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Procurement Department

ADDENDUM # 3

To: File 1905-918-49-4931
RFP for: Technical Accounting and GASB Consulting Services

Please note the following change:

The Response due date and time are changed to Monday August 26, 2019 at 2:00 pm.

Please see the attached additional information:

1. June 30, 2018 Financial and Compliance Report
2. Management Letter
3. Report to the Board of Commissioners February 22, 2019

By: Charles R Bode
Charles Bode Asst. Director of Procurement

Date: August 13, 2019

Housing Authority of the City of San Antonio

Financial Report and Compliance Report
June 30, 2018

Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Housing Authority of the City of San Antonio (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 Authority'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 Authority'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining information of the Authority as of June 30, 2018, and the respective changes in financial position and where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 16 to the financial statements, effective July 1, 2017, the Authority merged the assets, liabilities and operations of the San Antonio Housing Opportunity Corporation (SAHOC). This merger required beginning equity to be restated in the amount of SAHOC's prior-year deficit net position of $436,530. Our opinion is not modified with respect to this matter.

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

Other Matters—Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Modernization Costs, Schedule of Development Costs and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Modernization Costs, Schedule of Development Costs and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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, he Schedule of Modernization Costs, Schedule of Development Costs and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

San Antonio, Texas
February 7, 2019

This section of the Housing Authority of the City of San Antonio's (the Authority) annual financial report presents management's discussion and analysis (MD&A) of the Authority's financial performance during the fiscal year (FY) ended June 30, 2018, related to its business-type activities, as compared to the FY ended June 30, 2017. The business-type activities of the Authority include the following: Public Housing Programs, Section 8 Voucher Programs, Capital Fund Programs, Community Development Initiatives Programs, Beacon Communities and the San Antonio Housing Facility Corporation. The MD&A is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position and identify individual fund issues or concerns. The information presented for the year ended June 30, 2017, has not been adjusted in the MD&A for the merger discussed in Note 16.

Since the MD&A is designed to focus on the current-year activities, resulting changes and currently known facts, we encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which follow this section.

Overview of the Housing Authority of the City of San Antonio, Texas

The Authority is a municipal housing authority organized under the laws of the state of Texas (now Chapter 392 of the Texas Local Government Code) and by a resolution of the City Council of the City of San Antonio, Texas, adopted on June 17, 1937. The Authority's purpose is to provide and promote safe and sanitary housing for low-income persons residing in San Antonio, Texas. A seven-member Board of Commissioners (the Board), appointed by the Mayor of the City of San Antonio, governs the Authority.

The Authority is one of 39 public housing authorities nationwide with a Moving to Work (MTW) designation from the United States Department of Housing and Urban Development (HUD). The Authority received its MTW designation from HUD in 1999 and approved a restated MTW agreement in June 2009, which extended the program for 10 additional years. During FY 2016, HUD issued a letter to all participating MTW agencies modifying and extending their existing contracts through 2028. The MTW agreement grants the Authority flexibility to develop policies outside the limitations of certain HUD regulations and provisions. As an MTW agency, the Authority's three primary goals are to promote and increase self-sufficiency among public housing and Section 8 residents, to increase housing choices for low-income families and to achieve programmatic efficiencies and reduce costs. Every year, an MTW plan is developed, describing how flexibilities will be applied to best meet community needs with input from stakeholders, residents and landlords. The MTW agreement also allows for funding fungibility by pooling the Public Housing operating subsidy, Section 8 Housing Choice Voucher subsidy and Capital Funds.

Highlights

- The Authority received 15 Awards of Merit for various innovative programs and initiatives from the National Association of Housing and Redevelopment Officials.

- The Authority's Education Investment Foundation presented 189 R.E.A.C.H. (Rewarding Educational Achievement, Cultivating Hope) Awards to Authority students for achieving perfect attendance and/or A-B honor roll. In addition, 43 Authority youth received college scholarships.

- The Authority celebrated the opening of the Wheatley Park Senior Living Apartments, Phase II of the Wheatley Choice Neighborhood Initiative. A $15.5 million project, the Wheatley Park Senior Living mixed-income community offers 80 affordable one- and two-bedroom apartments.

- The Authority won $10,000 and received an honorable mention for the creative design of a low-cost Wi-Fi network for residents from the National Science Foundation and tech company, Mozilla, through their Wireless Innovation for a Networked Society challenge.

- The Authority sold 12 single-family homes, the first batch in an 88-home spread for developments in and around what was formerly known as Mirasol Homes. The Authority has billed this as the largest reconstruction effort on the city's west side in a decade and aspires to turn renters into homeowners and enable them to build generational wealth.

- The Authority received a 9 percent tax credit investment for the final phase of the Wheatley Choice Neighborhood Development from the Texas Department of Housing and Community Affairs. The $15.0 million total tax credit investment will be used to complete East Meadows II.

- The Authority issued a promissory note in the amount of $6.8 million to Frost Bank to refinance the existing debt on the Monterrey Park Apartments and to finance capital repairs and improvements to the Monterrey Park Apartments and La Providencia Apartments. The refinance increased the mortgage debt on the Monterrey Park Apartments; however, the net refinancing proceeds of approximately $5.2 million will be utilized to preserve and extend the useful life of both properties.

- The Authority's current ratio that measures liquidity was 4.14 at June 30, 2018. The ratio is an indicator of the Authority's strong capacity to meet its short-term financial obligations.

- The Authority's debt-to-net position ratio was 0.36 at June 30, 2018, demonstrating the Authority's strong long-term solvency position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of two components: (1) basic financial statements and (2) notes to financial statements. The basic financial statements include the operations of the Authority and its blended component units.

The statement of net position presents financial information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the most recent FY. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Basic Financial Statements

As provided for under accounting principles generally accepted in the United States of America, the Authority uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation and amortization, are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of the Authority are included in the statement of net position. The Authority presents its activities as a single enterprise proprietary fund. The basic financial statements begin on page 16 of this report.

Pension Plan Trust Fund—Fiduciary Fund
The Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust, a component unit of the Authority, is accounted for as fiduciary activity in the fiduciary fund financial statements. The basic fiduciary fund financial statements begin on page 22 of this report.

The Authority's Major Funds
San Antonio Housing Authority
The Authority operates the following programs:

- **Housing Choice Voucher (HCV) Program**—a HUD-funded program that provides rent subsidies to families residing in privately owned rental properties.

- **Capital Improvement Programs**—HUD-funded programs that include the Capital Fund Program and the Capital Fund Financing Program, which provide funds for new construction and the rehabilitation of existing housing units.

- **Public Housing Program**—a HUD-funded program under which the Authority manages and maintains 6,137 public housing rental units for eligible low-income families, seniors and individuals with disabilities.

Notes to Financial Statements
The notes to financial statements provide additional information that is essential to the full understanding of the data provided in the fund financial statements. The notes to financial statements begin on page 25 of this report.

Financial Analysis

General
Over time, net position may serve as a useful indicator of a government's financial position. At June 30, 2018, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $261,140,537. By far, the largest portion of net position is the Authority's investment in capital assets (e.g., land, buildings, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services and housing to its clients. Consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statements of Net Position Information

Presented below is the Authority's condensed statements of net position for FY 2018 compared to FY 2017. This information reflects the economic resources of the Authority, as well as its economic obligations at the end of the FYs shown. See notes to financial statements.

