

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

HOUSING AUTHORITY OF THE CITY OF LAREDO

Laredo, Texas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

For the Year Ended March 31, 2017

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HOUSING AUTHORITY OF THE CITY OF LAREDO, TEXAS
Laredo, Texas

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FINANCIAL SECTION

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
Housing Authority of the City of Laredo
Laredo, TX

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Housing Authority of the City of Laredo, (the Authority), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of LHA River Bank Village, LTD., which is reported as a discrete component unit and which represents 100 percent of the assets, net position, and revenues of the discrete component units. The financial statements of LHA River Bank Village, LTD. was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Authority, as of March 31, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters


Required Supplementary Information

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying 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 supplemental information 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Bryan J. Hensley
& Associates

December 8, 2017

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HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017



Management's Discussion and Analysis

The Housing Authority of the City of Laredo (LHA) is a public agency whose business is to: ensure that safe, quality affordable housing opportunities exist for families of low and moderate income; break the poverty cycle by serving as a catalyst for our residents to become economically self-sufficient; create meaningful partnerships to maximize available community resources for our residents; and efficiently and effectively meet federal, state, and local mandates.

LHA is dedicated to creating and sustaining healthy communities that promote individual responsibilities, economic growth, human dignity, and hope for the future. LHA seeks to enhance the quality of life in the City of Laredo by providing and effectively managing low cost housing which is diverse and well maintained for those whose circumstances prevent them from competing in the general marketplace.

With these new challenges and the ever-changing environment of subsidized housing, customer service has taken a priority within the agency. Our residents are and always will be the foundation of this agency and benchmarks have been incorporated to improve our overall customer approval.

The management of LHA offers the readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended March 31, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements of LHA.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments issued in June, 1999.

Financial Highlights

- The assets of LHA exceeded its liabilities as of March 31, 2017 by \$31,335,331 (net position) representing an increase of \$56,502 from March 31, 2016.
- The Total Current Assets of LHA as of March 31, 2017 was \$30,201,099 representing an increase of \$6,320,607 from March 31, 2016.
- The Total Assets of LHA as of March 31, 2017 was \$37,288,489 representing an increase of \$4,183,957 from March 31, 2016.
- LHA had \$2,433,772 in Tenant Revenue representing a decrease of \$230,030 from last Fiscal Year ending March 31, 2016 and \$12,413,163 of HUD Operating and Capital Grants for the year ended March 31, 2017, representing an increase from March 31, 2016 of \$416,551.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017

Overview of the Financial Statements

The financial statements included in this annual report are those of a special purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Position - reports the current financial resources (short term spendable resources) with capital assets and long-term debt obligations of LHA.
- Statements of Revenues, Expenses, and Changes in Fund Net Position - reports the operating and non-operating revenues of LHA, by major source along with operating and non-operating expenses and capital contributions.
- Statements of Cash Flows - reports the cash flows from operating, investing, capital and non-capital activities of LHA.

Our analysis of LHA as a whole begins on the next page. The most important question asked about the finances of LHA is whether the agency as a whole is better off or worse as a result of the year's activities. The management of LHA believes that significant achievements both in the financial and operational areas have been made in fiscal year 2017.

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the net position and changes in them for LHA. You can think of the net position of LHA, as the differences between what LHA owns (i.e., assets) to what LHA owes (i.e., liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of LHA.

Over time, the Housing Authorities significant changes in the net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Housing Authority the reader must also consider other non-financial factors such as change in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of its capital assets.

To fully understand the financial statement of LHA, one must start with an understanding of what LHA actually does. The following is a brief description of the major programs and services that LHA provides for the residents of Laredo and State of Texas.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017

Low Rent Public Housing

LHA owns 962 Public Housing units in Laredo and 32 Public Housing units in Asherton, Texas. LHA is responsible for the management, and maintenance of all units and sites. On an annual basis, LHA submits a request for funding known as the Calculation of Operating Fund Subsidy to the Department of HUD. The basic concept of the calculation of subsidy is that the Housing Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expense and the amount of rent that the Housing Authority can charge the tenants. During the past Fiscal Year LHA maintained an average occupancy of 99.11%.

Housing Choice Vouchers

This year, the Housing Choice Voucher (HCV) Program has offered participants more affordable housing options than ever before. Currently, there are 1,390 individuals and families participating in the program in Laredo, Asherton, and Zapata, Texas. Of the 1,390 families, 22 are Veteran Affairs Supportive Housing (VASH) for veterans and their families. With over 700 property owners and managers offering homes and apartments in some of Laredo's most desirable neighborhoods, there is a heavy emphasis on the "choice" available to HCV program participants.

Capital Fund Program

LHA's vision of creating and sustaining healthy communities is achieved in part through the Capital Fund Program. Capital Fund is a grant provided by the Department of HUD for physical and management improvements, emergency repairs, regulatory compliance and other special projects.

Having been around since the late 1940's, some of the Housing Authority of the City of Laredo's developments date back well over 70 years. Needless to say over the course of time, LHA has been proactive in its modernization and renovation efforts in order to provide quality affordable housing for its residents.

In addition to addressing basic property needs, the housing authority was able to focus on enhancing the recreational areas as well as the dwelling units of several communities in 2016-2017. Efforts included water heater installations, interior door replacements, major air conditioning upgrades, and kitchen sink and fixture modernization. Other improvements included interior dwelling and bath renovations, miscellaneous equipment purchases, various household appliances, and facility sidewalk repairs.

Capital improvement remains an integral part of providing housing for Laredo's low-income workers and their families. LHA is committed to keeping its properties and facilities in top condition so that its residents will have a safe, decent and affordable place to call home.

Family Self-Sufficiency Program

LHA's economic development initiatives provide job placement services, case management, and supportive services to residents participating in LHA's Housing Choice Voucher program. LHA's Family Self-Sufficiency program, functions in part through partnerships within the community, and serves to assist residents in becoming financially independent.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017

The Family Self-Sufficiency program offers support and incentives to families seeking economic independence. The program is structured over a period of three years. The head of household of a participating family signs a contract outlining his or her commitment to self-sufficiency and the goals to accomplish over the next three years. The program features a formal application process, consistent follow-up, and the development of an interest bearing escrow account where a percentage of additional earned income is deposited. The escrow account is distributed upon completion of the contract, or participants may request to withdraw a specific amount to help them reach interim goals defined in the contract. LHA encourages qualified participants to pursue homeownership. Many program graduates take advantage of credit counseling classes and most use their escrow accounts for down payments on a home of their own. In order to help participants realize all of their goals, LHA develops a wide array of partnerships with outside agencies to provide the supportive services each family requires in order of becoming self-sufficient.

Blended Component Units

In order to be qualified to serve as a director of the following Corporations, a person must be a duly-appointed member of the Board of Commissioners of the Housing Authority of the City of Laredo, Texas (the "Housing Authority"). Therefore, the board members of the Housing Authority are substantially the same as the board members of the below listed component units. Under the criteria of GASB 14 and 39, component units having substantially the same board members as those of the primary government are deemed so intertwined that they are in substance a part of the primary government. As a consequence, these component unit's balances and transactions are reported in a manner similar to those of the primary government's. This type of reporting is known as "blended" reporting under GASB 14 and 39. All of the Housing Authority's component units qualify for the Blending method of reporting. A listing of these component units follows:

- Laredo Housing Facilities Corporation
- Laredo Housing Opportunities Corporation
- Laredo Housing Development Corporation

Each of the above corporations was organized under the Texas Public Facility Corporation Act and The Texas Nonprofit Corporation Act as a nonprofit public corporation in December 2010. In accordance with each of their respective articles of incorporation, the corporations will be operated exclusively for the benefit of, to perform certain functions of, to carry out the purposes of, and to act as an instrumentality of the Housing Authority of the City of Laredo, Texas. Additionally, the corporations are sponsored and created by the Authority, under the Public Facility Corporation Act, with the broadest possible powers to assist it to acquire, construct, rehabilitate, renovate, repair, equip, furnish, refinance and place in service public facilities of the Authority, for public use in the public interest.

Separate financial statements of each of the blended component units are not issued.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017

Analysis of Net Position

Presented below is an analysis of the condensed statement of net position.

Condensed Statement of Net Position

	2017	2016	Increase (Decrease)	Percentage Change
Cash and Cash Equivalents	\$ 25,194,749	\$ 23,309,640	\$ 1,885,109	8.09%
Other Current Assets	5,006,350	570,852	4,435,498	777.00%
Restricted Assets	630,645	2,026,100	(1,395,455)	-68.87%
Capital Assets, Net	6,456,745	7,197,940	(741,195)	-10.30%
Total Assets	<u>\$ 37,288,489</u>	<u>\$ 33,104,532</u>	<u>\$ 4,183,957</u>	<u>12.64%</u>
Current Liabilities	\$ 3,775,673	\$ 736,985	\$ 3,038,688	412.31%
Non-Current Liabilities	2,177,485	1,088,718	1,088,767	100.00%
Total Liabilities	<u>\$ 5,953,158</u>	<u>\$ 1,825,703</u>	<u>\$ 4,127,455</u>	<u>226.07%</u>
Net Position				
Invested In Capital Assets, Net	\$ 6,431,509	\$ 7,166,440	\$ (734,931)	-10.26%
Restricted	546,691	1,954,299	(1,407,608)	-72.03%
Unrestricted	24,357,131	22,158,090	2,199,041	9.92%
Total Net Position	<u><u>\$ 31,335,331</u></u>	<u><u>\$ 31,278,829</u></u>	<u><u>\$ 56,502</u></u>	<u><u>0.18%</u></u>

Assets

The primary change to the Authority's assets was due to LHA collecting the proceeds from a matured certificate of deposit of \$1.71 million that was pledged as collateral for a letter of credit for the construction of the River Bank Village Apartments, a receivable in the amount of \$3.05 million where LHA provided interim financing for the Casa Verde complex construction, and a prepaid ground lease for \$1.15 million for Casa Verde. Overall, total assets increased by \$4,183,957, or 12.64 percent.

Liabilities

The Agency's liabilities increased primarily due to an outstanding liability totaling \$2.1 million for the Casa Verde construction and unearned revenue in the amount of \$1.15 million for the Casa Verde land lease. Overall, liabilities increased by \$4,127,455, or 226.07 percent.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017

Net Position

Restricted net position decreased by \$1.40 million primarily due to the maturing certificate of deposit pledged for the Casa Verde Apartment Complex construction. Net position for the fiscal year increased \$56,502, or 0.18 percent.

Analysis of Revenues, Expenses, and Changes in Net Position

Presented below is an analysis of the condensed statement of revenues, expenses, and changes in net position.

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Operating Revenues				
HUD Operating Grants and HAP	\$ 12,413,163	\$ 11,996,612	\$ 416,551	3.5%
Tenant Revenue	2,433,772	2,663,802	(230,030)	-8.6%
Other Government Grants	56,198	61,197	(4,999)	-8.2%
Other Revenue	574,293	224,423	349,870	155.9%
Total Operating Revenue	<u>\$ 15,477,426</u>	<u>\$ 14,946,034</u>	<u>\$ 531,392</u>	<u>3.6%</u>
Operating Expenses				
Administrative	\$ 2,695,301	\$ 2,111,641	\$ 583,660	27.6%
Housing Assistance Payments	7,413,327	7,857,229	(443,902)	-5.6%
Tenant Services	218,208	211,856	6,352	3.0%
Utilities	238,904	231,562	7,342	3.2%
Maintenance	3,123,183	2,441,754	681,429	27.9%
Protective Services	133,213	119,326	13,887	11.6%
Other General Expenses	953,759	797,259	156,500	19.6%
Depreciation	461,739	588,770	(127,031)	-21.6%
Total Operating Expenses	<u>\$ 15,237,634</u>	<u>\$ 14,359,397</u>	<u>\$ 878,237</u>	<u>6.1%</u>
Operating Income (Loss)	<u>239,792</u>	<u>586,637</u>	<u>(346,845)</u>	<u>-59.1%</u>

(Continued)

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Nonoperating Revenues (Expenses)	\$ 210,997	\$ 199,924	\$ 11,073	5.5%
Income (Loss) Before Capital Grant	\$ 450,789	\$ 786,561	\$ (335,772)	-42.7%
HUD Capital Grants	-	230,662	(230,662)	-100.0%
Change in Net Position	450,789	1,017,223	(566,434)	-55.7%
Net Assets - Beginning Balance	31,278,829	30,209,529	1,069,300	3.5%
Prior Period Adjustments	<u>(394,287)</u>	<u>52,078</u>	<u>(446,365)</u>	<u>100.0%</u>
Net Position - Ending Balance	<u><u>\$31,335,331</u></u>	<u><u>\$31,278,830</u></u>	<u><u>\$ 56,501</u></u>	<u><u>0.2%</u></u>

The Laredo Housing Authority recognized revenues from the following programs/sources during the fiscal year ending March 31, 2017.

