

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, 2019

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HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

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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 of the Housing Authority of the City of Laredo (the Authority), as of and for the year ended March 31, 2019, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements 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, and BAH Casa Verde Apartments Ltd., which are reported as discrete component units. The financial statements of the LHA River Bank Village Ltd. and BAH Casa Verde Ltd. were audited by another auditor whose reports have 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 reports 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 aggregate discretely presented component units of the Authority, as of March 31, 2019, and the respective changes in financial position, and cash flows, as applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

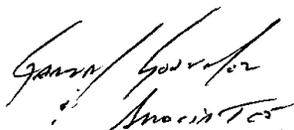
Required Supplementary Information

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.



Grant Gouvor
Auditor

December 13, 2019

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HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2019



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, 2019. 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, 2019 by \$32,883,039 (net position) representing an increase of \$1,795,235 from March 31, 2018.
- The Total Current Assets of LHA as of March 31, 2019 was \$20,854,408 representing an increase of \$18,038,920 from March 31, 2018.
- The Total Assets of LHA as of March 31, 2019 was \$35,967,518 representing an increase of \$1,861,731 from March 31, 2018.
- LHA had \$2,980,388 in Tenant Revenue representing an increase of \$270,196 from last Fiscal Year ending March 31, 2018 and \$13,028,222 of HUD Operating and Capital Grants for the year ended March 31, 2019, representing an increase from March 31, 2018 of \$1,439,693.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2019

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 2019.

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, 2019

Low Rent Public Housing

LHA owns 732 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 97%.

Rental Assistance Demonstration (RAD) Program

LHA is continuing to strive to create community living through affordable housing opportunities. In Fiscal Year 2018-2019, by participating in the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) Program, LHA will improve the lives of more than 30 additional families who rely on public housing. Under the design of the RAD Program, it allows LHA additional options to convert deteriorating and aging housing stock to the Section 8 funding platform.

Housing Choice Vouchers

This year, the Housing Choice Voucher (HCV) Program has offered participants more affordable housing options than ever before. Currently, there are 1,620 individuals and families participating in the program in Laredo, Asherton, and Zapata, Texas. Of the 1,620 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 2018-2019. 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.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2019

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. 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 governments. 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, 2019

Analysis of Net Position

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

Condensed Statement of Net Position

	2019	2018	Increase (Decrease)	Percentage Change
Cash and Cash Equivalents	\$ 20,323,253	\$ 17,242,443	\$ 3,080,810	17.87%
Other Current Assets	474,086	796,477	(322,391)	-40.48%
Restricted Assets	4,703,854	9,587,399	(4,883,545)	-50.94%
Capital Assets, Net	9,941,921	6,479,468	3,462,453	53.44%
Other Non-Current Assets	524,404	-	524,404	100.00%
Total Assets	\$ 35,967,518	\$ 34,105,787	\$ 1,861,731	5.46%
Current Liabilities	\$ 991,409	\$ 883,636	\$ 107,773	12.20%
Non-Current Liabilities	2,093,070	2,134,347	(41,277)	-1.93%
Total Liabilities	\$ 3,084,479	\$ 3,017,983	\$ 66,496	2.20%
Net Position				
Invested In Capital Assets, Net	\$ 9,928,590	\$ 6,460,241	\$ 3,468,349	53.69%
Restricted	4,670,729	9,500,129	(4,886,468)	-51.44%
Unrestricted	18,283,720	15,127,434	3,213,354	21.24%
Total Net Position	\$ 32,883,039	\$ 31,087,804	\$ 1,795,235	5.77%

Assets

The primary change to the Authority's assets was due to LHA having Accounts Receivable and Notes Receivable changes with the partnership at the Casa Verde Apartments. Overall, total assets increased by \$1,861,731, or 5.46 percent.

Liabilities

The Agency's liabilities increased primarily due to Russel Terrace Construction. Overall, liabilities increased by \$66,496, or 2.20 percent.

Net Position

Restricted net position decreased by \$4,829,400 primarily due to the Russell Terrace construction. Net position for the fiscal year increased \$1,795,235, or 5.77 percent.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2019

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>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Operating Revenues				
HUD Operating Grants and HAP	\$ 12,290,060	\$ 11,530,493	\$ 759,567	6.6%
Tenant Revenue	2,980,388	2,710,192	270,196	10.0%
Other Government Grants	56,860	58,036	(1,176)	-2.0%
Other Revenue	889,069	518,646	370,423	71.4%
Total Operating Revenue	<u>\$ 16,216,377</u>	<u>\$ 14,817,367</u>	<u>\$ 1,399,010</u>	<u>9.4%</u>
Operating Expenses				
Administrative	\$ 3,011,310	\$ 2,888,854	\$ 122,456	4.2%
Housing Assistance Payments	8,574,855	7,877,746	697,109	8.8%
Tenant Services	179,087	259,920	(80,833)	-31.1%
Utilities	261,657	239,939	21,718	9.1%
Maintenance	1,936,851	2,193,144	(256,293)	-11.7%
Protective Services	207,325	164,179	43,146	26.3%
Other General Expenses	761,023	1,229,153	(468,130)	-38.1%
Depreciation	409,028	434,360	(25,332)	-5.8%
Total Operating Expenses	<u>\$ 15,341,136</u>	<u>\$ 15,287,295</u>	<u>\$ 53,841</u>	<u>0.4%</u>
Operating Income (Loss)	875,241	(469,928)	1,345,169	-286.3%
Nonoperating Revenues (Expenses)	<u>\$ 238,692</u>	<u>\$ 222,401</u>	<u>\$ 16,291</u>	<u>7.3%</u>
Loss before contributions	1,113,933	(247,527)	1,361,460	-550.0%
Capital contributions	681,302	-	681,302	100.0%
Net Assets - Beginning Balance	<u>31,087,804</u>	<u>31,335,331</u>	<u>(247,527)</u>	<u>-0.8%</u>
Net Position - Ending Balance	<u>\$ 32,883,039</u>	<u>\$ 31,087,804</u>	<u>\$ 1,795,235</u>	<u>5.8%</u>

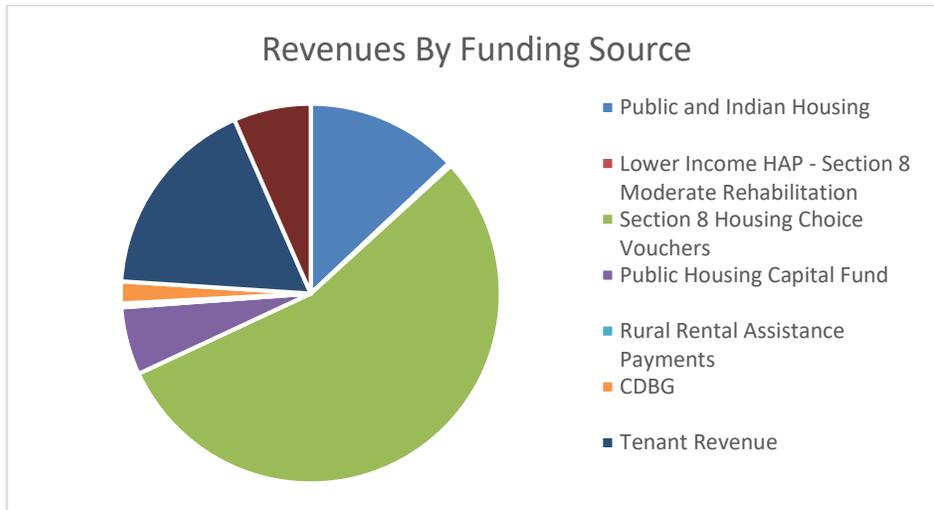
HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management’s Discussion and Analysis

Year Ended March 31, 2019

The Laredo Housing Authority recognized revenues from the following programs/sources during the fiscal year ending March 31, 2019.

Public and Indian Housing	\$ 2,219,347
Lower Income HAP - Section 8 Moderate Rehabilitation	46,774
Section 8 Housing Choice Vouchers	9,396,682
Public Housing Capital Fund	989,750
Rural Rental Assistance Payments	56,860
CDBG	318,809
Tenant Revenue	2,980,388
Other Revenue	1,127,761
	<u>\$ 17,136,371</u>

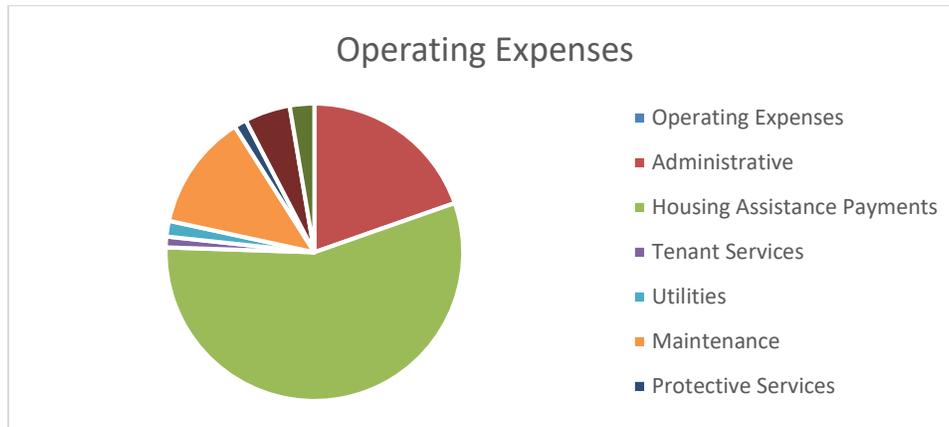


HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2019

Operating expenses are comprised of the following:



Capital Asset and Long-Term Debt Activity

Capital Assets

Changes in capital assets were as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Land	\$ 3,860,171	\$ 3,860,171	\$ -
Buildings	31,024,243	30,645,402	378,841
Furniture, equipment and machinery-dwell.	224,940	224,940	-
Furniture, equipment and machinery-admin.	1,370,785	1,357,492	13,293
Accumulated depreciation	(30,438,637)	(30,052,117)	(386,520)
Construction in progress	<u>3,900,419</u>	<u>443,580</u>	<u>3,456,839</u>
	<u>\$ 9,941,921</u>	<u>\$ 6,479,468</u>	<u>\$ 3,462,453</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 construction in progress of the Russell Terrace Re-Development. The net increase to capital assets was \$3,462,453 for the fiscal year.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Management's Discussion and Analysis

Year Ended March 31, 2019

Long Term Debt

Changes in long-term debt were as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Loan Payable	\$ 7,870	\$ 13,815	\$ (5,945)
Other Non-current Liabilities	2,031,151	2,063,875	(32,724)
Accrued Compensated Absences	<u>54,049</u>	<u>56,657</u>	<u>(2,608)</u>
	<u>\$ 2,093,070</u>	<u>\$ 2,134,347</u>	<u>\$ (41,277)</u>

The change within the long-term debt was due to payments on loans, recognition of revenues on land leases and changes in accrual for compensated absences. Overall, the long-term debt decreased by \$41,277 for the fiscal year as a result.