Condensed Statements of Net Position

	FY 2018	FY 2017	Increase (Decrease)	Percentage Change
Assets:				
Unrestricted current assets	$ 62,348,569	$ 53,670,119	$ 8,678,450	16.2%
Restricted current assets	20,625,264	29,741,485	(9,116,221)	(30.7%)
Net capital assets	198,103,875	189,006,428	9,097,447	4.8%
Other assets	73,436,453	68,962,432	4,474,021	6.5%
Total assets	354,514,161	341,380,464	13,133,697	3.8%
Deferred outflows of resources:				
Deferred charges on refunding	725,789	839,999	(114,210)	(13.6%)
Deferred swap outflow	-	210,250	(210,250)	(100.0%)
Total deferred outflows of resources	725,789	1,050,249	(324,460)	(30.9%)
Liabilities:				
Current liabilities	18,702,840	14,528,969	4,173,871	28.7%
Current liabilities payable from restricted assets	1,354,072	1,114,946	239,126	21.4%
Noncurrent liabilities	73,807,113	71,908,424	1,898,689	2.6%
Total liabilities	93,864,025	87,552,339	6,311,686	7.2%
Deferred inflows of resources:				
Deferred swap inflow	235,388	-	235,388	100.0%
Total deferred inflows of resources	235,388	-	235,388	100.0%
Net position:				
Net investment in capital assets	134,924,476	130,740,548	4,183,928	3.2%
Restricted net position	14,086,373	21,186,276	(7,099,903)	(33.5%)
Unrestricted net position	112,129,688	102,951,550	9,178,138	8.9%
Total net position	$ 261,140,537	$ 254,878,374	$ 6,262,163	2.5%

Assets

The Authority's total assets at June 30, 2018 and 2017, amounted to $354.5 million and $341.4 million, respectively, representing an increase of 3.8 percent. Unrestricted current assets increased by $8.7 million, or 16.2 percent due primarily to an increase in unrestricted cash received a result of the refinance of the Monterrey Park and La Providencia properties. Restricted current assets decreased by $9.1 million, or 30.7 percent due primarily to cash disbursed for Blueridge Subdivision construction costs and roofing replacement and repairs at various properties. Net capital assets increased by $9.1 million, or 4.8 percent due primarily to capitalized roof replacements at various properties and significant capital work completed for the Westway Apartments which included sewer, site drainage and solar lighting improvements. The increases were partially offset by the demolition of 28 homes in the Villas de Fortuna Subdivision. Additionally, the Authority added $24.3 million in construction in progress, which was offset by $13.9 million in accumulated depreciation. Other assets increased by $4.5 million, or 6.5 percent due primarily to increases in notes receivable from the Wheatley Park Senior Living Limited Partnership and accrued interest receivable on notes due from various limited partnerships.

Liabilities
Total liabilities of the Authority were $93.9 million and $87.6 million at June 30, 2018 and 2017, respectively, an increase of 7.2 percent. Current liabilities experienced an increase of $4.2 million, or 28.7 percent due primarily to an increase in accounts payable, which was partially offset by the amortization of ground leases and paydown of the line of credit. Noncurrent liabilities increased by $1.9 million, or 2.6 percent due to the refinance of the Monterrey Park Apartments and Castle Point Apartments, which resulted in new debt of $6.8 million. The increase was partially offset by $4.7 million in principal payments on mortgage obligations and loans payable, and amortization of unearned ground leases.

Net Position
The Authority's net position totaled $261.1 million at June 30, 2018, and is comprised of net investment in capital assets of $134.9 million; restricted net position of $14.1 million and unrestricted net position of $112.1 million. Total net position increased by $6.3 million, or 2.5 percent as a result of operations for the FY. The balance in unrestricted net position represents resources available to meet the Authority's ongoing obligations to tenants, citizens and creditors.

Condensed Statements of Revenues, Expenses and Changes in Net Position Information

Presented on the following page is the condensed statements of revenues, expenses and changes in net position information for FY 2018 compared to FY 2017. The information reflects the results of operations for the Authority and displays the sources of revenue, the nature of expenses for the year and the resulting change in net position. All revenues and expenses are accounted for on an accrual basis. See notes to financial statements.

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

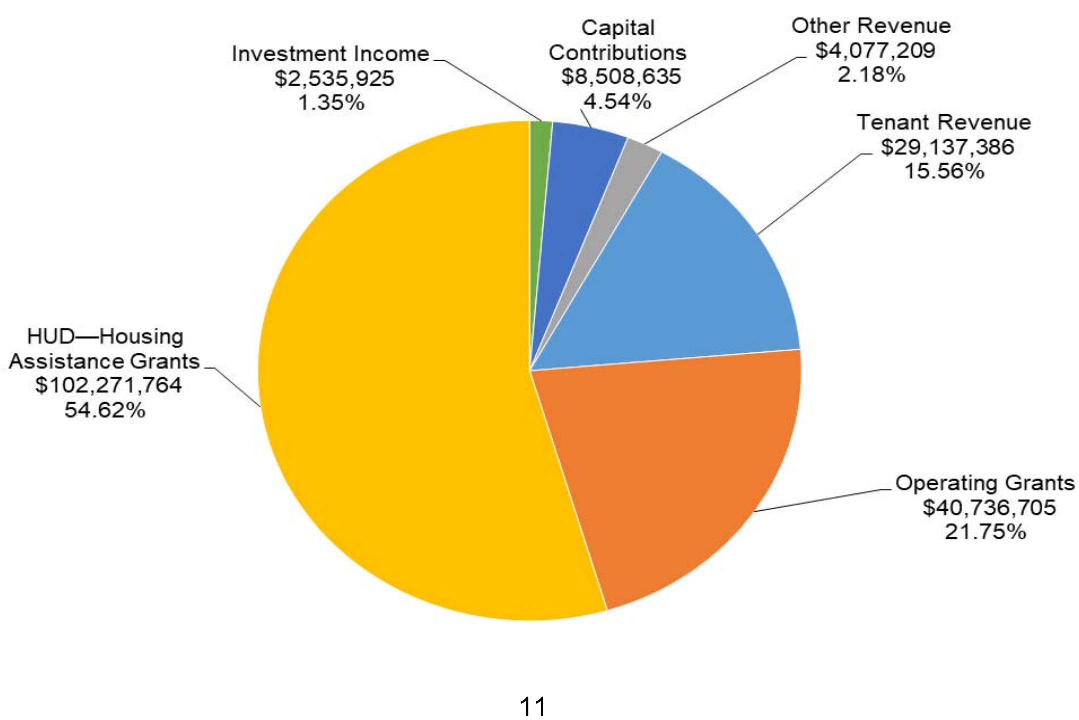
	FY 2018	FY 2017	Increase (Decrease)	Percentage Change
Operating revenues:				
Tenant	$ 29,137,386	$ 28,409,791	$ 727,595	2.6%
Operating grants	40,736,705	40,943,875	(207,170)	(0.5%)
Other revenue	3,881,531	4,680,619	(799,088)	(17.1%)
Total operating revenues	73,755,622	74,034,285	(278,663)	(0.4%)
Operating expenses:				
Administrative	30,813,048	30,166,136	646,912	2.1%
Tenant services	2,432,372	3,230,037	(797,665)	(24.7%)
Utilities	7,462,928	6,804,072	658,856	9.7%
Ordinary maintenance and operations	22,264,542	21,700,606	563,936	2.6%
Protective services	711,537	790,918	(79,381)	(10.0%)
Insurance	2,469,754	2,144,643	325,111	15.2%
Bad debts	(377,545)	287,708	(665,253)	(231.2%)
Other	2,209,756	1,103,634	1,106,122	100.2%
Depreciation	13,940,131	14,550,627	(610,496)	(4.2%)
Total operating expenses	81,926,523	80,778,381	1,148,142	1.4%
Operating loss	(8,170,901)	(6,744,096)	(1,426,805)	21.2%
Nonoperating revenues (expenses):				
Investment income	500,006	135,410	364,596	269.3%
Mortgage interest income	2,035,919	1,903,253	132,666	7.0%
HUD housing assistance grants	102,271,764	76,224,071	26,047,693	34.2%
Recovery of Section 8 funds	195,678	169,451	26,227	15.5%
Housing assistance payments	(93,109,076)	(89,416,345)	(3,692,731)	(4.1%)
Interest expense	(2,691,984)	(2,503,085)	(188,899)	(7.5%)
Gain (loss) on disposition/retirement of capital assets	(2,531,210)	1,962,677	(4,493,887)	(229.0%)
Insurance recoveries, net of impairment losses	-	6,180,133	(6,180,133)	100.0%
Gain (loss) on investments	(181)	259	(440)	(1.7%)
Amortization and trustee expense	(309,957)	(478,407)	168,450	35.2%
Total nonoperating revenues (expenses)	6,360,959	(5,822,583)	12,183,542	209.2%
Decrease in net position before capital contributions and special item	(1,809,942)	(12,566,679)	10,756,737	85.6%
Capital contributions	8,508,635	9,029,487	(520,852)	(5.8%)
Special item	-	600,000	(600,000)	100.0%
Changes in net position	6,698,693	(2,937,192)	9,635,885	328.1%
Net position at beginning of year	254,878,374	257,815,566	(2,937,192)	(1.1%)
Net position (deficit) from merged government	(436,530)	-	(436,530)	(100.0%)
Net position at end of year	$ 261,140,537	$ 254,878,374	$ 6,262,163	2.5%