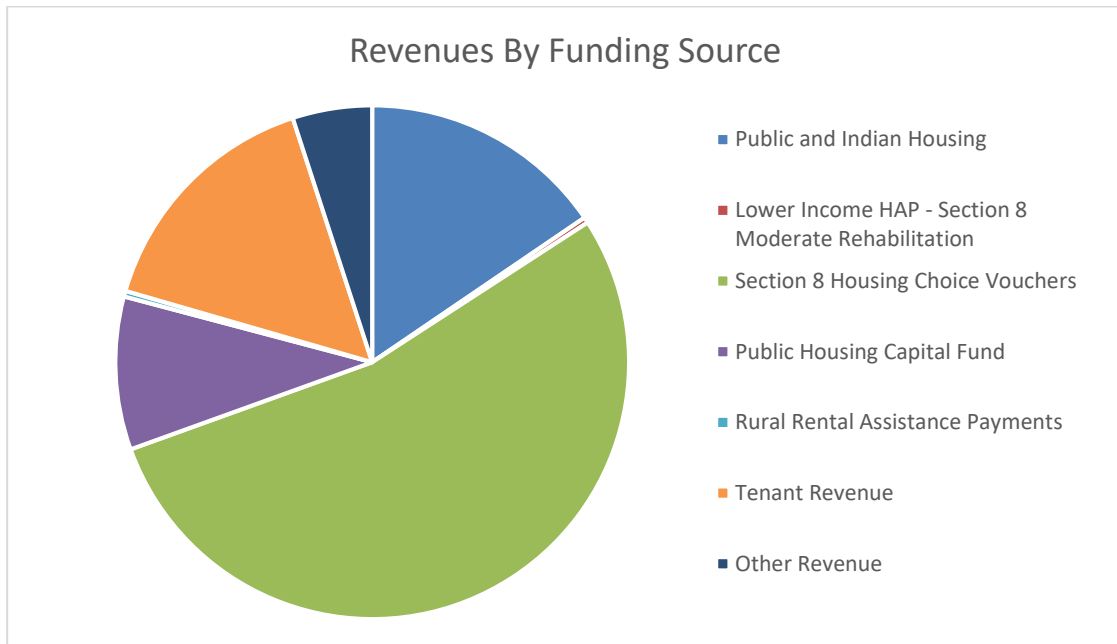
Public and Indian Housing	\$ 2,429,671
Lower Income HAP - Section 8 Moderate Rehabilitation	55,872
Section 8 Housing Choice	
Vouchers	8,416,438
Public Housing Capital Fund	1,511,182
Rural Rental Assistance Payments	56,198
Tenant Revenue	2,433,772
Other Revenue	785,290
	<u><u>\$ 15,688,423</u></u>

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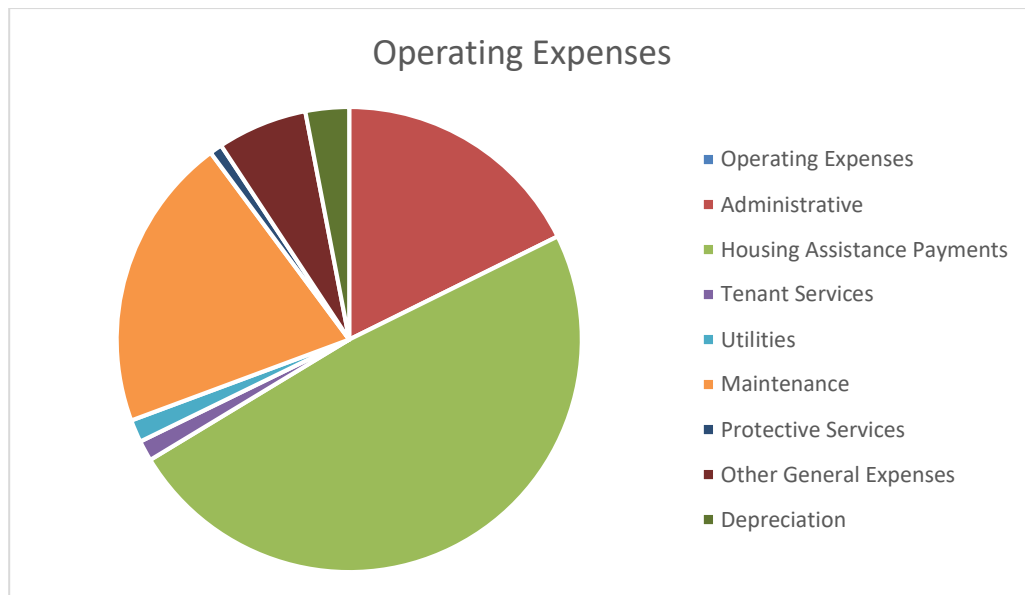
HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017



Operating expenses are comprised of the following:



HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017

Capital Asset and Long Term Debt Activity

Capital Assets

Changes in capital assets were as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Land	\$ 3,860,171	\$ 3,860,171	\$ -
Buildings	30,645,401	30,824,726	(179,325)
Furniture, equipment and machinery-dwell.	224,940	864,611	(639,671)
Furniture, equipment and machinery-admin.	1,942,262	1,869,211	73,051
Accumulated depreciation	(30,216,029)	(30,296,459)	80,430
Construction in progress	-	75,680	(75,680)
	<u>\$ 6,456,745</u>	<u>\$ 7,197,940</u>	<u>\$ (741,195)</u>

Other than regular expenditures for normal wear and tear within the housing units, the majority of changes to capital assets was due to the restatement of appliances with a unit price of less than \$5,000 originally classified as capital assets to expense and depreciation charges. The net decrease to capital assets was \$741,195 for the fiscal year.

Long Term Debt

Changes in long-term debt were as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Long Term Debt	\$ 19,883	\$ 25,721	\$ (5,838)
Other	2,092,481	996,623	1,095,858
Accrued Compensated Absences	65,121	66,374	(1,253)
	<u>\$ 2,177,485</u>	<u>\$ 1,088,718</u>	<u>\$ 1,088,767</u>

The change within the other category in long-term debt was due to the addition of a land lease related to Casa Verde Ltd. Overall, the long-term debt increased by \$1,095,858 for the fiscal year as a result.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2017

Request for Information

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

Laredo Housing Authority
Attn: Melissa A. Ortiz, Acting/Interim Executive Director
2000 San Francisco Avenue
Laredo, Texas 78040

Basic Financial Statements

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Statement of Net Position

March 31, 2017

	Housing Authority and Blended Component Units	Discretely Presented Component Unit
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Unrestricted	\$ 25,067,653	\$ 83,268
Tenant Security Deposits	127,096	47,215
Accounts Receivable		
HUD Other Projects	120,554	-
Miscellaneous	3,356,184	63,315
Tenants	14,212	-
Allowance for Doubtful Accounts - Tenants	(6,725)	-
Prepaid Expenses and Other Assets	119,968	100,788
Notes, Loans, & Mortgage Receivable - Current	1,402,157	-
Total Current Assets	<u>30,201,099</u>	<u>294,586</u>
Restricted Assets		
Cash - Other Restricted	<u>630,645</u>	<u>480,393</u>
Total Restricted Assets	<u>630,645</u>	<u>480,393</u>
Noncurrent Assets		
Capital Assets		
Land	3,860,171	1,897,361
Buildings & Improvements	30,645,401	12,990,969
Furniture, Equipment & Machinery - Dwellings	224,940	-
Furniture, Equipment & Machinery - Administration	1,942,262	424,896
Less Accumulated Depreciation	(30,216,029)	(766,672)
Total Capital Assets, Net of Accumulated Depreciation	<u>6,456,745</u>	<u>14,546,554</u>
Investments in Partnerships	-	-
Other Assets	<u>-</u>	<u>1,000,000</u>
Total Noncurrent Assets	<u>6,456,745</u>	<u>15,546,554</u>
Total Assets	<u><u>\$ 37,288,489</u></u>	<u><u>\$ 16,321,533</u></u>

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Statement of Net Position

March 31, 2017

	Housing Authority and Blended Component Units	Discretely Presented Component Unit
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable		
Vendors	\$ 2,399,744	\$ 16,156
Other Government	639,152	-
Accrued Wages and Payroll Taxes	46,496	-
Accrued Compensated Absences	61,603	-
Accrued Interest Payable	21	28,592
Tenant Security Deposits	124,470	38,500
Unearned Revenue	45,459	-
Loans Payable	5,353	-
Other Current Liabilities	52,769	-
Accrued Liabilities - Other	400,606	32,666
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Total Current Liabilities	3,775,673	115,914
	<hr/>	<hr/>
Noncurrent Liabilities		
Loans Payable	19,883	5,818,208
Other	2,092,481	-
Accrued Compensated Absences	65,121	-
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Total Non-Current Liabilities	2,177,485	5,818,208
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Total Liabilities	5,953,158	5,934,122
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Net Position		
Net Investment in Capital Assets	6,431,509	8,728,346
Restricted Net Position	546,691	-
Unrestricted Net Position	24,357,131	1,659,065
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Total Net Position	31,335,331	10,387,411
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Total Liabilities and Net Position	\$ 37,288,489	\$ 16,321,533
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The notes to financial statements form an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Statement of Revenues, Expenses and Changes in Net Position

For The Year Ended March 31, 2017

	Housing Authority and Blended Component Units	Discretely Presented Component Unit
OPERATING REVENUES		
HUD Operating Grants and Housing Assistance Payments	\$ 12,413,163	\$ -
Tenant Revenue	2,433,772	1,067,843
Other Government Grants	56,198	118,145
Other Revenue	574,293	-
Total Operating Revenue	<u>15,477,426</u>	<u>1,185,988</u>
OPERATING EXPENSES		
Administrative	2,695,301	301,617
Housing Assistance Payments	7,413,327	-
Tenant Services	218,208	-
Utilities	238,904	123,963
Maintenance	3,123,183	113,099
Protective Services	133,213	-
Insurance	252,702	48,078
Other General Expense	700,747	59,225
Interest on Note Payable	310	264,371
Depreciation	461,739	479,086
Total Operating Expenses	<u>15,237,634</u>	<u>1,389,439</u>
Operating Income (Loss)	<u>239,792</u>	<u>(203,451)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income - Unrestricted	177,805	867
Investment Income - Restricted	502	-
Fraud Recovery	32,690	-
Total Nonoperating Revenues (Expenses)	<u>210,997</u>	<u>867</u>
Income (loss) Before Contributions	450,789	(202,584)
Partnership Contributions	-	1,620,211
Change in Net Position	450,789	1,417,627
Net Assets - Beginning Balance	31,278,829	8,969,784
Prior Period Adjustments	<u>(394,287)</u>	<u>-</u>
Net Position - Ending Balance	<u>\$ 31,335,331</u>	<u>\$ 10,387,411</u>

The notes to financial statements form an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Statement of Cash Flows

For The Year Ended March 31, 2017

	Housing Authority and Blended Component Units
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Tenants	\$ 2,462,351
HUD Operating Grants	3,952,062
Housing Assistance Payment Receipts	8,416,438
Other Operating Grants	71,201
Miscellaneous Receipts	(2,664,701)
Cash Payments to Suppliers for Goods and Services	(2,134,078)
Cash Payments to Employees	(2,209,747)
Housing Assistance Payments	(7,413,327)
Net Cash Provided by Operating Activities	480,199
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Fraud Recovery	32,690
Net Cash Provided for Capital and Related Financing Activities	32,690
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Ground Lease	1,145,500
Issuance of Note Receivable	(1,152,157)
Acquisition and Construction of Capital Assets	(188,332)
Principal Payment on Note Payable	(6,264)
Interest paid on Note Payable	(289)
Net Cash Provided for Capital and Related Financing Activities	(201,542)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	178,307
Net Cash Provided for Investing Activities	178,307
Net Increase in Cash and Cash Equivalents	489,654
Cash and Cash Equivalents - Beginning Balance	25,335,740
Cash and Cash Equivalents - Ending Balance	\$ 25,825,394
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 239,792
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	461,739
(Increase) Decrease in Accounts Receivable - HUD	(44,663)
(Increase) Decrease in Accounts Receivable - Other Governments	15,003
(Increase) Decrease in Accounts Receivable - Miscellaneous	(3,238,994)
(Increase) Decrease in Accounts Receivable - Tenants	7,750
(Increase) Decrease in Prepaid Expenses and Other Assets	(22,437)
Increase (Decrease) in Accounts Payable	2,719,088
Increase (Decrease) in Accrued Wages and Payroll Taxes	(69,493)
Increase (Decrease) in Accrued Compensated Absences	1,916
Increase (Decrease) in Tenant Security Deposits	3,402
Increase (Decrease) in Unearned Revenue	17,427
Increase (Decrease) in Other Current Liabilities	66,138
Increase (Decrease) in Accrued Liabilities - Other	323,531
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 480,199
Reconciliation of Cash and Cash Equivalents to Statement of Net Position	
Cash - Unrestricted	\$ 25,067,653
Cash - Other Restricted	630,645
Cash - Tenant Security Deposits	127,096
Total Cash and Cash Equivalents	\$ 25,825,394

The notes to financial statements form an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

The financial statements of the Housing Authority of the City of Laredo (Authority) have been prepared in conformity with accounting principles generally accepted in the United State of America for governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing governmental accounting and financial reporting standards. The following is a summary of the significant accounting policies of the Authority.

A. Organization

The Housing Authority of the City of Laredo (“the Authority”) is a public body corporate and politic pursuant to the laws of the State of Texas, which was organized to provide affordable housing and other programs for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other federal agencies.

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing governmental accounting and financial reporting standards.

B. Reporting Entity

The Authority is a special-purpose government engaged in a business-type activity. As required by governmental accounting principles generally accepted in the United States of America, the basic financial statements of the reporting entity include those of the primary government, the Authority, and any component units.

Blended Component Units

The following are blended component units of the Authority:

- Laredo Housing Facilities Corporation (LHFC)
- Laredo Housing Opportunities Corporation (LHOC)
- Laredo Housing Development Corporation (LHDC)

Each of the above corporations was organized under the Texas Public Facility Corporation Act and Texas Nonprofit Corporation Act as legal non-profit tax-exempt public corporations in December 2010. The LHOC received its Federal Income Tax Exemption letter in 2013 and the LHFC and the LHDC received their Federal Income Tax Exemption in 2014. Based on the federal income tax exemption letters, all three component units are not required to submit annual non-profit tax returns.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)

In accordance with each of their respective articles of incorporation, the above mentioned corporations will be operated exclusively for the benefit of, to perform certain functions of, to carry out the purposes of, and to act as an instrumentality of the Authority (“the sponsoring government”). Additionally, the corporations are sponsored and created by the Authority under the Public Facility Corporation Act with the broadest possible powers to assist it to acquire, construct, rehabilitate, renovate, repair, equip, furnish, finance, refinance and place in service public facilities of the Authority, for public use in the public interest.

With respect to the above component units, applicable state statutes provide for control by the sponsoring government through the appointment of the majority of the component units’ governing boards; the sponsoring government’s right to remove a board member without cause; the sponsoring government’s right to dissolve the component unit; automatic vesting of funds and property in the sponsoring government upon the component units’ dissolution and required sponsor government approval of any amendments to the component unit’s formation documents or By-laws. Additionally, as of March 31, 2016, and through-out the year then ended, the board of the Authority was substantially the same as the boards of the Authority’s component units; the primary government exercised operational responsibility of the component units; and a significant financial relationship existed between the Authority and its component units. Because of the above described relationship, the Authority’s component units are included in its financial statements as “fully blended” component units based on the criteria set forth in GASB codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*. Under the “fully blended” component unit GASB provisions, the financial statements of a component unit are presented within those of its sponsoring government in the same manner as if the component unit was a department or operation of the sponsoring government.

Separate financial statements of the blended component units have not been issued and the Authority is not a component unit of or included in any other reporting entity.

(Continued)

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)**

Discrete Component Units

LHA River Bank Village Ltd.

The LHOC created a Texas Limited Liability Company (an “LLC”) whose sole purpose is to serve as the sole general partner of a Texas Limited partnership, LHA River Bank Village Ltd. (“LHA RBV”) that operates a 152-unit multifamily, Low-Income Housing Tax Credit affordable housing project in Laredo, Texas. The Texas LLC created by the LHOC is the LHA River Bank Village GP, LLC. (“LHA RBV GP”). As part of its role as the sole general partner of the LHA RBV, the LHA RBV GP’s sole asset is its 0.01% general partner interest in the LHA RBV limited partnership, which as of March 31, 2016 amounted to \$10. The LHA RBV GP consists of two LLC members, of which the LHOC (a controlled blended component unit of the Authority) has a 52% controlling LLC member interest. Since the LHOC has a controlling interest in the LHA RBV GP both the LHA RBV GP along with the LHA RBV limited partnership it manages are deemed component units of the Authority. Since the LHA River Bank Village GP, LLC can impose its will and has operational responsibility for the LHA River Bank Village GP, the LHA RBV limited partnership is deemed a component unit of the Authority. Inclusion of the LHA RBV is in addition to the above three described blended component units that the Authority has included as component units in the prior year. However, because the LHA RBV does not meet the “Blending” component criteria described above (the Authority and the LHA RBV do not have substantially the same board), the financial statements of the LHA RBV limited partnership are reported as “Discretely Presented Component Units” instead of blended component units. The LHA RBV GP and its managed LHA RBV limited partnership are further described in note XIX.