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: Alma D. Mata, Executive Director
2000 San Francisco Avenue
Laredo, Texas 78040

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Basic Financial Statements

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Statement of Net Position

March 31, 2019

	<u>Housing Authority and Blended Component Units</u>	<u>Discretely Presented Component Units</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Unrestricted	\$ 20,213,642	\$ 373,184
Tenant Security Deposits	109,611	38,912
Accounts Receivable		
HUD Other Projects	113,116	-
Miscellaneous	96,741	4,418
Tenants	15,637	-
Allowance for Doubtful Accounts - Tenants	(4,804)	-
Prepaid Expenses and Other Assets	138,435	498,585
Notes, Loans, & Mortgage Receivable - Current	99,958	-
Total Current Assets	20,797,339	915,099
Restricted Assets		
Cash - Other Restricted	4,703,854	573,909
Total Restricted Assets	4,703,854	573,909
Noncurrent Assets		
Capital Assets		
Land	3,860,171	-
Buildings & Improvements	31,024,243	32,424,757
Furniture, Equipment & Machinery - Dwellings	224,940	-
Furniture, Equipment & Machinery - Administration	1,370,785	1,735,395
Less Accumulated Depreciation	(30,438,637)	(2,487,781)
Construction in Progress	3,900,419	-
Total Capital Assets, Net of Accumulated Depreciation	9,941,921	31,672,371
Investments in Partnerships	-	-
Other Assets	524,404	2,152,857
Total Noncurrent Assets	10,466,325	33,825,228
Total Assets	\$ 35,967,518	\$ 35,314,236

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Statement of Net Position

March 31, 2019

	Housing Authority and Blended Component Units	Discretely Presented Component Units
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable		
Vendors	\$ 296,313	\$ 52,815
Other Government	256,551	-
Accrued Wages and Payroll Taxes	56,559	-
Accrued Compensated Absences	61,557	-
Accrued Interest Payable	21	52,247
Tenant Security Deposits	127,484	76,279
Unearned Revenue	66,592	-
Loans Payable	5,461	-
Other Current Liabilities	18,261	-
Accrued Liabilities - Other	102,610	40,397
	991,409	221,738
Total Current Liabilities		
Noncurrent Liabilities		
Loans Payable	7,870	11,124,800
Other	2,031,151	1,689,966
Accrued Compensated Absences	54,049	-
	2,093,070	12,814,766
Total Non-Current Liabilities		
	3,084,479	13,036,504
Total Liabilities		
Net Position		
Net Investment in Capital Assets	9,928,590	18,857,605
Restricted Net Position	4,670,729	-
Unrestricted Net Position	18,283,720	3,420,127
	32,883,039	22,277,732
Total Net Position		
	\$ 35,967,518	\$ 35,314,236
Total Liabilities and Net Position		

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, 2019

	Housing Authority and Blended Component Units	Discretely Presented Component Units
OPERATING REVENUES		
HUD Operating Grants and Housing Assistance Payments	\$ 12,290,060	\$ -
Tenant Revenue	2,980,388	1,835,513
Other Government Grants	56,860	59,217
Other Revenue	889,069	16,360
Total Operating Revenue	16,216,377	1,911,090
OPERATING EXPENSES		
Administrative	3,011,310	527,592
Housing Assistance Payments	8,574,855	-
Tenant Services	179,087	7,200.00
Utilities	261,657	209,176
Maintenance	1,936,851	282,286
Protective Services	207,325	-
Insurance	244,470	96,299
Other General Expense	516,553	22,219
Interest on Note Payable	-	721,751
Depreciation	409,028	1,147,350
Total Operating Expenses	15,341,136	3,013,873
Operating Income (Loss)	875,241	(1,102,783)
NONOPERATING REVENUES (EXPENSES)		
Investment Income - Unrestricted	226,536	760
Investment Income - Restricted	1,021	-
Fraud Recovery	11,135	-
Total Nonoperating Revenues (Expenses)	238,692	760
Income (Loss) Before Contributions	1,113,933	(1,102,023)
HUD Capital Grants	681,302	-
Partnership Contributions	-	9,172,126
Change in Net Position	1,795,235	8,070,103
Net Assets - Beginning Balance	31,087,804	14,207,629
Net Position - Ending Balance	\$ 32,883,039	\$ 22,277,732

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, 2019

	<u>Housing Authority and Blended Component Units</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Tenants	\$ 3,025,358
HUD Operating Grants	3,012,695
Housing Assistance Payment Receipts	9,443,456
Other Operating Grants	41,857
Miscellaneous Receipts	463,180
Cash Payments to Suppliers for Goods and Services	(3,884,142)
Cash Payments to Employees	(2,434,872)
Housing Assistance Payments	(8,574,855)
Net Cash Provided/(Used by) Operating Activities	<u>1,092,677</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Fraud Recovery	11,135
Net Cash Provided/(Used by) by Non-Capital and Related Financing Activities	<u>11,135</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayments on Note Receivable	72,296
Acquisition and Construction of Capital Assets	(3,876,448)
Capital Grants	681,302
Principal Payment on Note Payable	(5,896)
Interest paid on Note Payable	(172)
Net Cash Provided/(Used by) for Capital and Related Financing Activities	<u>(3,128,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	227,557
Net Cash Provided/(Used by) by Investing Activities	<u>227,557</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,802,735)
Cash and Cash Equivalents - Beginning Balance	<u>26,829,842</u>
Cash and Cash Equivalents - Ending Balance	<u>\$ 25,027,107</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 875,241
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	409,028
(Increase) Decrease in Accounts Receivable - HUD	166,091
(Increase) Decrease in Accounts Receivable - Miscellaneous	121,086
(Increase) Decrease in Accounts Receivable - Tenants	11,433
(Increase) Decrease in Prepaid Expenses and Other Assets	(557,916)
Increase (Decrease) in Accounts Payable	111,360
Increase (Decrease) in Accrued Wages and Payroll Taxes	(4,567)
Increase (Decrease) in Accrued Compensated Absences	(3,969)
Increase (Decrease) in Tenant Security Deposits	19,994
Increase (Decrease) in Unearned Revenue	13,543
Increase (Decrease) in Other Current Liabilities	(57,477)
Increase (Decrease) in Accrued Liabilities - Other	3,833
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	<u>\$ 1,092,677</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position	
Cash - Unrestricted	\$ 20,213,642
Cash - Other Restricted	4,703,854
Cash - Tenant Security Deposits	109,611
Total Cash and Cash Equivalents	<u>\$ 25,027,107</u>

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, 2019

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 States 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, 2019

**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, 2019, 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.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

**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. The LHA RBV GP and its managed LHA RBV limited partnership are further described in note XIII.A.

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, .01% to the special limited partner, and 99.98% 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. On June 20, 2017, an investor limited partner was admitted to the partnership and funding was secured to begin construction. The financial statements for the partnership are included under the discrete component unit column. Thirty-eight (38) units of the project are to be operated in accordance with HUD’s Rental Assistance Demonstration (RAD) program. The BAH Casa Verde Apartments Ltd. is further described in note XIII.B.

Audited financial statements for the year ended December 31, 2018 for both partnerships described above may be obtained from the Authority’s administrative offices at 2000 San Francisco Ave., Laredo, Texas 78040.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

**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, 2019, 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, 2019

**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.

D. 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:

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

E. 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 \$4,804 has been established for the year ending March 31, 2019, for tenants accounts receivable. Collection losses on accounts receivable are charged against the allowance for uncollectible accounts.

F. 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, 2019

**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, 2019, annual leave of \$61,557 has been accrued as a current liability, while \$54,049 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, 2019

**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, 2019

II. DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash and investments as of March 31, 2019 are classified in the accompanying financial statements as follows:

Unrestricted	
Cash	\$ 20,211,187
Tenant Security Deposits	109,611
Petty Cash	2,455
Restricted	
Cash and Cash Equivalents	3,203,854
Certificates of Deposit	<u>1,500,000</u>
Total Cash and Investments	<u>\$ 25,027,107</u>

The carrying amount of the Authority's bank deposits was \$25,024,652 as of March 31, 2019, and the bank balance was \$25,623,392. 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, 2019, the deposits are fully collateralized by FDIC and collateral held by its primary financial institution. Of the total carrying amount of cash and cash equivalents, \$109,611 is for tenant security deposits and \$4,703,854 is restricted as follows:

Section 8 Housing Choice Voucher:	
• Funds for Family Self Sufficiency escrow	\$ 33,125
• Funds required to be restricted by the Section 8 HCV program for Housing Assistance Payments equity	<u>104,278</u>
	137,403
Rural Rental Assistance Payment Program:	
• Reserved funds	218,970
Component Units – Blended	
• Reserved Funds – LHDC (CD)	1,500,000
• Cash Reserved for Construction – LHFC	<u>2,847,481</u>
	<u>4,347,481</u>
Total	<u>\$ 4,703,854</u>

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, 2019.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

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, 2019, 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, 2019

II. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, is as follows:

	Beginning Balance	Additions	Deletions/ Corrections	Ending Balances
Capital Assets, not being depreciated:				
Land	\$ 3,860,171	\$ -	\$ -	\$ 3,860,171
Construction in Progress	443,580	3,456,839	-	3,900,419
Total capital assets not being depreciated	<u>4,303,751</u>	<u>3,456,839</u>	<u>-</u>	<u>7,760,590</u>
Capital assets, being depreciated:				
Buildings	30,645,402	378,841	-	31,024,243
Furniture & equipment - dwelling	224,940	-	-	224,940
Furniture & equipment - administration	1,357,492	40,768	(27,475)	1,370,785
Total capital assets being depreciated	<u>32,227,834</u>	<u>419,609</u>	<u>(27,475)</u>	<u>32,619,968</u>
Less accumulated depreciation	<u>(30,052,117)</u>	<u>(409,027)</u>	<u>22,507</u>	<u>(30,438,637)</u>
Total capital assets being depreciated, net	<u>2,175,717</u>	<u>10,582</u>	<u>(4,968)</u>	<u>2,181,331</u>
Net capital assets	<u>\$ 6,479,468</u>	<u>\$ 3,467,421</u>	<u>\$ (4,968)</u>	<u>\$ 9,941,921</u>

Depreciation expense for the year ended March 31, 2019, was \$409,027.