Operating Revenues and Expenses
Operating revenues decreased by $0.3 million, or 0.4 percent over the previous year and operating expenses increased by $1.1 million, or 1.4 percent. The primary source of revenue, other than HUD funding, is tenant income, which increased by $0.7 million, or 2.6 percent over the prior year. The $0.8 million, or 17.1 percent decrease in other revenue was due primarily to less revenue related to insurance proceeds and fewer cash flow distributions from limited partnerships during FY 2018. The most significant increases in operating expenses were administrative, utilities and other expenses. The three categories combined for an increase of $2.4 million. The other expenses category more than doubled due to the write-off of accounts receivable for insurance holdbacks related to the 2016 hail damage claim, as well as demolition costs related to the former Mirasol Homes site. Partially offsetting this increase were decreases of $0.8 million and $0.7 million in tenant services and bad debts, respectively. Depreciation expense, which does not require cash expenditures, but impacts the total operating expenses, totaled $13.9 million for FY 2018.

Nonoperating Revenues, Expenses and Changes in Net Position
There was an increase of $9.6 million for the changes in net position primarily due to an increase in HUD Housing Assistance Grants of $26.0 million. During FY 2017, the Authority was required to use Section 8 reserve funds to disburse housing assistance payments for August, September and a portion of October. Partially offsetting the large overall increase were decreases of $6.2 million in insurance recoveries, net of impairment losses, and $4.5 million in gain (loss) on disposition/retirement of capital assets. During FY 2017, the Authority recognized insurance proceeds, net of impairment losses, of $6.2 million for a severe hail storm that struck San Antonio and caused extensive damage to several of the Authority's properties. In FY 2018, the Authority recognized a $2.5 million loss on disposition/retirement of capital assets, which resulted from the demolition of 28 homes in the Villas de Fortuna Subdivision and a net loss from the sale of 12 homes in the Blueridge Subdivision. Additionally, there was a $3.7 million increase in HUD Housing Assistance Payments.

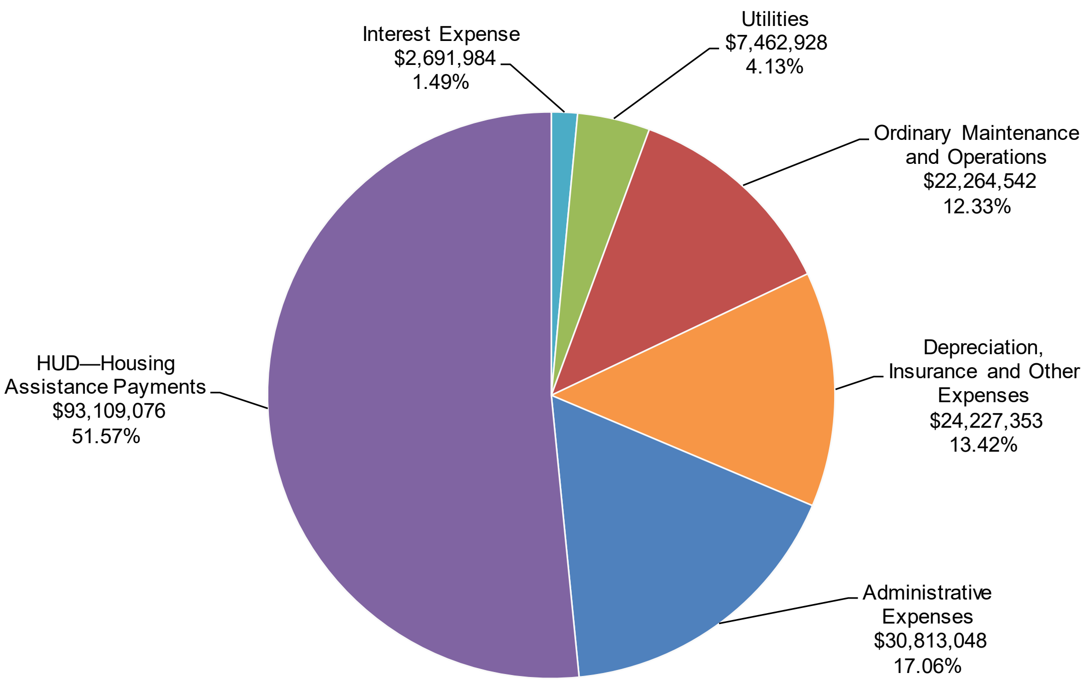
Revenue by Source—Business-Type Activities

Total Revenue—$187,267,624



Expenses by Use—Business-Type Activities

Total Expenses—$180,568,931



Capital Assets and Debt Administration

Net Capital Assets

At the end of FY 2018, the Authority had invested $198,103,875 in a broad range of capital assets, including land, buildings, furniture, equipment, vehicles and construction in progress. The schedule below reflects the changes in capital assets, net of depreciation, during FY 2018:

Schedule of Changes in Capital Assets—FY 2018

Beginning net capital assets	$ 189,032,762
Additions and transfers in/out	26,193,435
Deletions, net	(3,182,191)
Depreciation	(13,940,131)
Ending net capital assets	$ 198,103,875

Net capital assets increased by $9.1 million in FY 2018 when compared to FY 2017. Additions and transfers totaled $26.2 million, while deletions totaled $3.2 million. Total depreciation expense for FY 2018 was $13.9 million. The majority of the additions were attributable to construction in progress. Additional information on the Authority's capital assets can be found in Note 6 of the notes to financial statements.

