which added 252 units to its portfolio. The acquisition resulted in an adjustment to beginning equity of \$331,995.

## Housing Authority of the City of San Antonio

### Notes to Financial Statements Year Ended June 30, 2023

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#### Note 21. Subsequent Events

On August 31, 2023, the Investor Limited Partner and Special Limited Partner of Midcrowne Senior Pavilion, LP transferred their partnership interests to SAHDC Midcrowne Senior SLP, LLC in exchange for \$350,000. The sole member of SAHDC Midcrowne Senior SLP, LLC is San Antonio Housing Development Corporation, a blended component unit of the Authority. The General Partner, which retains a 0.01% interest, is Midcrowne Senior GP, LLC and the San Antonio Housing Facility Corporation, a blended component unit of the Authority, serves as its sole member. The Class B Limited Partner, Midcrowne Senior SLP, LLC, retains a 0.01% interest as of March 31, 2024. The Investor Limited Partner was AMTAX Holdings 400, LLC, which owned 99.98% of the partnership. The Special Limited Partner was Tax Credit Holdings III, LLC, which owned 0.00%. As a result of the transfer, SAHDC Midcrowne Senior SLP, LLC acquired a 99.98% interest in the partnership and the Authority added 196 apartment units to its Beacon portfolio.

On November 30, 2023, the San Antonio Housing Facility Corporation, a blended component unit of the Authority, issued San Antonio Housing Facility Corporation Multifamily Housing Revenue Bonds (Midcrowne Senior Pavilion), Series 2023. The loan was a private placement with Frost Bank in the amount of \$5,800,000. The interest rate is fixed by a swap contract at 4.93%. The Frost Bank loan paid off the previous mortgage debt owed to Dwight Capital of \$5,767,761.

On December 15, 2023, Sendero I Public Facility Corporation, a blended component unit of the Authority, paid the 10-year, \$10,000,000 Series 2013 bond that was scheduled to mature on January 1, 2024. The principal payment of \$7,270,507 extinguished the obligation of the San Antonio Housing Facility Corporation as guarantor.

The Authority has evaluated subsequent events through March 31, 2024, the date on which the financial statements were issued. Other than as discussed above, during this period no material subsequent events occurred which would require recognition or disclosure.



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## **Supplementary Information**

Housing Authority of the City of San Antonio

Schedule of Modernization Costs  
Year Ended June 30, 2023

HUD Project Number	Approved Funds	Expended Funds	Disbursed Funds	Approved Funds Available to Expend	Expended Funds Available 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	12,332,100	12,332,100	-	-
TX 59P006501-19	12,929,611	12,929,611	12,929,611	-	-
TX 59P006501-20	13,141,540	10,607,855	9,707,465	2,533,685	900,390
TX 59P006501-21	13,244,337	11,407,910	9,886,627	1,836,427	1,521,282
TX 59P006501-22	16,212,142	3,999,697	3,645,321	12,212,445	354,376
TX 59P006501-23	16,536,059	-	-	16,536,059	-
TX 59E006501-18	250,000	250,000	250,000	-	-
TX 59E006501-22	250,000	-	-	250,000	-
TX 59L006501-20	4,861,055	31,760	31,760	4,829,295	-
	<u>\$ 152,867,885</u>	<u>\$ 114,669,974</u>	<u>\$ 111,893,926</u>	<u>\$ 38,197,911</u>	<u>\$ 2,776,048</u>

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## **Compliance Section**

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Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners  
Housing Authority of the City of San Antonio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Housing Authority of the City of San Antonio (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 30, 2024. Our report includes a reference to other auditors who audited the aggregate remaining fund information. The financial statements of the Authority's aggregate remaining fund information were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate remaining fund information.

#### Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### Report on Compliance and Other Matters

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

Purpose of this Report

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

*CohnReznick LLP*

Charlotte, North Carolina  
March 30, 2024



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

To the Board of Commissioners  
Housing Authority of the City of San Antonio

Report on Compliance for the Major Federal Program

*Opinion on the Major Federal Program*

We have audited the Housing Authority of the City of San Antonio's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2023. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

*Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

*Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Charlotte, North Carolina  
March 30, 2024

Housing Authority of the City of San Antonio

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

I. Summary of Auditor's Results

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

**Unmodified opinion**

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

**Federal Awards**

Internal control over major federal programs:

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

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

**Unmodified opinion**

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

Identification of major federal programs:

- Moving to Work Demonstration Program (Assistance Listing No. 14.881)

Dollar threshold used to distinguish type A and B programs: \$3,000,000

Auditee qualified as a low-risk auditee?  Yes  No

II. Financial Statement Audit Findings

None.