III. 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, 2019 is presented below:

	Balance 4/1/2018	Increase	Decreases	Balance 3/31/2019	Current Portion
Loan Payable	\$ 19,227	\$ -	\$ 5,896	\$ 13,331	\$ 5,461
Accrued Compensated Absences	119,575	121,579	125,548	115,606	61,557
FSS Escrow	77,336	14,525	58,736	33,125	13,075
Unearned Revenue on Land Leases	2,068,312	-	28,605	2,039,707	28,606
Totals	<u>\$ 2,284,450</u>	<u>\$ 136,104</u>	<u>\$ 218,785</u>	<u>\$ 2,201,769</u>	<u>\$ 108,699</u>

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

III. 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 \$13,331 as of March 31, 2019:

Year Ending March 31,	Principal	Interest	Total
2020	\$ 5,461	\$ 101	\$ 5,562
2021	6,015	53	6,068
2022	1,855	4	1,859
Total	\$ 13,331	\$ 158	\$ 13,489

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, 2019

III. LONG-TERM LIABILITIES (Continued)

Under the terms of the ground lease agreement, a parcel of land was purchased for \$1,145,500 by the BAH Casa Verde, 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.

IV. 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, 2018 is as follows:

	General Partner (Authority)	Special Limited Partner	Limited Partner	Total
Total Capital	\$ (33)	\$ -	\$ 9,827,952	\$ 9,827,919
Less: Cumulative capital contributions	(100)	(10)	(10,901,410)	(10,901,520)
Cumulative gain/(loss)	<u>\$ (133)</u>	<u>\$ (10)</u>	<u>\$ (1,073,458)</u>	<u>\$ (1,073,601)</u>

An analysis of BAH Casa Verde, LTD's cumulative capital as of December 31, 2018 is as follows:

	General Partner (Authority)	Special Limited Partner	Limited Partner	Total
Total Capital	\$ (106)	\$ (108)	\$ 12,450,027	\$ 12,449,813
Less: Cumulative capital contributions	(100)	(10)	(13,516,817)	(13,516,927)
Cumulative gain/(loss)	<u>\$ (206)</u>	<u>\$ (118)</u>	<u>\$ (1,066,790)</u>	<u>\$ (1,067,114)</u>

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

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

V. 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 subject to pension contributions for fiscal year ended March 31, 2019 was \$2,021,980. The Authority and member contributions for the year ending March 31, 2019, were \$181,978 and \$40,813, 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:

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

VI. 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.

VII. 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
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

VIII. CONTINGENCIES

A. Grants

For the year ended March 31, 2019, approximately 78% 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.

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.

LHA has entered into interlocal agreements with several of the taxing entities whereby the LHA paid the PILOT owed and the taxing entities agreed to grant some, or all, or the funds back to the LHA. LHA continues to work two remaining taxing jurisdictions to determine what amounts, if any, will be required to be paid back. The amounts still possibly owed to other taxing jurisdictions could be as high as \$550,000.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

IX. 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, 2019, offsetting balances of \$4,832,062 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 \$1,131,429 for the year ended March 31, 2019, have been eliminated in the financial statements.

X. 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			Total
	LHFC	LHOC	LHDC	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,481,381	\$ 2,444,729	\$ 1,004,945	\$ 4,931,055
Notes Receivable	-	99,958	-	99,958
Tenant Receivable	-	-	-	-
Other Assets	1,028,700	114	984,052	2,012,866
Total Current Assets	2,510,081	2,544,801	1,988,997	7,043,879
Restricted Assets				
Cash – Other Restricted	2,847,481	-	1,500,000	4,347,481
Noncurrent Assets				
Capital Assets, Net	3,956,339	2,179,095	337,498	6,472,932
Other Assets – Dev. Fees	-	524,404	-	524,404
Total Assets	\$ 9,313,901	\$ 5,248,300	\$ 3,826,495	\$ 18,388,696

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

X. CONDENSED BLENDED COMPONENT UNIT INFORMATION (Continued)

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
LIABILITIES AND NET POSITION				
Current Liabilities				
Current Liabilities	\$ 132,987	\$ 15,724	\$ 11,489	\$ 160,200
Interprogram – Due to	2,447,659	-	1,172	2,448,831
Total Current Liabilities	2,580,646	15,724	12,661	2,609,031
Noncurrent Liabilities				
Noncurrent Liabilities – Other	786	1,093,316	-	1,094,102
Total Liabilities	2,581,432	1,109,040	12,661	3,703,133
Net Position				
Net Investment in Capital Assets	3,956,339	2,179,095	337,498	6,472,932
Restricted	2,847,481	-	1,500,000	4,347,481
Unrestricted	(71,351)	1,960,165	1,976,336	3,865,150
Total Net Position	6,732,469	4,139,260	3,813,834	14,685,563
Total Liabilities and Net Position	\$ 9,313,901	\$ 5,248,300	\$ 3,826,495	\$ 18,388,696

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

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
Operating Revenues	\$ 973,495	\$ 750,793	\$ 4,824	\$ 1,729,112
Operating Expenses	676,950	5,676	55,038	737,664
Operating Income (Loss)	296,545	745,117	(50,214)	991,448
Nonoperating Revenues (Expenses)	7,002	25,509	11,033	43,544
Transfers and Contributions	538,797	111,803	207,006	857,606
Changes in Net Position	842,344	882,429	167,825	1,892,598
Net Position – Beginning Balance	5,890,125	3,256,831	3,646,009	12,792,965
Net Position – Ending Balance	\$ 6,732,469	\$ 4,139,260	\$ 3,813,834	\$ 14,685,563

Condensed Statement of Cash Flows:

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
Cash from Operating Activities	\$ 1,161,878	\$ 17,605	\$ 399,061	\$ 1,578,544
Cash Flows from Investing Activities	7,002	97,805	11,033	115,840
Cash Flows from Noncapital financing	538,797	96,530	207,006	842,333
Cash Flows from Capital Financing	(3,495,230)	(1,057)	(342,891)	(3,839,178)
Beginning Cash Balances	6,116,415	2,233,846	2,230,736	10,580,997
Ending Cash Balances	\$ 4,328,862	\$ 2,444,729	\$ 2,504,945	\$ 9,278,536

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XI. 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 being 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.

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

The LHOC, a blended component unit of the Authority entered into a \$250,000 promissory note receivable from the LHA RBV limited partnership in prior years. As of March 31, 2019, \$99,958 is outstanding. 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.

HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XI. RELATED PARTY TRANSACTIONS

3. Developer Fees Receivable

The LHOC, a blended component unit of the Authority, and general partner in the Casa Verde Ltd., earned 30% of the developer fees from the project. During fiscal year 2019 LHOC received developer fees of \$211,116. The amount receivable at March 31, 2019 was \$524,404, inclusive of accrued interest of \$17,414. Interest compounds annually at 2.88% in accordance with the development agreement.

4. Incentive Management Fees

LHOC is entitled to a non-cumulative annual incentive partnership management fee of 8% of LHA RBV, LTD.'s gross effective income for the year, not to exceed \$10,000. Such fees are payable from the partnership from available cash flows. No fees were paid in the current year.

XII. TRANSFERS

AMP 4 transferred \$213,024 to Facilities Corp. related to Meadow Elderly converting to RAD. CFP transferred \$325,773 related to HVAC Equipment and a vehicle to Facilities Corp. and completed projects in the amount of \$36,720 to AMP 1.

XIII. DISCRETELY PRESENTED COMPONENT UNITS

LHA River Bank Village LTD. And BAH Casa Verde Apartments Ltd. partnerships are considered a discrete component unit of the Authority and are presented as of its respective financial year end, December 31, 2018. 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 units separately issued audited financial statements can be obtained from the Authority's management.

A. RIVER BANK VILLAGE LTD

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, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (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

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

HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

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 2018 is \$9,684, 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, 2018, 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.

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.

HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2018.

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, 2018 is \$38,912.

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.

HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (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, 2018 the outstanding principal balance due is \$5,592,466 with \$27,078 of interest accrued. Interest expense on the permanent loan for 2018 is \$317,196, 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, 2018 is \$7,352, with accrued interest of \$290, and interest expense of \$290, 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 \$96,123 as of December 31, 2018.

HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (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, 2018 was \$465,771.

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 \$12,015 as of December 31, 2018.

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 has contributed \$10,901,410, for a combined interest of 100% in the Partnership, subject to adjustment in accordance with certain terms of the Partnership Agreement.

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, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

NOTE 7 – CERTAIN PROVISIONS OF THE AGREEMENT OF LIMITED PARTNERSHIP
(Continued)

5. To the payment of any Deferred Development Fee;
6. To the payment of debt service on the LHOC 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.

HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

NOTE 8 – TRANSACTIONS WITH RELATED PARTIES

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, 2018 is \$87,436, with accrued interest of \$4,504, and interest expense of \$4,526, 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. Asset management fees of \$10,521 were paid during 2018. \$10,521 were expensed in 2018, with no outstanding amounts due at December 31, 2018.

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, 2018.

HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

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, 2018 \$58,970 of management fees were incurred.

NOTE 10 – 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 11 – 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.