Audited financial statements for the year ended December 31, 2015 for the partnership described above may be obtained from the Authority’s administrative offices at 2000 San Francisco Ave., Laredo, Texas 78040.

BAH Casa Verde Apartments, Ltd.

On October 1, 2016, the BAH Casa Verde Apartments Ltd. was formed by and between Casa Verde Apartments GP, LLC, as general partner, and Laredo Housing Opportunities Corporation, as limited partner. The LHOC is majority owner (52%) of the general partner whose purpose is to serve as the general partner of the partnership that will operate a multifamily, Low-Income Housing Tax Credit affordable housing project in Laredo, Texas. Partnership gains, losses, deductions, and credits are to be allocated .01% to the general partner and 99.99% to the investor partner. LHOC also entered into a prepaid ground lease for the land on which the apartments will be located. The lease began on October 26, 2016 in the amount of \$1,145,500, and will continue for 75 years. As of March 31, 2017 no outside parties had been admitted to the partnership and the partnership had begun construction. Upon completion of construction a cost certification and audit for the partnership will be completed at which time the LHA will report the activities of the partnership as a discrete component unit.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)**

Condensed Blended Component Unit Information

In accordance with the provisions of GASB codification 2600.115, local governments engaged only in business-type activities that use a single column for financial may consolidate its blended component unit information into its single column basic financial statements and present prescribed combining blended component unit information as condensed information within the notes to financial statements.

Authority Programs

Programs administered by the Authority that are included in its financial statements as of March 31, 2017, are as follows:

1. Federal Programs
 - Low Rent Public Housing
 - Public Housing Capital Fund Program
 - Section 8 Housing Choice Vouchers Program (HCV)
 - Rural Rental Assistance Payments
 - Section 8 Moderate Rehabilitation
2. State/Local - Local Program (Housing Development Services)
3. Central Office Cost Center (COCC) – The COCC has been established by the Authority to account for non – project specific costs in accordance with HUD guidelines.

C. Measurement focus, basis of accounting and basis of presentation

Based on HUD guidelines and requirements, the Authority is considered a special-purpose government that provides limited services or programs and is engaged only in business-type activities, therefore, the Authority reports under the governmental proprietary fund type or enterprise fund. In an enterprise fund model, the financial statements are prepared on the accrual basis of accounting and generally are presented using a flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. All assets and liabilities associated with the operations of the Authority are included in the Statement of Net Position.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are tenant rent revenue and other income from the operation of the project. Additionally, operating subsidies received from the Department of Housing and Urban Development and other grantor agencies are recorded as operating income. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

J. Capital Assets

All land, buildings and significant equipment with a cost of \$5,000 or more, and a usual life exceeding one year, are capitalized and recorded at cost. Donated assets are recorded at fair market value at the date of donation. The cost of site and building improvements, which add value to the asset or materially extends the asset life are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is provided over the estimated useful lives of assets using the straight-line method as follows:

Class	Life
Structures/Buildings	15, 39 years
Equipment – Administration	3, 5, 7 years
Equipment – Dwelling	7 years

K. Accounts Receivable

Accounts receivable are amounts due from other governments and from tenants for dwelling rents, as well as miscellaneous accounts receivable. Allowance for uncollectible accounts of \$6,725 has been established for the year ending March 31, 2017, for tenants accounts receivable. Collection losses on accounts receivable are charged against the allowance for uncollectible accounts.

L. Income Taxes

The Authority was created under the municipal housing authority provisions of Chapter 392 of the Texas Local Government Code and is thus a local government that is not subject to state or federal income taxes. Also, the U.S. Internal Revenue Service (the "IRS") has approved the U.S. federal income tax exemption applications of the Authority's three blended component units described above and has also approved their exemption from filing non-profit annual information returns (IRS form 990) because they meet the local government affiliation criteria. Accordingly, the Authority's above described three blended component units are not required to file an annual IRS Form 990.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)**

G. Compensated Absences

The Authority's policies permit employees to accumulate earned but unused vacation, or annual leave, and sick pay benefits. Annual leave pay is accrued when incurred and reported as a liability. Sick leave is not accrued, however, since terminating employees are not paid for accumulated sick leave. Regular full-time employees accrue 13 days of annual leave each year. Annual leave in excess of 30 days is forfeited at the end of the calendar year. The current portion of accrued annual leave is estimated based on the Authority's policy of only classifying 80 hours as current liabilities since, historically, only two weeks of annual leave are approved per year. The remaining balance of annual leave is reported as a non-current liability. As of March 31, 2017 annual leave of \$61,603 has been accrued as a current liability, while \$65,121 is non-current.

H. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Authority considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

I. Investments

Investments, if any, are stated at cost. Investment securities are normally held to mature at par value and adjustments are made to the investment portfolio to reflect increases/(decreases) in gains made.

J. Estimates

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

K. Restricted/Unrestricted Resources

Under the terms of grant agreements, the Authority funds certain programs by a combination of specific cost reimbursement grants and general revenues. Thus, 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 restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)**

L. Revenue Recognition

Revenue from rental of housing units and other revenue are recognized as revenue in the period earned.

M. Impairment of Capital Assets

The Authority reviews the carrying value of assets for impairment each time events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows. Situations in which the expected cash flows are less than the carrying value, the Authority recognizes an impairment loss equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered in performing this assessment of capital assets include current operating results, effects of obsolescence, demand, and other economic factors. The Authority did not recognize any impairment losses in the current fiscal year.

N. Net Position

Net position is divided into three components:

- Net investment in capital assets
- Restricted, and
- Unrestricted

Net investment in capital assets – consists of the historical cost of 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 – net position restricted by external constraints placed on net position use by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – net position that does not meet the definition of “restricted” or “net investment in capital assets”.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

II. DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash and investments as of March 31, 2017 are classified in the accompanying financial statements as follows:

Unrestricted		
Cash	\$	25,065,404
Tenant Security Deposits		127,096
Petty Cash		2,250
Restricted		
Cash and Cash Equivalents		629,392
Certificate of Deposit		1,252
Total Cash and Investments	\$	<u>25,825,394</u>

The carrying amount of the Authority's bank deposits was \$25,823,144 as of March 31, 2017, and the bank balance was \$26,128,543. The Authority does not have a formal policy regarding types of deposits allowed. Collateral requirements are addressed in its depository agreement with its banking institution. As of March 31, 2017, the deposits are fully collateralized by FDIC and collateral held by its primary financial institution. Of the total carrying amount of deposits, \$127,096 is for tenant security deposits and \$630,644 is restricted as follows:

Section 8 Housing Choice Voucher:		
• Funds for Family Self Sufficiency escrow	\$	83,954
• Funds required to be restricted by the Section 8 HCV program for Housing Assistance Payments equity		<u>330,608</u>
		414,562
Rural Rental Assistance Payment Program:		
• Reserved funds		214,831
Component Unit – Blended		
• Reserved Funds		<u>1,252</u>
Total	\$	<u><u>630,645</u></u>

The deposit of \$1,252 is restricted in the Laredo Housing Opportunities Corporation (a component unit of the City of Laredo) since it is related to cash for the LHA River Bank Village construction.

Investments are reported at fair value in the balance sheet. Change in the fair value of investments is recognized as revenue. The Authority reported no investments as of March 31, 2017.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

II. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

The Authority's funds are required to be deposited and invested under the terms of a depository contract pursuant to federal and state regulations. The depository bank deposits for safekeeping and trust with the Authority's agent bank approved pledged securities in amount sufficient to protect the Authority's funds on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance which was \$250,000 during the year and at year end. Accordingly, the Authority executed a depository agreement with its respective financial institutions requiring collateralization of deposit amounts in excess of FDIC insurance coverage. As of March 31, 2017, and throughout the year, the Authority's deposits were fully collateralized by the Authority's depository with U.S. government agency securities held by its safekeeping agent in the name of the Authority.

In accordance with GASB Statement No. 40, "Deposit and Investment Risk Exposure", the following information addresses the interest rate exposure, 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 interest rates will adversely affect the fair value of an investment. The Authority has not adopted an investment policy which addresses interest rate 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.

Concentration of Credit Risk

The Department of Housing and Urban Development has set no limitations on the amount that can be invested in any one issuer. The Authority has not adopted an investment policy which addresses credit risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broken-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority has not adopted an investment policy which addresses custodial credit risk.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

III. NOTE RECEIVABLE

On October 26, 2016, Laredo Housing Facilities Corporation entered into a promissory note to loan the BAH Casa Verde Apartments, Ltd., a related party, \$1,152,157 in order for the partnership to execute a prepaid ground lease with the Laredo Housing Opportunities Corporation (LHOC), a component unit of the Authority. Interest on the note accrues and compounds annually at 3% per annum. The note matures on October 25, 2017. Beginning on the maturity date, matured unpaid principal and interest shall, at the Authority's option, bear interest from the maturity date until paid at the lower of the highest lawful rate permitted or 8%. The note is nonrecourse and is secured by the land owned by the LHOC. The note is expected to be repaid once permanent financing is secured and an investor limited party is admitted to the partnership.

IV. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2017, is as follows:

	Beginning Balance (Restated)	Additions	Deletions/ Corrections	Ending Balances
Capital Assets, not being depreciated:				
Land	\$ 3,860,171	\$ -	\$ -	\$ 3,860,171
Total capital assets not being depreciated	3,860,171	-	-	3,860,171
Capital assets, being depreciated:				
Buildings	30,645,401	-	-	30,645,401
Furniture & equipment - dwelling	224,940	-	-	224,940
Furniture & equipment - administration	1,825,867	116,395	-	1,942,262
Total capital assets being depreciated	32,696,208	116,395	-	32,812,603
Less accumulated depreciation	(29,754,290)	(461,739)	-	(30,216,029)
Total capital assets being depreciated, net	2,941,918	(345,344)	-	2,596,574
Net capital assets	\$ 6,802,089	\$ (345,344)	\$ -	\$ 6,456,745

Depreciation expense for the year ended March 31, 2017, was \$461,739.

V. LONG-TERM LIABILITIES

The Authority's long-term liabilities consist of a loan payable, accrued compensated absences, FSS escrow liability, and unearned revenues on land leases. A summary of changes in the Authority's long-term liabilities for the year ended March 31, 2017 is presented below:

	Balance 4/1/2016	Increase	Decreases	Balance 3/31/2017	Current Portion
Loan Payable	\$ 31,500	\$ -	\$ 6,264	\$ 25,236	\$ 5,353
Accrued Compensated Absences	124,808	163,157	161,241	126,724	61,603
FSS Escrow	49,642	32,374	5,078	76,938	52,769
Unearned Revenue on Land Leases	971,114	1,145,500	19,696	2,096,918	28,606
Totals	\$ 1,177,064	\$ 1,341,031	\$ 192,279	\$ 2,325,816	\$ 148,331

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

V. LONG-TERM LIABILITIES (Continued)

Loan Payable

On July 15, 1988, the Authority obtained a mortgage loan from the U.S. Department of Agriculture for the construction of a 48 unit low income housing project. The original amount of the loan was \$165,737, with an annual interest rate of 1.0%. The monthly installment, including principal and interest, is \$505.64. The building collateralizes the note and equipment as well as the operating subsidy received by the Authority from the U.S. Department of Agriculture. The following is the debt service requirements of this note with a balance of \$25,236 as of March 31, 2017:

Year Ending March 31,	Principal	Interest	Total
2018	\$ 5,353	\$ 209	\$ 5,562
2019	5,896	172	6,068
2020	5,955	113	6,068
2021	6,016	52	6,068
2022	2,016	4	2,020
Total	\$ 25,236	\$ 550	\$ 25,786

Land Lease

LHA Riverbank Village (RBV), Ltd.- Effective January 29, 2014, the Authority entered into a 75-year ground lease with a limited partnership (LHA RBV, Ltd.) whose sole general partner is a single-member LLC controlled by LHOC, a blended component unit of the Authority. The LHOC controlled single-member LLC (the LHA RBV GP, LLC) has a 0.01% general partner interest in the LHA RBV limited partnership. Parties un-related to the Authority or its component units have a 99.9% limited partner interest in the limited partnership. The LHA RBV limited partnership owns and operates a 152 unit, low income housing tax credit, multifamily, affordable housing project in Laredo, Texas. The development resides on a parcel of land that is being leased from the Authority under the above mentioned 75-year ground lease.

Under the terms of the ground lease agreement, a parcel of land was purchased for \$1,000,000 by the LHA River Bank Village, Ltd.'s general partner and deeded to the Housing Authority as part payment for the ground lease. Thereafter, \$1,000 will be paid to the Authority annually by the limited partnership for the duration of the ground lease. The Authority has recognized the subject parcel of land as an asset with a corresponding \$1,000,000 ground lease pre-payment liability that will be amortized as lease income by the Authority ratably over the 75-year lease period.

BAH Casa Verde, Ltd.- Effective October 26, 2016, the Authority entered into a 75-year ground lease with a limited partnership (BAH Casa Verde, Ltd.) whose sole general partner is a single-member LLC controlled by a blended component unit, the LHOC, of the Authority. The LHOC controlled single-member LLC (Casa Verde Apartments GP, LLC) has a 0.01% general partner interest in the BAH Casa Verde limited partnership. The Casa Verde limited partnership was formed to own and operate a 152 unit, low income housing tax credit, multifamily, HUD Rental Assistance Demonstration (RAD),affordable housing project in Laredo, Texas. The development resides on a parcel of land that is being leased from the Authority under the above mentioned 75-year ground lease.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

V. LONG-TERM LIABILITIES (Continued)

Under the terms of the ground lease agreement, a parcel of land was purchased for \$1,145,500 by the LHA River Bank Village, Ltd.'s general partner and deeded to the Housing Authority as part payment for the ground lease. The Authority has recognized the subject parcel of land as an asset with a corresponding \$1,145,500 ground lease pre-payment liability that will be amortized as lease income by the Authority ratably over the 75-year lease period.

VI. INVESTMENTS IN PARTNERSHIPS

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 partnership's net earnings or losses.

An analysis of LHA River Bank Village, Ltd.'s cumulative capital as of December 31, 2016 is as follows:

	General Partner (Authority)	Special Limited Partner	Limited Partner	Total
Total Capital	\$ 53	\$ (37)	\$ 10,387,395	\$ 10,387,411
Less: Cumulative capital contributions	(100)	(10)	(9,251,306)	(9,251,416)
Cumulative gain/(loss)	\$ (47)	\$ (47)	\$ 1,136,089	\$ 1,135,995

Since the Authority's investment in the partnership is negative, no amounts have been recorded in the financial statements.