III. Major Federal Awards Findings and Questioned Costs

None.

# Housing Authority of the City of San Antonio

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Expenditures	Amounts Passed Through To Subrecipients
<b>Direct Programs</b>				
United States Department of Housing and Urban Development:				
Section 8 Project-Based Cluster:				
Section 8 Moderate Rehabilitation	14.856	FW-4045K	\$ 1,870,424	\$ -
Section 8 New Construction/Subs Rehab:				
Villa de Valencia	14.182	TX59E000020	455,923	-
Reagan West	14.182	TX59E000018	61,342	-
<b>Total Section 8 New Construction/Subs Rehab</b>			<u>517,265</u>	<u>-</u>
<b>Total Section 8 Project-Based Cluster</b>			<u>2,387,689</u>	<u>-</u>
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers:				
Section 8 Veterans Affairs Supportive Housing—VASH	14.871		2,872,623	-
Emergency Housing Voucher Program	14.EHV		1,222,161	-
Section 8 Mainstream Voucher Program	14.879	FW-4045DV	1,851,737	-
<b>Total Housing Voucher Cluster</b>			<u>5,946,521</u>	<u>-</u>
Moving to Work (MTW) Demonstration Program:				
MTW—Low Rent Public Housing Authority Owned Housing	14.881	FW-1247	29,554,827	-
MTW—Section 8 Housing Choice Voucher Program	14.881	FW-4045V	134,153,911	-
MTW—2020 Capital Fund Program	14.881	TX59P006501-20	683,857	-
MTW—2021 Capital Fund Program	14.881	TX59P006501-21	5,851,274	-
MTW—2022 Capital Fund Program	14.881	TX59P006501-22	3,838,758	-
<b>Total MTW Demonstration Program</b>			<u>174,082,627</u>	<u>-</u>
Lead-Based Paint Capital Fund Program:				
2020 Lead-Based Paint Capital Fund Program	14.888	TX59L006501-20	2,000	-
<b>Total Lead-Based Paint Capital Fund Program</b>			<u>2,000</u>	<u>-</u>
Family Self-Sufficiency Program:				
2021 HCV/PH Combined FSS Grant	14.896	TX006FSS22TX4596	448,161	-
2022 HCV/PH Combined FSS Grant	14.896	TX006FSS23TX5042	457,557	-
<b>Total Family Self-Sufficiency Program</b>			<u>905,718</u>	<u>-</u>
Resident Opportunity and Supportive Services (ROSS)—Service Coordinators Grant:				
2021 ROSS—Service Coordinator	14.870	ROSS221724	176,002	-
<b>Total ROSS—Service Coordinator Grant</b>			<u>176,002</u>	<u>-</u>
Job-Plus Pilot Initiative	14.895	TX006FJP6JPH20	290,403	-
Economic Development Initiative - Community Project Funding and Miscellaneous Grants	14.251	B-22-CP-TX-0861	453,041	-
<b>Total United States Department of Housing and Urban Development</b>			<u>184,244,001</u>	<u>-</u>

(Continued)

# Housing Authority of the City of San Antonio

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Expenditures	Amounts Passed Through To Subrecipients
<b>Pass-Through Programs</b>				
Federal Transit Administration:				
Transit Services Programs Cluster:				
Passed through San Antonio Metropolitan Transit Authority				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	TX-2021-010-00	60,738	-
<b>Total Transit Services Programs Cluster</b>			<u>60,738</u>	<u>-</u>
<b>Total Federal Transit Administration</b>			<u>60,738</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 184,304,739</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal awards.

## Housing Authority of the City of San Antonio

### Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

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#### 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, wherein 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 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, 2023, is as follows:

Total federal financial assistance per SEFA	<u>\$ 184,304,739</u>
A. Federal assistance per statement of revenues, expenses and changes in net position:	
HUD operating subsidy and grant revenue	\$ 180,809,551
Other government grants	60,738
Capital contributions	8,339,837
B. Less grant revenue for multifamily properties separately reported to REAC:	
a. Sunshine Plaza—HUD Project No. 115-94026	(682,463)
b. Pecan Hill—HUD Project No. 115-94027	(709,730)
c. Springhill I PFC—HUD Grant No. TX59E000035	(834,683)
d. Springhill II PFC—HUD Grant No. TX59E000036	(789,440)
C. Less FY 2023 Capital Fund Financing Program principal payments	<u>(1,889,071)</u>
	<u>\$ 184,304,739</u>

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