

# Garza/Gonzalez & Associates

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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, 2020

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HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

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HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

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## **FINANCIAL SECTION**

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Housing Authority of the City of Laredo (the Authority), as of and for the year ended March 31, 2020, 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 and which represent 100% of the assets, net position, and revenues of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and the aggregate discretely presented component units of the Authority, as of March 31, 2020, 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***

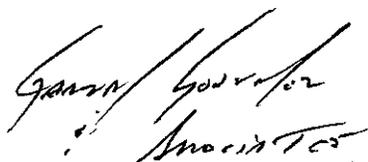
*Required Supplementary Information*

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.



December 30, 2020

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

**Management's Discussion and Analysis**

**Year Ended March 31, 2020**



**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, 2020. 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, 2020 by \$32,922,531 (net position) representing an increase of \$39,492 from March 31, 2019.
- The total current assets as of March 31, 2020 was \$24,223,143 representing an increase of \$3,425,804 from March 31, 2019.
- The total assets as of March 31, 2020 was \$42,409,717 representing an increase of \$6,442,199 from March 31, 2019.
- Tenant revenue of \$3,044,120 in 2020 represents an increase of \$63,732 from fiscal year 2019. HUD Operating and Capital Grants of \$13,340,377 for the year ended March 31, 2020, represent an increase from fiscal year 2019 of \$312,155.

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

**Management's Discussion and Analysis**

**Year Ended March 31, 2020**

**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.
- Statement 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.
- Statement 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 2020.

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, 2020**

**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 94%.

**Rental Assistance Demonstration (RAD) Program**

LHA is continuing to strive to create community living through affordable housing opportunities. In Fiscal Year 2019-2020, by participating in the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) Program, LHA improved 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 2019-2020. 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, 2020**

**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, 2020**

**Analysis of Net Position**

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

**Condensed Statement of Net Position**

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Cash and Cash Equivalents	\$ 23,697,523	\$ 20,323,253	\$ 3,374,270	16.60%
Other Current Assets	525,620	474,086	51,534	10.87%
Restricted Assets	842,429	4,703,854	(3,861,425)	-82.09%
Capital Assets, Net	17,344,145	9,941,921	7,402,224	74.45%
Other NonCurrent Assets	-	524,404	(524,404)	100.00%
<b>Total Assets</b>	<u>\$ 42,409,717</u>	<u>\$ 35,967,518</u>	<u>\$ 6,442,199</u>	<u>17.91%</u>
Current Liabilities	\$ 921,020	\$ 991,409	\$ (70,389)	-7.10%
Non-Current Liabilities	8,566,166	2,093,070	6,473,096	309.26%
<b>Total Liabilities</b>	<u>\$ 9,487,186</u>	<u>\$ 3,084,479</u>	<u>\$ 6,402,707</u>	<u>207.58%</u>
Net Position				
Invested In Capital Assets, Net	\$ 10,830,506	\$ 9,928,590	\$ 901,916	9.08%
Restricted	830,391	4,670,729	(3,840,338)	-82.22%
Unrestricted	21,261,634	18,283,720	2,977,914	16.29%
<b>Total Net Position</b>	<u>\$ 32,922,531</u>	<u>\$ 32,883,039</u>	<u>\$ 39,492</u>	<u>0.12%</u>

Assets

The primary change to the Authority's assets was due to the Russell Terrace construction completion, total assets increased by \$6,442,199, or 17.91 percent.

Liabilities

The Agency's liabilities increased primarily due to draws on the Russell Terrace construction loan. Overall, liabilities increased by \$6,402,707, or 207.58 percent.

Net Position

Invested in Capital Assets, Net Position increased by \$901,916 primarily due to the Russell Terrace construction. Restricted net position decreased by \$3,840,338 due to restricted funds on hand in the prior year being used to fund the Russell Terrace construction. Overall, net position for the fiscal year increased \$39,492, or 0.12 percent.

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

**Management's Discussion and Analysis**

**Year Ended March 31, 2020**

**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.

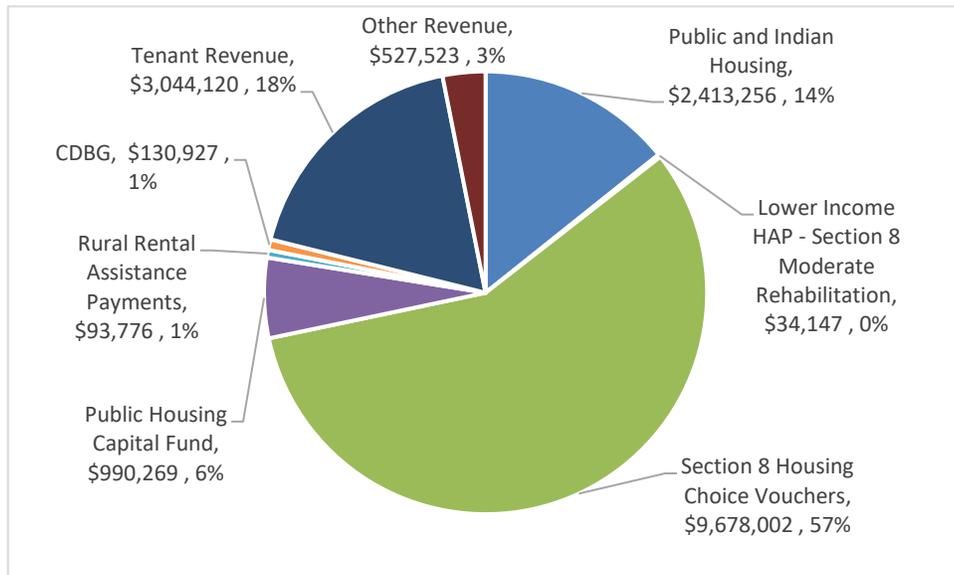
	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Operating Revenues</b>				
HUD Operating Grants and HAP	\$ 13,115,674	\$ 12,290,060	\$ 825,614	6.7%
Tenant Revenue	3,044,120	2,980,388	63,732	2.1%
Other Government Grants	224,703	56,860	167,843	295.2%
Other Revenue	253,789	889,069	(635,280)	-71.5%
Total Operating Revenue	<u>\$ 16,638,286</u>	<u>\$ 16,216,377</u>	<u>\$ 421,909</u>	<u>2.6%</u>
<b>Operating Expenses</b>				
Administrative	\$ 3,164,003	\$ 3,011,310	\$ 152,693	5.1%
Housing Assistance Payments	8,858,576	8,574,855	283,721	3.3%
Tenant Services	212,263	179,087	33,176	18.5%
Utilities	297,960	261,657	36,303	13.9%
Maintenance	2,638,334	1,936,851	701,483	36.2%
Protective Services	257,917	207,325	50,592	24.4%
Other General Expenses	796,384	761,023	35,361	4.6%
Depreciation	637,410	409,028	228,382	55.8%
Total Operating Expenses	<u>\$ 16,862,847</u>	<u>\$ 15,341,136</u>	<u>\$ 1,521,711</u>	<u>9.9%</u>
<b>Operating Income (Loss)</b>	(224,561)	875,241	(1,099,802)	-125.7%
<b>Nonoperating Revenues (Expenses)</b>	<u>\$ 253,730</u>	<u>\$ 238,692</u>	<u>\$ 15,038</u>	<u>6.3%</u>
<b>Income before Contributions</b>	29,169	1,113,933	(1,084,764)	-97.4%
<b>Capital Contributions</b>	-	681,302	(681,302)	-100.0%
Net Assets - Beginning Balance (Restated)	<u>32,893,362</u>	<u>31,087,804</u>	<u>1,805,558</u>	<u>5.8%</u>
<b>Net Position - Ending Balance</b>	<u><u>\$ 32,922,531</u></u>	<u><u>\$ 32,883,039</u></u>	<u><u>\$ 39,492</u></u>	<u><u>0.1%</u></u>

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

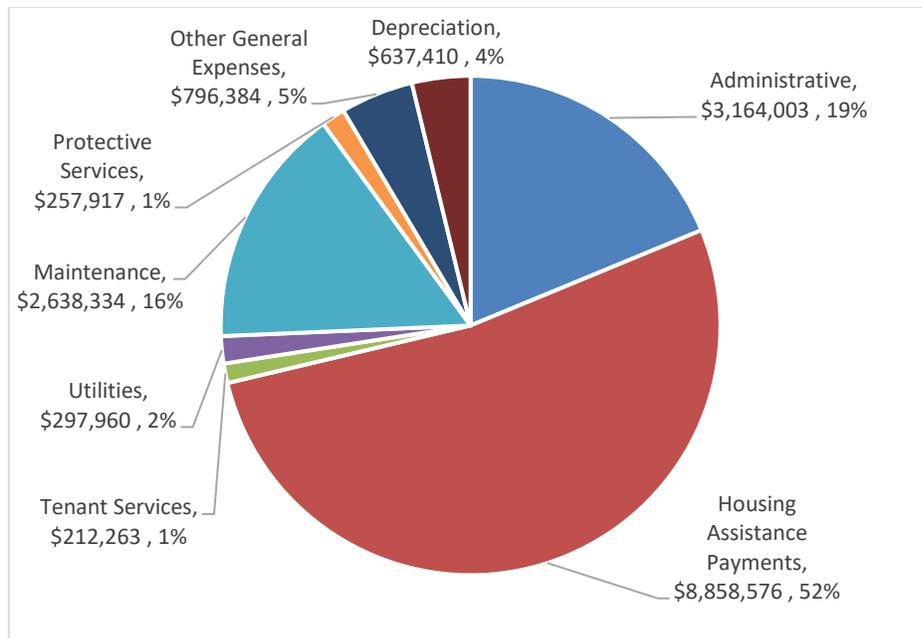
**Management's Discussion and Analysis**

**Year Ended March 31, 2020**

The Laredo Housing Authority recognized revenues from the following programs/sources during the fiscal year ending March 31, 2020.