VII. PENSION PLAN

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan. The Authority participates in the Housing Agency Retirement Trust (HART) through its plan administrator Mercer Human Resource Consulting. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon completion of their probationary period – effective 180 days from the date of employment. The Authority contributed 9% of the monthly pay and the employee contributes 2%. Employees are fully vested after 5 years. The Authority has elected these contributions and vesting requirements and may amend them at their discretion. The Authority's total payroll for fiscal year ended March 31, 2017 was \$2,356,738. The Authority and member contributions for the year ending March 31, 2017, were \$159,073 and \$35,285, respectively. Contributions were based upon the base salary amounts for employees. Vesting of the employer's contributions begins after one year of employment and is awarded as follows:

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

VII. PENSION PLAN (Continued)

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	15%
2	30%
3	45%
4	60%
5	100%

VIII. COMMITMENTS

In conjunction with the Amended and Restated Limited Partnership Agreement of the LHA River Bank Village, Ltd., the Laredo Housing Opportunities Corporation (“LHOC”) provided the LHA River Bank Village, Ltd. with a guaranty of the general partner’s responsibilities and obligations under the May 6, 2014 amended and restated limited partnership agreement. This guaranty is a part of the amended and restated limited partnership agreement and shall remain in effect for the duration of the limited partnership. This guaranty requires the LHOC to maintain a minimum of \$1,000,000 in net position and a minimum of \$300,000 in unrestricted cash or money market holdings as defined under the terms of guaranty.

IX. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments reflected in the financial statements are as follows:

Correction to capital assets	\$ (75,680)
Change in capitalization policy	<u>(318,607)</u>
Total	<u>\$ 394,287</u>

X. RISK MANAGEMENT

The Authority is exposed to various risks or torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management. Settled claims have not exceeded this commercial coverage in any of the past three years.

HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XI. CONTINGENCIES

A. Grants

For the year ended March 31, 2017, approximately 79% of revenues reflected in the basic financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws and regulations governing grants given to the Authority in the current and prior years. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

B. Pending Claims and Litigation

The Authority is the subject of various claims and litigation that have arisen in the ordinary course of operations. Management, in consultation with legal counsel, is of the opinion that the Authority's liabilities in these cases, if decided adversely against the Authority, will not be material, except for a potential claim for professional fees from a third party which could exceed \$25,000. Legal counsel is not able to provide a range of potential loss.

C. Payments in Lieu of Taxes (PILOT)

In accordance with the Authority's Annual Contributions Contract (ACC) with HUD, the Authority entered into a cooperation agreement with the City of Laredo (the City) to provide for annual payments of Payment in Lieu of Taxes (PILOT). Under this cooperation agreement, annual payments are to be made from the Authority to the City including amounts for four other local taxing entities. The Authority reports these payments as expenses and receives funding to pay for the PILOT payments from HUD annually. Changes to the cooperative agreement requires HUD approval.

The Authority ceased making PILOT payments to the City of Laredo, Texas in 2004, and in 2008 to the other four local taxing entities. The amount of PILOT not remitted to the City and the other four taxing entities as of March 31, 2017 totaled \$1,927,766. Of this amount, \$438,537 corresponding to the 2016 and 2017 PILOT is reported as a liability in the Authority's financial statements. The remaining \$1,489,229, corresponding to prior year's PILOT were transferred to one of Authority's Public Facility Corporations. Subsequent to year end, the LHA entered into interlocal agreements with several of the taxing entities whereby the LHA agreed to pay the PILOT owed and the taxing entities agreed to grant some, or all, or the funds back to the LHA. A liability in the amount of \$200,614 is reflected in the accompanying financial statements which reflects the amount owed less the amount to be returned by the taxing entity.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XII. ELIMINATION ENTRIES

1. Inter-program Due To/From – In the normal course of operations, certain programs may pay for common costs or advance funds for operational shortfalls that create inter-program receivables or payables. The inter-program receivables and payables net to zero and are eliminated for presentation in the financial statement. For the year ended March 31, 2017, offsetting balances of \$705,421 were eliminated.
2. Fee for Service – The Authority's COCC internally charges fees to the projects and programs of the Authority which include management fees, asset management fees and bookkeeping fees. These fees, which totaled \$1,154,194 for the year ended March 31, 2017, have been eliminated in the financial statements.

XIII. CONDENSED BLENDED COMPONENT UNIT INFORMATION

Condensed financial statement information for the Authority's blended component units is presented below:

Condensed Statement of Net Position:

	Individual Blended Component Units				
	LHFC	LHOC	LHDC	Total	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 3,154,453	\$ 1,425,904	\$ 1,636,268	\$ 6,216,625	
Notes Receivable	1,152,157	250,000	-	1,402,157	
Other Assets	3,214,331	407,884	-	3,622,215	
Total Current Assets	7,520,941	2,083,788	1,636,268	11,240,997	
Restricted Assets					
Cash – Other Restricted	-	1,252	-	1,252	
Noncurrent Assets					
Capital Assets, Net	-	2,178,038	-	2,178,038	
Total Assets	\$ 7,520,941	\$ 4,263,078	\$ 1,636,268	\$ 13,420,287	
LIABILITIES AND NET POSITION					
Current Liabilities					
Current Liabilities	\$ 2,419,513	\$ 27,510	\$ 201,694	\$ 2,648,717	
Interprogram – Due to	450,530	-	54	450,584	
Total Current Liabilities	2,870,043	27,510	201,748	3,099,301	
Noncurrent Liabilities					
Noncurrent Liabilities – Other	-	1,123,863	-	1,123,863	
Total Liabilities	2,870,043	1,151,373	201,748	4,223,164	
Net Position					
Net Investment in Capital Assets	-	2,178,038	-	2,178,038	
Restricted	-	1,252	-	1,252	
Unrestricted	4,650,898	932,415	1,434,520	7,017,833	
Total Net Position	4,650,898	3,111,705	1,434,520	9,197,123	
Total Liabilities and Net Position	\$ 7,520,941	\$ 4,263,078	\$ 1,636,268	\$ 13,420,287	

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XIII. CONDENSED BLENDED COMPONENT UNIT INFORMATION (Continued)

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

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
Operating Revenues	\$ -	\$ 495,196	\$ -	\$ 495,196
Operating Expenses	19,531	294,234	210,917	524,682
Operating Income (Loss)	(19,531)	200,962	(210,917)	(29,486)
Nonoperating Revenues (Expenses)	22,559	7,341	11,451	41,351
Changes in Net Position	3,028	208,303	(199,466)	11,865
Net Position – Beginning Balance	4,647,870	2,903,402	1,633,986	9,185,258
Net Position – Ending Balance	\$ 4,650,898	\$ 3,111,705	\$ 1,434,520	\$ 9,197,123

Condensed Statement of Cash Flows:

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
Cash from Operating Activities	\$ 718,481	\$ (180,127)	\$ (12,956)	\$ 525,398
Cash Flows from Investing Activities	(2,212,474)	7,341	11,451	(2,193,682)
Cash Flows from Noncapital financing	-	1,123,863	-	1,123,863
Beginning Cash Balances	4,648,446	476,079	1,637,773	6,762,298
Ending Cash Balances	\$ 3,154,453	\$ 1,427,156	\$ 1,636,268	\$ 6,217,877

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XIV. RELATED PARTY TRANSACTIONS

Primary Government and Blended Component Units

1. Lease Arrangements with Related Parties

LHA Riverbank Village, Ltd. - Effective January 29, 2014, the Authority entered into a 75-year ground lease with a limited partnership (LHA RBV, Ltd.) whose sole general partner is a single-member LLC controlled by a blended component unit, the LHOC, of the Authority. The LHOC controlled single-member LLC (the LHA RBV GP, LLC) has a 0.01% general partner interest in the LHA RBV limited partnership. Parties un-related to the Authority or its component units have a 99.9% limited partner interest in the limited partnership. As indicated above, the LHA RBV limited partnership is developing and constructing a 152 unit, low income housing tax credit, multifamily, affordable housing project in Laredo, Texas. That project is been built on a parcel of land that is being leased from the Authority under the above mentioned 75-year ground lease.

Under the terms of the related ground lease agreement, a Laredo, Texas parcel of land was purchased for \$1,000,000 by the LHA River Bank Village, Ltd.'s general partner and deeded to the Housing Authority as part payment for the ground lease. Thereafter, an annual \$1,000 will be paid to the Authority by the limited partnership for the duration of the ground lease. The Authority has recognized the subject parcel of land as an asset with a corresponding \$1,000,000 ground lease pre-payment liability that will be amortized as lease income by the Authority ratably over the 75-year lease period.

BAH Casa Verde, Ltd. - Effective October 26, 2016, the Authority entered into a 75-year ground lease with a limited partnership (BAH Casa Verde, Ltd.) whose sole general partner is a single-member LLC controlled by a blended component unit, the LHOC, of the Authority. The LHOC controlled single-member LLC (Casa Verde Apartments GP, LLC) has a 0.01% general partner interest in the BAH Casa Verde limited partnership. The Casa Verde limited partnership was formed to own and operate a 152 unit, low income housing tax credit, multifamily, HUD Rental Assistance Demonstration (RAD),affordable housing project in Laredo, Texas. The development resides on a parcel of land that is being leased from the Authority under the above mentioned 75-year ground lease.

Under the terms of the ground lease agreement, a parcel of land was purchased for \$1,145,500 by the LHA River Bank Village, Ltd.'s general partner and deeded to the Housing Authority as part payment for the ground lease. The Authority has recognized the subject parcel of land as an asset with a corresponding \$1,145,500 ground lease pre-payment liability that will be amortized as lease income by the Authority ratably over the 75-year lease period.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XIV. RELATED PARTY TRANSACTIONS (Continued)

2. Development Project Developer Fees from Related Parties

On January 3, 2014, an Addendum to the November 8, 2010 dated Memorandum of Understanding on Affordable Housing Developments between the Housing Authority and two independent affordable housing developers was executed. Under the terms of this Addendum to the original Memorandum of Understanding, the 152-unit, LHA River Bank Village affordable housing's two independent developers will be entitled to 70% of the allowable Texas Department of Housing and Community Affairs (the "TDHCA") Tax-Credit Project Developer fee on TDHCA allowable construction costs of the LHA River Bank Village's 152-unit, Tax-Credit, affordable Housing Project. The Housing Authority (or its designated affiliate) will be entitled to the remaining 30% of the above Developer fee. The amount of the Development is \$1,979,962 of which \$172,760 will be deferred and payable over 7 years.

3. Fully-Blended Component Unit Note Receivable from Related Parties.

The LHOC, a blended component unit of the Authority has a \$250,000 promissory note receivable from the LHA RBV limited partnership. The LHOC is the sole LLC member of a single-member LLC that serves as the sole general partner of the LHA RBV limited partnership. The sole general partner controls the day-to-day operations of the LHA RBV limited partnership.

4. LHOC Note Receivable from BAH Casa Verde Ltd.

On October 26, 2016, Laredo Housing Facilities Corporation entered into a promissory note to loan the BAH Casa Verde Apartments, Ltd., a related party, \$1,152,157 in order for the partnership to execute a prepaid ground lease with the Laredo Housing Opportunities Corporation (LHOC), a component unit of the Authority. Interest on the note accrues and compounds annually at 3% per annum. The note matures on October 25, 2017. Beginning on the maturity date, matured unpaid principal and interest shall, at the Authority's option, bear interest from the maturity date until paid at the lower of the highest lawful rate permitted or 8%. The note is nonrecourse and is secured by the land owned by the LHOC. The note is expected to be repaid once permanent financing is secured and an investor limited party is admitted to the partnership.

XV. SUBSEQUENT EVENTS

Events that occur after the date of the statement of net assets but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net assets are recognized in financial statements, and subsequent events, which provide evidence about conditions that existed after the date of the statement of net assets, require disclosure in the notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XV. SUBSEQUENT EVENTS (Continued)

On June 20, 2017 the partnership agreement for the BAH Casa Verde Apartments, Ltd. was amended and restated to remove Laredo Housing Opportunities Corporation as initial limited partner. Hudson SLP LLC was admitted as the special limited partner while Hudson Casa Verde LLC was admitted as investment partner. The general partner (of which LHOC owns 52%) has a .01% interest and \$100 capital contribution, the special limited partner has a .01% interest and \$10 capital contribution, and the investment partner has a 99.98% interest and capital contributions of \$16,091,448. As part of the amended and restated partnership agreement, LHOC entered into an unconditional guaranty of up to development fee or \$500,000 to guarantee all obligations of the partnership. Additionally, LHOC shall maintain a minimum net worth of \$1,000,000 and, from and after the due date of the fourth capital contribution, unrestricted assets of \$300,000 which shall be in the form of either unrestricted cash or money market holdings. The admission of the additional partners and activity of the partnership will require a cost certification and separate audit. The change in ownership of the partnership will result in the reporting entity of the Authority and the partnership will be reported as a discrete component unit in future reports.

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES

The following partnership is considered a discrete component unit of the Authority and is presented in accordance with GASB No. 14, as amended by GASB No. 61, as of its respective financial year end, December 31, 2015. Certain items have changed for presentation purposes from the separately issued audited financial statements to conform to the Authority's presentation. The following footnotes are presented pursuant to GASB No. 14, as amended by GASB No. 61, which states that the reporting entity's financial statements should make those component unit disclosures that are essential to fair presentation of the financial reporting entity's basic financial statements. The following footnotes are those that are material to the Authority and are not meant to be a full representation of each component unit's required disclosures. A copy of the component unit's separately issued audited financial statements can be obtained from the Authority's management.

NOTE 1 – NATURE OF BUSINESS AND ORGANIZATION

Under the terms of the Agreement of Limited Partnership of LHA River Bank Village, Ltd. (the "Partnership"), dated September 6, 2013, and subsequently amended on May 6, 2014, such that the General Partner is LHA River Bank Village GP, LLC, a Texas limited liability company, Hudson SLP, LLC, a Delaware limited liability company, the Special Limited Partner, and Hudson River Bank Village LLC, a Delaware limited liability company as the Investment Limited Partner.

HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES (Continued)

NOTE 1 – NATURE OF BUSINESS AND ORGANIZATION (Continued)

The Partnership was organized in 2013 under the laws of the State of Texas to develop, rehabilitate, maintain and operate a 152-unit multi-family housing project (the “Project”), 114 of such units are designated to persons of low and moderate income households and 38 units unrestricted market-rate units. The Project is eligible for low-income housing tax credits under the program described in Section 42 of the Internal Revenue Code. Accordingly, the Partnership must comply with various federal and state requirements as to tenant qualification and rental rates.

The Partnership has received an allocation of low-income housing credits from the State of Texas. To qualify for the tax credits, the Partnership must meet certain requirements, including attaining a qualified eligible basis sufficient to support the allocation. Tax credits are allocated 99.98% to the Investment Limited Partner, .01% to the Special Limited Partner, and .01% to the General Partner.

The major activities of the Partnership are governed by the Partnership Agreement and Internal Revenue Code Section 42. Each building of the Project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each building of the Project must meet the provisions of these regulations during 15 consecutive years in order to continue to qualify to receive the tax credits. Failure to comply with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the Investor Limited Partner.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

Rental Property

Land improvements, buildings, furniture and equipment are recorded at cost and include total capitalized interest of \$170,220. Book depreciation is computed over the estimated useful lives of the assets as follows:

Buildings and Improvements	40 years
Land Improvements	20 years
Furniture and Fixtures	10 years

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES (Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Organization Costs

Organization costs are expensed as incurred.