Long-Term Debt
At the end of FY 2018, the Authority had total long-term debt of $67.8 million. Of this amount, $21.6 million represents bonds that were issued to purchase or rehabilitate properties owned by component units of the Authority. The Authority's debt increased by $2.3 million when compared to FY 2017.

Additional information on the Authority's long-term debt can be found in Note 8 of the notes to financial statements.

Economic Factors and Next Year's Budget

Significant economic factors affecting the Authority's budget in the next year are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, housing costs, supplies and other costs
- Current trends in the housing market
- Local and national property rental markets that determine Housing Assistance Payments

The Authority is primarily dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher and Capital Fund programs; therefore, the Authority is affected more by the federal budget than by local economic conditions.

The operating budgets for the Authority's 2018-2019 FY were approved by the Board of Commissioners on June 7, 2018, and became effective July 1, 2018. The Authority's budget is balanced, with estimated revenues of $178.3 million, with these funds being used primarily for Section 8 payments to landlords, public housing operations, salaries and benefits, upgrades, repairs and maintenance of the Authority's housing communities, as well as other operating costs.

The Authority's goal remains to continue to provide housing to over 65,000 children, adults and senior citizens served through its three core housing programs: Section 8, Public Housing and Nonprofit properties. In FY 2019, the Authority looks forward to continuing to work on the Wheatley Choice Neighborhood revitalization; significantly enhancing property management and housing operations; expanding educational, job training and health services to residents and implementing additional efficiencies across the Authority.

Requests for Information

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

San Antonio Housing Authority
Attn: Diana Kollodziej Fiedler, CPA, CGMA
Director of Finance and Accounting
P.O. Box 1300
San Antonio, Texas 78295-1300

Basic Financial Statements

Housing Authority of the City of San Antonio

Statement of Net Position
June 30, 2018

Assets and Deferred Outflows of Resources

Assets:	
Current assets:	
Unrestricted assets:	
Cash and cash equivalents:	
Unrestricted	$ 42,830,866
Tenant security deposits	105,972
Accounts receivable–HUD	3,760,136
Accounts receivable–miscellaneous	1,696,481
Accounts receivable–insurance holdback	1,588,485
Accounts receivable–tenants	704,324
Allowance for doubtful accounts—tenants	(163,439)
Notes and mortgages	15,429
Accrued interest receivable	13,783
Assets held for sale	415,811
Investments—unrestricted	3,602,135
Prepaid expenses and other assets	7,778,586
Total unrestricted assets	62,348,569
Restricted assets:	
Cash and cash equivalents—modernization and development	5,713,048
Cash and cash equivalents—payment of current liabilities	1,475,002
Cash and cash equivalents—held by lender and trustee	2,319,732
Cash and cash equivalents—other	3,127,027
Investments	7,971,872
Accrued interest	18,583
Total restricted assets	20,625,264
Total current assets	82,973,833
Noncurrent assets:	
Capital assets:	
Land	45,621,567
Buildings and improvements	453,412,294
Furniture and equipment—dwellings	2,518,725
Furniture and equipment—administration	5,056,214
Leasehold improvements	1,265,302
Construction in progress	30,755,394
	538,629,496
Less accumulated depreciation	(340,525,621)
Net capital assets	198,103,875
Other noncurrent assets:	
Notes and mortgages receivable	50,994,762
Accrued interest receivable	13,103,141
Interest rate swap assets	235,388
Other assets and developer fees receivable	3,908,626
Allowance for doubtful accounts—developer fees	(2,242,285)
Noncurrent receivable—insurance holdback	191,718
Equity in partnership investments	7,245,103
Total noncurrent assets	73,436,453
Total assets	354,514,161
Deferred outflows of resources:	
Deferred charges on refunding	725,789
Total deferred outflows of resources	725,789

See notes to financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities:	
Current liabilities:	
Unrestricted current liabilities:	
Accounts payable	$ 7,120,883
Construction payable	3,308,068
Accrued wages and payroll taxes	1,193,637
Accrued compensated absences	1,158,395
Accrued contingencies	194,672
Accounts payable—HUD PHA projects	122,704
Tenant security deposits	1,478,073
Unearned revenue—tenants	363,999
Unearned revenue—ground leases and other	896,926
Current portion of long-term debt	2,347,851
Line of credit	70,616
Other current liabilities	361,782
Accrued liabilities	85,234
Total unrestricted current liabilities	18,702,840
Current liabilities payable from restricted assets:	
Long-term debt—current portion	1,090,314
Accrued interest payable	115,807
Family Self-Sufficiency (FSS) escrow	147,951
Total current liabilities payable from restricted assets	1,354,072
Total current liabilities	20,056,912
Noncurrent liabilities:	
Long-term debt, less unamortized discount	64,338,771
FSS escrow payable	2,296,040
Accrued compensated absences	338,909
Unearned revenue—ground leases and other	6,793,022
Other noncurrent liabilities	40,371
Total noncurrent liabilities	73,807,113
Total liabilities	93,864,025
Deferred inflows of resources:	
Deferred swap inflow	235,388
Total deferred inflows of resources	235,388
Net position:	
Net investment in capital assets	134,924,476
Restricted net position	14,086,373
Unrestricted net position	112,129,688
Total net position	$ 261,140,537

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Housing Authority of the City of San Antonio

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Operating revenues:	
Charges for services:	
Net tenant rental revenue	$ 28,116,008
Tenant revenue—other	1,021,378
HUD operating grants and housing assistance payments	40,448,920
Other government grants	287,785
Other revenue	3,881,531
Total operating revenues	73,755,622
Operating expenses:	
Administrative	30,813,048
Tenant services	2,432,372
Utilities	7,462,928
Ordinary maintenance and operations	22,264,542
Protective services	711,537
Insurance	2,469,754
Bad debts	(377,545)
Other	2,209,756
Depreciation	13,940,131
Total operating expenses	81,926,523
Operating loss	(8,170,901)
Nonoperating revenues (expenses):	
Investment income—unrestricted	320,740
Investment income—restricted	179,266
Mortgage interest income	2,035,919
HUD housing assistance grants	102,271,764
Recovery of Section 8 funds	195,678
Housing assistance payments	(93,109,076)
Interest expense	(2,691,984)
Loss on disposition/retirement of capital assets	(2,531,210)
Loss on investments	(181)
Amortization and trustee expense	(309,957)
Total nonoperating revenues (expenses)	6,360,959
Decrease in net position before capital contributions	(1,809,942)
Capital contributions	8,508,635
Change in net position	6,698,693
Net position at beginning of year	254,878,374
Net position (deficit) from merged government	(436,530)
Net position at end of year	$ 261,140,537