Operating expenses are comprised of the following:



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

**Management's Discussion and Analysis**

**Year Ended March 31, 2020**

**Capital Asset and Long-Term Debt Activity**

Capital Assets

Changes in capital assets were as follows:

	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>
Land	\$ 3,886,808	\$ 3,860,171	\$ 26,637
Buildings	42,470,082	31,024,243	11,445,839
Furniture, equipment and machinery-dwell.	524,940	224,940	300,000
Furniture, equipment and machinery-admin.	1,370,786	1,370,785	1
Accumulated depreciation	(31,036,049)	(30,438,637)	(597,412)
Construction in progress	127,578	3,900,419	(3,772,841)
	<u>\$ 17,344,145</u>	<u>\$ 9,941,921</u>	<u>\$ 7,402,224</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 Russell Terrace Re-Development. The net increase to capital assets was \$7,402,224 for the fiscal year.

Long Term Liabilities

Changes in long-term liabilities were as follows:

	<b>2020</b>	<b>2019</b>	<b>Increase (Decrease)</b>
Loans Payable	\$ 6,507,624	\$ 7,870	\$ 6,499,754
Other Non-current Liabilities	1,991,473	2,031,151	(39,678)
Accrued Compensated Absences	67,069	54,049	13,020
	<u>\$ 8,566,166</u>	<u>\$ 2,093,070</u>	<u>\$ 6,473,096</u>

The change within the long-term liabilities was due to payments on loans, recognition of revenues on land leases, changes in accrual for compensated absences, and draws on a construction loan. The Authority began draws on a construction loan agreement with BBVA Compass to help finance the demolition and new construction of 138 units of the Russell Terrace project. The total amount outstanding on the construction loan as of year end was \$6,505,607 and the interest rate was 5.08%. This loan will convert into a permanent loan during 2021. Overall, the long-term debt increased by \$6,473,097 for the fiscal year as a result.

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

**Management's Discussion and Analysis**

**Year Ended March 31, 2020**

**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: Maria M. Gaona, 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, 2020

	Housing Authority and Blended Component Units	Discretely Presented Component Units
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents		
Unrestricted	\$ 23,585,124	\$ 615,010
Tenant Security Deposits	112,399	80,721
Accounts Receivable		
HUD Other Projects	35,965	-
Other Governments	15,003	-
Others	326,734	17,350
Tenants	19,555	-
Allowance for Doubtful Accounts - Tenants	(4,720)	-
Prepaid Expenses and Other Assets	133,083	497,086
Interprogram - Due From	-	-
Total Current Assets	24,223,143	1,210,167
Restricted Assets		
Cash - Other Restricted	839,369	614,241
Cash - Other Restricted for Payment of Current Liabilities	3,060	-
Total Restricted Assets	842,429	614,241
Noncurrent Assets		
Capital Assets		
Land	3,886,808	-
Buildings & Improvements	42,470,082	32,424,757
Furniture, Equipment & Machinery - Dwellings	524,940	-
Furniture, Equipment & Machinery - Administration	1,370,786	1,735,395
Less Accumulated Depreciation	(31,036,049)	(3,601,653)
Construction in Progress	127,578	-
Total Capital Assets, Net of Accumulated Depreciation	17,344,145	30,558,499
Investments in Partnerships	-	-
Other Assets	-	2,152,857
Total Noncurrent Assets	17,344,145	32,711,356
Total Assets	\$ 42,409,717	\$ 34,535,764

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

Statement of Net Position

March 31, 2020

	Housing Authority and Blended Component Units	Discretely Presented Component Units
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts Payable		
Vendors	\$ 104,391	\$ 42,238
Other Government	389,825	-
Due to HUD	23,484	-
Accrued Wages and Payroll Taxes	86,673	-
Accrued Compensated Absences	62,992	-
Accrued Interest Payable	-	41,783
Tenant Security Deposits	106,996	79,838
Unearned Revenue - Tenant and Other	56,717	-
Unearned Revenue - Ground Leases	28,606	-
Loans Payable	6,015	-
FSS Escrow	3,060	-
Other Current Liabilities	5,186	-
Accrued Liabilities - Other	47,075	46,300
	921,020	210,159
Total Current Liabilities		
Noncurrent Liabilities		
Loans Payable	6,507,624	10,997,639
Other Noncurrent - Ground leases	1,982,495	1,799,797
FSS Escrow	8,978	-
Accrued Compensated Absences	67,069	-
	8,566,166	12,797,436
Total Non-Current Liabilities		
Total Liabilities		
	9,487,186	13,007,595
Net Position		
Net Investment in Capital Assets	10,830,506	17,761,063
Restricted Net Position	830,391	-
Unrestricted Net Position	21,261,634	3,767,106
	32,922,531	21,528,169
Total Net Position		
Total Liabilities and Net Position		
	\$ 42,409,717	\$ 34,535,764

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, 2020

	Housing Authority and Blended Component Units	Discretely Presented Component Units
<b>OPERATING REVENUES</b>		
HUD Operating Grants and Housing Assistance Payments	\$ 13,115,674	\$ -
Tenant Revenue	3,044,120	2,289,348
Other Government Grants	224,703	-
Other Revenue	253,789	27,262
Total Operating Revenue	16,638,286	2,316,610
<b>OPERATING EXPENSES</b>		
Administrative	3,164,003	437,333
Housing Assistance Payments	8,858,576	-
Tenant Services	212,263	-
Utilities	297,960	226,887
Maintenance	2,638,334	385,469
Protective Services	257,917	-
Insurance	303,689	128,807
Other General Expense	492,695	24,394
Interest on Note Payable	-	719,316
Depreciation	637,410	1,144,787
Total Operating Expenses	16,862,847	3,066,993
Operating Income (Loss)	(224,561)	(750,383)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income - Unrestricted	249,497	820
Investment Income - Restricted	916	-
Fraud Recovery	23,321	-
Gain/(Loss) on Disposal of Capital Assets	(20,004)	-
Total Nonoperating Revenues (Expenses)	253,730	820
Change in Net Position	29,169	(749,563)
Net Assets - Beginning Balance (Restated)	32,893,362	22,277,732
Net Position - Ending Balance	\$ 32,922,531	\$ 21,528,169

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, 2020

	<u>Housing Authority and Blended Component Units</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Tenants	\$ 3,038,361
HUD Operating Grants	3,480,676
Housing Assistance Payment Receipts	9,712,149
Other Operating Grants	224,703
Miscellaneous Receipts	548,200
Cash Payments to Suppliers for Goods and Services	(4,923,081)
Cash Payments to Employees	(2,507,734)
Housing Assistance Payments	(8,858,576)
Net Cash Provided/(Used by) Operating Activities	<u>714,698</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Fraud Recovery	23,321
Net Cash Provided/(Used by) by Non-Capital and Related Financing Activities	<u>23,321</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Repayments on Note Receivable	99,958
Acquisition and Construction of Capital Assets	(8,072,772)
Proceeds from Loan Payable	6,500,308
Interest paid on Note Payable	(21)
Net Cash Provided/(Used by) for Capital and Related Financing Activities	<u>(1,472,527)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	250,413
Net Cash Provided/(Used by) by Investing Activities	<u>250,413</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(484,095)
Cash and Cash Equivalents - Beginning Balance	<u>25,027,107</u>
Cash and Cash Equivalents - Ending Balance	<u>\$ 24,543,012</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (224,561)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	637,410
(Increase) Decrease in Accounts Receivable - HUD	77,151
(Increase) Decrease in Accounts Receivable - Miscellaneous	(229,993)
(Increase) Decrease in Accounts Receivable - Tenants	(4,002)
(Increase) Decrease in Prepaid Expenses and Other Assets	529,756
Increase (Decrease) in Accounts Payable	(48,325)
Increase (Decrease) in Accrued Wages and Payroll Taxes	30,114
Increase (Decrease) in Accrued Compensated Absences	14,455
Increase (Decrease) in Tenant Security Deposits	(20,488)
Increase (Decrease) in Unearned Revenue	18,731
Increase (Decrease) in Other Current Liabilities	(10,015)
Increase (Decrease) in Accrued Liabilities - Other	(55,535)
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	<u>\$ 714,698</u>
<u>Reconciliation of Cash and Cash Equivalents to Statement of Net Position</u>	
Cash - Unrestricted	\$ 23,585,124
Cash - Other Restricted	842,429
Cash - Tenant Security Deposits	112,399
Total Cash and Cash Equivalents	<u>\$ 24,543,012</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, 2020

**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, 2020

**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, 2020, 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, 2020

**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, 2019 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, 2020

**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 information 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, 2020, 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, 2020

**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:

Class	Life
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 \$4,720 has been established for the year ending March 31, 2020, 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, 2020

**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, 2020, annual leave of \$62,992 has been accrued as a current liability, while \$67,069 is non-current.