Deferred Financing Costs, Tax Credit Fees and Land Leasehold

Costs related to the permanent financing in the amount of \$138,375 are capitalized and amortized on a straight-line basis over the term of the loan. Upon conversion to the permanent loan October 19, 2016, additional debt issuance costs in the amount of \$29,946 were incurred and are capitalized and amortized over the term of the loan. Amortization expense related to debt issuance costs for 2016 is \$8,021, and is included in interest expense on the income statement.

Costs related to obtaining low-income housing tax credits in the amount of \$54,310 are being amortized over the mandatory 15-year compliance period. Amortization of tax credits is \$3,621. Amortization of the land leasehold is \$13,333. As of December 31, 2016, total amortization expense is \$16,954 and is included in amortization expense on the income statement.

Income Taxes

No federal income taxes are payable by the Partnership and none have been provided in the accompanying financial statements. The Partners are to include their respective share of Partnership income or loss in their separate tax returns.

The Partnership is subject to state franchise taxes consisting of a tax on taxable margin. The provision for state franchise taxes is included in tax expense in the accompanying financial statements. The Partnership's tax returns are subject to examination by Federal and State taxing authorities. The tax laws, rules and regulations governing these returns are complex, technical and subject to varying interpretations. If an examination required the Partnership to make adjustments, the profits or losses allocated to the Partners would be adjusted accordingly. No examination is currently in process.

Rental Income

Project units are generally leased to tenants under one year non-cancelable operating leases. Rental revenue is recognized on a straight-line basis over the terms of the leases net of provisions for uncollectible amounts. Advance receipts of rental income are deferred or classified as liabilities until earned.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES (Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. Impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on internal and external appraisals, discounted cash flows or other valuation techniques. No impairment losses were recognized during 2016 and 2015.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances and highly liquid investments with a maturity of three months or less. These amounts are available for current operations and exclude amounts for restricted reserves.

NOTE 3 – SECURITY DEPOSITS

Tenant security deposits may be refundable upon expiration or termination of the tenant's lease provided the terms of the lease have not been violated. The liability related to these deposits at December 31, 2016 is \$38,500.

NOTE 4 – GROUND LEASE

On January 29, 2014, the Partnership entered into a ground lease agreement with an affiliate of the General Partner. Terms of the lease commences January 29, 2014 and expires on the seventy-fifth anniversary following this date. The initial rent payment was \$1,000,000 for the first year lease payment. Beginning with the second lease year, annual rent in the amount of \$1,000 shall be paid to the landlord solely from net cash flow, and is due and payable on the first day of January, annually. To the extent net cash flow is insufficient to pay annual rent, unpaid rent shall accrue. Rent installments unpaid for 30 days will bear interest at the rate of 8% annually until the installment is paid as provided in the agreement. Amortization of the ground lease is provided for in Note 2.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES (Continued)

NOTE 5 – LONG-TERM DEBT

Note Payable

In order to finance the development of the Project, the Partnership obtained initial financing in the form of a construction loan. The 24 month construction loan, in the amount of \$13,511,000 was secured by the Project and entered into on May 6, 2014. The loan provided for interest only on principal sums actually advanced at the rate of LIBOR plus 3% per annum. Interest expense on the loan during 2016 was \$144,259, and is included in interest expense on the accompanying income statement. The loan converted to a permanent loan on October 19, 2016 in the amount of \$5,700,000, at which time all remaining principal and accrued interest on the construction loan was paid. The loan is payable in \$30,872 monthly installments with interest accruing at 5.57% with Bellwether Enterprise Mortgage Investments, LLC until maturity on November 1, 2031, at which time any unpaid interest and principal is due. The note is secured by a deed of trust and security agreement on the rental property. At December 31, 2016 the outstanding principal balance due is \$5,535,286, net of applicable deferred financing costs/fees, with \$27,318 of interest accrued. Interest expense on the permanent loan for 2016 is \$65,241, and is included in interest expense on the accompanying income statement. The note is nonrecourse, and is secured by a first lien deed of trust on the rental property.

Subordinate – Loan Payable

On January 29, 2014, in order to further finance construction of the Project, the Partnership entered into a loan agreement with Brownstone Affordable Housing, Ltd. The loan is in the form of an interim to permanent loan in the amount of \$50,000, with interest at the annual rate of 4%, to pay for construction costs with a maturity date of February 1, 2032. Commencing April 1, 2015, and continuing annually each year until maturity, payment of accrued interest and principal shall be due and payable from available net cash flow. To the extent that net cash flow is insufficient, the unpaid portion of the payment shall be deferred and paid out of net cash flow in subsequent years. All payments shall be applied first to unpaid accrued interest, then towards principal. Beginning on the maturity date, unpaid principal shall accrue at the lower of the highest lawful rate permitted, or 8% per annum. The principal balance as of December 31, 2016 is \$45,444, with accrued interest of \$238, and interest expense of \$2,018, and is included in interest expense on the accompanying income statement.

NOTE 6 – RESTRICTED DEPOSITS

Replacement Reserve

The Partnership is required to establish and maintain a replacement reserve account to pay for capital repairs or improvements to the Project. It is to be funded in the amount of \$45,600 (\$300 per unit for 152 units) annually, of which amount shall increase by 2% per year for the first five years of the loan, from Project gross operating income. Disbursements from the reserve must be made in accordance to the Replacement Reserve Agreement, and a \$250 administrative fee paid annually. This account was active upon the permanent loan closing. Replacement Reserves were \$3,800 as of December 31, 2016.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES (Continued)

NOTE 6 – RESTRICTED DEPOSITS (Continued)

Operating Reserve

An operating reserve account in the amount of \$464,227 is to be established at the time of the fourth capital contribution. The reserve shall be held in a separate bank account controlled by the lender and maintained for the duration of the tax credit compliance period, at which time any funds remaining shall be released and distributed to the General Partner. The funds may only be used to pay operating deficits or other expenses approved by the Special Limited Partner, after exhaustion of the Operating Deficit Guaranty during the Operating Deficit Guaranty Period, with any amounts on deposit in excess of \$464,227 may be released to the General Partner. The balance as of December 31, 2016 was \$464,335.

Insurance Escrow

The Partnership is required to establish an insurance escrow to pay the insurance costs of the Project. An initial deposit in the amount of \$8,172 was funded during the permanent loan conversion. Monthly deposits of \$4,086 are required by the Partnership, with insurance reserves of \$12,258 as of December 31, 2016.

NOTE 7 – CERTAIN PROVISIONS OF THE AGREEMENT OF LIMITED PARTNERSHIP

Capital Contributions and Allocations of Profit, Loss, Tax Credits, and Cash Flow

The General Partner has a .01% interest and will contribute \$100, the Special Limited Partner has a .01% interest and will contribute \$10, and the Investor Limited Partner has a 99.98% interest in the Partnership, and will contribute \$10,901,410, for a combined interest of 100% in the Partnership, subject to adjustment in accordance with certain terms of the Partnership Agreement. During 2016, the Limited Partner contributed \$1,620,211, for a total contribution of \$10,886,409 to the Partnership, with \$15,000 remaining as of December 31, 2016.

Profits, losses, and tax credits are to be allocated to the Partners in accordance with their ownership interests.

Distributable cash flow of the Partnership for each fiscal year is to be allocated after the end of each fiscal year in the following order:

1. To the Investor Limited Partner for any unpaid tax credit shortfall payments;
2. To replenish Operating Reserves to required minimum;
3. To the Special Limited Partner unpaid asset management fees;
4. To the Partnership's operating bank account after the expiration of the Operating Deficit Guaranty Period, so as to maintain not less than \$30,000 on deposit;

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES (Continued)

5. To the payment of any Deferred Development Fee;
6. To the payment of debt service on the HOC Loan and the Brownstone Loan;
7. To the payment of amounts due under the Ground Lease;
8. 90% of remaining cash flow after payments through 7 above, to any Operating Deficit Loan until repaid, second to the General Partner to pay amounts due under the Incentive Partnership Management Fee Agreement, and third to the General Partner a preferred return,
9. Any balance remaining to the Partners in accordance with their respective partnership interests

As required by the Partnership Agreement, a 100% real estate tax exemption was granted by the taxing authorities.

Guaranty of Tax Credits and Operating Deficit Loans

Under the terms of the Partnership Agreement, the General Partner and certain other guarantors have the duty to use their best efforts to ensure that the Partnership qualifies for the maximum lawful low-income housing tax credits.

In the event that the actual amounts of such credits are less than the projected amounts, the Limited Partner's capital contributions would be reduced or refunded under applicable guaranty provisions of the Partnership Agreement.

The General Partner and certain other guarantors are obligated to make loans to the Partnership up to \$553,593 as necessary to fund operating expenses, debt service payments, reserve and escrow accounts, capital improvements and maintenance expenses that occur during the four year period, commencing with the Break-Even Date. Any amounts paid by or on behalf of the General Partner will be deemed loans from the General Partner to the Partnership and will be repaid in the same manner as operating deficit loans.

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FOR THE YEAR ENDED MARCH 31, 2017

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES (Continued)

NOTE 8 – TRANSACTIONS WITH RELATED PARTIES

Development Fees

On May 6, 2014, the Partnership entered into a development agreement with Brownstone Affordable Housing, Ltd., a Texas limited partnership to render development services for construction of the Project. The agreement provides for a fee of \$1,976,812, all of which was earned. Per the provisions of the Developer Agreement, any installment of the development fee not paid when otherwise due, shall be deferred with interest accruing at the long-term applicable federal rate, beginning July 7, 2015. As of December 31, 2016, payments were received in the amount of \$1,458,813 and \$33,867, such that the outstanding principal and interest balance was paid in full. Interest expense for 2016 was \$32,773, and is included in interest – related party on the accompanying income statement.

Related Party Note Payable – Laredo Housing Opportunities Corporation

On January 29, 2014, the Partnership entered into a promissory note with Laredo Housing Opportunities Corporation. The loan is in the form of an interim to permanent construction loan up to the amount of \$950,000, with interest at the annual rate of 4%, to pay for construction costs with a maturity date of February 1, 2032. An initial installment of \$250,000 was due and paid at the time the construction financing closed.

Commencing April 1, 2015, and continuing annually each year until maturity, payment of accrued interest and principal shall be due and payable from available net cash flow. To the extent that net cash flow is insufficient, the unpaid portion of the payment shall be deferred and paid out of net cash flow in subsequent years. All payments shall be applied first to unpaid accrued interest, then towards principal. Beginning on the maturity date, unpaid principal shall accrue at the lower of the highest lawful rate permitted, or 8 percent per annum. The principal balance as of December 31, 2016 is \$237,478, with accrued interest of \$1,036, and interest expense of \$12,060, and is included in interest expense-related party on the accompanying income statement.

Special Limited Partner – Asset Management Fee

A cumulative annual fee of \$5,000 will be adjusted for the lesser of the CPI or the allowable annual rent increase. The fee is payable to the Special Limited Partner from available cash flow, for services rendered in connection with monitoring the project operations on December 1st of each year, commencing the first December following the payment of the second capital contribution (which occurred in December 2015). The asset management fee will increase to \$7,500 per annum, commencing after payment of an aggregate \$200,000 in deferred development fee, and thereafter adjusted annually by a percentage equal to the lesser of (i) the percentage increase in the Consumer Price Index in effect and (ii) the percentage increase in maximum allowable rents in effect on the date of adjustment over twelve months prior. All unpaid fees shall accrue and are payable from net cash flow in available years. No asset management fees were paid, with \$7,500 and \$-0- accrued as of December 31, 2016 and 2015.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES (Continued)

NOTE 8 – TRANSACTIONS WITH RELATED PARTIES (Continued)

General Partner - Incentive Management Fee

The Partnership shall pay the General Partner a non-cumulative annual Incentive Partnership Management Fee of 8% of Gross Effective Income for the year, not to exceed \$10,000 (as defined). Such fees shall be paid by the Partnership from available cash flow. No fees were paid as of December 31, 2016.

NOTE 9 – PROPERTY MANAGEMENT FEE

The Partnership entered into a property management agreement January 1, 2014 for Project operating and leasing services. A monthly management fee of \$1,000 per month plus \$15 for each occupied unit until the project reaches 75% occupancy; at which time the fee shall be equal to 5% of the collected monthly gross income. At December 31, 2016 \$59,820 of management fees were incurred.

NOTE 10 – TAXABLE INCOME (LOSS)

The financial statements of the Partnership and Partnership tax returns are prepared on the accrual basis. The following is the reconciliation between net income (loss) as reported and partnership income (loss) for tax purposes:

Net income (loss) per financial statements	\$	(202,584)
Timing differences		<u>(171,466)</u>
Partnership income (loss) for tax purposes	\$	<u><u>(374,050)</u></u>

NOTE 11 – TAX CREDITS

The Partnership has received allocations of low-income housing credits from the State of Texas in the amount of \$12,250,000, to be taken over a period of 10 years. They are required to manage the Partnership in compliance with various laws, regulations and contractual provisions that apply to the syndication of historic and low-income housing tax credits. The remaining compliance period for the tax credit syndication arrangement is 15 years.

NOTE 12 – CONCENTRATIONS OF RISK

The Partnership obtains a credit report on prospective tenants prior to entering into a lease agreement and generally requires a security deposit equal to a portion of one month's rent. Credit risk associated with leases is limited to the amount of rent receivable from tenants less security deposits.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

XVI. DISCRETELY PRESENTED COMPONENT UNIT NOTES (Continued)

NOTE 13 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Partnership's financial instruments consist of cash and notes payable. The Partnership estimates that the fair value of all its financial instruments does not differ materially from their aggregate carrying values in the accompanying balance sheet. The estimated fair value amounts have been determined by the Partnership using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Partnership could realize in a current market exchange. None of the financial instruments are held for trading purposes.

NOTE 14 – PARTNERSHIP FEES

Partnership fees in the amount of \$43,925 were reimbursed to Laredo Housing Finance Corporation, which were incurred for legal, extension and financing fees on a loan commitment required by the tax credit application for the Property. These fees are included on the accompanying income statement.

NOTE 15 – SOCIAL SERVICES

The Partnership entered into a social services agreement with Better Texans Services, Inc. to provide tenant services. Fees for these services are \$600 monthly and shall be paid as an operating expense to the property. Any unpaid services are accrued and included in accrued liabilities on the balance sheet. As of December 31, 2016, \$600 is accrued.