NOTE 12 – 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 13 – 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, 2018, \$7,200 were paid and expensed with no amounts outstanding at year end.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

B. CASA VERDE APARTMENTS, LTD.

NOTE 1 – NATURE OF BUSINESS AND ORGANIZATION

Under the terms of the Amended and Restated Agreement of Limited Partnership of BAH Casa Verde Apartments, Ltd., a Texas limited partnership (the "Partnership"), dated June 20, 2017, the General Partner is BAH Cas a Verde Apartments GP, LLC, a Texas limited liability company, the Special Limited Partner is Hudson SLP, LLC, a Delaware limited liability company, and Hudson Casa Verde LLC, a Delaware limited liability company is the Investment Limited Partner.

The Partnership was organized in 2015 to develop, construct, maintain and operate a 152- unit multi-family housing project (the "Project") in Laredo, Texas with 138 units designated to persons of low- and moderate-income households and 14 unrestricted market-rate units. The Project was fully placed in service in 2017 and has commenced rental operations.

The Project received an allocation of low-income housing credits from the Texas Department of Housing and Community Affairs ("TDHCA") under Section 42 of the Internal Revenue Code of 1986, as amended. As such, the Project is required to lease a minimum of 40% of its units to families whose income is 60% or less of the area median gross income. In addition, the Partnership must comply with various federal and state requirements as to tenant qualification and rental rates for the 138 tax credit units.

The project will provide assistance to 38 units converted from public housing under a Rental Assistance Demonstration ("RAD") Housing Assistance Payment contract ("RAD HAP contract") with the Housing Authority of the City of Laredo (the "PHA"). The RAD HAP contract is effective for 20 years under a RAD Use Agreement between the PHA and the United States Department of Housing and Urban Development ("HUD").

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 U.S. generally accepted accounting principles.

Organization Costs

Organization costs are expensed as incurred.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Rental Property

Rental property is recorded at cost and includes capitalized construction period interest of \$300,484 as of December 31, 2018. Depreciation is computed using the straight-line method of the estimated useful lives of the assets as follows.

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

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

Amortization

Debt issuance costs are deferred and amortized over the life of the loan using the straight-line method, which is not materially different than the effective interest method. Amortization of debt issuance costs is reported in the statement of operations as interest expense. Tax credit fees and RAD contract costs are capitalized and amortized on a straight -line basis over the fifteen-year compliance period and the twenty-year contract period, respectively.

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.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (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 and the reported amounts of revenue and expenses during the reporting period. 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. An 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 2018.

Cash and Cash Equivalents

The Partnership considers all investments purchased with an original maturity of three months or less to be cash equivalents.

NOTE 3 – GROUND LEASE

On June 20, 2017, the Partnership entered into an amended and restated ground lease agreement with an affiliate of the General Partner. The lease term is seventy-five years commencing October 26, 2016, the date of the original ground lease. The Partnership paid an initial rent payment of \$1,145,500 with no annual payments required. The initial rent payment and related land costs, totaling \$1,152,857 have been capitalized as a land leasehold interest and are being amortized over the lease term of 75 years. The Partnership is responsible for all costs related to use and maintenance of the project site. The Project is anticipated to continue to qualify for exemption from real estate taxes.

NOTE 4 – CONSTRUCTION LOAN AND MORTGAGE PAYABLE

In order to finance the acquisition and construction of the Project, on June 20, 2017, the Partnership entered into a 24-month construction loan, in the amount of \$14,760,000. The loan is secured by a deed of trust on the rental property and is recourse to the Partnership until conversion to permanent financing. The Construction Loan bears interest at the LIBOR plus 2.75%, per annum with a maturity date of June 20, 2019 and allows for a six-month extension. The construction loan payable at December 31, 2018 is \$5,707,272. The Partnership has a permanent loan commitment up to \$5,300,000 and plans to convert to the permanent loan on or before April 1, 2020. Under the commitment, the permanent loan will have a term of 17 years and an interest rate of 6%. The lender is holding a rate-lock deposit of \$106,000 until conversion.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

NOTE 4 – CONSTRUCTION LOAN AND MORTGAGE PAYABLE – (Continued)

To further finance the construction of the Project, the Partnership entered into a loan agreement with an affiliate of the General Partner. The Partnership borrowed the \$2,070,000 loan amount on January 4, 2018 and repaid the loan plus accrued interest of \$3,226 (interest rate 1.70%) on January 24, 2018.

Aggregate projected maturities of long-term debt for the next five years are as follows:

2019	\$	-
2020		441,430
2021		47,996
2022		50,956
2023		54,099
Thereafter		5,112,791
	\$	5,707,272

The fair value of the mortgage note payable is estimated based on the current rates offered to the Project for debt of the same remaining maturities. At December 31, 2018, the fair value of the mortgage approximates the amount recorded in the financial statements.

Restricted Deposits and Funded Reserves Required by the Loan Agreement

At the Conversion Date, a reserve for replacements will be established requiring monthly installments of \$3,965. The replacement reserve may be used to fund specified replacements and capital improvements. The commitment also requires monthly deposits to tax and insurance reserves commencing at the Conversion Date. There are no balances in these reserves as of December 31, 2018. The RAD Conversion Commitment requires a replacement reserve of \$3,959 per month, \$47,508 annually, which will be met by the lender requirement.

NOTE 5 – 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 in the Partnership and is to contribute \$100 in cash. The Special Limited Partner is to contribute \$10, for a 0.01% interest in the Partnership. The Investment Limited Partner is to contribute \$16,091,448 in cash, subject to adjustment in accordance with certain terms of the Partnership Agreement for a 99.98% interest in the Partnership. As of December 31, 2018, the Investment Limited Partner has contributed the First, Second and Third Installments totaling \$13,516,817 to the Partnership.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

**NOTE 5 – CERTAIN PROVISIONS OF THE AGREEMENT OF LIMITED PARTNERSHIP
(Continued)**

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 payable in the following order:

1. To the Investment Limited Partner for any unpaid tax credit shortfall payments
2. To replenish amounts, if any, withdrawn from Operating Reserve
3. To the Special Limited Partner for accrued and unpaid asset management fees
4. To repay Operating Deficit Loans, if any
5. To the Developer for any deferred Development Fee
6. To payments due under the Ground Lease
7. 90% of the remaining cash flow to the General Partner as a preferred return, with an equivalent gross income allocation; and
8. Any balance to the Partners in accordance with their respective interests, however the Investment Limited Partner shall receive 10% of distributable cash flow as a priority distribution.

Guaranty of Tax Credits and Operating Deficits

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 Investment 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 \$598,580 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 Final Closing Date, provided that Breakeven Operations are maintained for each of the final two consecutive years. 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. No such advances have been made as of December 31, 2018.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Reserves

The Partnership is required to establish an initial operating reserve account of \$940,000 at the time of the Fourth Capital Contribution. The reserve must be maintained during the Tax Credit Compliance Period and shall be used to pay for operating deficits after the operating deficit guaranty has been exhausted. As of December 31, 2018, the reserve has not been funded.

The Partnership is required to establish a "Replacement Reserve" to pay the costs of improvements from time to time. Commencing with the month following the repayment of the Construction Loan, the account is to be funded in equal monthly installments of the greater of the Lender requirements or \$300 per unit per year, adjusted annually by the CPI, ("the Reserve Minimum"). There was no balance in this reserve as of December 31, 2018.

The Partnership Agreement also requires a RAD operating subsidy reserve of \$51,048 to be funded at the time of the Fourth Capital Contribution. The account shall be maintained during the Tax Credit Compliance Period; after which time, the funds on deposit may be released to PHA in accordance with the Use Agreement. The funds are available to stabilize the Project if the RAD Subsidy is reduced or eliminated. As of December 31, 2018, the account has not been funded.

NOTE 6 – TRANSACTIONS WITH RELATED PARTIES

Development Fees

On June 1, 2017, the Partnership entered into a Development Agreement with the Guarantors to render development services for construction of the Project. The agreement provides for a fee equal to the maximum amount as may be permitted by all applicable laws, rules and regulations, \$2,393,686; all of which was earned as of December 31, 2018. The developer fee will bear interest at the long term

applicable federal rate. As of December 31, 2018, the outstanding principal balance of the earned developer fee payable was \$1,689,966.

Special Limited Partner - Asset Management Fee

As compensation for services provided by the Special Limited Partner, the Partnership shall pay an annual cumulative fee of \$7,500 (adjusted annually by the CPI) commencing on December 1, 2018. The 2018 fee of \$7,500 is included in accounts payable as of December 31, 2018 and was paid in January 2019.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2019

XIII. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

NOTE 7 – CONSTRUCTION CONTRACT

The Partnership entered into a Construction Contract Agreement with an affiliate of the General Partner, dated November 29, 2016, in the amount of \$14,857,038, including change orders, for construction services in connection with the Project. At December 31, 2017, construction costs in the amount of \$14,857,038 have been completed and billed.

NOTE 8 – PROPERTY MANAGEMENT FEE

On March 1, 2017, the Partnership entered into a property management agreement with a third-party property manager to provide Project operating and leasing services. The agreement provides for a management fee of \$1,000 per month plus \$15 for each occupied unit until the project reaches 80% occupancy, at which time the management fee shall be equal to 5% of collected monthly gross income. The Partnership incurred management fees for the year ended December 31, 2018 of \$38,357.

