

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

FOR THE YEAR ENDED MARCH 31, 2015

LEAL & CARTER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SAN ANTONIO, TEXAS

**HOUSING AUTHORITY OF THE CITY OF LAREDO
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FOR THE YEAR ENDED MARCH 31, 2015

**HOUSING AUTHORITY OF THE CITY OF LAREDO, TEXAS
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Laredo, Texas (PHA), as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the PHA'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 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.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type and the aggregate discretely presented component units of the PHA, as of March 31, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 12 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the PHA's basic financial statements. The HUD Financial Data Schedule and Statements of Capital Fund Programs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The HUD Financial Data Schedule, the Statements of Capital Fund Program Cost and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the HUD Financial Data Schedule, the Statements of Capital Fund Program Costs and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the PHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PHA's internal control over financial reporting and compliance.

Seal & Carter, P.C.

San Antonio, Texas
December 30, 2015, except as to Note T,
which is as of February 26, 2016

HOUSING AUTHORITY OF THE CITY OF LAREDO
Management Discussion and Analysis
Fiscal Year Ending March 31, 2015 and 2014



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 of the Authority for the year ended **March 31, 2015**. 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.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of Laredo.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Management Discussion and Analysis
Fiscal Year Ending March 31, 2015 and 2014

Financial Highlights –LHA and Blended Component units

The assets of LHA exceeded its liabilities as of **March 31, 2015** by **\$30,209,528** (net position) representing an increase of **\$1,701,869** from **March 31, 2014**.

- The Total Current Assets of LHA as of **March 31, 2015** was **\$24,434,266** representing an increase of **\$1,642,055** from **March 31, 2014**.
- The Total Assets of LHA as of **March 31, 2015** was **\$32,166,115** representing an increase of **\$2,076,660** from **March 31, 2014**.
- LHA had **\$2,830,867** in Tenant Revenue representing an increase of **\$55,397** from **last Fiscal Year ending March 31, 2014** and **\$11,430,221** of HUD Operating and Capital Grants for the year ended **March 31, 2015**, representing a decrease from **March 31, 2014** of **\$670,767**.

Overview of the Financial Statements

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

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

Our analysis of LHA as a whole begins on the next page. The most important question asked about the finances of LHA is “is LHA as a whole 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 **2015**.

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

HOUSING AUTHORITY OF THE CITY OF LAREDO

Management Discussion and Analysis

Fiscal Year Ending March 31, 2015 and 2014

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.

Low Rent Public Housing

LHA owns 962 Public Housing units in Laredo and 32 Public Housing units in Asherton, Texas. LHA is responsible for the management, and maintenance of all units and sites. On an annual basis, LHA submits a request for funding known as the Calculation of Operating Fund Subsidy to the Department of HUD. The basic concept of the Calculation of subsidy is that the Housing Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expense and the amount of rent that the Housing Authority can charge the tenants. During the past Fiscal Year LHA maintained an average occupancy of **99.74%**.

Housing Choice Vouchers

This year the Housing Choice Voucher (HCV) Program has offered participants more affordable housing options than ever before. Currently, there are **1,383** individuals and families participating in the program in Laredo, Asherton and Zapata, Texas. Of the 1,383 families, 15 are Veteran Affairs Supportive Housing (VASH) units for veteran individuals or 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.

HOUSING AUTHORITY OF THE CITY OF LAREDO
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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 2014-2015. Efforts include replacement of roofs and ceilings, porch and sidewalks, interior and exterior painting, landscaping, bathroom renovations; replacement of shower stalls, and replacement of windows, replacement of incandescent lighting, replacement of entry and metal screen doors, replaced door jambs, replaced kitchen cabinets, VCT floor replacement, replacement of tank-less water heaters and regular water heaters, appliances, and asphalt parking lot resurfacing.

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

Family Self-Sufficiency Program

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

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

HOUSING AUTHORITY OF THE CITY OF LAREDO
Management Discussion and Analysis
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board members as those of the primary government are deemed so intertwined that they are in substance a part of the primary government. As a consequence, these component unit's balances and transactions are reported in a manner similar to those of the primary government's. This type of reporting is known as "blended" reporting under GASB 14 and 39. All of the Housing Authority's component units qualify for the Blending method of reporting. A listing of these component units follows:

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

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

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

HOUSING AUTHORITY OF THE CITY OF LAREDO

Management Discussion and Analysis

Fiscal Year Ending March 31, 2015 and 2014

Analysis of Entity Wide Net Position (Statement of Net Position)

Cash and Investments (unrestricted) had an increase of \$2,005,135.

Other Current Assets decreased by \$363,080 compared to the prior year due to a net decrease in receivables.

Non-Current Assets increased by \$434,605 principally because of an increase in Capital Assets.

Total Assets for FYE 3/31/2014 was \$30,089,455 and at FYE 3/31/2015 the amount was \$32,166,115 this represents a net increase of \$2,076,660..

Total liabilities increased by \$374,791 due to retainage payable owed to subcontractor under the blended compon

The following table illustrates our analysis:

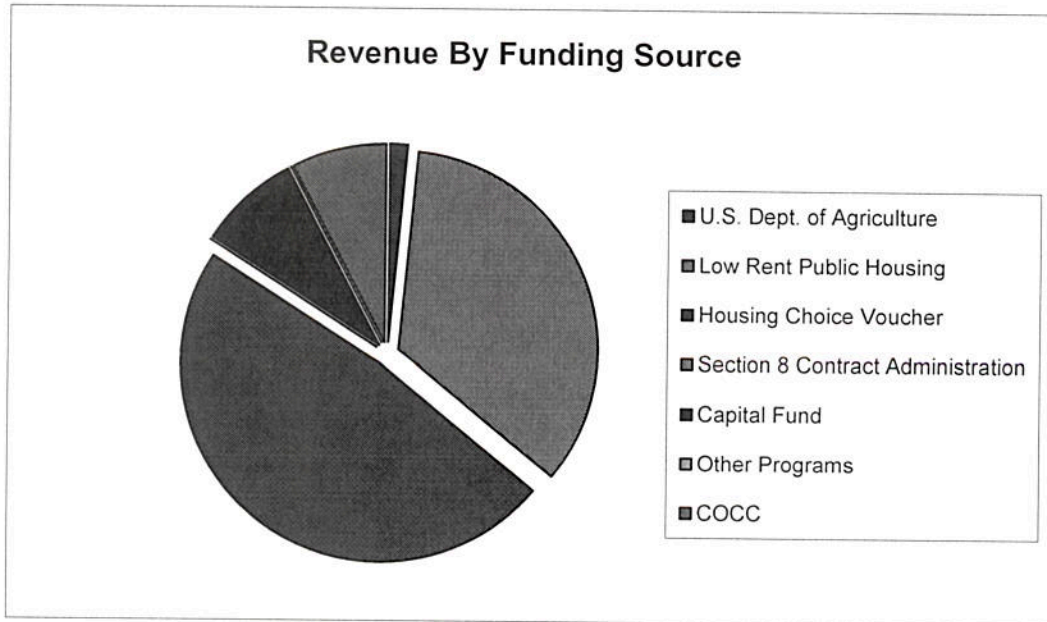
	3/31/2015	3/31/2014	Variance	%Change
Cash and Investments	23,568,014	21,562,879	2,005,135	9.30%
Other Current Assets	866,252	1,229,332	-363,080	-29.53%
Total Current Assets	24,434,266	22,792,211	1,642,055	7.20%
Restricted Assets	313,638	696,534	-382,896	-54.97%
Capital Assets	7,418,211	6,600,710	817,501	12.39%
Other Non-Current Assets	0	0	0	0.00%
Total Non-Current Assets	7,731,849	7,297,244	434,605	5.96%
Total Assets:	32,166,115	30,089,455	2,076,660	6.90%
Current Liabilities	1,748,349	1,472,971	275,378	18.70%
Non-Current Liabilities	208,238	108,825	99,413	91.35%
Total Liabilities:	1,956,587	1,581,796	374,791	23.69%
Invested in Capital Assets, Net of Debt	7,373,836.00	6,557,824.00	816,012.00	12.44%
Unrestricted	22,599,139.00	21,282,532.00	1,316,607.00	6.19%
Restricted	236,553.00	667,303.00	-430,750.00	-64.55%
Total Net Assets	30,209,528.00	28,507,659.00	1,701,869.00	-45.92%

HOUSING AUTHORITY OF THE CITY OF LAREDO
Management Discussion and Analysis
Fiscal Year Ending March 31, 2015 and 2014

Analysis of Entity Wide Revenues (Statement of Activities)

The Laredo Housing Authority administers the following programs and the revenues generated from These programs during FYE 03/31/15 were as follows:

U.S. Dept. of Agriculture	230,677.00
Low Rent Public Housing	5,411,534.00
Housing Choice Voucher	7,567,681.00
Section 8 Contract Administration	166.00
Capital Fund	1,286,914.00
Other Programs	-
COCC	1,211,999.00
	15,708,971.00
Other Programs:	
Section 8 Mod Rehab	49,579.00
Component Units	373,299.00
Local	39,089.00
	461,967.00
Total Revenues:	16,170,938.00



In FYE 03/31/14 and FYE 03/31/15 total revenues were \$16,704,633 and \$16,170,938 respectively. Comparatively, FYE 2015 revenues decreased from FYE 2014 revenues by \$533,695.

HOUSING AUTHORITY OF THE CITY OF LAREDO
Management Discussion and Analysis
Fiscal Year Ending March 31, 2015 and 2014

Capital Assets and Long Term Debt Activity

The Authority capitalizes as assets the following costs: (1) site acquisition and improvement, (2) structures, (3) equipment. Development and modernization and land, structures, and equipment costs incurred during the year ended March 31, 2015 are as follows:

	Beginning Balance	Additions/ Adjustments	Deletions	Ending Balances
Government Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,699,137.00	\$ 1,161,034.00	\$ -	\$ 3,860,171.00
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total assets not being depreciated	<u>\$ 2,699,137.00</u>	<u>\$ 1,161,034.00</u>	<u>\$ -</u>	<u>\$ 3,860,171.00</u>
Capital Assets, being depreciated:				
Buildings	\$ 30,532,051.00	\$ 52,644.00	\$ -	\$ 30,584,695.00
Improvements other than Buildings	\$ 140,619.00	\$ -	\$ -	\$ 140,619.00
Equipment	\$ 2,342,103.00	\$ 179,362.00	\$ -	\$ 2,521,465.00
Total assets being depreciated	<u>\$ 33,014,773.00</u>	<u>\$ 232,006.00</u>	<u>\$ -</u>	<u>\$ 33,246,779.00</u>
Less accumulated depreciation:	\$ (29,113,200.00)	\$ 627,661.00	\$ -	\$ (28,485,539.00)
Total capital assets being depreciated, net	<u>\$ 3,901,573.00</u>	<u>\$ 859,667.00</u>	<u>\$ -</u>	<u>\$ 4,761,240.00</u>
Government activities capital assets, net	<u><u>\$ 6,600,710.00</u></u>	<u><u>\$ 2,020,701.00</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,621,411.00</u></u>

On July 15, 1988, the LHA 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 LHA from the U.S. Department of Agriculture.