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SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Combining Statement of Net Position - Blended Component Units

March 31, 2017

	Laredo Housing Facilities Corporations	Laredo Housing Opportunities Corporation	Laredo Housing Development Corporation	Total Blended Component Units
ASSETS				
Current Assets				
Cash and Cash Equivalents				
Unrestricted	\$ 3,154,453	\$ 1,425,904	\$ 1,636,268	\$ 6,216,625
Notes, Loans, & Mortgages Receivable - Current	1,152,157	250,000	-	1,402,157
Accounts Receivable - Miscellaneous	3,196,283	-	-	3,196,283
Prepaid Expenses	18,048	-	-	18,048
Interprogram - Due from	-	407,884	-	407,884
Total Current Assets	7,520,941	2,083,788	1,636,268	11,240,997
Restricted Assets				
Cash - Other Restricted	-	1,252	-	1,252
Total Restricted Assets	-	1,252	-	1,252
Noncurrent Assets				
Capital Assets				
Land	-	2,178,038	-	2,178,038
Buildings	-	-	-	-
Construction in Progress	-	-	-	-
Total Capital Assets	-	2,178,038	-	2,178,038
Total Noncurrent Assets	-	2,178,038	-	2,178,038
Total Assets	\$ 7,520,941	\$ 4,263,078	\$ 1,636,268	\$ 13,420,287
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 2,113,984	\$ 12,237	\$ 1,079	\$ 2,127,300
Accounts Payable - Other Governments	-	-	200,615	200,615
Unearned Revenue	-	15,273	-	15,273
Accrued Liabilities - Other	305,529	-	-	305,529
Interprogram - Due to	450,530	-	54	450,584
Total Current Liabilities	2,870,043	27,510	201,748	3,099,301
Noncurrent Liabilities				
Noncurrent Liabilities - Other	-	1,123,863	-	1,123,863
Total Noncurrent Liabilities	-	1,123,863	-	1,123,863
Total Liabilities	2,870,043	1,151,373	201,748	4,223,164
Net Position				
Net Investment in Capital Assets	-	2,178,038	-	2,178,038
Restricted Net Position	-	1,252	-	1,252
Unrestricted Net Position	4,650,898	932,415	1,434,520	7,017,833
Total Net Position	4,650,898	3,111,705	1,434,520	9,197,123
Total Liabilities and Net Position	\$ 7,520,941	\$ 4,263,078	\$ 1,636,268	\$ 13,420,287

The notes to financial statements form an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Combining Statement of Revenues, Expenses and Changes in Net Position - Blended Component Units

For The Year Ended March 31, 2017

	Laredo Housing Facilities Corporations	Laredo Housing Opportunities Corporation	Laredo Housing Development Corporation	Total Blended Component Units
OPERATING REVENUES				
Other Revenue	\$ -	\$ 495,196	\$ -	\$ 495,196
Total Operating Revenue	-	495,196	-	495,196
OPERATING EXPENSES				
Administrative	10,718	234,807	10,302	255,827
Maintenance	8,813	39,799	-	48,612
Insurance	-	19,628	-	19,628
Other General Expenses	-	-	200,615	200,615
Total Operating Expenses	19,531	294,234	210,917	524,682
Operating Income (Loss)	(19,531)	200,962	(210,917)	(29,486)
NONOPERATING REVENUES (EXPENSES)				
Investment Income - Unrestricted	22,559	7,341	11,451	41,351
Total Nonoperating Revenues (Expenses)	22,559	7,341	11,451	41,351
Change in Net Position	3,028	208,303	(199,466)	11,865
Net Assets - Beginning Balance	4,647,870	2,903,402	1,633,986	9,185,258
Net Position - Ending Balance	\$ 4,650,898	\$ 3,111,705	\$ 1,434,520	\$ 9,197,123

The notes to financial statements form an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

March 31, 2017

Line Item No.	Description	Project Total	10,427	14,871	6.2
			Rural Rental Assistance Payments	Housing Choice Vouchers	Component Unit - Blended
111	Cash - unrestricted	\$ 14,918,155	\$ 299,099	\$ 1,302,303	\$ 6,216,625
112	Cash - restricted - modernization and development	-	-	-	-
113	Cash - other restricted	-	214,831	414,562	1,252
114	Cash - tenant security deposits	120,370	6,726	-	-
115	Cash - restricted for payment of current liabilities	-	-	-	-
100	Total Cash	15,038,525	520,656	1,716,865	6,217,877
121	Accounts receivable - PHA projects	-	-	-	-
122	Accounts receivable - HUD other projects	118,921	-	-	-
124	Account receivable - other government	-	-	-	-
125	Account receivable - miscellaneous	60,170	6,414	-	3,196,283
126	Accounts receivable - tenants	10,742	3,470	-	-
126.1	Allowance for doubtful accounts - tenants	(5,601)	(1,124)	-	-
126.2	Allowance for doubtful accounts - other	-	-	-	-
127	Notes, loans, & mortgages receivable - current	-	-	-	1,402,157
128	Fraud recovery	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-
129	Accrued interest receivable	-	-	-	-
120	Total receivables, net of allowance for doubtful accounts	184,232	8,760	-	4,598,440
131	Investments - unrestricted	-	-	-	-
132	Investments - restricted	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-
142	Prepaid expenses and other assets	79,833	3,628	15,952	18,048
143	Inventories	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-
144	Inter program - due from	44,883	8,581	5,059	407,884
145	Assets held for sale	-	-	-	-
150	Total Current Assets	15,347,473	541,625	1,737,876	11,242,249
161	Land	29,131	80,000	-	2,178,038
162	Buildings	16,425,819	1,667,467	217,753	-
163	Furniture, equipment and machinery - dwellings	224,940	-	-	-
164	Furniture, equipment and machinery - administration	306,428	15,701	103,123	-
165	Leasehold improvements	-	-	-	-
166	Accumulated depreciation	(14,975,155)	(1,238,542)	(278,387)	-
167	Construction in progress	-	-	-	-
168	Infrastructure	-	-	-	-
160	Total capital assets, net of accumulated depreciation	2,011,163	524,626	42,489	2,178,038
171	Notes, loans and mortgages receivable - non-current	-	-	-	-
172	Notes, loans and mortgages receivable - non-current - past due	-	-	-	-
173	Grants receivable - non current	-	-	-	-
174	Other assets	-	-	-	-
176	Investments in joint ventures	-	-	-	-
180	Total Non-current Assets	2,011,163	524,626	42,489	2,178,038
200	Deferred Outflow of Resources	-	-	-	-
290	Total Assets and Deferred Outflow of Resources	17,358,636	1,066,251	1,780,365	13,420,287

2	6.1	14.856				
State/Local	Component Unit- Discretely Presented	Lower Income HAP-Section 8 MOD Rehab	Central Office Cost Center (COCC)	Subtotal	Eliminations	Total
1,407,970	\$ 83,268	\$ 159,127	\$ 764,374	\$ 25,150,921	\$ -	\$ 25,150,921
-	-	-	-	-	-	-
-	480,393	-	-	1,111,038	-	1,111,038
-	47,215	-	-	174,311	-	174,311
-	-	-	-	-	-	-
1,407,970	610,876	159,127	764,374	26,436,270	-	26,436,270
-	-	-	-	-	-	-
-	-	1,633	-	120,554	-	120,554
-	-	-	-	-	-	-
79,318	63,315	-	13,999	3,419,499	-	3,419,499
-	-	-	-	14,212	-	14,212
-	-	-	-	(6,725)	-	(6,725)
-	-	-	-	-	-	-
-	-	-	-	1,402,157	-	1,402,157
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
79,318	63,315	1,633	13,999	4,949,697	-	4,949,697
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	100,788	-	2,507	220,756	-	220,756
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	330,801	797,208	(797,208)	-
-	-	-	-	-	-	-
1,487,288	774,979	160,760	1,111,681	32,403,931	(797,208)	31,606,723
1,015,840	-	-	557,162	3,860,171	-	3,860,171
105,959	12,990,969	-	12,228,403	43,636,370	-	43,636,370
-	-	-	-	224,940	-	224,940
-	424,896	-	1,517,010	2,367,158	-	2,367,158
-	1,897,361	-	-	1,897,361	-	1,897,361
(88,843)	(766,672)	-	(13,635,102)	(30,982,701)	-	(30,982,701)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,032,956	14,546,554	-	667,473	21,003,299	-	21,003,299
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,000,000	-	-	1,000,000	-	1,000,000
-	-	-	-	-	-	-
1,032,956	15,546,554	-	667,473	22,003,299	-	22,003,299
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,520,244	16,321,533	160,760	1,779,154	54,407,230	(797,208)	53,610,022

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

March 31, 2017

Line Item No.	Description	Project Total	10,427	14,871	6.2
			Rural Rental Assistance Payments	Housing Choice Vouchers	Component Unit - Blended
311	Bank overdraft	-	-	-	-
312	Accounts payable <= 90 days	189,159	15,868	5,540	2,127,301
313	Accounts payable > 90 days past due	-	-	-	-
321	Accrued wage/payroll taxes payable	27,626	1,708	5,539	-
322	Accrued compensated absences - current portion	27,981	949	5,767	-
324	Accrued contingency liability	-	-	-	-
325	Accrued interest payable	-	21	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-
332	Accounts payable - PHA programs	-	-	-	-
333	Accounts payable - other government	438,537	-	-	200,615
341	Tenant security deposits	120,370	4,100	-	-
342	Unearned revenue	16,399	454	-	15,273
343	Current portion of long-term debt - capital projects/mortgage revenue	-	5,353	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-	-
345	Other current liabilities	-	-	52,769	-
346	Accrued liabilities - other	517	311	68,496	305,529
347	Inter program - due to	183,550	13,995	108,051	450,584
348	Loan liability - current	-	-	-	-
310	Total Current Liabilities	1,004,139	42,759	246,162	3,099,302
351	Long-term debt, net of current - capital projects/mortgage revenue	-	19,883	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-
353	Non-current liabilities - other	-	-	24,169	1,123,863
354	Accrued compensated absences- Non-current	33,201	1,708	3,266	-
355	Loan liability - non current	-	-	-	-
356	FASB 5 liabilities	-	-	-	-
357	Accrued pension and OPEB liabilities	-	-	-	-
350	Total Non-current liabilities	33,201	21,591	27,435	1,123,863
300	Total Liabilities	1,037,340	64,350	273,597	4,223,165
400	Deferred Inflow of Resources	-	-	-	-
508.4	Net investment in capital assets	2,011,163	499,390	42,489	2,178,038
511.4	Restricted net position	-	214,831	330,608	1,252
512.4	Unrestricted net position	14,310,133	287,680	1,133,671	7,017,832
513	Total Equity/Net Position	16,321,296	1,001,901	1,506,768	9,197,122
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 17,358,636	\$ 1,066,251	\$ 1,780,365	\$ 13,420,287

2	6.1	14.856				
State/Local	Component Unit- Discretely Presented	Lower Income HAP-Section 8 MOD Rehab	Central Office Cost Center (COCC)	Subtotal	Eliminations	Total
-	-	-	-	-	-	-
2,700	16,156	-	59,176	2,415,900	-	2,415,900
-	-	-	-	-	-	-
-	-	-	11,623	46,496	-	46,496
-	-	-	26,906	61,603	-	61,603
-	-	-	-	-	-	-
-	28,592	-	-	28,613	-	28,613
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	639,152	-	639,152
-	38,500	-	-	162,970	-	162,970
13,333	-	-	-	45,459	-	45,459
-	-	-	-	5,353	-	5,353
-	-	-	-	-	-	-
-	-	-	-	52,769	-	52,769
-	32,666	538	25,215	433,272	-	433,272
118	-	3,696	37,214	797,208	(797,208)	-
-	-	-	-	-	-	-
16,151	115,914	4,234	160,134	4,688,795	(797,208)	3,891,587
-	5,818,208	-	-	5,838,091	-	5,838,091
-	-	-	-	-	-	-
944,449	-	-	-	2,092,481	-	2,092,481
-	-	-	26,946	65,121	-	65,121
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
944,449	5,818,208	-	26,946	7,995,693	-	7,995,693
960,600	5,934,122	4,234	187,080	12,684,488	(797,208)	11,887,280
-	-	-	-	-	-	-
1,032,956	8,728,346	-	667,473	15,159,855	-	15,159,855
-	-	-	-	546,691	-	546,691
526,688	1,659,065	156,526	924,601	26,016,196	-	26,016,196
1,559,644	10,387,411	156,526	1,592,074	41,722,742	-	41,722,742
\$ 2,520,244	\$ 16,321,533	\$ 160,760	\$ 1,779,154	\$ 54,407,230	\$ (797,208)	\$ 53,610,022

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

Year Ended March 31, 2017

Line Item No.	Description	14.850	14.872	10.427	14.871	Component Units-Blended
		Operating Fund Program	Capital Fund Program	Rural Housing - Farm Labor Apartments	Housing Choice Vouchers	
70300	Net tenant rental revenue	\$ 2,313,329	\$ -	\$ 117,490	\$ -	\$ -
70400	Tenant revenue - other	693	-	2,260	-	-
70500	Total Tenant Revenue	2,314,022	-	119,750	-	-
70600-010	Housing assistance payments	-	-	-	7,658,408	-
70600-020	Ongoing Administrative Fees Earned	-	-	-	758,030	-
70600	HUD PHA operating grants	2,429,671	1,511,182	-	-	-
70610	Capital Grants	-	-	-	-	-
70710	Management Fee	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-
70730	Book-Keeping Fee	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-
70800	Other government grants	-	-	56,198	-	-
71100	Investment income - unrestricted	103,133	-	3,648	11,812	41,351
71400	Fraud Recovery	17,281	-	-	15,409	-
71500	Other revenue	33,970	-	-	1,828	495,196
71600	Gain on Sale of Capital Assets	-	-	-	-	-
72000	Investment income - restricted	-	-	-	502	-
70000	Total Revenue	4,898,077	1,511,182	179,596	8,445,989	536,547
91100	Administrative salaries	370,583	-	22,011	224,967	-
91200	Auditing fees	38,885	-	1,037	60,759	1,068
91300	Management Fee	560,318	125,547	-	149,300	-
91310	Book-Keeping Fee	87,496	-	5,000	105,963	-
91400	Advertising and Marketing	-	253	-	-	-
91500	Employee benefit contributions - administrative	136,656	-	9,186	92,189	-
91600	Office Expenses	152,624	-	28,240	75,457	5,696
91700	Legal Expense	147,444	-	6,035	5,195	243,712
91800	Travel	5,793	-	1,313	22,694	5,351
91900	Other	10,858	-	1,863	17,122	-
91000	Total Administrative	1,510,657	125,800	74,685	753,646	255,827
92000	Asset Management Fee	119,260	-	-	-	-
92100	Tenant services - salaries	163,143	-	-	-	-
92200	Relocation Costs	-	-	-	-	-
92300	Employee benefit contributions - tenant services	46,537	-	-	-	-
92400	Tenant services - other	8,528	-	-	-	-
92500	Total Tenant Services	218,208	-	-	-	-
93100	Water	25,911	-	2,474	344	-
93200	Electricity	126,966	-	2,682	5,752	-
93300	Gas	13,723	-	507	-	-
93400	Fuel	-	6,284	-	-	-
93600	Sewer	16,680	-	592	205	-
93800	Other Utilities Expense	22,929	-	872	424	-
93000	Total Utilities	206,209	6,284	7,127	6,725	-
94100	Ordinary maintenance and operations - labor	507,745	236,045	37,381	59	-
94200	Ordinary maintenance and operations - materials and other	409,249	889,615	12,799	1,298	-
94300-010	Ordinary Maint. and Operations Contracts - Garbage and Trash Removal Contracts	3,416	253	-	-	-
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	22,714	-	418	2,648	-
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	14,995	-	-	1,740	-
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	1,250	-	-	-	-
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	77,961	-	-	15,868	-
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	400	-	-	-	-
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	5,300	-	486	-	-
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	23,885	-	585	-	-
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	20,813	132	250	33,294	-
94300-120	Ordinary Maintenance and Operations Contracts - Misc. Contracts	67,541	89,192	4,011	30,720	48,612
94300	Ordinary Maintenance and Operations Contracts	238,275	89,577	5,750	84,270	48,612
94500	Employee benefit contribution - ordinary maintenance	239,458	129,270	17,041	-	-
94000	Total Maintenance	1,394,727	1,344,507	72,971	85,627	48,612