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Combining Statement of Net Position - Blended Component Units

March 31, 2019

	Laredo Housing Facilities Corporations	Laredo Housing Opportunities Corporation	Laredo Housing Development Corporation	Total Blended Component Units
ASSETS				
Current Assets				
Cash and Cash Equivalents				
Unrestricted	\$ 1,481,381	\$ 2,444,729	\$ 1,004,945	\$ 4,931,055
Tenant Security Deposits	-	-	-	-
Notes, Loans, & Mortgages Receivable - Current	-	99,958	-	99,958
Accounts Receivable - Miscellaneous	-	-	-	-
Accounts Receivable - Tenants	219	-	-	219
Allowance for doubtful accounts - tenants	(219)	-	-	(219)
Prepaid Expenses	20,283	-	-	20,283
Interprogram - Due from	1,008,417	114	984,052	1,992,583
Total Current Assets	2,510,081	2,544,801	1,988,997	7,043,879
Restricted Assets				
Cash - Other Restricted	2,847,481	-	1,500,000	4,347,481
Total Restricted Assets	2,847,481	-	1,500,000	4,347,481
Noncurrent Assets				
Capital Assets				
Land	-	2,178,038	-	2,178,038
Buildings	2,934,292	-	315,484	3,249,776
Furniture and Equipment - Dwellings	-	-	-	-
Furniture and Equipment - Administration	66,969	-	-	66,969
Less: Accumulated depreciation	(2,916,327)	-	(5,393)	(2,921,720)
Construction in Progress	3,871,405	1,057	27,407	3,899,869
Total Capital Assets	3,956,339	2,179,095	337,498	6,472,932
Other Assets - Developer Fees Receivable	-	524,404	-	524,404
Total Noncurrent Assets	3,956,339	2,703,499	337,498	6,997,336
Total Assets	\$ 9,313,901	\$ 5,248,300	\$ 3,826,495	\$ 18,388,696
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 53,100	\$ 451	\$ 11,489	\$ 65,040
Accounts Payable - Other Governments	31,489	-	-	31,489
Accrued Wages and Payroll Taxes	7,444	-	-	7,444
Accrued Compensated Absences	3,224	-	-	3,224
Tenant Security Deposits	22,067	-	-	22,067
Unearned Revenue	15,663	15,273	-	30,936
Accrued Liabilities - Other	-	-	-	-
Interprogram - Due to	2,447,659	-	1,172	2,448,831
Total Current Liabilities	2,580,646	15,724	12,661	2,609,031
Noncurrent Liabilities				
Noncurrent Liabilities - Other	-	1,093,316	-	1,093,316
Accrued Compensated Absences	786	-	-	786
Total Noncurrent Liabilities	786	1,093,316	-	1,094,102
Total Liabilities	2,581,432	1,109,040	12,661	3,703,133
Net Position				
Net Investment in Capital Assets	3,956,339	2,179,095	337,498	6,472,932
Restricted Net Position	2,847,481	-	1,500,000	4,347,481
Unrestricted Net Position	(71,351)	1,960,165	1,976,336	3,865,150
Total Net Position	6,732,469	4,139,260	3,813,834	14,685,563
Total Liabilities and Net Position	\$ 9,313,901	\$ 5,248,300	\$ 3,826,495	\$ 18,388,696

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, 2019

	Laredo Housing Facilities Corporations	Laredo Housing Opportunities Corporation	Laredo Housing Development Corporation	Total Blended Component Units
OPERATING REVENUES				
Tenant Revenue	\$ 976,240	\$ -	\$ -	\$ 976,240
Tenant Revenue - Other	(3,550)	-	-	(3,550)
Other Government Grants	-	-	-	-
Other Revenue	805	750,793	4,824	756,422
Total Operating Revenue	<u>973,495</u>	<u>750,793</u>	<u>4,824</u>	<u>1,729,112</u>
OPERATING EXPENSES				
Administrative	279,748	25,211	35,013	339,972
Housing Assistance Payments	-	-	-	-
Tenant Services	33,010	-	695	33,705
Utilities	15,453	-	2,816	18,269
Maintenance	198,841	86	7,901	206,828
Protective Services	83,759	-	-	83,759
Insurance	42,085	(19,621)	1,439	23,903
Other General Expenses	19,514	-	1,781	21,295
Depreciation	4,540	-	5,393	9,933
Total Operating Expenses	<u>676,950</u>	<u>5,676</u>	<u>55,038</u>	<u>737,664</u>
Operating Income (Loss)	<u>296,545</u>	<u>745,117</u>	<u>(50,214)</u>	<u>991,448</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income - Unrestricted	7,002	25,509	11,033	43,544
Total Nonoperating Revenues (Expenses)	<u>7,002</u>	<u>25,509</u>	<u>11,033</u>	<u>43,544</u>
Increase(Decrease) in Net Position before Transfers and Contribution	303,547	770,626	(39,181)	1,034,992
Transfers	538,797	111,803	(111,803)	538,797
HUD Capital Grants	-	-	318,809	318,809
Change in Net Position	<u>842,344</u>	<u>882,429</u>	<u>167,825</u>	<u>1,892,598</u>
Net Assets - Beginning Balance	<u>5,890,125</u>	<u>3,256,831</u>	<u>3,646,009</u>	<u>12,792,965</u>
Net Position - Ending Balance	<u>\$ 6,732,469</u>	<u>\$ 4,139,260</u>	<u>\$ 3,813,834</u>	<u>\$ 14,685,563</u>

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

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Combining Statement of Net Position - Discrete Component Units

December 31, 2018

	LHA Riverbank Village, LTD.	BAH Casa Verde Apartments, LTD.	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents			
Unrestricted	\$ 163,534	\$ 209,650	\$ 373,184
Tenant Security Deposits	38,912	-	38,912
Accounts Receivable			
HUD Other Projects	-	-	-
Miscellaneous	2,639	1,779	4,418
Tenants	-	-	-
Allowance for Doubtful Accounts - Tenants	-	-	-
Prepaid Expenses and Other Assets	100,557	398,028	498,585
Notes, Loans, & Mortgage Receivable - Current	-	-	-
Total Current Assets	<u>305,642</u>	<u>609,457</u>	<u>915,099</u>
Restricted Assets			
Cash - Other Restricted			
	<u>573,909</u>	<u>-</u>	<u>573,909</u>
Total Restricted Assets	<u>573,909</u>	<u>-</u>	<u>573,909</u>
Noncurrent Assets			
Capital Assets			
Land	-	-	-
Buildings & Improvements	14,888,330	17,536,427	32,424,757
Furniture, Equipment & Machinery - Dwellings	-	-	-
Furniture, Equipment & Machinery - Administration	424,896	1,310,499	1,735,395
Less Accumulated Depreciation	(1,724,844)	(762,937)	(2,487,781)
Construction in Progress	-	-	-
Total Capital Assets, Net of Accumulated Depreciation	<u>13,588,382</u>	<u>18,083,989</u>	<u>31,672,371</u>
Investments in Partnerships	-	-	-
Other Assets	<u>1,000,000</u>	<u>1,152,857</u>	<u>2,152,857</u>
Total Noncurrent Assets	<u>14,588,382</u>	<u>19,236,846</u>	<u>33,825,228</u>
Total Assets	<u>\$ 15,467,933</u>	<u>\$ 19,846,303</u>	<u>\$ 35,314,236</u>

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Combining Statement of Net Position - Discrete Component Units

December 31, 2018

	LHA Riverbank Village, LTD.	BAH Casa Verde Apartments, LTD.	Total
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts Payable	\$ 9,568	\$ 43,247	\$ 52,815
Accrued Wages and Payroll Taxes	-	-	-
Accrued Compensated Absences	-	-	-
Accrued Interest Payable	31,873	20,374	52,247
Tenant Security Deposits	37,898	38,381	76,279
Unearned Revenue	-	-	-
Loans Payable	-	-	-
Other Current Liabilities	-	-	-
Accrued Liabilities - Other	14,173	26,224	40,397
Total Current Liabilities	93,512	128,226	221,738
Noncurrent Liabilities			
Loans Payable	5,546,502	5,578,298	11,124,800
Other	-	1,689,966	1,689,966
Accrued Compensated Absences	-	-	-
Total Non-Current Liabilities	5,546,502	7,268,264	12,814,766
Total Liabilities	5,640,014	7,396,490	13,036,504
Net Position			
Net Investment in Capital Assets	8,041,880	10,815,725	18,857,605
Restricted Net Position	-	-	-
Unrestricted Net Position	1,786,039	1,634,088	3,420,127
Total Net Position	9,827,919	12,449,813	22,277,732
Total Liabilities and Net Position	\$ 15,467,933	\$ 19,846,303	\$ 35,314,236

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 - Discrete Component Units

For The Year Ended December 31, 2018

	LHA Riverbank Village, LTD.	BAH Casa Verde Apartments, LTD.	Total
OPERATING REVENUES			
HUD Operating Grants and Housing Assistance Payments	\$ -	\$ -	\$ -
Tenant Revenue	1,126,137	709,376	1,835,513
Other Government Grants	59,217	-	59,217
Other Revenue	-	16,360	16,360
Total Operating Revenue	<u>1,185,354</u>	<u>725,736</u>	<u>1,911,090</u>
OPERATING EXPENSES			
Administrative	305,833	221,759	527,592
Housing Assistance Payments	-	-	-
Tenant Services	7,200	-	7,200
Utilities	122,017	87,159	209,176
Maintenance	158,758	123,528	282,286
Protective Services	-	-	-
Insurance	48,617	47,682	96,299
Other General Expense	10,521	11,698	22,219
Interest on Note Payable	331,950	389,801	721,751
Depreciation	479,086	668,264	1,147,350
Total Operating Expenses	<u>1,463,982</u>	<u>1,549,891</u>	<u>3,013,873</u>
Operating Income (Loss)	<u>(278,628)</u>	<u>(824,155)</u>	<u>(1,102,783)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income - Unrestricted	760	-	760
Total Nonoperating Revenues (Expenses)	<u>760</u>	<u>-</u>	<u>760</u>
Income(Loss) before Contributions	(277,868)	(824,155)	(1,102,023)
Partner Contributions	-	9,172,126	9,172,126
Change in Net Position	(277,868)	8,347,971	8,070,103
Net Assets - Beginning Balance	<u>10,105,787</u>	<u>4,101,842</u>	<u>14,207,629</u>
Net Position - Ending Balance	<u>\$ 9,827,919</u>	<u>\$ 12,449,813</u>	<u>\$ 22,277,732</u>

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

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HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