The following is the debt service requirements of this note with a balance of \$37,221.02 as of March 31, 2015:

Year Ending March 31	Principal	Interest	Total
2015	\$ 5,665.00	\$ 403.00	\$ 6,068.00
2016	\$ 5,722.00	\$ 346.00	\$ 6,068.00
2017	\$ 5,779.00	\$ 289.00	\$ 6,068.00
2018	\$ 5,837.00	\$ 231.00	\$ 6,068.00
2019	\$ 5,896.00	\$ 172.00	\$ 6,068.00
2020	\$ 5,955.00	\$ 113.00	\$ 6,068.00
After 2021	\$ 8,032.00	\$ 56.58	\$ 8,088.58
Total	<u>\$42,886.00</u>	<u>\$ 1,610.58</u>	<u>\$ 44,496.58</u>

HOUSING AUTHORITY OF THE CITY OF LAREDO
Management Discussion and Analysis
Fiscal Year Ending March 31, 2015 and 2014

Analysis of Changes in Revenue and Expenses

Total Expenses increased by 1.65% in FYE 2015 as compared to FYE 2014.
 Total Revenue decreased by 2.20% as compared to FYE 2014.

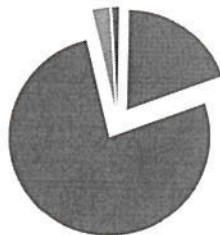
The following table illustrates the changes in the Revenue and Expenses:

	3/31/2015	3/31/2014	Variance	%Change
Operating Revenue				
Tenant Rental Revenue	2,830,867.00	2,775,470.00	55,397.00	2.00%
HUD PHA Operating Grants	11,289,268.00	11,754,561.00	-465,293.00	-3.96%
Non HUD Grants	416,136.00	374,408.00	41,728.00	11.15%
Other Revenue	165,764.00	127,912.00	37,852.00	29.59%
Total Operating Revenue	14,702,035.00	15,032,351.00	-330,316.00	-2.20%
Operating Expenses				
Administrative	1,879,671.00	1,744,436.00	135,235.00	7.75%
Tenant Services	182,451.00	151,423.00	31,028.00	20.49%
Utilities	238,037.00	230,783.00	7,254.00	3.14%
Maintenance	2,240,009.00	2,100,761.00	139,248.00	6.63%
Housing Assistance Payments	7,338,464.00	7,121,437.00	217,027.00	3.05%
General Expenses	683,956.00	975,019.00	-291,063.00	-29.85%
Depreciation	627,661.00	657,202.00	-29,541.00	-4.49%
Bad Debts	12,949.00	14,954.00	-2,005.00	-13.41%
Protective Services	139,188.00	154,751.00	-15,563.00	-10.06%
Total Operating Expenses	13,342,386.00	13,150,766.00	191,620.00	1.46%
Operating Income (loss)	1,359,649.00	1,881,585.00		

The diagram illustrates the Operating Revenue and Operating Expenses for the Housing Authority of the City of Laredo FYE 03/31/15.

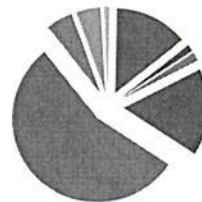
Non-Operating Revenues(Expenses)				
Investment Income Unrestricted	165,781.00	179,913.00	-14,132.00	-7.85%
Investment Income Restricted	1,733.00	0.00	1,733.00	100.00%
Mortgage Interest Expense	-403.00	-459.00	56.00	-12.20%
Other Income	-4,638.00	2,641.00	-7,279.00	-275.62%
Extraordinary Maintenance	-25,009.00	0.00	-25,009.00	100.00%
Total Non-Operating Revenue (Expenses)	137,464.00	182,095.00		
Income before other revenues, expenses,gains,losses, and transfers	1,497,113.00	2,063,680.00		
Capital Contributions				
HUD Capital Grants	140,953.00	346,427.00		
Increase (Decrease) in Net Assets	1,638,066.00	2,410,107.00		

Operating Revenue



■ Tenant Rental Revenue
■ HUD PHA Operating Grants
■ Non HUD Grants
■ Other Revenue

Operating Expenses



■ Administrative
■ Tenant Services
■ Utilities
■ Maintenance
■ Housing Assistance Payments
■ General Expenses
■ Depreciation
■ Bad Debts
■ Protective Services

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED MARCH 31, 2015

	Housing Authority and blended component units	Discretely Presented Component Unit
ASSETS:		
Current Assets:		
Cash - Unrestricted	\$ 23,486,798	\$ -
Cash - Tenant Security Deposits	110,069	-
Accounts Receivable - PHA Projects	4	-
Accounts Receivable - HUD Other Projects	-	-
Accounts Receivable - Other Government	21,704	-
Accounts Receivable - Miscellaneous	480,419	-
Account Receivable - Tenants, net of Allowance for Doubtful Accounts of \$ 3,810	12,246	-
Prepaid Expenses and Other Assets	101,879	69,787
Notes Receivable - LHA River Bank Village, Ltd.	250,000	-
Total Current Assets	24,463,119	69,787
Restricted Assets:		
Cash - Other Restricted	236,553	256
Cash - Restricted for Payment of Current Liabilities	48,232	-
Total Restricted Assets	284,785	256
Noncurrent Assets:		
Capital Assets:		
Land and Leasehold Improvements	4,000,790	-
Buildings and Equipment	33,106,160	-
Less Accumulated Depreciation	(29,696,239)	-
Construction in Progress	-	5,725,564
Total Capital Assets, net of Accumulated Depreciation	7,410,711	5,725,564
Other Assets	7,500	1,464,088
Total Noncurrent Assets	7,418,211	7,189,652
TOTAL ASSETS	32,166,115	7,259,695
LIABILITIES AND NET POSITION:		
Current Liabilities		
Accounts Payable - Vendors	53,369	-
Accounts Payable - Other Government	2,303	-
Accrued Wages/Payroll Taxes Payable	104,262	-
Accrued Compensated Absences - current portion	66,152	-
Accrued Interest Payable	346	-
Tenant Security Deposits	110,070	-
Unearned Revenue	993,875	-
Current portion of Long-term Debt - Capital Projects	5,722	5,324,484
Other Current Liabilities	489,680	-
Accrued Liabilities - Other	21,745	-
Total Current Liabilities	1,847,524	5,324,484
Noncurrent Liabilities		
Long-term Debt, Net of Current - Capital Projects	31,153	300,000
Accrued Compensated Absences - noncurrent	77,910	-
Total Noncurrent Liabilities	109,063	300,000
TOTAL LIABILITIES	1,956,587	5,624,484
Net Position		
Investment in capital assets, net of related debt	7,373,836	101,080
Restricted Net Position	236,553	-
Unrestricted	22,599,139	1,534,131
TOTAL NET POSITION	\$ 30,209,528	\$ 1,635,211

The accompanying notes to financial statements are 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, 2015**

	Housing Authority and blended component units	Discretely Presented Component Unit
Operating Revenues:		
HUD Operating Grants	\$ 11,289,268	\$ -
Tenant Revenue	2,830,867	-
Other Government Grants	416,136	-
Other revenue	165,764	-
Total operating revenue:	<u>14,702,035</u>	<u>-</u>
Operating Expenses:		
Administration	1,879,671	-
Housing Assistance Payments	7,338,464	-
Tenant Services	182,451	-
Utilities	238,037	-
Maintenance	2,240,009	-
Protective services	139,188	-
Insurance Premiums	192,000	-
Other General Expenses	504,905	-
Depreciation Expense	627,661	-
Total operating expenses:	<u>13,342,386</u>	<u>-</u>
Operating income (loss):	<u>1,359,649</u>	<u>-</u>
Nonoperating Revenues (Expenses)		
Investment Income - Unrestricted	165,781	-
Investment Income - Restricted	1,733	-
Gain/Loss on Sale of Assets	(4,638)	-
Mortgage interest expense	(403)	-
Extraordinary Maintenance	(25,009)	-
Total nonoperating revenue (expenses)	<u>137,464</u>	<u>-</u>
Income (loss) before Capital Grant	1,497,113	-
HUD Capital Grants	<u>140,953</u>	<u>-</u>
Change in Net Position	1,638,066	-
Net Position , April 1, 2014	28,507,659	-
Partnership Contributions	-	1,635,211
Prior Period Adjustments	63,803	-
Net Position, March 31, 2015	<u>\$ 30,209,528</u>	<u>\$ 1,635,211</u>

The accompanying notes to financial statements are 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, 2015

	Housing Authority and blended component units
Cash Flows from Operating Activities:	
Receipts from HUD - grants	\$ 11,377,140
Receipts from tenants	2,836,833
Receipts from other governments	409,435
Payments to suppliers	(4,289,707)
Payments to employees	(1,094,266)
Other receipts (payments):	
Housing assistance payments	(7,338,464)
Miscellaneous	211,178
Net Cash provided/(used) by Operating Activities	2,112,149
 Cash Flows from Capital and Related Financing Activities:	
Capital grants received	140,953
Purchase of Equipment	(1,445,162)
Payment on note principal	(6,011)
Payment of interest on note	(57)
Payment for Note Receivable	682,500
Net Cash provided/(used) by Capital and Related Financing Activities	(627,777)
 Cash Flows from Investing Activities:	
Other Income	(4,638)
Interest Income	167,514
Extraordinary Maintenance	(25,009)
Net Cash provided/(used) by Investing Activities	137,867
 Net increase (decrease) in Cash and Cash Equivalents	 1,622,239
Cash and Cash Equivalents, April 1, 2014	22,259,413
Cash and Cash Equivalents, March 31, 2015	\$ 23,881,652

The accompanying notes to financial statements are an intergal part of this statement.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

Housing Authority
and blended
component units

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities**

Operating income (loss)	\$	1,359,649
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		627,661
Prior Period Adjustments		63,803
(Increase) decrease in accounts receivable		73,200
(Increase) decrease in prepaid expenses and other assets		(2,115)
Increase (decrease) in accounts payable		(13,405)
Increase (decrease) in accrued wages and taxes		30,113
Increase (decrease) in compensated absences		8,463
Increase (decrease) in tenants' security deposits		9,760
Increase (decrease) in other current liabilities		13,755
Increase (decrease) in accrued liabilities - other		(44,523)
Increase (decrease) in unearned revenues		(14,212)
Net Cash provided (used) by Operating Activities	\$	<u>2,112,149</u>

Reconciliation of Cash and Cash Equivalents to Statement of Net Position:

Cash - unrestricted	\$	23,486,798
Cash - other restricted		236,553
Cash - tenant security deposits		110,069
Cash - restricted for payment of current liabilities		48,232
Total	\$	<u>23,881,652</u>

The accompanying notes to financial statements are an intergal part of this statement.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

A. Summary of Significant Accounting Policies and Organization

1. Organization

The Housing Authority of the City of Laredo ("the PHA") is a public body corporate and politic pursuant to the laws of the State of Texas, which was organized to provide low-rent 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 PHA 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 GAAP for state and local governments through its pronouncements (Statements and Interpretations).

2. Reporting Entity

The PHA 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 PHA, and any component units.