		14.856				
State/Local	Component Unit - Discrete	Lower Income HAP-Section 8 MOD Rehab	Central Office Cost Center (COCC)	Subtotal	Eliminations	Total
\$ -	\$ 1,034,453	\$ -	\$ -	\$ 3,465,272	\$ -	\$ 3,465,272
-	33,390	-	-	36,343	-	36,343
-	1,067,843	-	-	3,501,615	-	3,501,615
-	-	-	-	7,658,408	-	7,658,408
-	-	-	-	758,030	-	758,030
-	-	55,872	-	3,996,725	-	3,996,725
-	-	-	-	-	-	-
-	-	-	835,933	835,933	(835,933)	-
-	-	-	119,260	119,260	(119,260)	-
-	-	-	199,001	199,001	(199,001)	-
-	-	-	-	-	-	-
-	118,145	-	-	174,343	-	174,343
9,881	867	1,056	6,924	178,672	-	178,672
-	-	-	-	32,690	-	32,690
13,332	1,620,211	-	29,967	2,194,504	-	2,194,504
-	-	-	-	-	-	-
-	-	-	-	502	-	502
23,213	2,807,066	56,928	1,191,085	19,649,683	(1,154,194)	18,495,489
-	144,295	1,155	541,133	1,304,144	-	1,304,144
118	-	279	6,160	108,306	-	108,306
-	-	768	-	835,933	(835,933)	-
-	-	542	-	199,001	(199,001)	-
-	-	-	-	253	-	253
-	-	473	167,136	405,640	-	405,640
8,000	97,502	283	120,235	488,037	-	488,037
11,765	-	15	107,599	521,765	-	521,765
-	-	147	34,876	70,174	-	70,174
-	59,820	105	8,831	98,599	-	98,599
19,883	301,617	3,767	985,970	4,031,852	(1,034,934)	2,996,918
-	-	-	-	119,260	(119,260)	-
-	-	-	-	163,143	-	163,143
-	-	-	-	-	-	-
-	-	-	-	46,537	-	46,537
-	-	-	-	8,528	-	8,528
-	-	-	-	218,208	-	218,208
-	-	1	391	29,121	-	29,121
-	123,963	27	10,894	270,284	-	270,284
-	-	-	611	14,841	-	14,841
-	-	-	-	6,284	-	6,284
-	-	1	206	17,684	-	17,684
-	-	2	426	24,653	-	24,653
-	123,963	31	12,528	362,867	-	362,867
-	-	-	59	781,289	-	781,289
-	113,099	5	44,957	1,471,022	-	1,471,022
-	-	-	-	3,669	-	3,669
-	-	2	13,236	39,018	-	39,018
-	-	11	592	17,338	-	17,338
-	-	-	-	1,250	-	1,250
-	-	105	62,110	156,044	-	156,044
-	-	-	22,900	23,300	-	23,300
-	-	-	3,300	9,086	-	9,086
-	-	-	195	24,665	-	24,665
-	-	150	2,502	57,141	-	57,141
-	-	128	25,366	265,570	-	265,570
-	-	396	130,201	597,081	-	597,081
-	-	-	1,121	386,890	-	386,890
-	113,099	401	176,338	3,236,282	-	3,236,282

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

Year Ended March 31, 2017

Line Item No.	Description	14.850	14.872	10.427	14.871	Component Units-Blended
		Operating Fund Program	Capital Fund Program	Rural Housing - Farm Labor Apartments	Housing Choice Vouchers	
95100	Protective Services - Labor	36,882	-	1,007	-	-
95200	Protective services - other contract costs	79,825	-	2,114	-	-
95300	Protective Services - Other	-	-	-	-	-
95500	Employee Benefit Contributions - Protective Services	11,998	-	464	-	-
95000	Total Protective Services	128,705	-	3,585	-	-
96110	Property Insurance	97,614	-	4,613	367	-
96120	Liability Insurance	49,466	-	2,467	17,803	19,628
96130	Workmen's Compensation	31,789	8,372	1,408	5,926	-
96140	All Other Insurance	-	-	-	-	-
96100	Total Insurance Premiums	178,869	8,372	8,488	24,096	19,628
96200	Other General Expenses	-	-	-	-	200,615
96210	Compensated absences	143,782	26,219	6,832	25,395	-
96300	Payment In Lieu of Taxes (Real estate taxes)	211,009	-	-	-	-
96400	Bad debt - tenant rents	23,218	-	6,388	-	-
96600	Bad debt - other	1,336	-	352	-	-
96000	Total Other General Expenses	379,345	26,219	13,572	25,395	200,615
96710	Interest on Mortgage (or Bonds) Payable	-	-	-	-	-
96720	Interest on Notes Payable	-	-	310	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	310	-	-
96900	Total Operating Expenses	4,135,980	1,511,182	180,738	895,489	524,682
97000	Excess Revenue Over Operating Expenses	762,097	-	(1,142)	7,550,500	11,865
97100	Extraordinary maintenance	-	-	-	-	-
97300-050	All Other	-	-	-	-	-
97300	Housing assistance payments	-	-	-	7,364,444	-
97350	HAP Portability-In	-	-	-	-	-
97400	Depreciation expense	314,124	-	45,017	19,345	-
90000	Total Expenses	4,450,104	1,511,182	225,755	8,279,278	524,682
10010	Operating transfer in	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-
10030	Operating Transfers from/to Primary Government	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-
10070	Extraordinary item (net gain/(loss))	-	-	-	-	-
10100	Total other financing sources (uses)	-	-	-	-	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	447,973	-	(46,159)	166,711	11,865
11020	Required Annual Debt Principal Payments	-	-	6,264	-	-
11030	Beginning equity	16,247,436	-	1,068,091	1,340,057	9,185,257
11040-010	Prior Period Adjustment	(374,113)	-	(20,031)	-	-
11040	Prior period adjustments, equity transfers, and correction of errors	(374,113)	-	(20,031)	-	-

		14,856				
State/Local	Component Unit - Discrete	Lower Income HAP-Section 8 MOD Rehab	Central Office Cost Center (COCC)	Subtotal	Eliminations	Total
-		-	-	37,889	-	37,889
-	-	-	923	82,862	-	82,862
-		-	-	-	-	-
-		-	-	12,462	-	12,462
-	-	-	923	133,213	-	133,213
-	48,078	2	368	151,042	-	151,042
-	-	84	4,416	93,864	-	93,864
-	-	21	8,358	55,874	-	55,874
-	-	-	-	-	-	-
-	48,078	107	13,142	300,780	-	300,780
-	59,225	-	-	259,840	-	259,840
-	-	138	55,463	257,829	-	257,829
-	-	-	-	211,009	-	211,009
-	-	-	-	29,606	-	29,606
-	-	-	-	1,688	-	1,688
-	59,225	138	55,463	759,972	-	759,972
-	-	-	-	-	-	-
-	264,371	-	-	264,681	-	264,681
-	-	-	-	-	-	-
-	264,371	-	-	264,681	-	264,681
19,883	910,353	4,444	1,244,364	9,427,115	(1,154,194)	8,272,921
3,330	1,896,713	52,484	(53,279)	10,222,568	-	10,222,568
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	48,883	-	7,413,327	-	7,413,327
-	-	-	-	-	-	-
7,064	479,086	-	76,189	940,825	-	940,825
26,947	1,389,439	53,327	1,320,553	17,781,267	(1,154,194)	16,627,073
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(3,734)	1,417,627	3,601	(129,468)	1,868,416	-	1,868,416
-	21,492	-	-	27,756	-	27,756
1,563,378	8,969,784	152,925	1,721,685	40,248,613	-	40,248,613
-	-	-	(143)	(394,287)	-	(394,287)
-	-	-	(143)	(394,287)	-	(394,287)

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

Year Ended March 31, 2017

Line Item No.	Description	14.850	14.872	10.427	14.871	Component Units-Blended
		Operating Fund Program	Capital Fund Program	Rural Housing - Farm Labor Apartments	Housing Choice Vouchers	
11170-001	Administrative Fee Equity- Beginning Balance	-	-	-	1,311,620	-
11170-010	Administrative Fee Revenue	-	-	-	758,030	-
11170-020	Hard to House Fee Revenue	-	-	-	-	-
11170-030	Audit Costs	-	-	-	-	-
11170-040	Investment Income	-	-	-	11,812	-
11170-045	Fraud Recovery Revenue	-	-	-	7,704	-
11170-050	Other Revenue	-	-	-	1,828	-
11170-060	Total Admin Fee Revenues	-	-	-	779,374	-
11170-080	Total Operating Expenses	-	-	-	895,489	-
11170-090	Depreciation	-	-	-	19,345	-
11170-095	Housing Assistance Portability In	-	-	-	-	-
11170-100	Other Expenses	-	-	-	-	-
11170-110	Total Expenses	-	-	-	914,834	-
11170-002	Net Administrative Fee	-	-	-	(135,460)	-
11170-003	Administrative Fee Equity- Ending Balance	-	-	-	1,176,160	-
11180-001	Housing Assistance Payments Equity - Beginning Balance	-	-	-	28,437	-
11180-010	Housing Assistance Payment Revenues	-	-	-	7,658,408	-
11180-015	Fraud Recovery Revenue	-	-	-	7,705	-
11180-020	Other Revenue	-	-	-	-	-
11180-025	Investment Income	-	-	-	502	-
11180-030	Total HAP Revenues	-	-	-	7,666,615	-
11180-080	Housing Assistance Payments	-	-	-	7,364,444	-
11180-090	Other Expenses	-	-	-	-	-
11180-100	Total Housing Assistance Payments Expenses	-	-	-	7,364,444	-
11180-002	Net Housing Assistance Payments	-	-	-	302,171	-
11180-003	Housing Assistance Payments Equity-Ending Balance	-	-	-	330,608	-
Ending equity		16,321,296	-	1,001,901	1,506,768	9,197,122
11190	Unit Months Available	11,928	-	576	16,680	-
11210	Number of Unit Months Leased	11,822	-	478	16,652	-
11270	Excess Cash	13,918,839	-	-	-	-
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	107,744	-	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-	-

		14.856				
State/Local	Component Unit - Discrete	Lower Income HAP-Section 8 MOD Rehab	Central Office Cost Center (COCC)	Subtotal	Eliminations	Total
-	-	-	-	1,311,620	-	1,311,620
-	-	-	-	758,030	-	758,030
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	11,812	-	11,812
-	-	-	-	7,704	-	7,704
-	-	-	-	1,828	-	1,828
-	-	-	-	779,374	-	779,374
-	-	-	-	895,489	-	895,489
-	-	-	-	19,345	-	19,345
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	914,834	-	914,834
-	-	-	-	(135,460)	-	(135,460)
-	-	-	-	1,176,160	-	1,176,160
-	-	-	-	28,437	-	28,437
-	-	-	-	7,658,408	-	7,658,408
-	-	-	-	7,705	-	7,705
-	-	-	-	-	-	-
-	-	-	-	502	-	502
-	-	-	-	7,666,615	-	7,666,615
-	-	-	-	7,364,444	-	7,364,444
-	-	-	-	-	-	-
-	-	-	-	7,364,444	-	7,364,444
-	-	-	-	302,171	-	302,171
-	-	-	-	330,608	-	330,608
1,559,644	10,387,411	156,526	1,592,074	41,722,742	-	41,722,742
-	1,824	-	-	31,008	-	31,008
-	1,749	-	-	30,701	-	30,701
-	-	-	-	13,918,839	-	13,918,839
-	-	-	-	-	-	-
-	-	-	8,650	116,394	-	116,394
-	-	-	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Statement of Capital Fund Program Costs - Incomplete

March 31, 2017

	<u>501-13</u>	<u>501-14</u>	<u>501-15</u>	<u>501-16</u>
Funds Approved	\$ 1,163,993	\$ 1,231,582	\$ 1,290,584	\$ 1,337,114
Funds Expended	<u>1,120,675</u>	<u>927,369</u>	<u>426,716</u>	<u>-</u>
Excess of Funds Approved	<u>\$ 43,318</u>	<u>\$ 304,213</u>	<u>\$ 863,868</u>	<u>\$ 1,337,114</u>
 Funds Advanced	 \$ 1,119,094	 \$ 880,360	 \$ 351,068	 \$ -
Funds Expended	<u>1,120,675</u>	<u>927,369</u>	<u>426,716</u>	<u>-</u>
Excess (Deficiency) of Funds Advanced	<u>\$ (1,581)</u>	<u>\$ (47,009)</u>	<u>\$ (75,648)</u>	<u>\$ -</u>

SINGLE AUDIT SECTION

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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 of the
Housing Authority of the City of Laredo
Laredo, TX

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Housing Authority of the City Laredo, Texas (Authority), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we considered to be a material weakness.

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Compliance and Other Matters

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

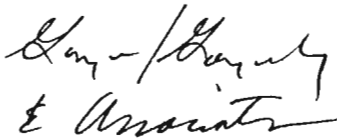
We noted certain other matters that we reported to the management of the Authority in a separate report dated December 8, 2017.

Management's Response to Findings

Management's response to the findings identified in our audit described in the accompanying schedule of planned corrective action/views of responsible officials. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Gary H. Harty
& Associates

December 8, 2017

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners of the
Housing Authority of the City of Laredo
Laredo, TX

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Laredo's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the year ended March 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002 to be significant deficiencies.

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

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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.