March 31, 2019

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	\$ 12,268,807	\$ 270,909	\$ 1,334,152	\$ 4,931,055
112	Cash - restricted - modernization and development	-	-	-	-
113	Cash - other restricted	-	218,970	137,403	4,347,481
114	Cash - tenant security deposits	101,317	8,294	-	-
115	Cash - restricted for payment of current liabilities	-	-	-	-
100	Total Cash	12,370,124	498,173	1,471,555	9,278,536
121	Accounts receivable - PHA projects	-	-	-	-
122	Accounts receivable - HUD other projects	64,709	-	-	-
124	Account receivable - other government	-	-	-	-
125	Account receivable - miscellaneous	2,400	388	6,482	-
126	Accounts receivable - tenants	14,707	711	-	219
126.1	Allowance for doubtful accounts - tenants	(3,874)	(711)	-	(219)
126.2	Allowance for doubtful accounts - other	-	-	-	-
127	Notes, loans, & mortgages receivable - current	-	-	-	99,958
128	Fraud recovery	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-
129	Accrued interest receivable	-	-	-	-
120	Total receivables, net of allowance for doubtful accounts	77,942	388	6,482	99,958
131	Investments - unrestricted	-	-	-	-
132	Investments - restricted	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-
142	Prepaid expenses and other assets	87,457	4,722	15,699	20,283
143	Inventories	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-
144	Inter program - due from	181,735	18,029	6,573	1,992,583
145	Assets held for sale	-	-	-	-
150	Total Current Assets	12,717,258	521,312	1,500,309	11,391,360
161	Land	29,131	80,000	-	2,178,038
162	Buildings	13,554,885	1,667,467	217,753	3,249,776
163	Furniture, equipment and machinery - dwellings	224,940	-	-	-
164	Furniture, equipment and machinery - administration	266,252	15,701	103,123	66,969
165	Leasehold improvements	-	-	-	-
166	Accumulated depreciation	(12,636,822)	(1,328,575)	(319,219)	(2,921,720)
167	Construction in progress	-	-	-	3,899,869
168	Infrastructure	-	-	-	-
160	Total capital assets, net of accumulated depreciation	1,438,386	434,593	1,657	6,472,932
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	-	-	-	524,404
176	Investments in joint ventures	-	-	-	-
180	Total Non-current Assets	1,438,386	434,593	1,657	6,997,336
200	Deferred Outflow of Resources	-	-	-	-
290	Total Assets and Deferred Outflow of Resources	14,155,644	955,905	1,501,966	18,388,696

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
\$ 1,221,064	\$ 373,184	\$ 150,812	\$ 36,843	\$ 20,586,826	\$ -	\$ 20,586,826
-	-	-	-	-	-	-
-	573,909	-	-	5,277,763	-	5,277,763
-	38,912	-	-	148,523	-	148,523
-	-	-	-	-	-	-
1,221,064	986,005	150,812	36,843	26,013,112	-	26,013,112
-	-	-	-	-	-	-
-	-	48,407	-	113,116	-	113,116
-	-	-	15,003	15,003	-	15,003
79,320	4,418	-	8,151	101,159	-	101,159
-	-	-	-	15,637	-	15,637
-	-	-	-	(4,804)	-	(4,804)
-	-	-	-	-	-	-
-	-	-	-	99,958	-	99,958
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
79,320	4,418	48,407	23,154	340,069	-	340,069
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	498,585	-	10,274	637,020	-	637,020
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	48	2,633,094	4,832,062	(4,832,062)	-
-	-	-	-	-	-	-
1,300,384	1,489,008	199,267	2,703,365	31,822,263	(4,832,062)	26,990,201
1,015,840	-	-	557,162	3,860,171	-	3,860,171
105,959	32,424,757	-	12,228,403	63,449,000	-	63,449,000
-	-	-	-	224,940	-	224,940
-	1,735,395	-	918,740	3,106,180	-	3,106,180
-	-	-	-	-	-	-
(102,971)	(2,487,781)	-	(13,129,330)	(32,926,418)	-	(32,926,418)
-	-	-	550	3,900,419	-	3,900,419
-	-	-	-	-	-	-
1,018,828	31,672,371	-	575,525	41,614,292	-	41,614,292
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,152,857	-	-	2,677,261	-	2,677,261
-	-	-	-	-	-	-
1,018,828	33,825,228	-	575,525	44,291,553	-	44,291,553
-	-	-	-	-	-	-
2,319,212	35,314,236	199,267	3,278,890	76,113,816	(4,832,062)	71,281,754

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

March 31, 2019

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	66,022	1,869	161,939	65,040
313	Accounts payable > 90 days past due	-	-	-	-
321	Accrued wage/payroll taxes payable	21,066	560	4,874	7,444
322	Accrued compensated absences - current portion	25,178	728	5,018	3,224
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	225,062	-	-	31,489
341	Tenant security deposits	101,317	4,100	-	22,067
342	Unearned revenue	13,745	8,154	-	30,936
343	Current portion of long-term debt - capital projects/mortgage revenue	-	5,461	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-	-
345	Other current liabilities	5,186	-	13,075	-
346	Accrued liabilities - other	517	311	76,239	-
347	Inter program - due to	225,366	-	8,162	2,448,831
348	Loan liability - current	-	-	-	-
310	Total Current Liabilities	683,459	21,204	269,307	2,609,031
351	Long-term debt, net of current - capital projects/mortgage revenue	-	7,870	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-
353	Non-current liabilities - other	-	-	20,050	1,093,316
354	Accrued compensated absences- Non-current	29,526	-	3,548	786
355	Loan liability - non current	-	-	-	-
356	FASB 5 liabilities	-	-	-	-
357	Accrued pension and OPEB liabilities	-	-	-	-
350	Total Non-current liabilities	29,526	7,870	23,598	1,094,102
300	Total Liabilities	712,985	29,074	292,905	3,703,133
400	Deferred Inflow of Resources	-	-	-	-
508.4	Net investment in capital assets	1,438,386	421,262	1,657	6,472,932
511.4	Restricted net position	-	218,970	104,278	4,347,481
512.4	Unrestricted net position	12,004,273	286,599	1,103,126	3,865,150
513	Total Equity/Net Position	13,442,659	926,831	1,209,061	14,685,563
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 14,155,644	\$ 955,905	\$ 1,501,966	\$ 18,388,696

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
-	-	-	-	-	-	-
-	52,815	58	1,385	349,128	-	349,128
-	-	-	-	-	-	-
-	-	-	22,615	56,559	-	56,559
-	-	-	27,409	61,557	-	61,557
-	-	-	-	-	-	-
-	52,247	-	-	52,268	-	52,268
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	256,551	-	256,551
-	76,279	-	-	203,763	-	203,763
13,333	-	424	-	66,592	-	66,592
-	-	-	-	5,461	-	5,461
-	-	-	-	-	-	-
-	-	-	-	18,261	-	18,261
-	40,397	114	25,429	143,007	-	143,007
1,142	-	711	2,147,850	4,832,062	(4,832,062)	-
-	-	-	-	-	-	-
14,475	221,738	1,307	2,224,688	6,045,209	(4,832,062)	1,213,147
-	11,124,800	-	-	11,132,670	-	11,132,670
-	-	-	-	-	-	-
917,785	1,689,966	-	-	3,721,117	-	3,721,117
-	-	-	20,189	54,049	-	54,049
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
917,785	12,814,766	-	20,189	14,907,836	-	14,907,836
932,260	13,036,504	1,307	2,244,877	20,953,045	(4,832,062)	16,120,983
-	-	-	-	-	-	-
1,018,828	18,857,605	-	575,525	28,786,195	-	28,786,195
-	-	-	-	4,670,729	-	4,670,729
368,124	3,420,127	197,960	458,488	21,703,847	-	21,703,847
1,386,952	22,277,732	197,960	1,034,013	55,160,771	-	55,160,771
\$ 2,319,212	\$ 35,314,236	\$ 199,267	\$ 3,278,890	\$ 76,113,816	\$ (4,832,062)	\$ 71,281,754

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

Year Ended March 31, 2019

Line Item No.	Description	14.850	14.872	10.427	14.871
		Operating Fund Program	Capital Fund Program	Rural Rental Assistance Payments	Housing Choice Vouchers
70300	Net tenant rental revenue	\$ 1,919,371	\$ -	\$ 113,158	\$ -
70400	Tenant revenue - other	(26,468)	-	1,637	-
70500	Total Tenant Revenue	1,892,903	-	114,795	-
70600-010	Housing assistance payments	-	-	-	8,589,502
70600-020	Ongoing Administrative Fees Earned	-	-	-	807,180
70600	HUD PHA operating grants	2,219,347	627,257	-	-
70610	Capital Grants	-	362,493	-	-
70710	Management Fee	-	-	-	-
70720	Asset Management Fee	-	-	-	-
70730	Book-Keeping Fee	-	-	-	-
70740	Front Line Service Fee	-	-	-	-
70800	Other government grants	-	-	56,860	-
71100	Investment income - unrestricted	135,377	-	5,464	18,697
71400	Fraud Recovery	2,318	-	-	8,628
71500	Other revenue	13,734	-	17	57,068
71600	Gain on Sale of Capital Assets	-	-	-	-
72000	Investment income - restricted	-	-	-	1,021
70000	Total Revenue	4,263,679	989,750	177,136	9,482,096
91100	Administrative salaries	391,587	-	17,519	236,326
91200	Auditing fees	59,970	-	661	50,683
91300	Management Fee	488,611	89,363	-	84,585
91310	Book-Keeping Fee	69,405	-	5,000	130,165
91400	Advertising and Marketing	1,156	-	1,316	1,749
91500	Employee benefit contributions - administrative	152,547	-	10,572	120,874
91600	Office Expenses	94,868	7,746	10,105	59,286
91700	Legal Expense	37,363	-	14,448	13,495
91800	Travel	9,370	-	670	5,911
91900	Other	282	974	-	-
91000	Total Administrative	1,305,159	98,083	60,291	703,074
92000	Asset Management Fee	94,080	20,124	30,624	-
92100	Tenant services - salaries	81,841	27,653	-	-
92200	Relocation Costs	-	11,407	-	-
92300	Employee benefit contributions - tenant services	22,895	-	-	-
92400	Tenant services - other	1,274	-	-	200
92500	Total Tenant Services	106,010	39,060	-	200
93100	Water	32,106	-	2,770	386
93200	Electricity	119,544	-	2,857	6,455
93300	Gas	15,995	-	404	-
93400	Fuel	-	2,711	-	-
93600	Sewer	22,142	-	707	223
93800	Other Utilities Expense	21,473	-	934	430
93000	Total Utilities	211,260	2,711	7,672	7,494
94100	Ordinary maintenance and operations - labor	414,546	173,744	24,621	(44)
94200	Ordinary maintenance and operations - materials and other	572,541	61,557	24,739	3,421
94300-010	Ordinary Maint. and Operations Contracts - Garbage and Trash Removal Contracts	4,444	46	-	-
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	11,657	-	249	526
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	14,679	-	-	1,862
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	3,300	-	-	-
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	18,642	-	-	-
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	21,013	-	650	-
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	24,745	-	-	-
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	16,099	-	-	-
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	22,274	12,800	880	41,412
94300-120	Ordinary Maintenance and Operations Contracts - Misc. Contracts	(150,595)	54,279	(3,641)	4,281
94300	Ordinary Maintenance and Operations Contracts	(13,742)	67,125	(1,862)	48,081
94500	Employee benefit contribution - ordinary maintenance	190,019	114,885	11,757	-
94000	Total Maintenance	1,163,364	417,311	59,255	51,458