(a) *Blended Component Units*

The following are blended component units of the PHA:

- 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 the 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 December 2013 and the LHFC and the LHDC received their Federal Income Tax Exemption in late 2014. Based on the Federal Income Tax Exemption letters, all three component units are not required to submit annual non-profit tax returns.

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 PHA ("the sponsoring government"). Additionally, the corporations are

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

A. **Summary of Significant Accounting Policies and Organization**

2. **Reporting Entity (continued)**

sponsored and created by the PHA 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 PHA, for public use in the public interest. The provisions of Chapter 303, entitled the "Texas Public Facility Corporations Act" of the Texas Local Government Code ("State Statutes"), under which the above corporations were formed, are included in within their formation documents.

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, 2015, and through-out the year then ended, the board of the PHA was substantially the same as the boards of the PHA's component units; the primary government exercised operational responsibility of the component units; and a significant financial relationship existed between the PHA and its component units. Because of the above described relationship, the PHA's component units are included in its financial statements as "fully blended" component units based on the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus- An amendment of GASB Statement No. 14 and 34*. 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 component units have not been issued as of the date of this audit report, and the PHA is not a component unit of or included in any other reporting entity.

One of the above listed blended component units, the Laredo Housing Opportunities Corporation (the "LHOC") has 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 is developing a 152-unit multifamily, Low-Income Housing Tax Credit affordable

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

A. Summary of Significant Accounting Policies and Organization

2. Reporting Entity (Continued)

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, 2015 amounted to \$10. The LHA RBV GP consists of two LLC members, of which the LHOC (a controlled blended component unit of the PHA) 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 PHA. The LHA RBV GP and its managed LHA RBV limited partnership are further described within the "Discretely Presented Component Unit" caption below.

(b) Discretely Presented Component Unit

In accordance with the above reporting entity criteria, the PHA re-evaluates its material relationships and transactions with separate legal entities for potential component unit inclusion within the PHA's financial statements on an annual basis. As part of this evaluation and based on further clarification of GASB reporting entity requirements for limited partnerships managed by a PHA's blended component unit, the PHA's current year financial statements will include the financial statements of the LHA River Bank Village, Ltd. ("LHA RBV") and those of its general partner, the LHA RBV GP, LLC. However, since the assets of the general partner are only \$100 with no liabilities and since its sole asset is restricted to its general partner interest in the LHA RBV limited partnership, the assets and net position of the LHA RBV GP, LLC are reported along with those of the LHA RBV limited partnership it manages. The LHA RBV is a non-governmental entity which is a Texas real estate limited partnership that is developing a 152-unit, low-income housing tax-credit, multi-family, affordable housing project in Laredo, Texas. As indicated above, the LHA RBV's sole general partner is a non-governmental entity that consists of Texas Limited Liability Company (an "LLC") entitled the LHA River Bank Village GP, LLC. The LHA River Bank Village GP, LLC consists of two LLC members, of which the LHOC (a controlled blended component unit of the PHA) has a 52% controlling LLC member.

Since the LHA River Bank Village GP, LLC manages the LHA RBV's limited partnership's day-to-day operations in its role as the limited partnership's general

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

A. Summary of Significant Accounting Policies and Organization

2. Reporting Entity (Continued)

partner and since the LHA River Bank Village GP, LLC's controlling LLC member is a blended component unit (the Laredo Housing Opportunities Corporation) of and controlled by the PHA, the LHA RBV limited partnership is deemed a component unit of the PHA. Inclusion of the LHA RBV is in addition to the above three described blended component units that the PHA has included as component units in the prior year. However, because the LHA RBV does not meet the "Blending" component criteria described above (the PHA and the LHA RBV do not have substantially the same board), the financial statements of the LHA RBV limited partnership are reported as "Discretely Presented Component Units" instead of blended component units.

Under provisions of the LHA RBV's limited partnership agreement, the LHA RBV will issue separate financial statements that will be audited by other Accountants. Such separately issued financial statements will be based on LHA RBV's December 31 year-end books of account. Such separately issued and audit limited partnership financial statements will be provided to the PHA as they are completed. However, the LHA RBV limited partnership has waived any required separately issued December 31 year-end financial statements during the year ended March 31, 2015, pending completion and audit of a separately issued project "Allowable Capitalized Cost Certification" report that is required under the Low-income Housing Tax-Credit provisions of the U.S. Internal Revenue Code Section 42. As a consequence, the December 31, 2014 LHA RBV limited partnership financial statements presented within the Discretely Presented Component Unit column of accompanying PHA financial statements have been prepared by the PHA based on books of account separately maintained by the LHA RBV limited partnership and made available to the PHA.

(c) *Condensed Blended Component Unit Information*

In accordance with the provisions of GASB 61, local governments engaged only in business-type activities that use a single column for financial presentation (as prescribed for Local Housing Authorities by HUD), 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 these financial statements. Refer to Note Q for presentation of condensed financial information for Laredo Housing Facilities Corporation (LHFC), Laredo Housing Opportunities Corporation (LHOC) and Laredo Housing Development Corporation that has been consolidated within the accompanying single-column financial statements.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

A. **Summary of Significant Accounting Policies and Organization**

2. Reporting Entity (Continued)

(d) *PHA Programs*

Programs administered by the PHA that are included in its financial statements as of March 31, 2015, are as follows:

A. Federal Programs – subsidized by HUD:

- Low Rent Public Housing
- Public Housing Capital Fund Program
- N/C S/R Section 8 Programs
- Section 8 Housing Choice Vouchers Program (HCV)
- Rural Rental Assistance Payments
- Section 8 Moderate Rehabilitation

B. State/Local - Local Program (Housing Development Services)

C. Central Office Cost Center (COCC) – The COCC has been established by the PHA to account for non - project specific costs in accordance with HUD guidelines.

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

Based on HUD guidelines and requirements, the PHA is considered a special-purpose government that provides limited services or programs and is engaged only in business-type activities, therefore, the PHA 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 PHA are included in the Statement of Net Position.

All activities of the PHA are accounted for within a single enterprise (proprietary) fund. 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 PHA 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.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

A. Summary of Significant Accounting Policies and Organization (Continued)

4. Capital Assets – All Land, buildings and significant equipment are capitalized and recorded at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation is provided over the estimated useful lives of assets using the straight-line method as follows:

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

5. Major Repair expenditures - Major repair expenditures, which do not extend the life of an asset, funded out of operations, such as painting, roofing and plumbing, are charged against income.
6. Accounts Receivable - Accounts receivable are amounts due from other government and from tenants for dwelling rents, as well as miscellaneous accounts receivable. Allowance for uncollectible accounts of \$3,810 has been established for the year ending March 31, 2015, for tenants accounts receivable. Collection losses on accounts receivable are charged against the allowance for uncollectible accounts.
7. Income Taxes

(a) Primary Government and Blended Component Units

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 annual U.S. non-profit forms 990.

(b) Discretely Presented Component Unit

Additionally, the Authority's discretely presented component unit, the LHA RBV limited partnership files annual U.S. federal income tax returns and state franchise tax returns in accordance with prescribed regulations. With respect to U.S. federal income tax returns, the partnership files as a "pass-through" entity whereby the partnership's income, deductions and credits are allocated and "passed-through" to the partnership's partners, who report the "Passed-through" partnership income, deductions and credits within their own U.S. federal income tax returns. Accordingly,

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

A. **Summary of Significant Accounting Policies and Organization**

7. Income Taxes

(b) Discretely Presented Component Unit (continued)

the LHA RBV limited partnership reports no income tax provision and LHA RBV has no other tax positions which must be considered for disclosure. U.S. Income tax returns filed by LHA RBV are subject to examination by the IRS for a period of three years. While no LHA RBV federal income tax returns are currently being examined by the IRS, tax years since 2013 (the partnership's first return) remain open.

The general partner of the LHA RBV, the LHA RBV GP, LLC, has elected to file as a partnership for U.S. income tax filing purposes. Under the applicable U.S. Internal Revenue Code provisions, a Partnership's income, deductions and credits are "passed through" to its individual LLC members in a manner similar to the partnership described above. Accordingly, the LHA RBV GP, LLC reports no income tax provision which must be considered for disclosure. U.S. Income tax returns filed by LHA RBV GP, LLC are subject to examination by the IRS for a period of three years. While no LHA RBV federal income tax returns are currently being examined by the IRS, tax years since 2013 (the LLC's first tax return) remain open.

8. Compensated Absences – The PHA's policies permit employees to accumulate earned but unused vacation, or annual leave, and sick pay benefits. In accordance with the provision of GASB Statement No. 16, *Accounting for Compensated Absences*, annual leave pay is accrued when incurred and reported as a liability. Sick leave is not accrued, however, as a terminating employee is not paid for accumulated sick leave. (See Note J, Contingencies, for further detail regarding unpaid sick leave.) The current portion of accrued annual leave is estimated based on the PHA'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.
9. Cash and Cash Equivalents - For the purpose of the Statement of Cash Flows, the Authority considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.
10. 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.
11. Use of 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 and disclosures. Accordingly, actual results could differ from those estimates.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

A. Summary of Significant Accounting Policies and Organization (Continued)

12. Use of Restricted Assets – It is the PHA's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.
13. Revenue Recognition – Revenue from rental of housing units and other revenue are recognized as revenue in the period earned.
14. Net position is divided into three components

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – net position restricted by the Housing Authority's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors. This amount totaled \$24,708 at March 31, 2015.

Unrestricted – all other net position is reported in this category.

B. Deposits with Financial Institutions

(1) Primary Government and Blended Component Units

The carrying amount of the PHA's cash deposits was \$23,881,652 as of March 31, 2015, and the bank balance was \$23,964,508. The PHA 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, 2015, the deposits are fully collateralized by FDIC and collateral held by its primary financial institution. Of the total carrying amount of deposits, \$110,069 is for tenant security deposits and \$284,785 is restricted as follows:

Section 8 Housing Choice Voucher:

• Funds for Family Self Sufficiency escrow	\$ 48,232
• Funds required to be restricted by the Section 8 HCV program for Housing Assistance Payments equity	<u>24,708</u>
	72,940

Rural Rental Assistance Payment Program:

• Reserved funds	<u>211,845</u>
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Total	<u>\$ 284,785</u>
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**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

B. Deposits with Financial Institutions (continued)

(2) Discretely Presented Component Unit

The LHA RBV limited partnership reported as restricted cash, its December 31, 2014 \$255 bank demand account balance serving as the Interim Construction Loan designated Construction account into Construction loan proceeds and Partner capital contributions are made and disbursement are only for the construction budgeted amounts.