Loya/Loyalty
& Associates

December 8, 2017

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Schedule of Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Schedule of Expenditures of Federal Awards

Year Ended March 31, 2017

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant / Contract Number</u>	<u>Federal Expenditures</u>
United States Department of Housing & Urban Development Direct programs:			
Public and Indian Housing	14.850	FW - 547	\$ 2,429,671
Lower Income HAP - Section 8 Moderate Rehabilitation	14.856	FW - 4085	55,872
Section 8 Housing Choice Vouchers	14.871	FW - 4085	8,416,438
Public Housing Capital Fund	14.872	FW - 547	<u>1,511,182</u>
Total United States Department of Housing & Urban Development			<u>12,413,163</u>
United States Department of Agriculture Direct program:			
Rural Rental Assistance Payments	10.427	51040746001577	<u>81,434</u>
Total United States Department of Housing & Urban Development			<u>81,434</u>
Total Expenditures of Federal Awards			<u><u>\$ 12,494,597</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended March 31, 2017

1. Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards 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 the 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. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
2. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received, they are recorded as unearned revenues until earned.
3. The period of performance/availability for most grant funds for the purpose of liquidation of outstanding obligations is extended 90 days beyond the project period ending date (or as specified in a program regulation), in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, OMB Compliance Supplement.
4. Expenditures for the Low Rent program represents the net subsidy received from HUD.
5. Expenditures for the Rural Rental Assistance Program represent rental subsidies earned by the Authority in the amount of \$56,198 plus the outstanding balance of the loan as of March 31, 2017 due to USDA in the amount of \$25,236.
6. Subrecipients – There were no subrecipients in the current year.
7. A reconciliation of the schedule of expenditures of federal awards to the statement of revenues, expenses and changes in net position is as follows:

Total federal assistance – as reported on Schedule of Expenditures of Federal Awards	\$ 12,494,597
Federal assistance as reported in basic financial statements	
HUD operating grants and housing Assistance Payments	12,413,163
Other government grants	56,198
Current portion of long-term debt	5,353
Long-term debt	19,883
Total grant revenues as reported in basic financial statements	<u>\$ 12,494,597</u>

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2016-001 - Financial Reporting

Criteria: The Authority is required to submit financial information to HUD based on data derived from its annual audit report. The audited financial statements should be compiled from the balances recorded in the Authority's general ledger.

Condition & Effect: Based on our review, there are reclassifications and adjustments at year end, made to the amounts reported in audited financial statements and financial submission to HUD. These reclassifications and adjustments are not recorded in the Authority's general ledger. Since the adjustments are not recorded in the general ledger, some of these reclassifications and adjustments must be repeated each year. We noted the following differences between the amounts reported and the general ledger:

- Adjustments to correct beginning equity.
- Adjustments to agree tenant accounts receivable, security deposit liabilities, and FSS escrow liabilities to sub-ledgers, with any differences in total being included in accounts payable.
- Certain assets and liabilities recorded in the general ledger for the capital fund program were not included in financial reporting. In addition, the capital fund program balance sheet was not reported in the financial submission to HUD under the correct program.
- Reclassification of amounts reported as capital assets among categories (land, buildings, equipment, etc.)
- Compensated absences is reported in a single account but reported as short term and long term for financial reporting purposes.
- The capital fund program is maintained on a cumulative basis on the general ledger and does not serve as the basis for financial reporting. The Authority must analyze activity in the general ledger to determine how the activity should be reported.
- Amounts recorded in the blended component unit's general ledger for certain revenue and expense accounts do not agree with the amounts reported.

Recommendation: We recommend the general ledger be used as the basis for financial reporting and any reclassifications and adjustments made for financial reporting purposes also be recorded in the general ledger. In addition, the Authority should consider changing its accounting method for the capital fund program in order to provide ongoing financial reporting throughout the year.

2017 Status: This finding is being reissued as finding reference number 2017-001.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2016-002 – Capital Assets

Criteria: Federal regulations, and sound internal control over financial reporting, require that a physical inventory of capital assets be taken and the results reconciled with the property records at least once every two years. Asset records should be maintained in sufficient detail in order to separately identify and inventory capital assets. The Authority's policy is that capital assets are all non-expendable equipment which costs more than \$5,000 and have a useful life more than one year. In addition, the policy allows for certain items of equipment to be capitalized such as ranges and refrigerators.

Condition & Effect: We were unable to determine when the last physical inventory was conducted. In addition, there are material amounts of fully depreciated equipment which are listed as aggregated totals, and its components are not sufficiently detailed to be inventoried. By capitalizing ranges and refrigerators, the Authority may have created an undue administrative burden that requires them to record, track, inventory, and depreciate the assets which have individual costs less than \$500.

2017 Status: Corrective action was taken. Finding is considered cleared.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2016-003

U.S. Department of Housing and Urban Development

Federal Program: Public and Indian Housing 14.850

Grant ID: FW-547

Type of Finding: Other Matter

Criteria: In accordance with the Authority's Annual Contributions Contract (ACC) with HUD, the Authority entered into a cooperation agreement with the City of Laredo (City) to provide for annual payments of Payment in Lieu of Taxes (PILOT). Under this cooperation agreement, annual payments are to be made from the Authority to the City including amounts for four other local taxing entities. The Authority reports these payments as expenses and receives funding to pay for the PILOT payments from HUD annually. Changes to the cooperative agreement requires HUD approval.

Condition & Effect: The Authority ceased making PILOT payments to the City in 2004, and in 2008 to the other four local taxing entities. According to the Authority's records, the total amount of PILOT not remitted to the City and the other four taxing entities as of March 31, 2016 totaled \$1,716,758. Of this amount, \$227,529 corresponding to the 2016 PILOT is reported as a liability in the Authority's financial statements. The remaining \$1,489,229, corresponding to prior year's PILOT were transferred to one of Authority's Public Facility Corporations, which are reported as blended component units.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

In 2012 the Authority entered into a new cooperation agreement with the City which amended the original cooperation agreement and removed the requirement to distribute the PILOT to the various local taxing entities. Also in 2012, the Authority entered into an interlocal agreement with the City whereby the City authorized the Authority to retain the PILOT funds and transfer them to one of the Authority's public facility corporations to be used for affordable housing. A similar agreement was entered into with the Laredo Independent School District. Management has not been able to locate correspondence or other evidence where HUD approved the amendments to the cooperation agreement as required by the ACC.

Although the PILOT payments were not made to the taxing entities, the Authority has reported PILOT as an expense in its audited financial statements and financial submissions to HUD. As a result, the Authority continues to receive PILOT funding for Public Housing through its Operating Fund – Calculation of Operating Subsidy.

2017 Status: LHA has entered into interlocal agreements with several of the taxing jurisdictions to pay PILOT and has paid one jurisdiction subsequent to year end. Management plans to enter into interlocal agreements with the remaining jurisdictions to pay all required PILOT.

Finding No. 2016-004

U.S. Department of Housing and Urban Development

Federal Program: Housing Choice Vouchers 14.871

Grant ID: FW-4085

Type of Finding: Material Weakness in Internal Control Over Compliance

Criteria: Section 8 guidelines require that a family's income must be within the HUD income limits for the Authority's jurisdiction at the time a family receives a voucher to search for housing. Tenants who are deemed eligible receive housing assistance based on a formula which includes a housing assistance payment standard for the fair market rents for the area. In accordance with the Authority's Section 8 Administrative Plan, the Authority calculates housing assistance payments based on payment standards of 110% of Fair Market Rents (FMR) for individuals who are elderly or disabled and reside in newly constructed or energy efficient units.

Condition & Effect: Based on our audit test sample of individuals new to the Housing Choice Voucher program, three (3) out of twenty-five (25) newly admitted individuals incorrectly received the payment standard of 110% of FMR. As a result, their housing assistance payments were incorrectly calculated. One (1) tenant out of twenty-five (25) was over income at the time of admission and should not have received housing assistance.

2017 Status: Corrective action was taken. Finding is considered cleared.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

<i>Financial Statements</i>			
	Type of auditor’s report issued:	Unmodified	
	Internal control over financial reporting: Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
	Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> No
	Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

<i>Federal Awards</i>			
	Internal control over major programs: Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
	Significant deficiency(ies) identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> No
	Type of auditor’s report issued on compliance for major programs	Unmodified	
	Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a)?	<u> X </u> Yes	<u> </u> No

<i>Identification of Major Programs</i>			
	CFDA Numbers(s)	Name of Federal Program or Cluster	
	14.871 14.872	Section 8 Housing Choice Vouchers Public Housing Capital Fund	
	Dollar Threshold used to distinguish between Type A and Type B programs:	\$750,000	
	Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2017-001 - Financial Reporting

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria: The Authority is required to follow generally accepted accounting principles (GAAP) and ensure that its financial statements are fairly stated. The Authority is also required to submit financial information to HUD based on data derived from its annual audit report. The audited financial statements should be compiled from the balances recorded in the Authority's general ledger. The general ledger should be review and analyzed on a monthly basis to ensure that balances are properly recorded.

Condition: The Authority has not implemented controls to ensure that its financial reporting system provides reasonable assurance that its financial information is free from material misstatement. We noted the following deficiencies during our audit:

- Capital assets recorded on the general ledger did not agree with amounts reported to HUD. There were differences in the classification of amounts reported in the various asset categories.
- The capital fund program is maintained on a cumulative basis on the general ledger and does not serve as the basis for financial reporting. The Authority must analyze activity in the general ledger to determine how the activity should be reported. The amounts provided during the audit and in the unaudited REAC submission were incorrect and did not agree with the activity for the year for two out of the three grants.
- Expenses are not always reported in the proper account. For instance, we noted that approximately \$130,000 of salaries expense were reported in *maintenance and operations – unit turnaround contracts* instead of *maintenance and operations – labor*.
- Beginning balances in some accounts were not properly carried forward from the prior year or balances were brought forward when they should not have been. The following adjustments were necessary to properly reflect the beginning balances:
 - Assets were reduced by \$685,000
 - Liabilities reduced by \$682,500
 - Equity increased by \$72,584
 - Revenue decreased by \$162,365
 - Expenses reduced by \$87,282
- The general ledger appears not to have been reviewed during the year. Significant adjustments were required after year end to properly reflect the current balances. The most significant adjustments were to correct cash, interfunds, accounts payable, and accounts receivable. Overall, the net effect of all audit adjustments required to fairly state the Authority's balances were as follows:
 - Assets were decreased by \$2,155,547
 - Liabilities were decreased by \$1,177,560
 - Equity was increased by \$812,741
 - Revenues were decreased by \$1,828,406
 - Expenses were increased by \$92,292

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Cause: The Authority experienced temporary vacancies and changes in key accounting personnel which contributed to deficiencies in the maintenance of the general ledger and financial reporting. Deficiencies may have also occurred due to the new accounting staff lack of familiarity with the accounting system and HUD accounting requirements.

Effect: Amounts reported to the Board and third parties during the year may not be correct due to errors. A significant number of audit adjustments were made in material amounts.

Questioned Cost: None.

Recommendation: We recommend the Authority institute the following internal controls over the maintenance of the general ledger and financial reporting:

- The general ledger should be reviewed on a monthly basis to ensure that the general ledger properly reflects the reconciled cash balances, interfund and intercompany off-setting balances, and all other balances appear reasonable.
- The general ledger be used as the basis for financial reporting and any reclassifications and adjustments made for financial reporting purposes also be recorded in the general ledger.
- The Authority should consider changing its accounting method for the capital fund program in order to provide ongoing financial reporting throughout the year.
- Accounting staff should continue to receive training on the accounting system and HUD accounting/regulations.
- Monthly, and annual, financial closing checklists should be developed to ensure that the financial reports are complete and accurate. For instance, interfunds should be reconciled on at least a monthly basis.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2017-002 - Section 3 Summary Performance Report

Program: Public Housing Capital Fund – CFDA No. 14.872 (FW-547)

Department: U.S. Department of Housing and Urban Development

Type of Finding: Significant Deficiency in Internal Control over Compliance / Other Finding Required to be Reported

Criteria: HUD's Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide job training, employment, and contract opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods. Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons* is submitted to HUD via the automated Section 3 Performance Evaluation and Registry System (SPEARS) and is intended to report on program accomplishments. SPEARS was launched on August 24, 2015 and the due date for submission of 2013 and 2014 reports was extended to December 15, 2015.

Condition: Based on our review of the Authority's Section 3 Summary Reports we noted the following:

- The reports for 2013 and 2014 were submitted late. These reports were due on December 12, 2015 but were not submitted until November 1, 2016.
- The number of section 3 business awarded contracts was improperly computed. The only businesses identified as section 3 were those owned directly by Authority residents. Businesses who have at least 30% of their full-time employees qualify as section 3 residents are also considered section 3 businesses, however these types of businesses were not counted in the number of contracts awarded to section 3 businesses.
- The number of section 3 new hires was improperly computed. The number of section 3 new hires reported only included the number of new hires that were residents. In addition to being LHA residents the section 3 new hires should also include low-income person's residing in the metropolitan area where the section 3 covered assistance is expended.
- The 2015 and 2016 Section 3 Summary Report has not yet been submitted. This report was due no later than January 15th of each year.

Cause: The report was not filed timely likely due to changes in personnel. The report was not properly prepared due to a lack of training in the preparation of the report.

Effect: Incorrect information regarding the Section 3 program was reported to HUD and not reported timely.

Recommendation: We recommend the following:

- LHA begin documenting the section 3 status of businesses during the procurement/purchasing process.
- Assign appropriate staff, who are trained, to complete the Section 3 report.
- The 2015 and 2016 Section 3 Summary Report be completed and future reports be submitted timely.

CITY OF LAREDO HOUSING AUTHORITY
Laredo, Texas

PLANNED CORRECTIVE ACTION/VIEWS OF RESPONSIBLE OFFICIALS

Year Ended March 31, 2017

Finding No. 2017-001 - Financial Reporting

The Finance Department will implement a process whereby all financial statements (balance sheets and operating statements) will be reviewed before presentation to the Board of Commissioners.

View of responsible officials and corrective action:

Mauricio del Barrio, Finance Director

Corrective Action:

The Finance Department will begin to utilize a checklist that ensures account balances within the balance sheet and operating statement are reasonable and within budget, cash balances tie to the general ledger, and inter-fund balances are reconciled.

Anticipated Completion Date:

Draft template – January 15, 2018

Completed checklist – January 31, 2018

Contact Information:

Ms. Melissa A. Ortiz, Interim/Acting Executive Director

Finding No. 2017-002 - Section 3 Summary Report

The Human Resources Department will be the designated contact point for preparation and submission of the Section 3 Summary Report, with input from the Procurement Department for those qualified entities.^b In addition, the Human Resources officer will seek out seminars and training materials that will enhance the knowledge base with respect to Section 3 reporting, as well as use the tools currently available to schedule timely submission of the reports to HUD.

View of responsible officials and corrective action:

Melissa A. Ortiz, Interim Executive Director, Francisco Lopez, Procurement Officer, Roberto Peña, IT Coordinator, Cesar Vasquez, Human Resources Director

CITY OF LAREDO HOUSING AUTHORITY
Laredo, Texas

PLANNED CORRECTIVE ACTION/VIEWS OF RESPONSIBLE OFFICIALS

Year Ended March 31, 2017

Corrective Action:

Calendar Years 2013 and 2014 Section 3 Summary Reports were submitted to HUD on January 12, 2017 and January 11, 2017, respectively. Procurement is currently collecting data for the calendar years 2015 and 2016, and has also begun compiling data for fiscal year 2017 (HUD's currently expecting fiscal year report.) Procurement anticipates finalizing the data collection process by December 22, 2017, at which time the completed reports can be submitted.

Anticipated Completion Date:

December 31, 2017

Contact Information:

Ms. Melissa A. Ortiz, Interim/Acting Executive Director