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from tenants	$ 72,983,116
Cash received from developers	317,220
Cash payments to suppliers for goods and services	(35,925,658)
Cash payments to employees	(32,683,722)
Net cash provided by operating activities	4,690,956
Cash flows from noncapital financing activities:	
HUD housing assistance grants	102,271,764
Housing assistance payments	(93,109,076)
Recovery of Section 8 funds	198,169
Net cash provided by noncapital financing activities	9,360,857
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(24,069,810)
Refinancing and closing costs	(160,666)
Trustee fees	(11,500)
Proceeds from capital grants	8,508,635
Principal payments on mortgage and notes payable	(4,704,256)
Proceeds from acquisition of debt	6,800,000
Interest paid on long-term debt and line of credit	(2,595,337)
Line of credit drawdowns	2,087,031
Line of credit principal payments	(2,556,078)
Homeownership and FSS escrow	311,002
Proceeds from sale of capital assets	1,903,678
Net cash used in capital and related financing activities	(14,487,301)
Cash flows from investing activities:	
Collections on notes receivable	409,931
Issuance of notes receivable	(2,241,467)
Investment income received	513,716
Sale/maturity of investment securities	6,800,000
Purchases of investment securities	(11,593,863)
Interest on notes and mortgages receivable	12,807
Net cash used in investing activities	(6,098,876)
Net decrease in cash and cash equivalents	(6,534,364)
Cash and cash equivalents at beginning of year	62,106,011
Cash and cash equivalents at end of year	$ 55,571,647
Noncash capital and related financing activities:	
Acquisition of capital assets through construction payables	$ 3,308,068
Unpaid interest capitalized into long-term debt	$ 4,400

(Continued)

Housing Authority of the City of San Antonio

Statement of Cash Flows (Continued)
Year Ended June 30, 2018

Reconciliation to statement of net position:	
Unrestricted cash and cash equivalents	$ 42,830,866
Tenant security deposits	105,972
Restricted cash and cash equivalents—modernization and development	5,713,048
Restricted cash and cash equivalents—payment of current liabilities	1,475,002
Restricted cash and cash equivalents—held by lender and trustee	2,319,732
Restricted cash and cash equivalents—other	3,127,027
	$ 55,571,647
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (8,170,901)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	13,940,131
Earned revenue/amortization of unearned revenue—ground lease and other	(1,028,038)
Bad debt recovery	(325,398)
Expensed debt issuance costs	2,102
Net changes in assets and liabilities:	
Assets held for sale	(415,811)
Tenants receivable, net	6,548
HUD receivable	(1,275,148)
Miscellaneous receivables	(261,213)
Other assets and developer fees	222,272
Allowance for doubtful accounts—other	(357,242)
Prepaid expenses and other	(564,956)
Accounts payable	3,644,833
Accrued wages and payroll taxes	(59,346)
Accrued compensated absences	886
Accrued contingencies	(352,921)
Tenant security deposits	(27,971)
Unearned revenue—tenants	(211,354)
Other current liabilities	(141,375)
Accrued liabilities	65,858
Net cash provided by operating activities	$ 4,690,956

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Plan Net Position—Fiduciary Fund
December 31, 2017

Assets:	
Investments:	
Common stock	$ 14,332,617
Mutual funds—equity	14,463,138
Mutual funds–fixed income	13,397,522
Total investments	42,193,277
Cash and cash equivalents	1,989,122
Receivables:	
Employee contributions	33,404
Employer contribution	73,487
Accrued investment income	35,664
Total receivables	142,555
Total assets	44,324,954
Liabilities:	
Accrued investment manager expenses	43,038
Net position restricted for pension benefits	$ 44,281,916

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Changes in Plan Net Position—Fiduciary Fund
Year Ended December 31, 2017

Additions to fiduciary net position:	
Contributions:	
Employee	$ 884,220
Employer	1,884,678
Total contributions	2,768,898
Investment income (expenses):	
Interest and dividends	780,683
Net appreciation in fair value of investments	4,393,376
Investment manager expenses	(103,465)
Net investment income	5,070,594
Total additions	7,839,492
Deductions from fiduciary net position:	
Benefits paid to participants	(2,224,152)
Administrative expenses	(256,846)
Total deductions	(2,480,998)
Net increase in fiduciary net position	5,358,494
Net position restricted for pension:	
Fiduciary net position at beginning of year	38,923,422
Fiduciary net position at end of year	$ 44,281,916

See notes to financial statements.

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Note 1. Summary of Significant Accounting Policies

The financial statements of the Housing Authority of the City of San Antonio (the Authority) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for government entities. The Governmental Accounting Standards Board (GASB) is the governing body for establishing governmental accounting and financial reporting standards. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Authority was created by the City of San Antonio in 1937, under the provisions of the United States Housing Act of 1937, as a public benefit corporation. The Board of Commissioners (the Board), a seven-member group appointed by the Mayor, has governance responsibility over all activities related to the Authority. These financial statements present the Authority and its component units: entities for which the Authority is considered to be financially accountable and which serve as the Authority's instruments to enhance its purpose to build and maintain affordable housing for low- and moderate-income families.

Blended component units, although legally separate entities are, in substance, part of the Authority's operations. Thus, blended component units are appropriately presented as funds of the primary government. Each blended component unit has a June 30 year-end. The governing boards of the following component units are the same as the primary government's governing board. Additionally, management of the primary government has operational responsibility for the component units; therefore, making them blended component units.

Because members of the Board have the authority to make decisions, appoint administrators and managers, and significantly influence operations and have primary accountability for fiscal matters, the Authority is not included in any other governmental "reporting entity" as defined by GASB Codification Section 2100, *Defining the Financial Reporting Entity*.

Blended Component Units—Enterprise Funds
The following component units are combined with the Authority's activities.

San Antonio Housing Facility Corporation (SAHFAC)
SAHFAC is organized under section 501(c)(3) of the IRC. SAHFAC owns nine multi-family rental developments with 975 units. SAHFAC serves as the general partner for Homestead Redevelopment Partnership, Ltd. (Homestead) and is the sole member of various limited liability companies that are general partners of tax credit limited partnerships. Additionally, SAHFAC leases the Central Office Building to the Authority with a lease term of 40 years, expiring in 2035.

San Antonio Housing Development Corporation (SAHDC)
SAHDC, organized in 1977 under section 501(c)(3) of the Internal Revenue Code (IRC), owns three multi-family rental developments with 254 apartments and manages one senior citizen development that is a component unit of the Authority. SAHDC also serves as the developer and general partner of three limited partnerships created with private investors to expand housing opportunities for low-income families and senior citizens. SAHDC serves as the general partner for Vera Cruz Redevelopment Partnership, Ltd. (Vera Cruz).