C. Capital Assets

(1) Primary Government and Blended Component Units

Development and modernization and land, structures, and equipment costs incurred during the year ended March 31, 2015, are as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balances
Capital assets, not being depreciated:					
Land	\$ 2,699,137	\$ 1,161,034	\$ -	\$ -	\$ 3,860,171
Construction in progress	-	-	-	-	-
Total assets not being depreciated	<u>2,699,137</u>	<u>1,161,034</u>	<u>-</u>	<u>-</u>	<u>3,860,171</u>
Capital assets, being depreciated:					
Buildings	30,532,051	-	-	52,643	30,584,694
Improvements other than Buildings	140,619	-	-	-	140,619
Furniture, Equipment and Machinery	2,342,103	242,536	(91,913)	28,740	2,521,466
Total assets being depreciated	<u>33,014,773</u>	<u>242,536</u>	<u>(91,913)</u>	<u>81,383</u>	<u>33,246,779</u>
Less accumulated depreciation	<u>(29,113,200)</u>	<u>(627,661)</u>	<u>88,138</u>	<u>(43,516)</u>	<u>(29,696,239)</u>
Total assets being depreciated, net of accumulated depreciation	<u>3,901,573</u>	<u>(385,125)</u>	<u>(3,775)</u>	<u>37,867</u>	<u>3,550,540</u>
Total Capital assets, net	<u>\$ 6,600,710</u>	<u>\$ 775,909</u>	<u>\$ (3,775)</u>	<u>\$ 37,867</u>	<u>\$ 7,410,711</u>

Depreciation expense for the year ended March 31, 2015, is \$ 627,661.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

C. **Capital Assets (continued)**

(2) *Discretely Presented Component Unit*

As indicated above, the PHA's Discretely Presented Component Unit, the LHA RBV limited partnership, is developing a 152-unit, Multifamily, Low-Income Housing Tax Credit, Affordable Housing Project in Laredo, Texas. This project has been awarded an annual 10-year Low-Income Housing Tax credit allocation of \$1,225,000 per year by the Texas Department of Housing and Community Affairs under the Low-Income Housing Tax Credit provisions of the U.S. Internal Revenue Code ("IRC") Section 42. Construction and development on this project commenced on May 14, 2014. Total budget project costs are \$17,916,324 of which \$11,913,456 is for the construction contract. As of December 31, 2014 the LHA RBV limited partnership had the following accumulated Construction-In-Progress costs on its 152-unit Laredo, Texas Project:

Construction-In Progress	\$5,725,564
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The above amount includes \$496,865 in retainage on the related construction contract. This retainage is also reported within the below Note F – Other Short-Term Liabilities

D. **Notes and Accounts Receivable**

Receivables for the PHA and its Blended Component Units at March 31, 2015 consist of the following:

<u>Notes Receivable -</u>	\$250,000
Due from LHA River Bank Village, Ltd. – (A Discretely Presented Component Unit of the PHA) Also See Note R Related Party Transactions	
<u>Accounts Receivable:</u>	
PHA Projects	4
Other Governments	21,704
Miscellaneous (<i>See detail below</i>)	480,419
Tenants, net of Allowance	<u>12,246</u>
Total Receivables, net	<u>\$ 764,373</u>

Accounts receivable – Miscellaneous as of March 31, 2015, in the amount of \$480,419 is comprised of the following:

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

D. Notes and Accounts Receivable (continued)

State/Local Program – A/R from Cardinal Point Project	\$ 76,291
Blended Component Unit - Due from LHA River	
Bank Village, Ltd. For retainage Due to Subcontractor	390,505
COCC - Accounts Receivable PHA's Projects and Programs	11,771
Rural Rental Assistance Payments Program –	
Assistance Payment owed to PHA for March 2014	8
Section 8 Mod Rehab	74
Project	<u>1,770</u>
Total	<u>\$ 480,419</u>

E. Other Assets

Discretely Presented Component Unit

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. This project has been awarded an annual 10-year \$1,225,000 tax credit for the development and operation of the above 152-unit project. The total budgeted amount for the project is \$17,913,324, of which \$6,002,868 shall consist of reserves, developer fees, construction and permanent loan costs and interest and a pre-paid ground lease. These other project costs are reported as "Other Assets" of the limited partnership pending final completion of the project. Upon completion of the project development and construction, amortization of amortizable costs included within the Other Assets will begin. As of December 31, 2014, these Other Assets consisted of the following project amounts:

Tax Credit Consultant Fees	\$ 129,310
Permanent Loan Fees	123,375
Organizational Costs	2,404
Syndication Fees	25,000
Developer Fees	70,000
Pre-Paid Ground Lease (see further details below)	1,000,000
Commitment Fee Deposit (see further details below)	<u>114,000</u>
<u>Total</u>	<u>\$ 1,464,089</u>

The \$1,000,000 Pre-paid ground lease amount pertains to the 75-year Ground Lease Agreement with the PHA which is further detailed within the below Note R – Related Party Transactions. Additionally, the 114,000 Commitment Fee Deposit represents an escrow account balance that is held by the LHA RBV's permanent loan lender, that is refundable to LHA RBV upon delivery of the mortgage on LHA RBV's 152-unit affordable housing project in Laredo, Texas. The LHA RBV deems this deposit as being similar to a "refundable performance deposit" wherein the underlying provisions shall be fulfilled and is thereby refundable to the LHA RBV.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

F. Other Short-Term Liabilities

(1) Primary Government and blended Component units

Other Current Liabilities as of March 31, 2015 consist of the following:

Section 8 HCV - Amount due for FSS Escrow	\$ 48,232
Section 8 HCV - Other liabilities	50,943
Blended Component Unit (LHOC) – Amount due to subcontractor for construction retainage related to LHA RBV Limited Partnership development project	<u>390,505</u>
	<u>\$489,680</u>

(2) Discretely Presented Component Unit

In financing the development and construction of its 152-unit Low-Income Housing Tax Credit Affordable Housing Project, the LHA RBV incurred the following short-term construction period liabilities:

1. Retainage on Construction payments to construction Contractor, payable upon satisfactory completion of the 152 unit affordable Housing Project in Laredo, Texas	\$ 496,865
2. Interim Construction loan of \$13,511,000 maturing on May 6, 2016 with at the prime rate floating rate. Cumulative unpaid amounts drawn on this loan as of December 31, 2014 amounted to	<u>4,827,619</u>
Total as of December 31, 2014	<u><u>\$ 5,324,484</u></u>

The above Interim Construction loan shall be repaid through additional scheduled limited partner capital contributions and a permanent loan for which a commitment has been received and related commitment fees of \$118,375 and a \$114,000 refundable Commitment Deposit (which is reported within Note E above) have been paid. The amount of the permanent loan shall be for \$5,700,000, amortizable over a 35 year period with an interest rate of 5.57 per cent per annum. Additional limited partner contributions totaling to \$9,266,199 are scheduled to be made by the completion of the construction phase and state issuance of the required Low-Income Housing Tax Credit basis forms (IRS Form 8609) for each of the project's required buildings.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

G. Long – Term Liabilities

(1) Primary Government and blended Component units

The PHA's long-term liabilities consist of a loan payable and accrued compensated absences-noncurrent. A summary of changes in the PHA's long-term liabilities for the year ended March 31, 2015 is presented below:

	Balance 3/31/2014	Increases	Decreases	Balance 3/31/2015	Current Portion
Loans Payable <i>(See detail below)</i>	\$ 42,886	\$ -	\$ 6,414	\$ 36,875	\$ 5,722
Accrued Compensated Absences	135,599	14,85	6,387	144,062	66,152
Totals	\$ 178,485	\$ 14,85	\$ 12,801	\$ 180,937	\$ 71,874

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 \$165,737.36, 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 \$36,875 as of March 31, 2015:

Year Ending March 31	Principal	Interest	Total
2016	5,722	346	6,068
2017	5,779	289	6,068
2018	5,837	231	6,068
2019	5,896	172	6,068
2020	5,955	113	6,068
4/2020-5/2021	7,686	56	7,742
Total	\$ 36,875	\$ 1,207	\$ 38,082

(2) Discretely Presented Component Unit

As part of the long-term financing for the LHA RBV limited partnership's 152-unit, low-income housing tax credit, affordable housing project in Laredo, Texas and in addition to the long-term loan and limited partner capital contributions described above, the LHA RBV had the following long-term liabilities:

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

G. Long – Term Liabilities

(2) *Discretely Presented Component Unit (continued)*

<p>1. A May 6, 2014 Amended and Restated Promissory Note Payable to the LHOC, a blended component unit of the PHA. Interest on this Note shall accrue and compounded annually at 4% per annum. Note Matures on February 1, annually at 4% per annum. Note Matures on February 1, 2034 and payments on the note are based specified Project cash flow as set forth within the LHA RBV Limited partnership Agreement. This is a Non-Recourse note</p>	\$ 250,000				
<p>2. A May 6, 2014 Amended and Restated Promissory Note Payable to the Brownstone Affordable Housing, Ltd, a contracted developer of the LHA RBV 152-unit affordable Housing project in Laredo, Texas. Interest on this Note shall accrue and compounded annually at 4% per annum. Note Matures on February 1, 2034 and payments on the note are based specified Project cash flow as set forth within the LHA RBV Limited partnership Agreement. This is a Non-Recourse note</p>					
<u>Total</u>	<table border="0" style="margin-left: auto;"> <tr> <td style="text-align: right; padding-right: 5px;">50,000</td> <td style="border-top: 1px solid black; border-bottom: 3px double black; width: 20px;"></td> </tr> <tr> <td style="text-align: right; padding-right: 5px;">\$ 300,000</td> <td></td> </tr> </table>	50,000		\$ 300,000	
50,000					
\$ 300,000					

H. Other Government Grants

Included in Other Government Grants for the year ended March 31, 2015, is the amount of \$292,046, under the Blended Component Units for an amount paid to the Laredo Housing Development Corporation, a component unit of the PHA, from the PHA Projects and COCC in accordance with an agreement executed by the City of Laredo and the Housing Authority of the City of Laredo dated February 1, 2012 (“PILOT Agreement”). In this agreement, the City of Laredo (the City) authorizes the PHA to pay PILOT funds to an instrumentality Public Facility Corporation established by the PHA to use such funds solely for affordable housing purposes consistent with state and local laws. As indicated in the agreement, PILOT funds are the payments made by the PHA to the City in lieu of taxes and special assessments for the public services and facilities furnished to Public Housing developments owned by the PHA. The Board of Commissioners authorized the transfer of PILOT funds to the Laredo Housing Development Corporation in accordance with the PILOT Agreement.

I. Pension Plan

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan. 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

**HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

I. Pension Plan (Continued)

date of employment. The Authority contributed 9% of the monthly pay and the employee contributes 2% of the monthly pay in FY 2015. The Authority's contributions for each employee vests at a rate of 10% each year, and becomes fully vested after five years of continuing service. The vested rate begins at 0% after 1 year and 15% each year thereafter. Employees are fully vested at 5 years. The Authority's total payroll for fiscal year ended March 31, 2015 was \$2,305,120. The Authority's contributions are calculated using the base salary amount of \$1,313,181. The Authority made the required contributions amounting to \$118,038.