**H. Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, the Authority considers all cash accounts, 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, 2020

**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 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, 2020

**II. DEPOSITS WITH FINANCIAL INSTITUTIONS**

Cash and cash equivalents as of March 31, 2020 are classified in the accompanying financial statements as follows:

Unrestricted	
Cash	\$ 23,582,369
Tenant Security Deposits	112,399
Petty Cash	2,755
Restricted	
Cash and Cash Equivalents	842,429
Total Cash and Cash Equivalents	\$ 24,539,952

The carrying amount of the Authority's bank deposits was \$24,537,197 as of March 31, 2020, and the bank balance was \$24,799,794. 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, 2020, 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, \$112,399 is for tenant security deposits and \$842,429 is restricted as follows:

Section 8 Housing Choice Voucher:	
• Funds for Family Self Sufficiency escrow	\$ 12,038
• Funds required to be restricted by the Section 8 HCV program for Housing Assistance Payments equity	61,507
	73,545
Rural Rental Assistance Payment Program:	
• Reserved funds	221,396
Laredo Housing Facilities Corporation	
• Reserved funds	547,488
Total	\$ 842,429

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, 2020.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**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, 2020, 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, 2020

**III. CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2020, is as follows:

	Beginning Balance	Additions	Deletions/ Corrections	Ending Balances
Capital Assets, not being depreciated:				
Land	\$ 3,860,171	\$ -	\$ 26,637	\$ 3,886,808
Construction in Progress	3,900,389	98,564	(3,871,375)	127,578
Total capital assets not being depreciated	<u>7,760,560</u>	<u>98,564</u>	<u>(3,844,738)</u>	<u>4,014,386</u>
Capital assets, being depreciated:				
Buildings	31,024,243	11,532,476	(86,637)	42,470,082
Furniture & equipment - dwelling	224,940	300,000	-	524,940
Furniture & equipment - administration	1,370,786	-	-	1,370,786
Total capital assets being depreciated	<u>32,619,969</u>	<u>11,832,476</u>	<u>(86,637)</u>	<u>44,365,808</u>
Less accumulated depreciation	<u>(30,438,637)</u>	<u>(637,410)</u>	<u>39,998</u>	<u>(31,036,049)</u>
Total capital assets being depreciated, net	<u>2,181,331</u>	<u>11,195,067</u>	<u>(46,639)</u>	<u>13,329,759</u>
Net capital assets	<u>\$ 9,941,892</u>	<u>\$ 11,293,630</u>	<u>\$ (3,891,377)</u>	<u>\$ 17,344,145</u>

Depreciation expense for the year ended March 31, 2020, was \$637,410.

**IV. 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, 2020 is presented below:

	Balance 4/1/2019	Increase	Decreases	Balance 3/31/2020	Current Portion
Loan Payable – Farm Labor	\$ 13,331	\$ -	\$ 5,299	\$ 8,032	\$ 6,015
Loan Payable – Construction	-	6,505,607	-	6,505,607	-
Accrued Compensated Absences	115,606	135,548	121,093	130,061	62,992
FSS Escrow	33,125	11,571	32,658	12,038	3,060
Unearned Revenue on Land Leases	2,039,707	-	28,606	2,011,101	28,606
Totals	<u>\$ 2,201,769</u>	<u>\$ 6,652,725</u>	<u>\$ 187,656</u>	<u>\$ 8,666,839</u>	<u>\$ 100,673</u>

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**IV. 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 \$8,089 as of March 31, 2020:

Year Ending March 31,	Principal	Interest	Total
2021	\$ 6,015	\$ 53	\$ 6,068
2022	2,017	4	2,021
Total	\$ 8,032	\$ 57	\$ 8,089

Construction Loan Payable

On March 3, 2017, the Authority entered into a construction loan agreement with BBVA Compass to help finance the demolition and new construction of 138 units of the Russell Terrace project. The loan was for a maximum amount of \$6,698,000. Loan proceeds were to be used after 40% of the total project costs were paid for by the Authority. The loan bears an interest rate of 1-month LIBOR plus 3.5%. Interest payments are due monthly while principal is due at maturity. The loan had an original 24-month maturity with additional six month extensions at the option of the bank. Subsequent to year end, and after completion of construction, the construction loan was converted to a permanent loan. As of March 31, 2020, the construction loan had an outstanding balance of \$6,505,607 and an interest rate of 5.08%. Since the construction loan was expected to be converted to a permanent loan and the maturity requirement were not known, the entire construction loan is included in long-term liabilities as of March 31, 2020.

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.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**IV. LONG-TERM LIABILITIES (Continued)**

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.

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.

**V. 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, 2019 is as follows:

	General Partner (Authority)	Special Limited Partner	Limited Partner	Total
Total Capital	\$ (70)	\$ -	\$ 9,582,292	\$ 9,582,222
Less: Cumulative capital contributions	(100)	(10)	(10,901,410)	(10,901,520)
Cumulative gain/(loss)	\$ (170)	\$ (10)	\$ (1,319,118)	\$ (1,319,298)

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For the Year Ended March 31, 2020

**V. INVESTMENTS IN PARTNERSHIPS (Continued)**

An analysis of BAH Casa Verde, LTD’s cumulative capital as of December 31, 2019 is as follows:

	General Partner (Authority)	Special Limited Partner	Limited Partner	Total
Total Capital	\$ (158)	\$ (158)	\$ 11,946,263	\$ 11,945,947
Less: Cumulative capital contributions	(100)	(10)	(13,516,817)	(13,516,927)
Cumulative gain/(loss)	\$ (206)	\$ (118)	\$ (1,570,554)	\$ (1,570,980)

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

**VI. 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, 2020 was \$2,006,956. The Authority and member contributions for the year ending March 31, 2020, were \$180,626 and \$40,847, 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:

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

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For the Year Ended March 31, 2020

**VII. 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.

**VIII. 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.

**IX. CONTINGENCIES**

A. Grants

For the year ended March 31, 2020, 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.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**IX. CONTINGENCIES (Continued)**

C. Payments in Lieu of Taxes (PILOT)

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

The Authority has entered into interlocal agreements with several of the taxing entities whereby the Authority paid the PILOT owed and the taxing entities agreed to grant some, or all, or the funds back to the Authority. The Authority 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 \$625,000.

**X. 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, 2020, offsetting balances of \$170,839 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 \$1,211,555 for the year ended March 31, 2020, have been eliminated in the financial statements.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XI. 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	
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 968,753	\$ 2,838,208	\$ 3,556,308	\$ 7,363,269
Notes Receivable	-	-	-	-
Tenant Receivable	12,931	-	-	12,931
Other Assets	14,443	120,784	111,813	247,040
Total Current Assets	996,127	2,958,992	3,668,121	7,623,240
Restricted Assets				
Cash – Other Restricted	547,488	-	-	547,488
Noncurrent Assets				
Capital Assets, Net	11,579,583	2,184,895	411,759	14,176,237
Other Assets – Dev. Fees	-	-	-	-
Total Assets	\$ 13,123,198	\$ 5,143,887	\$ 4,079,880	\$ 22,346,965
<b>LIABILITIES AND NET POSITION</b>				
Current Liabilities				
Current Liabilities	\$ 169,838	\$ 15,273	\$ 1,765	\$ 186,876
Interprogram – Due to	-	-	84,982	84,982
Total Current Liabilities	169,838	15,273	86,747	271,858
Noncurrent Liabilities				
Loan Payable	6,505,607	-	-	6,505,607
Noncurrent Liabilities – Other	555	1,078,042	-	1,078,597
Total Liabilities	6,506,162	1,078,042	-	7,584,204
Net Position				
Net Investment in Capital Assets	5,073,976	2,184,895	411,759	7,670,630
Restricted	547,488	-	-	547,488
Unrestricted	825,734	1,865,677	3,581,374	6,272,785
Total Net Position	6,447,198	4,050,572	3,993,133	14,490,903
Total Liabilities and Net Position	\$ 13,123,198	\$ 5,143,887	\$ 4,079,880	\$ 22,346,965

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XI. CONDENSED BLENDED COMPONENT UNIT INFORMATION (Continued)**

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

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
Operating Revenues	\$ 980,509	\$ 63,111	\$ 231,852	\$ 1,275,472
Operating Expenses	1,285,994	64,787	134,322	1,485,103
Operating Income (Loss)	(305,485)	(1,676)	97,530	(209,631)
Nonoperating Revenues (Expenses)	(14,947)	24,791	34,798	44,642
Transfers and Contributions	(26,078)	(111,803)	111,803	(26,078)
Changes in Net Position	(346,510)	(88,688)	244,131	(191,067)
Net Position – Beginning Balance	6,793,708	4,139,260	3,749,002	14,681,970
Net Position – Ending Balance	\$ 6,447,198	\$ 4,050,572	\$ 3,993,133	\$ 14,490,903

Condensed Statement of Cash Flows:

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
Cash from Operating Activities	\$ (986,726)	\$ 401,607	\$ 984,416	\$ 399,297
Cash Flows from Investing Activities	5,057	124,749	34,798	164,604
Cash Flows from Noncapital Financing	(26,078)	(127,077)	111,803	(41,352)
Cash Flows from Capital Financing	(1,084,874)	(5,800)	(79,654)	(1,800,328)
Beginning Cash Balances	4,328,862	2,444,729	2,504,945	9,278,536
Ending Cash Balances	\$ 1,516,241	\$ 2,838,208	\$ 3,556,308	\$ 7,910,757

**XII. 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.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XII. RELATED PARTY TRANSACTIONS (Continued)**

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. 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 2020, LHOC received developer fees of \$430,800. The amount receivable at March 31, 2020 was \$109,139, inclusive of accrued interest of \$15,535. Interest compounds annually at 2.6% in accordance with the development agreement.

3. 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.