Note 1. Summary of Significant Accounting Policies (Continued)

San Antonio Housing Finance Corporation (SAHFC)
SAHFC was created under the Texas Housing Finance Corporations Act as a vehicle through which tax-exempt housing revenue bonds are issued to finance the construction, acquisition and renovation for occupancy by low- and moderate-income families. The users of the bond proceeds are liable for repayment of the bonds. SAHFC retains no liability relating to the bond issues.

San Antonio Homeownership Opportunities Corporation
In July 1994, the Authority created San Antonio Homeownership Opportunities Corporation under section 501(c)(3) of the IRC to redevelop single-family properties to provide opportunities for lower income families to buy their first home through lease-purchase and other programs.

Las Varas PFC (LVPFC)
Las Varas PFC, created in September 2005, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC and was organized to act on behalf of the Authority, as provided by the Texas PFC Act. It serves as the sole member of various limited liability companies that are general partners of tax credit limited partnerships.

Springhill/Courtland Heights (Springhill/Courtland Heights) Public Facility Corporation (PFC)
Springhill/Courtland Heights PFC, created in 1998, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC. It was organized to act on behalf of the Authority, as provided by the Texas PFC Act, as amended, for financing the acquisition, rehabilitation, renovation, repair, equipping and furnishing of three multi-family apartment complexes with 505 units. Springhill/Courtland Heights PFC receives rental subsidies pursuant to a Housing Assistance Payment (HAP) contract with HUD for persons of low-to-moderate income.

Woodhill PFC
Woodhill PFC, created in 1999, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC. It was organized to act on behalf of the Authority, as provided by the Texas PFC Act, as amended, for financing the acquisition, rehabilitation, renovation, repair, equipping and furnishing of one multi-family apartment complex with 532 units.

Refugio Street PFC (RSPFC)
Refugio Street PFC, created in December 2001, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC and organized to act on behalf of the Authority, as provided by the Texas PFC Act, as amended. Refugio Street PFC serves as general partner for Refugio Street Limited Partnership. The partnership was formed for the purpose of financing the acquisition and development of one multi-family apartment complex with 210 units.

Sendero I PFC
Sendero I PFC, created in 2002, is a Texas nonprofit public corporation and public instrumentality under section 103 of the IRC. It was organized to act on behalf of the Authority, as provided by the Texas PFC Act, as amended, for the purpose of financing the acquisition and development of a 192-unit affordable housing project. Affordable rents shall not exceed certain thresholds based on percentages of area median income.

Note 1. Summary of Significant Accounting Policies (Continued)

Vera Cruz Redevelopment Partnership, Ltd. (Vera Cruz)
Vera Cruz (a Texas limited partnership) is an investment of SAHDC (as general partner). Vera Cruz was formed on October 31, 1991, to acquire, own, develop, improve and lease the 29-unit Villa de San Alfonso Senior Citizens Apartments to low-income tenants and is operated in a manner to qualify for federal low-income housing tax credits. In October 2009, SAHFAC acquired a 99 percent interest in the partnership. The partnership is now a wholly owned entity of an Authority affiliate.

Homestead Redevelopment Partnership, Ltd. (Homestead)
Homestead (a Texas limited partnership) is an investment of SAHFAC (as general partner). Homestead was formed on October 31, 1991, to acquire, own, develop, improve and lease the 158-unit Homestead Apartments to low-income tenants and is operated in a manner to qualify for federal low-income housing tax credits. In September 2009, SAHDC acquired a 75 percent interest in the partnership. SAHDC acquired an additional 24 percent interest in June 2011. The partnership is now a wholly owned entity of an Authority affiliate.

Converse Ranch, LLC
Converse Ranch, LLC was organized as a Texas limited liability company on April 5, 2007, to acquire the 124-unit apartment complex known as Converse Ranch Apartments. Currently, the Authority serves as the sole owner of Converse Ranch, LLC.

Converse Ranch II, LLC
Converse Ranch II, LLC was organized as a Texas limited liability company on May 27, 2009, to acquire the 104-unit apartment complex known as Converse Ranch Apartments (Phase II). Currently, SAHFAC serves as the sole owner of Converse Ranch II, LLC.

Sunshine Plaza Apartments, Inc.
Sunshine Plaza Apartments, Inc. was formed in 1988 under section 501(c)(3) of the IRC to serve as owner of the Sunshine Plaza Apartments, a 100-unit senior citizens housing development, built under HUD Section 8—New Construction Program.

Pecan Hill Apartments, Inc.
Pecan Hill Apartments, Inc. was formed in 1988 under section 501(c)(3) of the IRC to serve as owner of the Pecan Hill Apartments, a 100-unit senior citizens housing development, built under HUD Section 8—New Construction Program.

Education Investment Foundation, Inc.
Education Investment Foundation, Inc., created in 1991 pursuant to section 501(c)(3) of the IRC, supports the residents of public housing and Section 8-assisted units through educational scholarships, recreational activities and family self-sufficiency (FSS) training programs.

Presented on the following pages are condensed financial statements for the blended component units. Included are condensed statements of net position; condensed statements of revenues, expenses and changes in net position and condensed statements of cash flows.

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)
June 30, 2018

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	San Antonio Homeownership Opportunities Corporation	Las Varas PFC	Springhill/ Courtland Heights PFC
Assets:						
Current assets	$ 12,066,196	$ 1,241,040	$ 235,956	$ 17,142	$ 29	$ 818,607
Restricted current assets	4,508,160	82,781	-	-	-	151,870
Net capital assets	18,356,305	3,314,908	250,716	64,575	12,977,912	7,173,523
Other assets	29,359,222	3,750,520	10,577	206,135	830,509	94,586
Total assets	64,289,883	8,389,249	497,249	287,852	13,808,450	8,238,586
Deferred outflows of resources:						
Deferred charges on refunding	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-
Liabilities:						
Unrestricted current liabilities	1,814,865	394,927	585	51,855	339,099	741,758
Liabilities payable from restricted assets	419,050	97,952	-	-	-	167,238
Long-term debt	20,655,470	3,984,987	-	-	1,466,667	5,588,815
Other long-term liabilities	6,590,942	-	-	-	202,079	40,371
Total liabilities	29,480,327	4,477,866	585	51,855	2,007,845	6,538,182
Deferred inflows of resources:						
Deferred swap inflow	140,802	-	-	-	-	94,586
Total deferred inflows of resources	140,802	-	-	-	-	94,586
Net position (deficit):						
Net investment in capital assets	1,443,904	2,341,843	250,716	64,575	12,977,913	1,417,470
Restricted	676,895	72,837	-	-	-	151,870
Unrestricted (deficit)	32,547,955	1,496,703	245,948	171,422	(1,177,308)	36,478
Total net position (deficit)	$ 34,668,754	$ 3,911,383	$ 496,664	$ 235,997	$ 11,800,605	$ 1,605,818