J. Commitments and Contingencies

(1) Primary Government and Blended Component Units

- 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.
- At March 31, 2015, the Authority is contingently liable to employees for accumulated unpaid sick leave in the amount of \$ 224,977. As noted in Note A, under Compensated Absences, sick leave is not accrued as a terminating employee is not paid for accumulated sick leave, and such amount has not been recorded in the financial statements.
- The PHA's blended component Unit, the LHOC, along with others, has guaranteed the payment of LHA RBV limited partnership's permanent \$5,700,000 loan that is scheduled to become effective on May 6, 2016. This loan is further described within Note F above.
- In conjunction with the above mentioned May 6, 2014 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 worth and a minimum of \$300,000 in unrestricted cash or money market holdings as defined under the terms of guaranty. Additionally, the LHOC must provide the special limited partner with Schedule of Guarantor Net

**HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

J. Commitments and Contingencies

(1) *Primary Government and Blended Component Units (continued)*

- Worth and Liquidity Covenant prepared by an independent accountant in accordance with AICPA issued Compilation and Review standards. This schedule must be submitted to the special limited partner within 60 days from the scheduled fourth partner capital contribution described within the amended and restated limited partnership agreement. Also, LHOC's annual unaudited financial statements, as prepared by independent accountants in accordance with generally accepted accounting standards, must be submitted to the special limited partner within sixty (60) days of the close of the limited partnership's fiscal year.
- On February 14, 2014, the LHOC entered into a construction contract agreement with the LHA River Bank Village, Ltd., ("LHA RBV") whereby the LHOC would serve as the contractor for the construction of the LHA RBV's 152-unit, affordable housing, Tax credit, project in Laredo Texas. As indicated above, LHOC has created a single-member Texas Limited Liability Company (an "LLC") whose sole function is to serve as the sole general partner of the above mentioned LHA RBV limited partnership. The amount of that the LHOC will get paid under this construction contract is \$11,913,456. On the same date as the above construction contract, the LHOC entered into a sub-contract with a construction contractor associated with the developer of the above mentioned 152-unit affordable housing project. The amount of this subcontract is for \$11,913,456. As of December 31, 2014, \$5,725,564 had been incurred on this construction contract. The LHOC as the General Contractor, is liable for non-compliance, non-performance and deficiencies in the subject 152 units, with recourse from the subcontractors.

(2) *Discretely Presented Component Unit*

- The LHA RBV Limited Partnership's development and construction of a 152-unit, low-income housing tax credit, multifamily, affordable Housing project in Laredo, Texas has been awarded an annual 10 year \$1,225,000 low-income housing tax credit from the Texas Department of Housing and Community Affairs under the Low income Housing tax credit provisions of Section 42 of the U.S. Internal Revenue Code. As part of this award, the LHA RBV limited partnership must meet certain requirements including attaining a qualified eligible basis sufficient to support the tax credit allocated to each project building pursuant to the U.S. Internal Revenue Code Section 42 ("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 each of fifteen consecutive years following project construction completion in order to remain qualified to receive the credits. In addition, the LHA RBV has or will execute a Declaration of Land Use Restriction (a "LURA") which will

**HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

J. Commitments and Contingencies (continued)

incorporate provisions requiring compliance U.S. Internal Revenue Code Section 42 and with Chapter 2306, including but not limited to requirements for annual reporting and periodic inspections; payment of the fees, charges and expenses of the Texas Department of Housing and Community Affairs (the "TDHCA") in connection with monitoring and compliance activities; management, operating, maintenance and repair standards; tenant selection and income certification; limitation on rents, charges, and fees payable by tenants; cost controls and management selection; and a minimum thirty-year affordability period, or the period elected or otherwise represented in the Application, whichever is greater.

K. Prior Period Adjustments and Equity Transfers

The PHA reported a prior period adjustment under the Low Rent program in the amount of \$ 63,399 for assets not recorded related to Capital Fund Program 50109; an equity transfer of \$142,128 to the Blended Component Units from N/C S/R Section 8 Program in the amount of (\$142,131) to transfer the equity of the N/C S/R Section 8 program that was closed out during FY 15; and a prior period adjustment \$407 under the COCC to correct prior year accrued expenses. Additionally, under Discretely presented component units, capital contributions in the amount of \$1,635,211 are being reported as adjustments to equity. These amounts comprise the total prior period adjustments of \$1,699,014 reported on the financial statements for year ended March 31, 2015.

L. Operating Transfers

Transfers made from the Housing Authority's Central Office Cost Center (COCC) to its blended component units are made in accordance with the Housing Authority's Board approval. These transfers consist of funds resulting from "reasonable fees" that have been earned by the COCC. Under HUD's Financial Management Handbook, 7475.1 (April 2007 Revision), such COCC earned revenues are considered "local revenue" subject only to the control of the Housing Authority's Board of Commissioners. Accordingly, these transfers do not require HUD approval. For FY 2015, such transfers totaled \$700,000.

These transfers were eliminated for financial reporting purposes. See Note P for further detail.

M. Risk Management

The Authority is exposed to various risks of loss related to 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 3 years.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

N. Unrestricted Net Position

Unrestricted net position at March 31, 2015, includes \$1,083,113 for Administrative Fee Equity under the Section 8 Housing Choice Vouchers program and \$12,634,858 under the Low Rent and Capital Fund Programs. The \$1,083,113 for Administrative Fee Equity can only be used for administration of the PHA's Housing Choice Vouchers program; and the \$12,634,858 in Low Rent and Capital Fund Program unrestricted net position can only be used for the administration of the PHA's Low Rent and Capital Fund programs. Accordingly, these amounts may not be used for any other purpose.

O. Concentrations

For the year ended March 31, 2015, approximately 76% 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.

P. 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 of the Authority as a whole. For the year ended March 31, 2015, offsetting amounts of \$377 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 book keeping fees. These fees, which totaled \$1,165,074 for the year ended March 31, 2015, have been eliminated for financial reporting purposes as of March 31, 2015.
3. Operating Transfers - Transfers were made from the Authority's COCC to its blended component units in accordance with the Authority's Board approval. As of March 31, 2015 such transfers totaled \$700,000, and these have been eliminated for financial reporting purposes.

HOUSING AUTHORITY OF CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

Q. Required Condensed Blended Component Unit Information

The following presents condensed financial statement information for the PHA's blended component units:

(i) *Condensed Statement of Net Position:*

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
<u>Assets</u>				
Current Assets	5,041,831	1,019,406	1,760,227	7,821,464
Capital Assets		2,178,038	-	2,178,038
Other Assets	-	7,500	-	7,500
Due from Primary Government	-	-	-	-
<u>Total Assets</u>	<u>\$ 5,041,831</u>	<u>\$ 3,204,944</u>	<u>\$ 1,760,227</u>	<u>\$ 10,007,002</u>
<u>Liabilities</u>				
Current Liabilities	-	391,268	-	391,268
Due to Primary Government	-	-	-	-
Long-Term Liabilities	-	-	-	-
<u>Total Liabilities</u>	<u>\$ -</u>	<u>\$ 391,268</u>	<u>\$ -</u>	<u>\$ 391,268</u>
<u>Net Position</u>				
Invested in Capital Net of Related Debt	-	2,178,038	-	2,178,038
Restricted	-	-	-	-
Unrestricted	5,041,831	635,638	1,760,227	7,437,696
<u>Total Net Position</u>	<u>\$ 5,041,831</u>	<u>\$ 2,813,676</u>	<u>\$ 1,760,227</u>	<u>\$ 9,615,734</u>

HOUSING AUTHORITY OF CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

Q. Required Condensed Blended Component Unit Information (continued)

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

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
<u>Operating Revenues</u>				
Tenant Revenue	-	-	-	-
HUD Operating Grants	-	-	-	-
Other Government Grants	-	-	292,046	292,046
Other Revenue	-	30,000	-	30,000
<u>Tenant Revenue</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 292,046</u>	<u>\$ 322,046</u>
<u>Operating Expenses</u>				
Depreciation	-	-	-	-
Amortization	-	-	-	-
Other Operating Expenses	3,384	20,170	3,392	26,946
<u>Total Operating Expenses</u>	<u>\$ 3,384</u>	<u>\$ 20,170</u>	<u>\$ 3,392</u>	<u>\$ 26,946</u>
Operating Income/(Loss)	\$ (3,384)	\$ 9,830	\$ 288,654	\$ 295,100
<u>Non-Operating Revenues (Expenses)</u>				
Other Revenue	-	-	-	-
Investment Income	34,961	6,043	10,249	51,253
Interest Expense	-	-	-	-
<u>Total Non-Operating Revenues (Expenses)</u>	<u>34,961</u>	<u>6,043</u>	<u>10,249</u>	<u>51,253</u>
Income(loss) before Other Revenues, Expenses and Operating Transfers	31,577	15,873	298,903	346,353
Operating Transfers	-	700,000	-	700,000
Changes in Net Position	\$ 31,577	\$ 715,873	\$ 298,903	\$ 1,046,353
Beginning Net Position	4,868,126	2,097,803	1,461,324	8,427,253
Prior Period Adjustment/Equity Transfers	142,128	-	-	142,128
Ending Net Position	<u>\$ 5,041,831</u>	<u>\$ 2,813,676</u>	<u>\$ 1,760,227</u>	<u>\$ 9,615,734</u>

HOUSING AUTHORITY OF CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

Q. Required Condensed Blended Component Unit Information (continued)

(iii) Condensed Statement of Cash Flows

	Individual Blended Component Units			Total
	LHFC	LHOC	LHDC	
Cash From Operating Activities	138,744	452,193	288,654	879,591
Cash Flows From Capital and Related Financing	-	(1,145,194)		(1,145,194)
Cash Flows From Investing Activities	34,961	6,043	10,249	51,253
Beginning Cash Balances	4,868,126	1,065,859	1,461,324	7,395,309
Ending Cash Balances	<u>\$ 5,041,831</u>	<u>\$ 378,901</u>	<u>\$ 1,760,227</u>	<u>\$ 7,180,959</u>

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

R. Related Party Transactions

Primary Government, Blended Component Units and Discretely Presented Component Unit

1. Lease Arrangement with Related Parties

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

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

2. Construction Contract with Related Parties

As further described within the above Note J, the LHOC, a blended component unit of the PHA, entered into a construction contract with the LHA RBV limited partnership (a Discretely Presented Component Unit of the PHA) in which the LHOC's single-member LLC is the general partner.