4. LHOC entered into a \$250,000 promissory note receivable from the LHA RBV limited partnership in prior years. As of March 31, 2020, \$11,645 is outstanding and is payable subject to cash flow of the partnership.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XIII. RESTATEMENT OF NET POSITION**

Net Position – March 31, 2019, As Reported	\$ 32,883,039
Miscellaneous Corrections	10,323
Net Position – April 1, 2019, As Restated	<u>\$ 32,893,362</u>

**XIV. SUBSEQUENT EVENTS**

In early 2020, the COVID-19 virus caused a global pandemic which resulted in an overall decline in economic activity. Although it is reasonably possible that the virus could have a negative effect on the Authority’s future operations, the specific impact is not readily determinable as of the date of these financial statements.

Accordingly, the financial statements as of and for the year ended March 31, 2020 have not been adjusted to reflect the impact that may result from the outcome of this uncertainty.

**XV. 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, 2019. 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.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

NOTE 1 – NATURE OF BUSINESS AND ORGANIZATION (Continued)

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Rental Property

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

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

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

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Organization Costs

Organization costs are expensed as incurred.

Debt Issuance Costs and Tax Credit Fees

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 statements of operations as interest expense. Tax credit fees are capitalized and amortized on a straight-line basis over fifteen years.

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

The Rental Property's 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.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. 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 2020 and 2019.

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.

Subsequent Events

For purposes of evaluating subsequent events, the Partnership has evaluated all subsequent events through February 28, 2020, the date the financial statements were available to be issued.

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, 2019 is \$36,048.

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.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

**NOTE 5 – LONG-TERM DEBT**

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, 2019 the outstanding principal balance due is \$5,536,381, with \$26,600 of interest accrued, and unamortized debt issuance costs of \$128,685. Interest expense on the permanent loan for 2019 is \$329,463, 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.

Aggregate projected maturities of the note (excluding the subordinate loan based on available net cash flow) for the next five years are as follows:

	<u>Amount</u>
2020	\$ 58,443
2021	62,722
2022	66,357
2023	70,203
2024	73,422
Thereafter	<u>5,205,234</u>
	<u>\$ 5,536,381</u>

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 balance outstanding at December 31, 2019 was \$11,645.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

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 \$143,746 as of December 31, 2019.

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, 2019 was \$466,470.

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. Insurance reserves were \$4,025 as of December 31, 2019.

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;

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

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

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;
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.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

NOTE 8 – TRANSACTIONS WITH RELATED PARTIES

Development Fees

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

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.

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 \$7,848 were expensed and paid in 2019 during 2019, with no outstanding amounts due at December 31, 2019.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

NOTE 8 – TRANSACTIONS WITH RELATED PARTIES (Continued)

General Partner - Incentive Management Fee

The Partnership shall pay the General Partner a non-cumulative annual Incentive Partnership Management Fee of 8% of Gross Effective Income for the year, not to exceed \$10,000 (as defined). Such fees shall be paid by the Partnership from available cash flow. No fees were paid as of December 31, 2019.

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, 2019 \$59,217 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.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. 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 Casa 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, 2020

**XV. 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, 2019. 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, 2020

**XV. 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 2019.

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 – 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.

NOTE 4 – 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.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

**NOTE 5 – 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. In 2019, the Partnership paid a fee of \$14,268 to extend the loan to December 20, 2019. The construction loan payable at December 31, 2019 is \$5,707,272.

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, exclusive of unamortized debt issuance costs of \$128,974, are as follows:

2020	\$	441,430
2021		47,996
2022		50,956
2023		54,099
2024		57,436
Thereafter		5,055,355
	\$	<u>5,707,272</u>

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, 2019, 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.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

**NOTE 6 – 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, 2019, the Investment Limited Partner has contributed the First, Second and Third Installments totaling \$13,516,817 to the Partnership.

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.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

**NOTE 6 – CERTAIN PROVISIONS OF THE AGREEMENT OF LIMITED PARTNERSHIP (Continued)**

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, 2019.

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, 2019, 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, 2019.

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, 2019, the account has not been funded.

**NOTE 7 – 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, 2019. The developer fee will bear interest at the long term applicable federal rate. As of December 31, 2019, the outstanding principal balance of the earned developer fee payable was \$1,689,966. Interest of \$10,831 was accrued in 2019 at the long term applicable federal rate of 2.6%

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2020

**XV. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

NOTE 7 – TRANSACTIONS WITH RELATED PARTIES (Continued)

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. The 2019 fee of \$7,648 has been accrued as of December 31, 2019.

NOTE 8 – 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 9 – 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, 2019 of \$56,398.

NOTE 10 – 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 11 – 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 of its financial instruments recorded 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.

## **SUPPLEMENTAL INFORMATION**

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

Combining Statement of Net Position - Blended Component Units

March 31, 2020

	Laredo Housing Facilities Corporations	Laredo Housing Opportunities Corporation	Laredo Housing Development Corporation	Total Blended Component Units
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents				
Unrestricted	\$ 945,245	\$ 2,838,208	\$ 3,556,308	\$ 7,339,761
Tenant Security Deposits	23,508	-	-	23,508
Notes, Loans, & Mortgages Receivable - Current	-	-	-	-
Accounts Receivable - Miscellaneous	100	120,784	111,813	232,697
Accounts Receivable - Tenants	13,150	-	-	13,150
Allowance for doubtful accounts - tenants	(219)	-	-	(219)
Prepaid Expenses	5,986	-	-	5,986
Interprogram - Due from	8,357	-	-	8,357
<b>Total Current Assets</b>	<b>996,127</b>	<b>2,958,992</b>	<b>3,668,121</b>	<b>7,623,240</b>
Restricted Assets				
Cash - Other Restricted	547,488	-	-	547,488
<b>Total Restricted Assets</b>	<b>547,488</b>	<b>-</b>	<b>-</b>	<b>547,488</b>
Noncurrent Assets				
Capital Assets				
Land	26,637	2,178,038	-	2,204,675
Buildings	14,830,676	-	315,484	15,146,160
Furniture and Equipment - Dwellings	300,000	-	-	300,000
Furniture and Equipment - Administration	66,969	-	-	66,969
Less: Accumulated depreciation	(3,644,699)	-	(10,786)	(3,655,485)
Construction in Progress	-	6,857	107,061	113,918
<b>Total Capital Assets</b>	<b>11,579,583</b>	<b>2,184,895</b>	<b>411,759</b>	<b>14,176,237</b>
Other Assets - Developer Fees Receivable	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>11,579,583</b>	<b>2,184,895</b>	<b>411,759</b>	<b>14,176,237</b>
<b>Total Assets</b>	<b>\$ 13,123,198</b>	<b>\$ 5,143,887</b>	<b>\$ 4,079,880</b>	<b>\$ 22,346,965</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts Payable	\$ 9,815	\$ -	\$ 1,765	\$ 11,580
Accounts Payable - Other Governments	36,397	-	-	36,397
Accrued Wages and Payroll Taxes	5,437	-	-	5,437
Accrued Compensated Absences	2,290	-	-	2,290
Tenant Security Deposits	23,508	-	-	23,508
Unearned Revenue	92,391	15,273	-	107,664
Accrued Liabilities - Other	-	-	-	-
Interprogram - Due to	-	-	84,982	84,982
<b>Total Current Liabilities</b>	<b>169,838</b>	<b>15,273</b>	<b>86,747</b>	<b>271,858</b>
Noncurrent Liabilities				
Loan Payable	6,505,607	-	-	6,505,607
Noncurrent Liabilities - Other	-	1,078,042	-	1,078,042
Accrued Compensated Absences	555	-	-	555
<b>Total Noncurrent Liabilities</b>	<b>6,506,162</b>	<b>1,078,042</b>	<b>-</b>	<b>7,584,204</b>
<b>Total Liabilities</b>	<b>6,676,000</b>	<b>1,093,315</b>	<b>86,747</b>	<b>7,856,062</b>
Net Position				
Net Investment in Capital Assets	5,073,976	2,184,895	411,759	7,670,630
Restricted Net Position	547,488	-	-	547,488
Unrestricted Net Position	825,734	1,865,677	3,581,374	6,272,785
<b>Total Net Position</b>	<b>6,447,198</b>	<b>4,050,572</b>	<b>3,993,133</b>	<b>14,490,903</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 13,123,198</b>	<b>\$ 5,143,887</b>	<b>\$ 4,079,880</b>	<b>\$ 22,346,965</b>

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, 2020

	Laredo Housing Facilities Corporations	Laredo Housing Opportunities Corporation	Laredo Housing Development Corporation	Total Blended Component Units
<b>OPERATING REVENUES</b>				
Tenant Revenue	\$ 944,355	\$ -	\$ -	\$ 944,355
Tenant Revenue - Other	35,117	-	-	35,117
Other Government Grants	-	-	130,927	130,927
Other Revenue	1,037	63,111	100,925	165,073
Total Operating Revenue	<u>980,509</u>	<u>63,111</u>	<u>231,852</u>	<u>1,275,472</u>
<b>OPERATING EXPENSES</b>				
Administrative	299,298	57,264	70,782	427,344
Housing Assistance Payments	-	-	-	-
Tenant Services	54,899	-	-	54,899
Utilities	52,050	-	4,800	56,850
Maintenance	324,787	7,523	52,347	384,657
Protective Services	103,333	-	-	103,333
Insurance	56,562	-	1,000	57,562
Other General Expenses	51,164	-	-	51,164
Depreciation	343,901	-	5,393	349,294
Total Operating Expenses	<u>1,285,994</u>	<u>64,787</u>	<u>134,322</u>	<u>1,485,103</u>
Operating Income (Loss)	<u>(305,485)</u>	<u>(1,676)</u>	<u>97,530</u>	<u>(209,631)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income - Unrestricted	5,057	24,791	34,798	64,646
Loss on Disposal of Capital Assets	(20,004)	-	-	(20,004)
Total Nonoperating Revenues (Expenses)	<u>(14,947)</u>	<u>24,791</u>	<u>34,798</u>	<u>44,642</u>
Increase(Decrease) in Net Position before Transfers and Contribution	(320,432)	23,115	132,328	(164,989)
Transfers	<u>(26,078)</u>	<u>(111,803)</u>	<u>111,803</u>	<u>(26,078)</u>
Change in Net Position	<u>(346,510)</u>	<u>(88,688)</u>	<u>244,131</u>	<u>(191,067)</u>
Net Assets - Beginning Balance (Restated)	<u>6,793,708</u>	<u>4,139,260</u>	<u>3,749,002</u>	<u>14,681,970</u>
Net Position - Ending Balance	<u>\$ 6,447,198</u>	<u>\$ 4,050,572</u>	<u>\$ 3,993,133</u>	<u>\$ 14,490,903</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, 2019