	2		14,856				
Component Units- Blended	State/Local	Component Unit - Discrete	Lower Income HAP-Section 8 MOD Rehab	Central Office Cost Center (COCC)	Subtotal	Eliminations	Total
\$ 976,240	\$ -	\$ 1,835,513	\$ -	\$ -	\$ 4,844,282	\$ -	\$ 4,844,282
(3,550)	-	16,360	-	-	(12,021)	-	(12,021)
972,690	-	1,851,873	-	-	4,832,261	-	4,832,261
-	-	-	46,774	-	8,636,276	-	8,636,276
-	-	-	-	-	807,180	-	807,180
-	-	-	-	-	2,846,604	-	2,846,604
318,809	-	-	-	-	681,302	-	681,302
-	-	-	-	663,092	663,092	(663,092)	-
-	-	-	-	263,328	263,328	(263,328)	-
-	-	-	-	205,009	205,009	(205,009)	-
-	-	-	-	-	-	-	-
-	-	59,217	-	-	116,077	-	116,077
43,544	14,962	760	1,765	6,727	227,296	-	227,296
189	-	-	-	-	11,135	-	11,135
756,233	13,332	9,172,126	-	48,685	10,061,195	-	10,061,195
-	-	-	-	-	-	-	-
-	-	-	-	-	1,021	-	1,021
2,091,465	28,294	11,083,976	48,539	1,186,841	29,351,776	(1,131,429)	28,220,347
96,657	-	177,799	811	746,768	1,667,467	-	1,667,467
563	-	-	305	4,421	116,603	-	116,603
-	-	-	533	-	663,092	(663,092)	-
-	-	-	439	-	205,009	(205,009)	-
8,995	-	-	6	6,103	19,325	-	19,325
37,176	-	-	401	241,470	563,040	-	563,040
33,176	186,918	244,966	188	175,916	813,169	-	813,169
41,947	5,008	-	19	88,048	200,328	-	200,328
2,958	1,142	-	14	32,822	52,887	-	52,887
-	-	104,827	-	-	106,083	-	106,083
221,472	193,068	527,592	2,716	1,295,548	4,407,003	(868,101)	3,538,902
118,500	-	-	-	-	263,328	(263,328)	-
26,578	-	-	-	-	136,072	-	136,072
2,050	-	-	-	-	13,457	-	13,457
4,106	-	-	-	-	27,001	-	27,001
971	-	7,200	1	111	9,757	-	9,757
33,705	-	7,200	1	111	186,287	-	186,287
1,587	-	-	1	388	37,238	-	37,238
7,719	-	209,176	22	12,681	358,454	-	358,454
820	-	-	-	503	17,722	-	17,722
2,890	-	-	-	-	5,601	-	5,601
2,329	-	-	1	223	25,625	-	25,625
2,924	-	-	1	431	26,193	-	26,193
18,269	-	209,176	25	14,226	470,833	-	470,833
157,456	-	-	-	-	770,323	-	770,323
21,780	-	282,286	11	5,062	971,397	-	971,397
842	-	-	-	-	5,332	-	5,332
70	-	-	2	7,173	19,677	-	19,677
-	-	-	8	1,870	18,419	-	18,419
497	-	-	-	-	3,797	-	3,797
-	-	-	-	-	18,642	-	18,642
-	-	-	-	4,840	26,503	-	26,503
253	-	-	-	-	24,998	-	24,998
3,800	-	-	-	-	19,899	-	19,899
2,953	-	-	100	4,552	84,971	-	84,971
(25,929)	-	-	15	15,002	(106,588)	-	(106,588)
(17,514)	-	-	125	33,437	115,650	-	115,650
45,106	-	-	-	-	361,767	-	361,767
206,828	-	282,286	136	38,499	2,219,137	-	2,219,137

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

Year Ended March 31, 2019

Line Item No.	Description	14.850	14.872	10.427	14.871
		Operating Fund Program	Capital Fund Program	Rural Rental Assistance Payments	Housing Choice Vouchers
95100	Protective Services - Labor	22,323	-	522	-
95200	Protective services - other contract costs	80,695	-	5,242	-
95300	Protective Services - Other	-	-	-	-
95500	Employee Benefit Contributions - Protective Services	13,953	-	391	-
95000	Total Protective Services	116,971	-	6,155	-
96110	Property Insurance	104,538	-	5,099	514
96120	Liability Insurance	47,224	-	3,060	14,607
96130	Workmen's Compensation	20,683	11,408	1,199	1,706
96140	All Other Insurance	-	-	-	-
96100	Total Insurance Premiums	172,445	11,408	9,358	16,827
96200	Other General Expenses	-	-	-	-
96210	Compensated absences	134,664	38,560	4,953	39,326
96300	Payment In Lieu of Taxes (Real estate taxes)	166,861	-	-	-
96400	Bad debt - tenant rents	22,261	-	9,212	-
96600	Bad debt - other	-	-	-	-
96000	Total Other General Expenses	323,786	38,560	14,165	39,326
96710	Interest on Mortgage (or Bonds) Payable	-	-	-	-
96720	Interest on Notes Payable	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-
96900	Total Operating Expenses	3,493,075	627,257	187,520	818,379
97000	Excess Revenue Over Operating Expenses	770,604	362,493	(10,384)	8,663,717
97100	Extraordinary maintenance	-	-	-	-
97300-050	All Other	-	-	-	-
97300	Housing assistance payments	-	-	-	8,551,048
97350	HAP Portability-In	-	-	-	-
97400	Depreciation expense	287,245	-	45,017	21,487
90000	Total Expenses	3,780,320	627,257	232,537	9,390,914
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	483,359	362,493	(55,401)	91,182
11020	Required Annual Debt Principal Payments	-	-	5,896	-
11030	Beginning equity	13,135,604	-	982,232	1,117,879
11040-010	Prior Period Adjustment	-	-	-	-
11040-070	Equity Transfer	(176,304)	(362,493)	-	-
11040	Prior period adjustments, equity transfers, and correction of errors	(176,304)	(362,493)	-	-

	2		14,856				
Component Units- Blended	State/Local	Component Unit - Discrete	Lower Income HAP-Section 8 MOD Rehab	Central Office Cost Center (COCC)	Subtotal	Eliminations	Total
7,428	-		-	-	30,273	-	30,273
74,184	-	-	-	440	160,561	-	160,561
-	-		-	-	-	-	-
2,147	-		-	-	16,491	-	16,491
83,759	-	-	-	440	207,325	-	207,325
(7,181)	-	96,299	1	515	199,785	-	199,785
30,642	-	-	50	4,644	100,227	-	100,227
442	-	-	6	5,313	40,757	-	40,757
-	-	-	-	-	-	-	-
23,903	-	96,299	57	10,472	340,769	-	340,769
18,881		22,219	-	-	41,100	-	41,100
-	-	-	137	79,284	296,924	-	296,924
-	-	-	-	-	166,861	-	166,861
2,414	-	-	-	-	33,887	-	33,887
-	-	-	-	-	-	-	-
21,295	-	22,219	137	79,284	538,772	-	538,772
-	-	-	-	-	-	-	-
-	-	721,751	-	-	721,751	-	721,751
-	-	-	-	-	-	-	-
-	-	721,751	-	-	721,751	-	721,751
727,731	193,068	1,866,523	3,072	1,438,580	9,355,205	(1,131,429)	8,223,776
1,363,734	(164,774)	9,217,453	45,467	(251,739)	19,996,571	-	19,996,571
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	23,807	-	8,574,855	-	8,574,855
-	-	-	-	-	-	-	-
9,933	7,064	1,147,350	-	38,282	1,556,378	-	1,556,378
737,664	200,132	3,013,873	26,879	1,476,862	19,486,438	(1,131,429)	18,355,009
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,353,801	(171,838)	8,070,103	21,660	(290,021)	9,865,338	-	9,865,338
-	-	9,123,730	-	-	9,129,626	-	9,129,626
12,792,965	1,558,790	14,207,629	176,300	1,324,034	45,295,433	-	45,295,433
-	-	-	-	-	-	-	-
538,797	-	-	-	-	-	-	-
538,797	-	-	-	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

Year Ended March 31, 2019

Line Item No.	Description	14.850	14.872	10.427	14.871
		Operating Fund Program	Capital Fund Program	Rural Rental Assistance Payments	Housing Choice Vouchers
11170-001	Administrative Fee Equity- Beginning Balance	-	-	-	1,110,144
11170-010	Administrative Fee Revenue	-	-	-	807,180
11170-020	Hard to House Fee Revenue	-	-	-	-
11170-030	Audit Costs	-	-	-	-
11170-040	Investment Income	-	-	-	18,697
11170-045	Fraud Recovery Revenue	-	-	-	8,628
11170-050	Other Revenue	-	-	-	-
11170-060	Total Admin Fee Revenues	-	-	-	834,505
11170-080	Total Operating Expenses	-	-	-	818,379
11170-090	Depreciation	-	-	-	21,487
11170-095	Housing Assistance Portability In	-	-	-	-
11170-100	Other Expenses	-	-	-	-
11170-110	Total Expenses	-	-	-	839,866
11170-002	Net Administrative Fee	-	-	-	(5,361)
11170-003	Administrative Fee Equity- Ending Balance	-	-	-	1,104,783
11180-001	Housing Assistance Payments Equity - Beginning Balance	-	-	-	7,735
11180-010	Housing Assistance Payment Revenues	-	-	-	8,589,502
11180-015	Fraud Recovery Revenue	-	-	-	-
11180-020	Other Revenue	-	-	-	57,068
11180-025	Investment Income	-	-	-	1,021
11180-030	Total HAP Revenues	-	-	-	8,647,591
11180-080	Housing Assistance Payments	-	-	-	8,551,048
11180-090	Other Expenses	-	-	-	-
11180-100	Total Housing Assistance Payments Expenses	-	-	-	8,551,048
11180-002	Net Housing Assistance Payments	-	-	-	96,543
11180-003	Housing Assistance Payments Equity-Ending Balance	-	-	-	104,278
	Ending equity	13,442,659	-	926,831	1,209,061
11190	Unit Months Available	9,528	-	576	23,940
11210	Number of Unit Months Leased	9,252	-	468	17,501
11270	Excess Cash	11,660,441	-	-	-
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	36,720	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-