3. Development Project Developer Fees from Related Parties

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

**HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

R. Related Party Transactions (Continued)

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

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

S. Subsequent Events

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

Management evaluated the activity of the PHA through December 30, 2015 (the date the financial statements were available to be issued) and concluded that, except as noted below, no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

- *Primary Government and Blended Component Units*
 1. The PHA received notice on March 27, 2015 that their application under the Rental Assistance Demonstration Program (RAD) for the conversion of assistance of units at the Meadow Housing Phase II (134 units) and Laredo Senior Citizens (30 units) development projects was approved. As of the date of this audit report, the PHA is in the process of submitting the required applications and taking action to meet the specified requirements under the RAD for these development projects.
 2. In a July 22, 2015 board meeting, the PHA voted to approve a resolution to proceed with the demolition and disposition of Russell Terrace, an existing 200 unit public housing development of the PHA, with the relocation of 138 units to a new affordable rental housing development for low income families. Additionally, as of the date of this report, the PHA is in the process of completing the application to HUD for the demolition/disposition of Russell Terrace.
 3. Stone Oak Seniors Apartments, LLC was formed as a Texas Limited Liability by the Laredo Housing Facilities Corporation (the "LHFC") on August 25, 2015 and the LHFC approved a December 11, 2015 dated engagement letter

**HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

S. Subsequent Events (Continued)

- with a financial institution for loan underwriting in conjunction with the construction of a new apartments under Section 221(d)(4) of the National Housing Act. In consideration for services rendered in financing and placement of a planned \$52,000 mortgage, a 1.50% (of the mortgage) fee will be paid to the financial institution. A \$7,500 payment was made to the subject financial Institution under the above engagement letter on December 15, 2015.
4. Stone Oaks Apartments, LLC was formed as a Texas Limited Liability Company by the Laredo Housing Development Corporation (the "LHDC") on August 25, 2015 and the LDFC approved a December 11, 2015 dated engagement letter with a financial institution for loan underwriting in conjunction with the construction of a new apartments under Section 221(d)(4) of the National Housing Act. In consideration for services rendered in financing and placement of a planned \$52,000 mortgage, a 1.50% (of the mortgage) fee will be paid to the financial institution. A \$7,500 payment was made to the subject financial Institution under the above engagement letter December 15, 2015.
 5. \$1,710,000 City of Laredo interim Loan for the LHA River Bank Village, Ltd. In conjunction with financing for the LHA River Bank Village, Ltd.'s 152 unit, Low income housing tax credit, affordable housing project in Laredo, Texas, the Laredo Housing Facilities Corporation (a blended component unit of the PHA), approved the opening of an account with a local financial institution for the purchase of a Certificate of Deposit as security for a planned \$1,710,000 loan from the Laredo Housing Finance Corporation (a component unit of the City of Laredo, Texas) to the LHA River Bank Village. The approval was made during an August 18, 2015 meeting of the Laredo Housing Facilities Corporation. Finalization of this loan is pending.
 6. \$118,938 in Developer fees were paid to the Laredo Housing Opportunities Corporation (the "LHOC") during the week ending December 25, 2015. These were paid as part of the Development Fee Agreement discussed within the above Note R – Related Party Transactions. \$1,262,836 of the development remains to be paid. However, payment of the \$1,262,836 will be based on available project cash flow. LHOC is entitled to 30% of the \$1,262,835. Accrual with possible reservation thereof is planned for the following fiscal year.
 7. New Affordable Housing Approved on September 14, 2015 - the Texas Department of Housing and Community Affairs (TDHCA) awarded the BAH Casa Verde Apartments Ltd. an annual \$1,612,000 U.S. Income Tax – Low-Income Housing Tax credit for 10 years for development and construction of a multi-family affordable Housing Project in Laredo Texas. The BAH Casa Verde Apartments, Ltd is a Texas Limited partnership in which a Laredo Housing Opportunities Corporation ("LHOC") has a 52% LLC member controlling interest in that partnership's general partner, the BAH Casa Verde Apartments GP, LLC.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

S. Subsequent Events (Continued)

The BAH Casa Verde Apartments, Ltd. was formed on August 4, 2015 and the BAH Casa Verde Apartments GP, LLC was formed on August 5, 2015. As a requirement of the Low-Income Housing Tax Credit Award, the LHOC acquired 2 parcels of land in Laredo, Texas in January 6, 2015 for \$1,145,000 on which the subject affordable Housing will be developed. These two parcels of land were leased to the BAH Casa Verde Apartments, Ltd on September 14, 2015. Finalization of the nature and the terms of the ground lease is pending as of the date of this audit report.

- *Discretely Presented Component Unit*
 1. An additional \$6,762,830 in development and construction costs on the LHA RBV's 152 unit Affordable Housing Project in Laredo Texas was incurred after December 31, 2014 and through November 30, 2015. This was primarily financed through an additional \$4,827,619 in Construction Loan Costs and a an additional \$1,121,940 in accrued expenses.
 2. Additional Limited Partner contributions in an amount of \$7,630,987 were made to the LHA River Bank Village, Ltd (the "LHA RBV") through December 25, 2015. Among other amounts, the above capital contributions were used to pay down \$7,147,680 on the LHA RBV 's interim construction loan and \$396,459 in project developer's fees, of which \$118,938 were paid to the Laredo Housing Opportunities Corporation (the LHOC") As indicated above, the LHOC is a blended component unit of the PHA and is the controlling LLC member of the LHA River Bank Village, Ltd.

T. Corrections to Notes and Supplemental Schedule

After issuance of its original March 31, 2015, financial statements and related supplemental schedules, management became aware that certain disclosures in its Notes to financial statements had to be revised in order for certain amounts therein to agree to the PHA's Financial Data Schedule (supplemental schedule). Additionally, management became aware that certain balances on the Financial Data Schedule had to be reclassified to certain other line items. Accordingly, the supplemental schedule has been revised as follows: (1) Balances of line items 111, 113 and 115 under the Section 8 HCV program have been revised to the following: \$1,134,824, 24,708, and 48,232, respectively. (2) The amount of \$5,324,484 under the Discretely Presented Component Unit column is being reclassified to line 343.

Additionally, the following note disclosures were revised:

Note B – This note was revised to report \$23,881,652 total carrying amount of PHA's cash deposits; \$284,785 restricted cash and FSS escrow balance of \$48,232 under the Primary Government.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

T. Corrections to Notes and Supplemental Schedule

Note F – This note was revised to report \$48,232 as the amount due for FSS escrow and \$50,943 in Other Section 8 Vouchers liabilities.

Note Q – This note was revised to report \$700,000 as an operating transfer instead of an equity transfer/prior period adjustment.

Finally, the financial statements had to be revised based on the changes made to the Financial Data Schedule. The following amounts were revised on the Statement of Net Position: Cash Unrestricted- \$23,486,798; Cash Other Restricted - \$236,553; Cash – Restricted for Payment of current Liabilities - \$48,232 (Housing Authority column) and Current portion of Long-term debt – Capital Projects - \$5,324,484 (Discretely presented component unit column).

Neither the net position reported within the accompanying Statement of Net Position nor the changes in net position reported within the accompany Statement of Revenues, Expenses and Changes in Net Position were affected by these changes.

Housing Authority of the City of Laredo (TX011)
LAREDO, TX

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	10,427 Rural Rental Assistance Payments	14,871 Housing Choice Vouchers	0.2 Component Unit - Blended	14,102 NCSR Section 8 Programs	2 State/Local	0.1 Component Unit - Discretely Presented	14,856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELM	Total
111 Cash - Unrestricted	\$12,719,712	\$269,299	\$1,134,824	\$7,180,959	\$0	\$1,415,199	\$256	\$155,404	\$011,401	\$23,486,798		\$23,486,798
112 Cash - Restricted - Modernization and Development		\$211,845	\$24,708					\$0		\$236,809		\$236,809
113 Cash - Other Restricted		\$4,400						\$0		\$110,069		\$110,069
114 Cash - Tenant Security Deposits	\$105,669		\$48,232					\$0		\$48,232		\$48,232
115 Cash - Restricted for Payment of Current Liabilities		\$485,544	\$1,207,764	\$7,180,959	\$0	\$1,415,199	\$256	\$155,404	\$011,401	\$23,881,908	\$0	\$23,881,908
100 Total Cash	\$12,825,381	\$485,544	\$1,207,764	\$7,180,959	\$0	\$1,415,199	\$256	\$155,404	\$011,401	\$23,881,908	\$0	\$23,881,908
121 Accounts Receivable - PHA Projects			\$4					\$0		\$4		\$4
122 Accounts Receivable - HUD Other Projects		\$6,701						\$0		\$6,701		\$6,701
124 Accounts Receivable - Other Government		\$5		\$390,505		\$76,291		\$74	\$15,003	\$21,704		\$21,704
125 Accounts Receivable - Miscellaneous	\$1,770	\$5						\$0	\$11,771	\$400,419		\$400,419
126 Accounts Receivable - Tenants	\$14,673	\$1,363						\$0	\$0	\$16,056		\$16,056
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,304	-\$566						\$0	\$0	-\$3,870		-\$3,870
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0				\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current		\$0		\$250,000				\$0	\$0	\$250,000		\$250,000
128 Fraud Recovery								\$0				\$0
128.1 Allowance for Doubtful Accounts - Fraud								\$0				\$0
129 Accrued Interest Receivable								\$0				\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$13,139	\$7,566	\$4	\$640,505	\$0	\$76,291	\$0	\$74	\$26,774	\$764,373	\$0	\$764,373
131 Investments - Unrestricted								\$0				\$0
132 Investments - Restricted								\$0				\$0
135 Investments - Restricted for Payment of Current Liability								\$0				\$0
142 Prepaid Expenses and Other Assets	\$79,249	\$3,818	\$16,818				\$69,787	\$0	\$1,994	\$171,666		\$171,666
143 Inventories								\$0				\$0
143.1 Allowance for Obsolete Inventories								\$0				\$0
144 Inter Program Due From			\$377					\$0		\$377		\$377
145 Assets Held for Sale								\$0				\$0
150 Total Current Assets	\$12,917,769	\$496,046	\$1,224,983	\$7,821,464	\$0	\$1,491,490	\$70,043	\$155,478	\$640,169	\$24,818,324	-\$377	\$24,817,947
161 Land	\$29,131	\$80,000		\$2,178,038		\$1,015,840		\$0	\$57,162	\$3,860,171		\$3,860,171
162 Buildings	\$16,505,732	\$1,526,848	\$217,753			\$195,959		\$0	\$12,228,403	\$30,584,695		\$30,584,695
163 Furniture, Equipment & Machinery - Dwellings	\$694,502	\$29,883						\$0		\$724,385		\$724,385
164 Furniture, Equipment & Machinery - Administration	\$180,168	\$21,132	\$103,124					\$0	\$1,482,656	\$1,797,080		\$1,797,080
165 Leasehold Improvements		\$140,610						\$0	\$0	\$140,610		\$140,610
166 Accumulated Depreciation	-\$14,737,258	-\$1,165,683	-\$239,697			-\$74,715		\$0	-\$13,478,686	-\$29,696,239		-\$29,696,239
167 Construction in Progress								\$0		\$5,725,564		\$5,725,564
168 Infrastructure								\$0				\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,682,275	\$632,799	\$81,180	\$2,178,038	\$0	\$1,047,084	\$5,725,564	\$0	\$789,335	\$13,136,275	\$0	\$13,136,275
171 Notes, Loans and Mortgages Receivable - Non-Current								\$0				\$0
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due								\$0				\$0
173 Grants Receivable - Non-Current								\$0				\$0
174 Other Assets				\$7,500			\$1,464,088	\$0		\$1,471,588		\$1,471,588
176 Investments in Joint Ventures								\$0				\$0
160 Total Non-Current Assets	\$2,682,275	\$632,799	\$81,180	\$7,500	\$0	\$1,047,084	\$1,464,088	\$0	\$789,335	\$14,607,863	\$0	\$14,607,863
200 Deferred Outflow of Resources								\$0				\$0
290 Total Assets and Deferred Outflow of Resources	\$15,600,044	\$1,129,747	\$1,306,143	\$10,007,002	\$0	\$2,538,574	\$7,250,652	\$155,478	\$1,429,504	\$39,426,187	-\$377	\$39,425,810