	LHA Riverbank Village, LTD.	BAH Casa Verde Apartments, LTD.	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents			
Unrestricted	\$ 222,543	\$ 392,467	\$ 615,010
Tenant Security Deposits	36,931	43,790	80,721
Accounts Receivable			
HUD Other Projects	-	-	-
Miscellaneous	13,119	4,231	17,350
Tenants	-	-	-
Allowance for Doubtful Accounts - Tenants	-	-	-
Prepaid Expenses and Other Assets	93,771	403,315	497,086
Notes, Loans, & Mortgage Receivable - Current	-	-	-
Total Current Assets	<u>366,364</u>	<u>843,803</u>	<u>1,210,167</u>
Restricted Assets			
Cash - Other Restricted			
	<u>614,241</u>	<u>-</u>	<u>614,241</u>
Total Restricted Assets	<u>614,241</u>	<u>-</u>	<u>614,241</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	(2,184,771)	(1,416,882)	(3,601,653)
Construction in Progress	-	-	-
Total Capital Assets, Net of Accumulated Depreciation	<u>13,128,455</u>	<u>17,430,044</u>	<u>30,558,499</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>14,128,455</u>	<u>18,582,901</u>	<u>32,711,356</u>
Total Assets	<u>\$ 15,109,060</u>	<u>\$ 19,426,704</u>	<u>\$ 34,535,764</u>

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

Combining Statement of Net Position - Discrete Component Units

December 31, 2019

	LHA Riverbank Village, LTD.	BAH Casa Verde Apartments, LTD.	Total
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Accounts Payable	\$ 16,129	\$ 26,109	\$ 42,238
Accrued Wages and Payroll Taxes	-	-	-
Accrued Compensated Absences	-	-	-
Accrued Interest Payable	29,745	12,038	41,783
Tenant Security Deposits	36,048	43,790	79,838
Unearned Revenue	-	-	-
Loans Payable	-	-	-
Other Current Liabilities	-	-	-
Accrued Liabilities - Other	25,575	20,725	46,300
<b>Total Current Liabilities</b>	<b>107,497</b>	<b>102,662</b>	<b>210,159</b>
Noncurrent Liabilities			
Loans Payable	5,419,341	5,578,298	10,997,639
Other	-	1,799,797	1,799,797
Accrued Compensated Absences	-	-	-
<b>Total Non-Current Liabilities</b>	<b>5,419,341</b>	<b>7,378,095</b>	<b>12,797,436</b>
<b>Total Liabilities</b>	<b>5,526,838</b>	<b>7,480,757</b>	<b>13,007,595</b>
Net Position			
Net Investment in Capital Assets	7,709,114	10,051,949	17,761,063
Restricted Net Position	-	-	-
Unrestricted Net Position	1,873,108	1,893,998	3,767,106
<b>Total Net Position</b>	<b>9,582,222</b>	<b>11,945,947</b>	<b>21,528,169</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 15,109,060</b>	<b>\$ 19,426,704</b>	<b>\$ 34,535,764</b>

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, 2019

	LHA Riverbank Village, LTD.	BAH Casa Verde Apartments, LTD.	Total
<b>OPERATING REVENUES</b>			
HUD Operating Grants and Housing Assistance Payments	\$ -	\$ -	\$ -
Tenant Revenue	1,186,856	1,102,492	2,289,348
Other Government Grants	-	-	-
Other Revenue	-	27,262	27,262
Total Operating Revenue	<u>1,186,856</u>	<u>1,129,754</u>	<u>2,316,610</u>
<b>OPERATING EXPENSES</b>			
Administrative	207,390	215,675	423,065
Housing Assistance Payments	-	-	-
Tenant Services	-	-	-
Utilities	137,239	89,648	226,887
Maintenance	203,441	182,028	385,469
Protective Services	-	-	-
Insurance	66,481	62,326	128,807
Other General Expense	12,836	25,826	38,662
Interest on Note Payable	329,463	389,853	719,316
Depreciation	476,523	668,264	1,144,787
Total Operating Expenses	<u>1,433,373</u>	<u>1,633,620</u>	<u>3,066,993</u>
Operating Income (Loss)	<u>(246,517)</u>	<u>(503,866)</u>	<u>(750,383)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income - Unrestricted	820	-	820
Total Nonoperating Revenues (Expenses)	<u>820</u>	<u>-</u>	<u>820</u>
Income(Loss) before Contributions	(245,697)	(503,866)	(749,563)
Partner Contributions	-	-	-
Change in Net Position	(245,697)	(503,866)	(749,563)
Net Assets - Beginning Balance	<u>9,827,919</u>	<u>12,449,813</u>	<u>22,277,732</u>
Net Position - Ending Balance	<u>\$ 9,582,222</u>	<u>\$ 11,945,947</u>	<u>\$ 21,528,169</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, 2020

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	\$ 13,044,413	\$ 307,037	\$ 1,188,621	\$ 7,339,761
112	Cash - restricted - modernization and development	-	-	-	-
113	Cash - other restricted	-	221,396	70,485	547,488
114	Cash - tenant security deposits	79,288	9,603	-	23,508
115	Cash - restricted for payment of current liabilities	-	-	3,060	-
<b>100</b>	<b>Total Cash</b>	<b>13,123,701</b>	<b>538,036</b>	<b>1,262,166</b>	<b>7,910,757</b>
121	Accounts receivable - PHA projects	-	-	-	-
122	Accounts receivable - HUD other projects	10,931	-	-	-
124	Account receivable - other government	-	-	-	-
125	Account receivable - miscellaneous	2,327	388	60,177	232,697
126	Accounts receivable - tenants	5,694	711	-	13,150
126.1	Allowance for doubtful accounts - tenants	(3,790)	(711)	-	(219)
126.2	Allowance for doubtful accounts - other	-	-	-	-
127	Notes, loans, & mortgages receivable - current	-	-	-	-
128	Fraud recovery	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-
129	Accrued interest receivable	-	-	-	-
<b>120</b>	<b>Total receivables, net of allowance for doubtful accounts</b>	<b>15,162</b>	<b>388</b>	<b>60,177</b>	<b>245,628</b>
131	Investments - unrestricted	-	-	-	-
132	Investments - restricted	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-
142	Prepaid expenses and other assets	95,433	6,596	16,818	5,986
143	Inventories	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-
144	Inter program - due from	84,982	1,228	-	8,357
145	Assets held for sale	-	-	-	-
<b>150</b>	<b>Total Current Assets</b>	<b>13,319,278</b>	<b>546,248</b>	<b>1,339,161</b>	<b>8,170,728</b>
161	Land	29,131	80,000	-	2,204,675
162	Buildings	13,104,340	1,667,467	217,753	15,146,160
163	Furniture, equipment and machinery - dwellings	224,940	-	-	300,000
164	Furniture, equipment and machinery - administration	266,253	15,701	103,123	66,969
165	Leasehold improvements	-	-	-	-
166	Accumulated depreciation	(12,450,352)	(1,369,968)	(320,048)	(3,655,485)
167	Construction in progress	-	-	-	113,918
168	Infrastructure	-	-	-	-
<b>160</b>	<b>Total capital assets, net of accumulated depreciation</b>	<b>1,174,312</b>	<b>393,200</b>	<b>828</b>	<b>14,176,237</b>
171	Notes, loans and mortgages receivable - non-current	-	-	-	-
172	Notes, loans and mortgages receivable - non-current - past due	-	-	-	-
173	Grants receivable - non current	-	-	-	-
174	Other assets	-	-	-	-
176	Investments in joint ventures	-	-	-	-
<b>180</b>	<b>Total Non-current Assets</b>	<b>1,174,312</b>	<b>393,200</b>	<b>828</b>	<b>14,176,237</b>
200	Deferred Outflow of Resources	-	-	-	-
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>14,493,590</b>	<b>939,448</b>	<b>1,339,989</b>	<b>22,346,965</b>