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)
June 30, 2018

	Woodhill PFC	Refugio Street PFC	Sendero I PFC	Vera Cruz Redevelopment Partnership Ltd.	Homestead Redevelopment Partnership Ltd.	Converse Ranch, LLC
Assets:						
Current assets	$ 3,895,185	$ 69	$ 1,950,674	$ 176,802	$ 383,363	$ 984,405
Restricted current assets	874,733	-	232,034	-	39,600	459,380
Net capital assets	15,944,855	-	7,269,076	760,707	859,148	6,640,958
Other assets	-	8,809,336	-	-	-	-
Total assets	20,714,773	8,809,405	9,451,784	937,509	1,282,111	8,084,743
Deferred outflows of resources:						
Deferred charges on refunding	141,311	-	406,443	-	-	178,034
Total deferred outflows of resources	141,311	-	406,443	-	-	178,034
Liabilities:						
Unrestricted current liabilities	1,451,254	-	139,445	20,476	168,184	243,967
Liabilities payable from restricted assets	281,922	-	274,323	4,723	97,952	-
Long-term debt	7,281,070	-	8,662,583	955,788	3,215,369	6,798,180
Other long-term liabilities	-	-	-	-	-	-
Total liabilities	9,014,246	-	9,076,351	980,987	3,481,505	7,042,147
Deferred inflows of resources:						
Deferred swap inflow	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
Net position (deficit):						
Net investment in capital assets	8,563,655	-	(1,261,388)	316,300	684,818	(93,488)
Restricted	834,252	-	232,034	-	39,600	459,380
Unrestricted (deficit)	2,443,931	8,809,405	1,811,230	(359,778)	(2,923,812)	854,738
Total net position (deficit)	$ 11,841,838	$ 8,809,405	$ 781,876	$ (43,478)	$ (2,199,394)	$ 1,220,630

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)
June 30, 2018

	Converse Ranch II, LLC	Sunshine Plaza Apartments, Inc.	Pecan Hill Apartments, Inc.	Education Investment Foundation Inc.
Assets:				
Current assets	$ 155,720	$ 1,088,801	$ 750,097	$ 100
Restricted current assets	166,369	-	-	-
Net capital assets	6,302,596	1,242,079	1,251,040	13,123
Other assets	55,746	-	19,995	-
Total assets	6,680,431	2,330,880	2,021,132	13,223
Deferred outflows of resources:				
Deferred charges on refunding	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Liabilities:				
Unrestricted current liabilities	693,034	120,893	82,249	420,440
Liabilities payable from restricted assets	-	-	-	-
Long-term debt	4,915,297	-	-	-
Other long-term liabilities	-	-	-	-
Total liabilities	5,608,331	120,893	82,249	420,440
Deferred inflows of resources:				
Deferred swap inflow	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Net position (deficit):				
Net investment in capital assets	1,226,014	1,242,079	1,251,040	13,123
Restricted	166,369	-	-	-
Unrestricted (deficit)	(376,029)	967,908	687,843	(420,340)
Total net position (deficit)	$ 1,016,354	$ 2,209,987	$ 1,938,883	$ (407,217)

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2018

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	San Antonio Homeownership Opportunities Corporation	Las Varas PFC	Springhill/ Courtland Heights PFC
Operating Income:						
Net tenant rental revenue	$ 7,118,798	$ 1,664,225	$ -	$ -	$ -	$ 2,047,210
Tenant revenue—other	107,252	190,629	-	-	-	48,263
HUD operating grants and housing assistance payments	-	-	-	-	-	1,134,377
Other government grants	41,512	-	-	-	-	-
Other revenue	1,240,541	74,004	89,350	11,080	1,165,692	43,191
Operating expenses	(5,960,393)	(2,610,290)	(44,259)	(100,814)	(238,378)	(2,259,121)
Depreciation expense	(569,573)	(305,789)	-	(485)	-	(239,531)
Total operating income (loss)	1,978,137	(987,221)	45,091	(90,219)	927,314	774,389
Nonoperating revenues (expenses):						
Investment income	94,517	10,730	962	46	512	7,072
Mortgage interest income	591,322	281,493	823	12,812	-	-
Interest expense	(699,571)	(245,953)	-	-	-	(197,912)
Gain on disposition/retirement of assets	39,116	1,865	49,715	28,131	4,743	-
Amortization and trustee expense	(160,666)	(23,580)	-	-	-	-
Total nonoperating revenues (expenses)	(135,282)	24,555	51,500	40,989	5,255	(190,840)
Transfers	1,289,720	1,069,245	(150,000)	-	147,767	-
Change in net position	3,132,575	106,579	(53,409)	(49,230)	1,080,336	583,549
Net position (deficit) at beginning of year	31,536,179	3,804,804	550,073	285,227	10,720,269	1,022,269
Net position (deficit) at end of year	$ 34,668,754	$ 3,911,383	$ 496,664	$ 235,997	$ 11,800,605	$ 1,605,818

Condensed Statements of Cash Flows
Year Ended June 30, 2018

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	San Antonio Homeownership Opportunities Corporation	Las Varas PFC	Springhill/ Courtland Heights PFC
Net cash provided by (used in):						
Operating activities	$ 3,083,148	$ (986,129)	$ 78,185	$ (94,448)	$ (148,250)	$ 377,000
Capital and related financing activities	3,411,116	976,370	(93,755)	67,342	147,767	(2,423,965)
Investing activities	(6,122,051)	10,777	5,471	27,022	512	7,072
Net increase (decrease) in cash and cash equivalents	372,213	1,018	(10,099)	(84)	29	(2,039,893)
Cash and cash equivalents at beginning of year	11,572,354	1,197,363	78,425	86	-	2,564,917
Cash and cash equivalents at end of year	$ 11,944,567	$ 1,198,381	$ 68,326	$ 2	$ 29	$ 525,024

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2018

	Woodhill PFC	Refugio Street PFC	Sendero I PFC	Vera Cruz Redevelopment Partnership Ltd.	Homestead Redevelopment Partnership Ltd.	Converse Ranch, LLC
Operating Income:						
Net tenant rental revenue	$ 4,011,289	$ -	$ 2,082,864	$ 170,785	$ 1,001,369	$ 961,083
Tenant revenue—other	96,856	-	183,891	1,210	172,719	11,013
HUD operating grants and housing assistance payments	-	-	-	-	-	-
Other government grants	-	-	-	-	-	59,552
Other revenue	46,854	-	14,071	1,515	19,312	9,346
Operating expenses	(3,005,837)	(303)	(905,537)	(169,014)	(981,464)	(758,550)
Depreciation expense	(644,058)	-	(317,486)	(45,391)	(168,258)	(196,938)
Total operating income (loss)	505,104	(303)	1,057,803	(40,895)	43,678	85,506
Nonoperating revenues (expenses):						
Investment income	66,418	69	18,418	1,338	2,901	12,218
Mortgage interest income	-	411,338	-	-	-	-
Interest expense	(287,268)	-	(428,411)	(10,229)	(197,454)	(225,255)
Gain on disposition/retirement of assets	97,388	-	-	-	-	-
Amortization and trustee expense	(39,915)	-	(79,399)	-	-	(6,396)
Total nonoperating revenues (expenses)	(163,377)	411,407	(489,392)	(8,891)	(194,553)	(219,433)
Transfers	-	(229,117)	-	-	-	-
Change in net position	341,727	181,987	568,411	(49,786)	(150,875)	(133,927)
Net position (deficit) at beginning of year	11,500,111	8,627,418	213,465	6,308	(2,048,519)	1,354,557
Net position (deficit) at end of year	$ 11,841,838	$ 8,809,405	$ 781,876	$ (43,478)	$ (2,199,394)	$ 1,220,630