Housing Authority of the City of Laredo (TX011)
LAREDO, TX

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	10,427 Rural Rental Assistance Payments	14,671 Housing Choice Vouchers	6.2 Component Unit - Blended	14,182 N/C S/R Section 8 Programs	2 State/Local	6.1 Component Unit - Discretely Presented	14,856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
311 Bank Overdraft								\$0				
312 Accounts Payable <= 90 Days	\$31,495	\$3,108	\$3,625	\$763		\$3		\$0	\$14,285	\$53,369		\$53,369
313 Accounts Payable >90 Days Past Due								\$0				
321 Accrued Wage/Payroll Taxes Payable	\$65,344	\$1,444	\$8,943					\$0	\$28,531	\$104,262		\$104,262
322 Accrued Compensated Absences - Current Portion	\$32,571	\$962	\$4,274					\$0	\$28,345	\$66,152		\$66,152
324 Accrued Contingency Liability								\$0				
325 Accrued Interest Payable		\$346						\$0		\$346		\$346
331 Accounts Payable - HUD PHA Programs								\$0				
332 Account Payable - PHA Projects								\$0				
333 Accounts Payable - Other Government	\$2,303							\$0		\$2,303		\$2,303
341 Tenant Security Deposits	\$105,670	\$4,400						\$0		\$110,070		\$110,070
342 Unearned Revenue	\$8,691	\$738						\$0		\$9,429		\$9,429
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$5,722				\$984,446	\$5,324,484	\$0		\$5,330,206		\$5,330,206
344 Current Portion of Long-term Debt - Operating Borrowings								\$0				
345 Other Current Liabilities			\$99,175	\$390,505				\$0		\$489,680		\$489,680
349 Accrued Liabilities - Other	\$517	\$311						\$0	\$20,803	\$21,745		\$21,745
347 Inter Program - Due To								\$377		\$377		\$0
348 Loan Liability - Current								\$0				
310 Total Current Liabilities	\$246,591	\$17,121	\$116,017	\$391,268	\$0	\$984,449	\$5,324,484	\$491	\$91,964	\$7,172,365	-\$377	\$7,172,008
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								\$0				
352 Long-term Debt, Net of Current - Operating Borrowings		\$31,153					\$300,000	\$0		\$331,153		\$331,153
353 Non-current Liabilities - Other								\$0				
354 Accrued Compensated Absences - Non Current								\$0				
355 Loan Liability - Non Current								\$0				
356 FASB 5 Liabilities	\$36,320	\$1,579	\$1,125					\$0		\$38,886		\$38,886
357 Accrued Pension and OPEB Liabilities								\$0				
350 Total Non-Current Liabilities	\$36,320	\$32,732	\$1,125	\$0	\$0	\$0	\$300,000	\$0	\$38,886	\$409,063	\$0	\$409,063
300 Total Liabilities	\$282,911	\$49,853	\$117,142	\$391,268	\$0	\$984,449	\$5,624,484	\$491	\$130,850	\$7,581,448	-\$377	\$7,581,071
400 Deferred Inflow of Resources								\$0				
508.4 Net Investment in Capital Assets	\$2,682,275	\$595,924	\$61,180	\$2,178,638				\$0				
511.4 Restricted Net Position		\$21,845	\$24,708			\$1,047,084	\$101,080	\$0	\$780,335	\$7,474,916		\$7,474,916
512.4 Unrestricted Net Position	\$12,634,858	\$272,125	\$1,083,113	\$7,437,696	\$0	\$507,041	\$1,534,131	\$154,987	\$599,319	\$24,133,270		\$24,133,270
513 Total Equity - Net Assets / Position	\$15,317,133	\$1,079,894	\$1,169,001	\$9,615,734	\$0	\$1,554,125	\$1,635,211	\$154,987	\$1,298,654	\$31,844,739	\$0	\$31,844,739
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$15,600,044	\$1,129,747	\$1,306,143	\$10,007,002	\$0	\$2,538,574	\$7,259,695	\$156,478	\$1,429,504	\$39,426,187	-\$377	\$39,425,810

Housing Authority of the City of Laredo (TX011)
LAREDO, TX

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	10,427 Rental Assistance Payments	14,871 Housing Choice Vouchers	6,2 Component Unit - Blended	14,182 N/C SR Section 8 Programs	2 State/Local	6.1 Component Unit - Discretionary Presented	14,855 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,680,369	\$127,980					\$0	\$0		\$2,808,349		\$2,808,349
70400 Tenant Revenue - Other	\$10,201	\$3,317					\$0	\$0		\$22,518		\$22,518
70500 Total Tenant Revenue	\$2,690,570	\$131,297	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,830,867	\$0	\$2,830,867
70600 HUD PHA Operating Grants	\$3,732,226		\$7,508,530					\$45,502		\$11,289,258		\$11,289,258
70710 Capital Grants	\$140,953							\$0		\$140,953		\$140,953
70710 Management Fee								\$0	\$839,793	\$839,793	-\$839,793	\$0
70720 Asset Management Fee								\$0	\$119,280	\$119,280	-\$119,280	\$0
70730 Book Keeping Fee								\$0	\$206,001	\$206,001	-\$206,001	\$0
70740 Front Line Service Fee								\$0				\$0
70750 Other Fees								\$0				\$0
70700 Total Fee Revenue								\$0	\$1,165,074	\$1,165,074	-\$1,165,074	\$0
70800 Other Government Grants								\$0				\$0
71100 Investment Income - Unrestricted	\$67,163	\$95,836	\$28,254	\$292,048				\$0		\$416,136		\$416,136
71200 Mortgage Interest Income		\$3,180	\$7,468	\$51,253	\$166	\$0,917		\$1,077	\$5,557	\$165,781		\$165,781
71300 Proceeds from Disposition of Assets Held for Sale								\$0				\$0
71310 Cost of Sale of Assets								\$0				\$0
71400 Fraud Recovery	\$13,034		\$21,361					\$0		\$34,395		\$34,395
71500 Other Revenue	\$30,130	\$364	\$335	\$30,000		\$29,172		\$0	\$41,368	\$131,369		\$131,369
71600 Gain or Loss on Sale of Capital Assets	-\$4,638							\$0	-\$4,638	-\$4,638		-\$4,638
72000 Investment Income - Restricted								\$0				\$0
70000 Total Revenue	\$6,698,448	\$230,977	\$7,567,681	\$373,299	\$166	\$39,089	\$0	\$49,579	\$1,211,999	\$16,170,938	-\$1,165,074	\$15,005,864
91100 Administrative Salaries	\$519,654	\$19,758	\$182,072					\$1,007	\$371,064	\$1,095,025		\$1,095,025
91200 Auditing Fees	\$35,128	\$1,200	\$18,411	\$17,050		\$1,800		\$1,296	\$75,785	\$75,785		\$75,785
91300 Management Fee	\$708,303		\$130,721					\$710	\$639,794	\$639,794	-\$639,793	\$1
91310 Book-keeping Fee	\$87,769	\$5,000	\$112,620					\$612	\$206,001	\$206,001	-\$206,001	\$0
91400 Advertising and Marketing	\$3,001	\$59	\$59					\$4	\$2,636	\$6,480		\$6,480
91500 Employee Benefit Contributions - Administrative	\$165,165	\$8,538	\$60,438					\$377	\$160,442	\$394,958		\$394,958
91600 Office Expenses	\$121,170	\$9,857	\$32,128	\$1,045				\$366	\$54,872	\$219,438		\$219,438
91700 Legal Expense	\$17,278	\$2,920	\$1,154	\$4,629		\$1,103		\$6	\$16,095	\$43,095		\$43,095
91800 Travel	\$10,965	\$189	\$4,438					\$26	\$28,091	\$43,709		\$43,709
91810 Allocated Overhead								\$0				\$0
91900 Other	\$637	\$539						\$4		\$1,180		\$1,180
91000 Total Operating - Administrative	\$1,669,130	\$46,001	\$543,419	\$23,624	\$0	\$2,903	\$0	\$4,408	\$633,940	\$2,925,465	-\$1,045,794	\$1,879,671
92000 Asset Management Fee	\$119,280							\$0		\$119,280	-\$119,280	\$0
92100 Tenant Services - Salaries	\$136,497							\$0		\$136,497		\$136,497
92200 Relocation Costs								\$0				\$0
92300 Employee Benefit Contributions - Tenant Services	\$27,110							\$0		\$27,110		\$27,110
92400 Tenant Services - Other	\$16,844							\$0		\$16,844		\$16,844
92500 Total Tenant Services	\$182,451	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$182,451	\$0	\$182,451
93100 Water	\$23,657	\$2,353	\$417					\$2	\$420	\$26,849		\$26,849
93200 Electricity	\$127,812	\$2,574	\$6,954					\$60	\$12,468	\$149,898		\$149,898
93300 Gas	\$17,781	\$475	\$2,438					\$0	\$686	\$18,942		\$18,942
93400 Fuel								\$0		\$2,438		\$2,438
93500 Labor								\$0				\$0
93600 Sewer	\$14,713	\$626	\$274					\$0	\$276	\$15,689		\$15,689