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
\$ 1,156,929	\$ 615,010	\$ 167,976	\$ 380,387	\$ 24,200,134	\$ -	\$ 24,200,134
-	-	-	-	-	-	-
-	614,241	-	-	1,453,610	-	1,453,610
-	80,721	-	-	193,120	-	193,120
-	-	-	-	3,060	-	3,060
<b>1,156,929</b>	<b>1,309,972</b>	<b>167,976</b>	<b>380,387</b>	<b>25,849,924</b>	-	<b>25,849,924</b>
-	-	-	-	-	-	-
-	-	25,034	-	35,965	-	35,965
-	-	-	15,003	15,003	-	15,003
79,318	17,350	-	11,808	404,065	(59,981)	344,084
-	-	-	-	19,555	-	19,555
-	-	-	-	(4,720)	-	(4,720)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>79,318</b>	<b>17,350</b>	<b>25,034</b>	<b>26,811</b>	<b>469,868</b>	<b>(59,981)</b>	<b>409,887</b>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	497,086	-	8,250	630,169	-	630,169
-	-	-	-	-	-	-
-	-	-	76,272	170,839	(170,839)	-
-	-	-	-	-	-	-
<b>1,236,247</b>	<b>1,824,408</b>	<b>193,010</b>	<b>491,720</b>	<b>27,120,800</b>	<b>(230,820)</b>	<b>26,889,980</b>
1,015,840	-	-	557,162	3,886,808	-	3,886,808
105,959	32,424,757	-	12,228,403	74,894,839	-	74,894,839
-	-	-	-	524,940	-	524,940
-	1,735,395	-	918,740	3,106,181	-	3,106,181
-	-	-	-	-	-	-
(105,959)	(3,601,653)	-	(13,134,237)	(34,637,702)	-	(34,637,702)
-	-	-	13,660	127,578	-	127,578
-	-	-	-	-	-	-
<b>1,015,840</b>	<b>30,558,499</b>	-	<b>583,728</b>	<b>47,902,644</b>	-	<b>47,902,644</b>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,152,857	-	-	2,152,857	-	2,152,857
-	-	-	-	-	-	-
<b>1,015,840</b>	<b>32,711,356</b>	-	<b>583,728</b>	<b>50,055,501</b>	-	<b>50,055,501</b>
-	-	-	-	-	-	-
<b>2,252,087</b>	<b>34,535,764</b>	<b>193,010</b>	<b>1,075,448</b>	<b>77,176,301</b>	<b>(230,820)</b>	<b>76,945,481</b>

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

March 31, 2020

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	47,656	1,028	3,775	11,580
313	Accounts payable > 90 days past due	-	-	-	-
321	Accrued wage/payroll taxes payable	31,732	677	7,696	5,437
322	Accrued compensated absences - current portion	26,490	-	6,707	2,290
324	Accrued contingency liability	-	-	-	-
325	Accrued interest payable	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-
332	Accounts payable - PHA programs	-	-	-	-
333	Accounts payable - other government	353,428	-	-	36,397
341	Tenant security deposits	79,288	4,200	-	23,508
342	Unearned revenue	11,862	12,445	-	107,664
343	Current portion of long-term debt - capital projects/mortgage revenue	-	6,015	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-	-
345	Other current liabilities	5,186	-	3,060	-
346	Accrued liabilities - other	517	311	33,939	-
347	Inter program - due to	10,188	-	74,471	84,982
348	Loan liability - current	-	-	-	-
<b>310</b>	<b>Total Current Liabilities</b>	<b>566,347</b>	<b>24,676</b>	<b>129,648</b>	<b>271,858</b>
351	Long-term debt, net of current - capital projects/mortgage revenue	-	2,017	-	6,505,607
352	Long-term debt, net of current - operating borrowings	-	-	-	-
353	Non-current liabilities - other	-	-	8,978	1,078,042
354	Accrued compensated absences- Non-current	26,288	-	4,389	555
355	Loan liability - non current	-	-	-	-
356	FASB 5 liabilities	-	-	-	-
357	Accrued pension and OPEB liabilities	-	-	-	-
<b>350</b>	<b>Total Non-current liabilities</b>	<b>26,288</b>	<b>2,017</b>	<b>13,367</b>	<b>7,584,204</b>
<b>300</b>	<b>Total Liabilities</b>	<b>592,635</b>	<b>26,693</b>	<b>143,015</b>	<b>7,856,062</b>
400	Deferred Inflow of Resources	-	-	-	-
508.4	Net investment in capital assets	1,174,312	385,168	828	7,670,630
511.4	Restricted net position	-	221,396	61,507	547,488
512.4	Unrestricted net position	12,726,643	306,191	1,134,639	6,272,785
<b>513</b>	<b>Total Equity/Net Position</b>	<b>13,900,955</b>	<b>912,755</b>	<b>1,196,974</b>	<b>14,490,903</b>
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and Equity - Net</b>	<b>\$ 14,493,590</b>	<b>\$ 939,448</b>	<b>\$ 1,339,989</b>	<b>\$ 22,346,965</b>

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
-	-	-	-	-	-	-
-	42,238	-	40,352	146,629	-	146,629
-	-	-	-	-	-	-
-	-	-	41,131	86,673	-	86,673
-	-	-	27,505	62,992	-	62,992
-	-	-	-	-	-	-
-	41,783	-	-	41,783	-	41,783
-	-	23,484	-	23,484	-	23,484
-	-	-	-	-	-	-
-	-	-	-	389,825	-	389,825
-	79,838	-	-	186,834	-	186,834
13,333	-	-	-	145,304	(59,981)	85,323
-	-	-	-	6,015	-	6,015
-	-	-	-	-	-	-
-	-	-	-	8,246	-	8,246
-	46,300	114	12,194	93,375	-	93,375
-	-	-	1,198	170,839	(170,839)	-
-	-	-	-	-	-	-
<b>13,333</b>	<b>210,159</b>	<b>23,598</b>	<b>122,380</b>	<b>1,361,999</b>	<b>(230,820)</b>	<b>1,131,179</b>
-	10,997,639	-	-	17,505,263	-	17,505,263
-	-	-	-	-	-	-
904,453	1,799,797	-	-	3,791,270	-	3,791,270
-	-	-	35,837	67,069	-	67,069
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>904,453</b>	<b>12,797,436</b>	<b>-</b>	<b>35,837</b>	<b>21,363,602</b>	<b>-</b>	<b>21,363,602</b>
<b>917,786</b>	<b>13,007,595</b>	<b>23,598</b>	<b>158,217</b>	<b>22,725,601</b>	<b>(230,820)</b>	<b>22,494,781</b>
-	-	-	-	-	-	-
1,015,840	17,761,063	-	583,728	28,591,569	-	28,591,569
-	-	-	-	830,391	-	830,391
318,461	3,767,106	169,412	333,503	25,028,740	-	25,028,740
<b>1,334,301</b>	<b>21,528,169</b>	<b>169,412</b>	<b>917,231</b>	<b>54,450,700</b>	<b>-</b>	<b>54,450,700</b>
<b>\$ 2,252,087</b>	<b>\$ 34,535,764</b>	<b>\$ 193,010</b>	<b>\$ 1,075,448</b>	<b>\$ 77,176,301</b>	<b>\$ (230,820)</b>	<b>\$ 76,945,481</b>

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

Year Ended March 31, 2020

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	\$ 1,964,605	\$ -	\$ 111,761	\$ -
70400	Tenant revenue - other	(13,089)	-	1,371	-
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>1,951,516</b>	<b>-</b>	<b>113,132</b>	<b>-</b>
70600-010	Housing assistance payments	-	-	-	8,754,121
70600-020	Ongoing Administrative Fees Earned	-	-	-	923,881
70600	HUD PHA operating grants	2,413,256	990,269	-	-
70610	Capital Grants	-	-	-	-
70710	Management Fee	-	-	-	-
70720	Asset Management Fee	-	-	-	-
70730	Book-Keeping Fee	-	-	-	-
70740	Front Line Service Fee	-	-	-	-
70800	Other government grants	-	-	93,776	-
71100	Investment income - unrestricted	141,495	-	5,735	16,416
71400	Fraud Recovery	7,864	-	-	14,420
71500	Other revenue	11,989	-	31	40,896
71600	Gain on Sale of Capital Assets	-	-	-	-
72000	Investment income - restricted	-	-	-	916
<b>70000</b>	<b>Total Revenue</b>	<b>4,526,120</b>	<b>990,269</b>	<b>212,674</b>	<b>9,750,650</b>
91100	Administrative salaries	360,904	-	12,897	256,408
91200	Auditing fees	27,582	-	2,463	47,701
91300	Management Fee	463,109	135,471	25,056	182,786
91310	Book-Keeping Fee	65,784	-	5,000	136,763
91400	Advertising and Marketing	6,090	-	649	4,961
91500	Employee benefit contributions - administrative	144,321	-	4,742	112,984
91600	Office Expenses	159,988	143,971	15,735	118,898
91700	Legal Expense	51,446	-	-	35,893
91800	Travel	9,864	-	2,121	26,180
91900	Other	1,695	1,516	-	-
<b>91000</b>	<b>Total Administrative</b>	<b>1,290,783</b>	<b>280,958</b>	<b>68,663</b>	<b>922,574</b>
92000	Asset Management Fee	91,680	-	-	-
92100	Tenant services - salaries	102,712	-	-	-
92200	Relocation Costs	-	30,195	-	-
92300	Employee benefit contributions - tenant services	23,357	-	-	-
92400	Tenant services - other	1,100	-	-	-
<b>92500</b>	<b>Total Tenant Services</b>	<b>127,169</b>	<b>30,195</b>	<b>-</b>	<b>-</b>
93100	Water	36,051	-	3,054	339
93200	Electricity	118,359	-	2,859	5,995
93300	Gas	12,241	-	442	-
93400	Fuel	-	-	-	-
93600	Sewer	25,962	-	994	194
93800	Other Utilities Expense	20,779	-	899	406
<b>93000</b>	<b>Total Utilities</b>	<b>213,392</b>	<b>-</b>	<b>8,248</b>	<b>6,934</b>
94100	Ordinary maintenance and operations - labor	560,979	336,238	22,548	-
94200	Ordinary maintenance and operations - materials and other	368,344	122,684	29,808	2,647
94300-010	Ordinary Maint. and Operations Contracts - Garbage and Trash Removal Contracts	6,349	-	-	-
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	21,150	-	4,385	494
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	15,666	-	-	2,184
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	10,251	7,799	2,088	-
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	-	-	-	-
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	18,014	-	1,099	-
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	14,849	-	134	-
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	49,610	-	1,070	250
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	-	-	-	-
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	27,930	799	1,234	44,427
94300-120	Ordinary Maintenance and Operations Contracts - Misc. Contracts	114,603	118,526	4,670	2,501
94300	Ordinary Maintenance and Operations Contracts	<b>278,422</b>	<b>127,124</b>	<b>14,680</b>	<b>49,856</b>
94500	Employee benefit contribution - ordinary maintenance	215,269	80,379	11,634	-
<b>94000</b>	<b>Total Maintenance</b>	<b>1,423,014</b>	<b>666,425</b>	<b>78,670</b>	<b>52,503</b>