	2		14.856				
Component Units- Blended	State/Local	Component Unit - Discrete	Lower Income HAP-Section 8 MOD Rehab	Central Office Cost Center (COCC)	Subtotal	Eliminations	Total
-	-	-	-	-	1,110,144	-	1,110,144
-	-	-	-	-	807,180	-	807,180
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	18,697	-	18,697
-	-	-	-	-	8,628	-	8,628
-	-	-	-	-	-	-	-
-	-	-	-	-	834,505	-	834,505
-	-	-	-	-	818,379	-	818,379
-	-	-	-	-	21,487	-	21,487
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	839,866	-	839,866
-	-	-	-	-	(5,361)	-	(5,361)
-	-	-	-	-	1,104,783	-	1,104,783
-	-	-	-	-	7,735	-	7,735
-	-	-	-	-	8,589,502	-	8,589,502
-	-	-	-	-	-	-	-
-	-	-	-	-	57,068	-	57,068
-	-	-	-	-	1,021	-	1,021
-	-	-	-	-	8,647,591	-	8,647,591
-	-	-	-	-	8,551,048	-	8,551,048
-	-	-	-	-	-	-	-
-	-	-	-	-	8,551,048	-	8,551,048
-	-	-	-	-	96,543	-	96,543
-	-	-	-	-	104,278	-	104,278
14,685,563	1,386,952	22,277,732	197,960	1,034,013	55,160,771	-	55,160,771
1,920	-	3,648	108	-	39,720	-	39,720
1,463	-	2,732	92	-	31,508	-	31,508
-	-	-	-	-	11,660,441	-	11,660,441
-	-	-	-	-	-	-	-
-	-	-	-	-	36,720	-	36,720
-	-	-	-	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

Statement of Capital Fund Program Costs - Incomplete

March 31, 2019

	<u>501-14</u>	<u>501-15</u>	<u>501-16</u>	<u>501-17</u>
Funds Approved	\$ 1,231,582	\$ 1,290,584	\$ 1,337,114	\$ 1,380,645
Funds Expended	<u>1,231,582</u>	<u>1,184,911</u>	<u>691,808</u>	<u>65,994</u>
Excess of Funds Approved	<u><u>\$ -</u></u>	<u><u>\$ 105,673</u></u>	<u><u>\$ 645,306</u></u>	<u><u>\$ 1,314,651</u></u>
Funds Advanced	\$ 1,231,582	\$ 1,184,911	\$ 691,808	\$ 65,994
Funds Expended	<u>1,231,582</u>	<u>1,184,911</u>	<u>691,808</u>	<u>65,994</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 13, 2019.

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. We identified a deficiency in internal control, described in the accompanying summary schedule of prior audit findings as item 2018-001 that we considered to be a significant deficiency.

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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*.

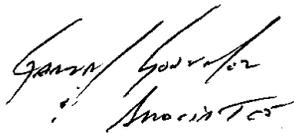
We noted certain other matters that we reported to the management of the Authority in a separate report dated December 13, 2019.

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.



Grant Gougeon
Auditor

December 13, 2019

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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, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2019.

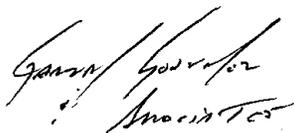
Report on Internal Control Over Compliance

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.

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.

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.



Gary Gouvier
March 13, 2019

December 13, 2019

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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, 2019

Federal Grantor / Program Title	Federal CFDA Number	Grant / Contract Number	Federal Expenditures
United States Department of Housing & Urban Development			
Direct programs:			
Public and Indian Housing	14.850	FW - 547	\$ 2,219,347
Lower Income HAP - Section 8 Moderate Rehabilitation	14.856	FW - 4085	46,774
Section 8 Housing Choice Vouchers	14.871	FW - 4085	9,396,682
Public Housing Capital Fund	14.872	FW - 547	989,750
Passed Through from City of Laredo			
Community Development Block Grant	14.218	14. unknown	<u>318,809</u>
Total United States Department of Housing & Urban Development			<u>12,971,362</u>
United States Department of Agriculture			
Direct program:			
Rural Rental Assistance Payments	10.427	51040746001577	<u>76,087</u>
Total United States Department of Housing & Urban Development			<u>76,087</u>
Total Expenditures of Federal Awards			<u><u>\$ 13,047,449</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, 2019

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 \$56,860 plus the outstanding balance of the loan as of the beginning of the fiscal year due to USDA in the amount of \$19,227.
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	\$ 13,047,449
Federal assistance as reported in basic financial statements	
HUD operating grants and housing assistance payments	12,290,060
Other government grants	56,860
Capital Grants	681,302
Rural Rental Assistance Payments – beginning debt balance	19,227
Total grant revenues as reported in basic financial statements	\$ 13,047,449

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2018-001 - 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 of 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 at year end. No balance sheet information was reported for CFP in the unaudited REAC submission.
- Three blended component units were maintained on a cumulative basis rather than being closed out annually, which resulted in adjustments to reverse prior year revenues and expenses.
- There are inconsistencies in the general ledger that may be the result of the system not being used properly, or not properly setup.
- The Authority's primary bank operating account was not properly reconciled in a timely manner. Although the reconciliation itself was performed timely, differences remained and were resolved near completion of the audit.
- HAP expense recorded did not reconcile to the Section 8's VMS system by \$57,364.
- The general ledger appears not to have been thoroughly reviewed during the year. Significant adjustments were required during the audit to properly state yearend balances. This also resulted in significant differences between the unaudited REAC submission and the audited submission. The most significant adjustments were to correct cash, interfunds, accounts payable, equity, and accounts receivable. Overall, the net effect of all audit adjustments required to fairly state the Authority's balances were as follows:
 - Assets were increased by \$7,312,637
 - Liabilities were increased by \$6,981,831
 - Equity was increased by \$1,205,174
 - Revenues were increased by \$366,328
 - Expenses were decreased by \$149,563
 - Transfers out were increased by \$947,489

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Cause: The Authority experienced turnover in key accounting personnel which contributed to deficiencies in the maintenance of the general ledger and financial reporting. In addition, difficulties were encountered with the Authority's general ledger software.

Effect: Amounts reported to the Board and third parties during the year may not be correct due to errors. Numerous adjustments were required during the audit which resulted in material differences between the amounts reported in the unaudited and audited REAC submission.

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.
- The blended component units' books of account should be closed annually.
- Accounting staff should continue to receive training on the accounting system and ensure the system is properly set up.
- 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.
- The Authority should consider contracting a fee accountant/consultant to assist in bringing the books of account current.

2019 Status: Based on corrective action taken by the Authority in fiscal year 2019, this finding is being downgraded from a material weakness in internal control over financial reporting to a significant deficiency in internal control over financial reporting. The following outstanding deficiencies were identified during the current year:

- 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 at year end. No balance sheet information was reported for CFP in the unaudited REAC submission.
- The general ledger should be reviewed periodically, and at year end, to identify potential errors. Significant adjustments were required during the audit to properly state year end balances. The most significant adjustments were to correct accounts receivable, other assets, current liabilities, grant and other revenues, and net position.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

- Amounts reported in the unaudited REAC submission had significant variances from the audited REAC submission.

Overall, the net effect of all audit adjustments were as follows:

- Assets were increased by \$693,406
- Liabilities were decreased by \$329,693
- Equity was increased by \$256,013
- Revenues were increased by \$664,871
- Expenses were decreased by \$102,215

Finding No. 2018-002 – Resident Participation Funds

Program: Public and Indian Housing – CFDA No. 14.850

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: The Authority receives funding for resident councils through its Public Housing operating subsidy. Funding is provided at \$25 per unit leased, of which \$10 may be retained by the Authority for the administration of the program. On average, the Authority receives approximately \$20,000 per year to fund the resident councils.

Condition: The Authority has not provided funding to the resident councils in the current year, or previous years. As a result, there may be amounts held by the Authority that do not belong to it.

Cause: Unknown.

Effect: Noncompliance with program requirements. Assets may be overstated.

Recommendation: We recommend the Authority comply with Public Housing program requirements regarding resident participation funds. The Authority should provide funding received to the resident councils as required and provide the necessary oversight. The Authority should contact HUD in order to determine how to proceed with respect to any prior year amounts that may be due or approval of the Authority's current practice.

2019 Status: This finding is considered cleared.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2019

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.

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.

2019 Status: LHA is in negotiations with the remaining two jurisdictions to pay all required PILOT. The amount required to be paid could total as much as \$550,000.

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.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2019

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

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.

2019 Status: This finding is considered cleared.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2019

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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
	Significant deficiency(ies) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
	Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

<i>Federal Awards</i>			
	Internal control over major programs: Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
	Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

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

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Please refer to Finding No. 2018-001 – Financial Reporting for the 2019 Status at page 72.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings to report.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Laredo, Texas

PLANNED CORRECTIVE ACTION/VIEWS OF RESPONSIBLE OFFICIALS

Year Ended March 31, 2019

Finding No. 2018-001 - Financial Reporting

Planned Corrective Action:

The Finance Department has implemented internal controls whereby the general ledger and all financial reporting will be reviewed by staff on a monthly basis, assuring that the information reported is accurate and free of misstatements. New consultant and staff have been hired and trained to effectively carry out complete and accurate activities. Additionally, the agency has initiated a software system change for FY 2020-2021 allowing for progress towards key improvement goals of accurate financial reporting throughout the year.

Responsible Official:

Jennifer Barrientos, Finance Director

Anticipated Completion Date:

March 31, 2020

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