Housing Authority of the City of Laredo (TX011)
LAREDO, TX

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	10,427 Rural Rental Assistance Payments	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	14,182 N/C S/R Section 8 Programs	2 State/Local	6.1 Component Unit - Discretely Presented	14,855 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense	\$22,413	\$814	\$379	\$0	\$0	\$0	\$0	\$17	\$398	\$24,021		\$24,021
93900 Total Utilities	\$22,413	\$814	\$379	\$0	\$0	\$0	\$0	\$17	\$398	\$24,021	\$0	\$24,021
94100 Ordinary Maintenance and Operations - Labor	\$782,857	\$28,684						\$0	\$167	\$811,738		\$811,738
94200 Ordinary Maintenance and Operations - Materials and Other	\$738,642	\$30,592						\$23	\$3,922	\$773,159		\$773,159
94300 Ordinary Maintenance and Operations Contracts	\$328,372	\$7,799	\$33,353	\$3,322				\$121	\$23,281	\$396,248		\$396,248
94500 Employee Benefit Contributions - Ordinary Maintenance	\$249,270	\$9,144	\$186					\$0	\$264	\$258,664		\$258,664
94900 Total Maintenance	\$2,099,141	\$76,229	\$33,539	\$3,322	\$0	\$0	\$0	\$144	\$27,634	\$2,240,009	\$0	\$2,240,009
95100 Protective Services - Labor	\$36,830	\$987						\$0		\$37,817		\$37,817
95200 Protective Services - Other Contract Costs	\$90,070	\$1,344						\$0		\$91,414		\$91,414
95300 Protective Services - Other								\$0				
95500 Employee Benefit Contributions - Protective Services	\$9,560	\$397						\$0		\$10,057		\$10,057
96000 Total Protective Services	\$136,460	\$2,728	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$139,188	\$0	\$139,188
96110 Property Insurance	\$92,899	\$4,531	\$344					\$2	\$234	\$98,010		\$98,010
96120 Liability Insurance	\$43,127	\$2,457	\$16,167					\$86	\$3,995	\$65,832		\$65,832
96130 Workmen's Compensation	\$22,065	\$606	\$1,942					\$13	\$3,532	\$28,158		\$28,158
96140 All Other Insurance								\$0				
96100 Total Insurance Premiums	\$158,091	\$7,594	\$18,453	\$0	\$0	\$0	\$0	\$101	\$7,761	\$182,000	\$0	\$182,000
96200 Other General Expenses								\$0				
96210 Compensated Absences	\$159,577	\$5,649	\$17,717					\$0	\$65,016	\$248,047		\$248,047
96300 Payments in Lieu of Taxes	\$243,909							\$0		\$243,909		\$243,909
96400 Bad debt - Tenant Rents	\$10,842	\$2,107						\$0		\$12,949		\$12,949
96500 Bad debt - Mortgagees								\$0				
96600 Bad debt - Other								\$0				
96800 Severance Expense								\$0				
96900 Total Other General Expenses	\$414,328	\$7,756	\$17,717	\$0	\$0	\$0	\$0	\$88	\$65,016	\$504,905	\$0	\$504,905
96710 Interest of Mortgage (or Bonds) Payable								\$0				
96720 Interest on Notes Payable (Short and Long Term)		\$403						\$0		\$403		\$403
96730 Amortization of Bond Issue Costs								\$0				
96700 Total Interest Expense and Amortization Cost	\$0	\$403	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$403	\$0	\$403
96900 Total Operating Expenses	\$4,085,257	\$149,553	\$623,590	\$26,946	\$0	\$2,903	\$0	\$4,820	\$748,669	\$6,541,738	-\$1,165,074	\$5,376,664
97000 Excess of Operating Revenue over Operating Expenses	\$1,715,191	\$81,124	\$6,944,091	\$346,353	\$166	\$36,186	\$0	\$44,759	\$463,330	\$9,629,200	\$0	\$9,629,200
97100 Extraordinary Maintenance	\$25,009							\$0		\$25,009		\$25,009
97200 Casualty Losses - Non-capitalized								\$0				
97300 Housing Assistance Payments								\$41,832		\$41,832		\$41,832
97350 HAP Portability-in								\$0				
97400 Depreciation Expense	\$385,701	\$59,654	\$19,345			\$7,064		\$0	\$164,897	\$627,661		\$7,338,464
97500 Fraud Losses								\$0				
97600 Capital Outlays - Governmental Funds								\$0				
97700 Debt Principal Payment - Governmental Funds								\$0				
97800 Dwelling Units Rent Expense								\$0				
99000 Total Expenses	\$5,395,967	\$200,207	\$7,959,567	\$26,946	\$0	\$9,987	\$0	\$46,652	\$913,566	\$14,532,872	-\$1,165,074	\$13,367,798

Housing Authority of the City of Laredo (TX011)
LAREDO, TX

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	10.427 Rural Rental Assistance Payments	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.182 NCSR Section 8 Programs	2 State/Local	6.1 Component Unit - Discretionary Presented	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
10010 Operating Transfer In								\$0				
10020 Operating Transfer Out								\$0				
10030 Operating Transfers from/to Primary Government				\$700,000				\$0		\$700,000	-\$700,000	\$0
10040 Operating Transfers from/to Component Unit								\$0		-\$700,000	\$700,000	\$0
10050 Proceeds from Notes, Loans and Bonds								\$0				
10060 Proceeds from Property Sales								\$0				
10070 Extraordinary Items, Net Gain/Loss								\$0				
10080 Special Items (Net Gain/Loss)								\$0				
10091 Inter Project Excess Cash Transfer In								\$0				
10092 Inter Project Excess Cash Transfer Out								\$0				
10093 Transfers between Program and Project - In								\$0				
10094 Transfers between Project and Program - Out								\$0				
10100 Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$700,000	\$0	\$0	\$0	\$0	-\$700,000	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$1,302,481	\$30,470	-\$371,886	\$1,046,353	\$166	\$29,122	\$0	\$2,927	-\$401,567	\$1,638,066	\$0	\$1,638,066
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$19,951,253	\$1,049,424	\$1,560,887	\$8,427,253	\$141,965	\$1,525,003	\$0	\$152,060	\$1,699,814	\$28,507,659		\$28,507,659
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$63,399		\$0	\$142,128	-\$142,131		\$1,635,211	\$0	\$407	\$1,699,014		\$1,699,014
11050 Changes in Compensated Absence Balance								\$0				
11060 Changes in Contingent Liability Balance								\$0				
11070 Changes in Unrecognized Pension Transition Liability								\$0				
11080 Changes in Special Term/Servance Benefits Liability								\$0				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								\$0				
11100 Changes in Allowance for Doubtful Accounts - Other								\$0				
11170 Administrative Fee Equity			\$1,164,293					\$0		\$1,164,293		\$1,164,293
11160 Housing Assistance Payments Equity			\$24,708					\$0		\$24,708		\$24,708
11190 Unit Months Available	11928	576	16506		0			108		29118		29118
11210 Number of Unit Months Leased	11687	573	18192		0			100		28752		28752
11270 Excess Cash	\$12,271,990							\$0		\$12,271,990		\$12,271,990
11610 Land Purchases	\$0							\$0		\$0		\$0
11620 Building Purchases	\$52,643							\$0		\$52,643		\$52,643
11630 Furniture & Equipment - Dwelling Purchases	\$102,981							\$0		\$102,981		\$102,981
11640 Furniture & Equipment - Administrative Purchases	\$52,496							\$0		\$52,496		\$52,496
11650 Leasehold Improvements Purchases	\$0							\$0		\$0		\$0
11660 Infrastructure Purchases	\$0							\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0							\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0							\$0		\$0		\$0

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

PHA's STATEMENT AND CERTIFICATION OF ACTUAL
CAPITAL FUND PROGRAM COST
March 31, 2015

1. The actual capital fund program costs are as follows:

	501-10
Funds approved	1,652,348
Funds expended	1,652,348
Excess of funds approved	\$ -
Funds advanced	\$ 1,652,348
Funds expended	1,652,348
Excess (deficiency) of funds advances	\$ -

2. The distribution of costs by project as shown on the Annual Statement/Performance and Evaluation Report dated March 23, 2015, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval appears to be in agreement with the PHA's records.

3. All Capital Fund Program costs appear to have been paid and all liabilities appear to have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

STATEMENT OF CAPITAL FUND PROGRAM
COSTS - INCOMPLETE
March 31, 2015

	<u>501-11</u>	<u>501-12</u>	<u>501-13</u>	<u>501-14</u>	<u>501-15</u>
Funds Approved	1,309,999	1,180,410	1,163,993	1,231,582	1,290,584
Funds Expended	1,203,447	252,339	-	-	-
Excess of Funds Approved	<u>\$ 106,552</u>	<u>\$ 928,071</u>	<u>\$ 1,163,993</u>	<u>\$ 1,231,582</u>	<u>\$ 1,290,584</u>
Funds Advanced	1,197,890	1,063,480	194,335	-	-
Funds Expended	1,203,447	980,379	194,739	-	-
Excess (deficiency) of Funds Advanced	<u>\$ (5,557)</u>	<u>\$ 83,101</u>	<u>\$ (404)</u>	<u>\$ -</u>	<u>\$ -</u>

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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 Housing Authority of the City Laredo, Texas (PHA), which comprise the statement of net position as of March 31, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PHA'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 PHA in a separate report dated December 30, 2015.

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.

San Antonio, Texas
December 30, 2015, except as to Note T
which is as of February 26, 2016

Seal & Carter, P.C.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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 (PHA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of PHA's major federal programs for the year ended March 31, 2015. The PHA'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PHA'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 PHA'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 PHA's compliance.

Opinion on Each Major Federal Program

In our opinion, the PHA, 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, 2015.

Report on Internal Control Over Compliance

Management of the PHA, 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 PHA'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 OMB Circular A-133, 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 PHA'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

San Antonio, Texas
December 30, 2015

Seal & Carter, P.C.

HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED MARCH 31, 2015

<u>GRANTOR/PASS-THROUGH/PROGRAM</u>	<u>FEDERAL CFDA NUMBER</u>	<u>CONTRACT NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
 <u>U. S. Department of Housing & Urban Development</u>			
Direct Programs:			
Public & Indian Housing	14.850	FW - 547	\$2,586,275
Section 8 Moderate Rehabilitation	14.856	FW - 4085	46,652
Section 8 Housing Choice Vouchers	14.871	FW - 4085	7,939,567
Public Housing Capital Fund	14.872	FW - 547	1,286,914
Total U. S. Department of Housing and Urban Development			11,859,408
 <u>U. S. Department of Agriculture</u>			
Direct Program:			
Rural Rental Assistance Payments	10.427	51040746001577	132,711
Total U. S. Department of Agriculture			132,711
Total Expenditures of Federal Awards			\$11,992,119

See the 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, 2015

1. Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the PHA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
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 deferred revenues until earned.
3. The period of availability for federal grants for the purpose of liquidation of outstanding obligations made on or before the ending date of the project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Availability of Federal Funds. Part 3, OMB Circular A-133 Compliance Supplement- Provisional 6/97.
4. In accordance with HUD guidelines, federal awards expended for the fiscal year under the Low Rent and Capital Fund programs equals the net operating subsidy received from HUD and also capital grants for CFP; under the Farmers Home Administration Program, federal awards expended for the fiscal year equal the USDA funds received, net of any year-end adjustments; and for the HUD Section 8 Programs federal awards expended equal the PHA's expenses for allowable costs for that specific grant incurred within the fiscal year under audit.
5. In accordance with HUD guidelines, regarding debt guaranteed by a federal agency, the outstanding principal at year-end is also used in the determination of federal awards expended.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2015

REFERENCE NUMBER: 2014-1

FEDERAL PROGRAM: Public and Indian Housing

CFDA NUMBER: 14.850

NAME OF FEDERAL AGENCY: U.S. Department of Housing and Urban Development (HUD)

COMPLIANCE REQUIREMENT: Eligibility

CURRENT STATUS: Corrective action was taken.

**HOUSING AUTHORITY OF THE CITY OF LAREDO
LAREDO, TEXAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR YEAR ENDED MARCH 31, 2015

A. Summary of the Auditor's Results:

1. The type of report issued on the financial statements of the Housing Authority of The City of Laredo (the PHA) was an unmodified opinion.
2. No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements.
3. The audit disclosed no conditions of noncompliance which are material to the financial statements of the PHA.
4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit.
5. The type of report the auditor issued on compliance for major programs was an unmodified opinion.
6. The audit disclosed no audit finding relating to major programs that was required to be reported under Section - 510(a) of Circular A-133.
7. Major program of the PHA are:
 - a. Public and Indian Housing - CFDA 14.850
 - b. Section 8 Housing Choice Vouchers – CFDA 14.871
8. Dollar threshold used to distinguish between Type A and Type B programs was \$359,751 or larger.
9. The auditee did not qualify as a low risk auditee under Section .530 of Circular A-133.

B. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards* - None

C. Findings and Questioned Costs for Federal Awards Including Audit Findings as Defined in Section .510(a) of Circular A-133 – None