	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
\$ 944,355	\$ -	\$ 2,289,348	\$ -	\$ -	\$ 5,310,069	\$ -	\$ 5,310,069
35,117	-	27,262	-	-	50,661	-	50,661
<b>979,472</b>	<b>-</b>	<b>2,316,610</b>	<b>-</b>	<b>-</b>	<b>5,360,730</b>	<b>-</b>	<b>5,360,730</b>

-	-	-	34,147	-	8,788,268	-	8,788,268
-	-	-	-	-	923,881	-	923,881
-	-	-	-	-	3,403,525	-	3,403,525
-	-	-	-	-	-	-	-
-	-	-	-	911,909	911,909	(911,909)	-
-	-	-	-	91,680	91,680	(91,680)	-
-	-	-	-	207,966	207,966	(207,966)	-
-	-	-	-	-	-	-	-
130,927	-	-	-	-	224,703	-	224,703
64,646	13,106	820	1,771	6,328	250,317	-	250,317
1,037	-	-	-	-	23,321	-	23,321
164,036	13,332	-	-	23,505	253,789	-	253,789
(20,004)	-	-	-	-	(20,004)	-	(20,004)
-	-	-	-	-	916	-	916
<b>1,320,114</b>	<b>26,438</b>	<b>2,317,430</b>	<b>35,918</b>	<b>1,241,388</b>	<b>20,421,001</b>	<b>(1,211,555)</b>	<b>19,209,446</b>

60,475	6,986	-	786	726,869	1,425,325	-	1,425,325
5,897	-	-	145	13,397	97,185	-	97,185
104,930	-	-	557	-	911,909	(911,909)	-
-	-	-	419	-	207,966	(207,966)	-
33,326	-	-	15	1,498	46,539	-	46,539
28,654	-	-	339	232,814	523,854	-	523,854
150,274	64,379	291,954	384	147,173	1,092,756	-	1,092,756
15,519	909	-	107	82,965	186,839	-	186,839
28,269	3,826	-	73	9,915	80,248	-	80,248
-	-	145,379	-	-	148,590	-	148,590
<b>427,344</b>	<b>76,100</b>	<b>437,333</b>	<b>2,825</b>	<b>1,214,631</b>	<b>4,721,211</b>	<b>(1,119,875)</b>	<b>3,601,336</b>

-	-	-	-	-	91,680	(91,680)	-
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28,410	-	-	-	-	131,122	-	131,122
8,661	-	-	-	-	38,856	-	38,856
4,290	-	-	-	-	27,647	-	27,647
13,538	-	-	-	-	14,638	-	14,638
<b>54,899</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>212,263</b>	<b>-</b>	<b>212,263</b>

26,993	-	-	1	141	66,579	-	66,579
11,492	-	-	18	11,210	149,933	-	149,933
2,441	-	-	-	563	15,687	-	15,687
4,506	-	-	-	-	4,506	-	4,506
340	-	-	1	194	27,685	-	27,685
11,078	-	226,887	1	407	260,457	-	260,457
<b>56,850</b>	<b>-</b>	<b>226,887</b>	<b>21</b>	<b>12,515</b>	<b>524,847</b>	<b>-</b>	<b>524,847</b>

52,385	-	-	-	-	972,150	-	972,150
167,039	-	385,469	8	5,647	1,081,646	-	1,081,646
8,585	-	-	-	(75)	14,859	-	14,859
140	-	-	2	2,236	28,407	-	28,407
-	-	-	6	2,319	20,175	-	20,175
22,343	-	-	-	-	42,481	-	42,481
8,823	-	-	-	-	8,823	-	8,823
1,480	-	-	-	-	20,593	-	20,593
2,432	-	-	-	-	17,415	-	17,415
7,700	-	-	-	250	58,880	-	58,880
198	-	-	-	-	198	-	198
3,812	-	-	139	2,037	80,378	-	80,378
61,644	-	-	8	20,488	322,440	-	322,440
<b>117,157</b>	<b>-</b>	<b>-</b>	<b>155</b>	<b>27,255</b>	<b>614,649</b>	<b>-</b>	<b>614,649</b>
48,076	-	-	-	-	355,358	-	355,358
<b>384,657</b>	<b>-</b>	<b>385,469</b>	<b>163</b>	<b>32,902</b>	<b>3,023,803</b>	<b>-</b>	<b>3,023,803</b>

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

Year Ended March 31, 2020

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	17,704	-	-	-
95200	Protective services - other contract costs	124,025	-	3,259	-
95300	Protective Services - Other	-	-	-	-
95500	Employee Benefit Contributions - Protective Services	8,464	-	-	-
<b>95000</b>	<b>Total Protective Services</b>	<b>150,193</b>	<b>-</b>	<b>3,259</b>	<b>-</b>
96110	Property Insurance	122,130	-	7,455	609
96120	Liability Insurance	50,213	-	3,209	12,117
96130	Workmen's Compensation	26,129	9,284	1,380	1,505
96140	All Other Insurance	-	3,407	-	-
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>198,472</b>	<b>12,691</b>	<b>12,044</b>	<b>14,231</b>
96200	Other General Expenses	-	-	-	-
96210	Compensated absences	129,910	-	7,433	33,852
96300	Payment In Lieu of Taxes (Real estate taxes)	174,205	-	-	-
96400	Bad debt - tenant rents	14,051	-	3,509	-
96600	Bad debt - other	-	-	-	-
<b>96000</b>	<b>Total Other General Expenses</b>	<b>318,166</b>	<b>-</b>	<b>10,942</b>	<b>33,852</b>
96710	Interest on Mortgage (or Bonds) Payable	-	-	-	-
96720	Interest on Notes Payable	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-
<b>96700</b>	<b>Total Interest Expense and Amortization Cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>3,812,869</b>	<b>990,269</b>	<b>181,826</b>	<b>1,030,094</b>
<b>97000</b>	<b>Excess Revenue Over Operating Expenses</b>	<b>713,251</b>	<b>-</b>	<b>30,848</b>	<b>8,720,556</b>
97100	Extraordinary maintenance	-	-	-	-
97300-050	All Other	-	-	-	-
97300	Housing assistance payments	-	-	-	8,829,866
97350	HAP Portability-In	-	-	-	-
97400	Depreciation expense	237,997	-	41,393	829
<b>90000</b>	<b>Total Expenses</b>	<b>4,050,866</b>	<b>990,269</b>	<b>223,219</b>	<b>9,860,789</b>
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))	-	-	-	-
<b>10100</b>	<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10000</b>	<b>Excess (Deficiency) of Revenue Over (Under) Expenses</b>	<b>475,254</b>	<b>-</b>	<b>(10,545)</b>	<b>(110,139)</b>
<b>11020</b>	<b>Required Annual Debt Principal Payments</b>	<b>-</b>	<b>-</b>	<b>5,299</b>	<b>-</b>
<b>11030</b>	<b>Beginning equity</b>	<b>13,442,659</b>	<b>-</b>	<b>926,831</b>	<b>1,209,061</b>
11040-010	Prior Period Adjustment	(43,036)	-	(3,531)	98,052
11040-070	Equity Transfer	26,078	-	-	-
<b>11040</b>	<b>Prior period adjustments, equity transfers, and correction of errors</b>	<b>(16,958)</b>	<b>-</b>	<b>(3,531)</b>	<b>98,052</b>

	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
6,002	-		-	-	23,706	-	23,706
95,323	-	-	-	1,132	223,739	-	223,739
-	-		-	-	-	-	-
2,008	-		-	-	10,472	-	10,472
<b>103,333</b>	-	-	-	<b>1,132</b>	<b>257,917</b>	-	<b>257,917</b>
7,292	-	128,807	2	611	266,906	-	266,906
49,976	-	-	37	4,054	119,606	-	119,606
294	-	-	4	3,981	42,577	-	42,577
-	-	-	-	-	3,407	-	3,407
<b>57,562</b>	-	<b>128,807</b>	<b>43</b>	<b>8,646</b>	<b>432,496</b>	-	<b>432,496</b>
49,015		24,394	-	-	73,409	-	73,409
-	-	-	107	78,464	249,766	-	249,766
-	-	-	-	-	174,205	-	174,205
2,149	-	-	-	-	19,709	-	19,709
-	-	-	-	-	-	-	-
<b>51,164</b>	-	<b>24,394</b>	<b>107</b>	<b>78,464</b>	<b>517,089</b>	-	<b>517,089</b>
-	-	-	-	-	-	-	-
-	-	719,316	-	-	719,316	-	719,316
-	-	-	-	-	-	-	-
-	-	<b>719,316</b>	-	-	<b>719,316</b>	-	<b>719,316</b>
<b>1,135,809</b>	<b>76,100</b>	<b>1,922,206</b>	<b>3,159</b>	<b>1,348,290</b>	<b>10,500,622</b>	<b>(1,211,555)</b>	<b>9,289,067</b>
<b>184,305</b>	<b>(49,662)</b>	<b>395,224</b>	<b>32,759</b>	<b>(106,902)</b>	<b>9,920,379</b>	-	<b>9,920,379</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	28,710	-	8,858,576	-	8,858,576
-	-	-	-	-	-	-	-
349,294	2,989	1,144,787	-	4,908	1,782,197	-	1,782,197
<b>1,485,103</b>	<b>79,089</b>	<b>3,066,993</b>	<b>31,869</b>	<b>1,353,198</b>	<b>21,141,395</b>	<b>(1,211,555)</b>	<b>19,929,840</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<b>(164,989)</b>	<b>(52,651)</b>	<b>(749,563)</b>	<b>4,049</b>	<b>(111,810)</b>	<b>(720,394)</b>	-	<b>(720,394)</b>
-	-	<b>9,123,730</b>	-	-	<b>9,129,029</b>	-	<b>9,129,029</b>
<b>14,685,563</b>	<b>1,386,952</b>	<b>22,277,732</b>	<b>197,960</b>	<b>1,034,013</b>	<b>55,160,771</b>	-	<b>55,160,771</b>
(3,593)	-	-	(32,597)	(4,972)	10,323	-	10,323
(26,078)	-	-	-	-	-	-	-
<b>(29,671)</b>	-	-	<b>(32,597)</b>	<b>(4,972)</b>	<b>10,323</b>	-	<b>10,323</b>

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

HUD FINANCIAL DATA SCHEDULE

Year Ended March 31, 2020

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	-	-	-	1,104,783
11170-010	Administrative Fee Revenue	-	-	-	923,881
11170-020	Hard to House Fee Revenue	-	-	-	-
11170-030	Audit Costs	-	-	-	-
11170-040	Investment Income	-	-	-	11,260
11170-045	Fraud Recovery Revenue	-	-	-	7,541
11170-050	Other Revenue	-	-	-	118,925
11170-060	Total Admin Fee Revenues	-	-	-	1,061,607
11170-080	Total Operating Expenses	-	-	-	1,030,094
11170-090	Depreciation	-	-	-	829
11170-095	Housing Assistance Portability In	-	-	-	-
11170-100	Other Expenses	-	-	-	-
11170-110	Total Expenses	-	-	-	1,030,923
11170-002	Net Administrative Fee	-	-	-	30,684
11170-003	Administrative Fee Equity- Ending Balance	-	-	-	1,135,467
11180-001	Housing Assistance Payments Equity - Beginning Balance	-	-	-	104,278
11180-010	Housing Assistance Payment Revenues	-	-	-	8,754,121
11180-015	Fraud Recovery Revenue	-	-	-	6,879
11180-020	Other Revenue	-	-	-	20,023
11180-025	Investment Income	-	-	-	6,072
11180-030	Total HAP Revenues	-	-	-	8,787,095
11180-080	Housing Assistance Payments	-	-	-	8,829,866
11180-090	Other Expenses	-	-	-	-
11180-100	Total Housing Assistance Payments Expenses	-	-	-	8,829,866
11180-002	Net Housing Assistance Payments	-	-	-	(42,771)
11180-003	Housing Assistance Payments Equity-Ending Balance	-	-	-	61,507
	<b>Ending equity</b>	<b>13,900,955</b>	<b>-</b>	<b>912,755</b>	<b>1,196,974</b>
11190	Unit Months Available	9,156	-	576	19,440
11210	Number of Unit Months Leased	8,782	-	544	18,295
11270	Excess Cash	12,339,762	-	-	-
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	-	-	-
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
-	-	-	-	-	1,104,783	-	1,104,783
-	-	-	-	-	923,881	-	923,881
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	11,260	-	11,260
-	-	-	-	-	7,541	-	7,541
-	-	-	-	-	118,925	-	118,925
-	-	-	-	-	1,061,607	-	1,061,607
-	-	-	-	-	1,030,094	-	1,030,094
-	-	-	-	-	829	-	829
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,030,923	-	1,030,923
-	-	-	-	-	30,684	-	30,684
-	-	-	-	-	1,135,467	-	1,135,467
-	-	-	-	-	104,278	-	104,278
-	-	-	-	-	8,754,121	-	8,754,121
-	-	-	-	-	6,879	-	6,879
-	-	-	-	-	20,023	-	20,023
-	-	-	-	-	6,072	-	6,072
-	-	-	-	-	8,787,095	-	8,787,095
-	-	-	-	-	8,829,866	-	8,829,866
-	-	-	-	-	-	-	-
-	-	-	-	-	8,829,866	-	8,829,866
-	-	-	-	-	(42,771)	-	(42,771)
-	-	-	-	-	61,507	-	61,507
<b>14,490,903</b>	<b>1,334,301</b>	<b>21,528,169</b>	<b>169,412</b>	<b>917,231</b>	<b>54,450,700</b>	<b>-</b>	<b>54,450,700</b>
1,770	-	3,648	108	-	34,698	-	34,698
1,636	-	3,438	50	-	32,745	-	32,745
-	-	-	-	-	12,339,762	-	12,339,762
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

Statement of Capital Fund Program Costs - Incomplete

March 31, 2020

	<u>501-15</u>	<u>501-16</u>	<u>501-17</u>	<u>501-18</u>	<u>501-19</u>
Funds Approved	\$ 1,290,584	\$ 1,337,114	\$ 1,380,645	\$ 1,691,481	\$ 1,696,733
Funds Expended	<u>1,184,911</u>	<u>913,379</u>	<u>488,361</u>	<u>333,688</u>	<u>-</u>
Excess of Funds Approved	<u>\$ 105,673</u>	<u>\$ 423,735</u>	<u>\$ 892,284</u>	<u>\$ 1,357,793</u>	<u>\$ 1,696,733</u>
Funds Advanced	\$ 1,184,911	\$ 913,379	\$ 488,361	\$ 333,688	\$ -
Funds Expended	<u>1,184,911</u>	<u>916,722</u>	<u>495,511</u>	<u>334,127</u>	<u>-</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -</u>	<u>\$ (3,343)</u>	<u>\$ (7,149.64)</u>	<u>\$ (438.49)</u>	<u>\$ -</u>

**SINGLE AUDIT SECTION**

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners 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 Authority and the aggregate discretely presented component units of the Housing Authority of the City Laredo, Texas (Authority), as of and for the year ended March 31, 2020, 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 30, 2020.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies.

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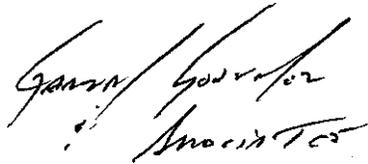
## **Compliance and Other Matters**

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 30, 2020.

## **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.



James Governor  
Auditor

December 30, 2020

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2020. 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, 2020.

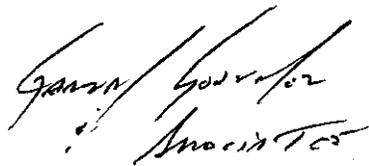
**Report on Internal Control Over Compliance**

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.



A handwritten signature in black ink, appearing to read "Auditor General".

December 30, 2020

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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, 2020

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	\$ 2,413,256
Lower Income HAP - Section 8 Moderate Rehabilitation	14.856	FW - 4085	34,147
Section 8 Housing Choice Vouchers	14.871	FW - 4085	9,678,002
Public Housing Capital Fund	14.872	FW - 547	990,269
Passed Through from City of Laredo			
Community Development Block Grant	14.218	14. unknown	<u>130,927</u>
Total United States Department of Housing & Urban Development			<u>13,246,601</u>
United States Department of Agriculture			
Direct program:			
Rural Rental Assistance Payments	10.427	51040746001577	<u>107,107</u>
Total United States Department of Housing & Urban Development			<u>107,107</u>
Total Expenditures of Federal Awards			<u><u>\$ 13,353,708</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, 2020

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 \$93,776 plus the outstanding balance of the loan as of the beginning of the fiscal year due to USDA in the amount of \$13,331.
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	\$ 13,353,708
Federal assistance as reported in basic financial statements	
HUD operating grants and housing assistance payments	13,115,674
Other government grants	224,703
Capital Grants	-
Rural Rental Assistance Payments – beginning debt balance	13,331
Total grant revenues as reported in basic financial statements	\$ 13,353,708

HOUSING AUTHORITY OF THE CITY OF LAREDO  
LAREDO, TEXAS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2020

**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 reviewed 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.

**2020 Status:** Based on corrective action taken by the Authority, 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, 2020

**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.

**2020 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 \$625,000.

HOUSING AUTHORITY OF THE CITY OF LAREDO  
Laredo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2020

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

<b><i>Financial Statements</i></b>			
	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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
	Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

<b><i>Federal Awards</i></b>			
	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

<b><i>Identification of Major Programs</i></b>			
	<b>CFDA Numbers(s)</b>	<b>Name of Federal Program or Cluster</b>	
	14.871	Section 8 Housing Choice Vouchers	
	14.872	Public Housing Capital Fund	
	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, 2020

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no current year findings to report.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no current year findings to report.