Condensed Statements of Cash Flows
Year Ended June 30, 2018

	Woodhill PFC	Refugio Street PFC	Sendero I PFC	Vera Cruz Redevelopment Partnership Ltd.	Homestead Redevelopment Partnership Ltd.	Converse Ranch, LLC
Net cash provided by (used in):						
Operating activities	$ 1,082,406	$ (303)	$ 1,364,545	$ 5,725	$ 268,261	$ 365,181
Capital and related financing activities	(4,604,931)	(229,117)	(840,008)	(4,698)	(84,143)	(694,250)
Investing activities	66,237	229,487	(982,139)	1,338	2,901	(792,055)
Net increase (decrease) in cash and cash equivalents	(3,456,288)	67	(457,602)	2,365	187,019	(1,121,124)
Cash and cash equivalents at beginning of year	7,343,223	2	1,521,864	157,190	229,967	1,644,340
Cash and cash equivalents at end of year	$ 3,886,935	$ 69	$ 1,064,262	$ 159,555	$ 416,986	$ 523,216

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit) Year Ended June 30, 2018

	Converse Ranch II, LLC	Sunshine Plaza Apartments, Inc.	Pecan Hill Apartments, Inc.	Education Investment Foundation Inc.
Operating Income:				
Net tenant rental revenue	$ 799,493	$ 262,172	$ 292,390	$ -
Tenant revenue—other	9,956	1,722	20,906	-
HUD operating grants and housing assistance payments	-	467,063	615,416	-
Other government grants	41,512	-	-	-
Other revenue	7,194	1,295	111	180,525
Operating expenses	(505,360)	(703,383)	(602,759)	(319,795)
Depreciation expense	(184,268)	(79,821)	(79,769)	(3,210)
Total operating income (loss)	168,527	(50,952)	246,295	(142,480)
Nonoperating revenues (expenses):				
Investment income	2,643	12,810	6,043	115
Mortgage interest income	-	-	-	-
Interest expense	(167,259)	-	-	-
Gain on disposition/retirement of assets	-	1,725	1,716	-
Amortization and trustee expense	-	-	-	-
Total nonoperating revenues (expenses)	(164,616)	14,535	7,759	115
Transfers	-	-	-	-
Change in net position	3,911	(36,417)	254,054	(142,365)
Net position (deficit) at beginning of year	1,012,443	2,246,404	1,684,829	(264,852)
Net position (deficit) at end of year	$ 1,016,354	$ 2,209,987	$ 1,938,883	$ (407,217)

Condensed Statements of Cash Flows Year Ended June 30, 2018

	Converse Ranch II, LLC	Sunshine Plaza Apartments, Inc.	Pecan Hill Apartments, Inc.	Education Investment Foundation Inc.
Net cash provided by (used in):				
Operating activities	$ 556,771	$ 102,360	$ 359,920	$ (3,690)
Capital and related financing activities	(694,840)	(36,820)	(64,120)	-
Investing activities	2,643	9,088	6,042	115
Net increase (decrease) in cash and cash equivalents	(135,426)	74,628	301,842	(3,575)
Cash and cash equivalents at beginning of year	316,711	198,378	440,704	3,675
Cash and cash equivalents at end of year	$ 181,285	$ 273,006	$ 742,546	$ 100

Note 1. Summary of Significant Accounting Policies (Continued)

Fiduciary Component Units
Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust (the Plan)
The Plan, established in 1948, is a public retirement system authorized by section 810.001 of the Texas Government Code, and a governmental plan within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan was established as a defined contribution plan covering all regular full-time employees of the Authority who have completed one year (at least 1,000 hours) of service.

The Plan is included as a component unit since the primary government has fiduciary responsibility for the Plan and the Plan serves only the Authority's employees or retirees. The Plan's fiscal year-end is December 31, 2017.

Separately Issued Financial Statements
Separate financial statements have been issued for the following component units:

- Converse Ranch, LLC
- Springhill/Courtland Heights PFC
- Woodhill PFC
- Sendero I PFC
- San Antonio Housing Facility Corporation
- Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust

The reports may be obtained at the Authority's administrative offices located at 818 South Flores Street, San Antonio, Texas 78204.

Limited Partnerships—Joint Ventures
Various limited partnership entities, as described below, are considered joint ventures of the component units. A joint venture is an organization that results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. A component unit of the Authority has contributed capital to the following partnerships:

SPII Limited Partnership
SAHDC and Carleton Development, Ltd. are co-developers of a 120-unit senior community at the Legacy at Science Park Apartments.

O'Connor Road Limited Partnership
SAHDC and Carleton Development, Ltd. are co-developers of a 150-unit senior community at the Legacy on O'Connor Road Apartments.

San Juan Square, Ltd.
SAHFAC and NRP San Juan Square, LLC are co-developers of a 143-unit multi-family project at the San Juan Square Apartments.

Note 1. Summary of Significant Accounting Policies (Continued)

The Alhambra Apartments, Ltd.
SAHFAC and NRP Alhambra, LLC are co-developers of a 140-unit multi-family project at the Alhambra Senior Apartments.

Midcrowne Senior Pavilion, LP
SAHFAC and American Affordable Homes, LP are co-developers of a 196-unit senior apartment project at the Midcrowne Pavilion Apartments.

ARDC Sutton, Ltd.
SAHFAC and Franklin Development Properties, Ltd. are co-developers of a 208-unit multi-family project at the Park at Sutton Oaks.

Various component units of the Authority serve as general partner for 19 other limited partnerships that are listed in the schedule to Note 5. For those partnerships, the general partner was not required to make a capital contribution at inception.

Authority Programs
In addition to the operation of the above component units, the Authority operated the following programs during the current year.

Public Housing
The Authority manages and maintains 6,137 public housing rental units for eligible low-income families, seniors and people with disabilities. The rental units are located in 37 developments for families, 36 developments for seniors and disabled persons and a number of scattered site single-family homes throughout the City of San Antonio.

Section 8—Housing Assistance Payment Programs
The Housing Assistance Payment Programs provide rent subsidies for approximately 13,000 families residing in privately owned rental properties.

Not-For-Profit
Section 8—Project Based Management
Section 8 Project Based Management properties provide housing to low- and moderate-income elderly and nonelderly families. These properties include: Villa de Valencia Apartments, Reagan West Apartments, Sunshine Plaza Apartments, Pecan Hill Apartments and Cottage Creek Apartments.

Other Not-For-Profit Activities
Other not-for-profit activities include the activities of various programs and corporations. These include SAHFC; San Antonio Homeownership Opportunities Corporation; Sendero I PFC; Las Varas PFC; Education Investment Foundation, Inc.; Refugio Street PFC; Central Office Building; SAHDC; SAHFAC; Woodhill PFC; Converse Ranch, LLC and the Central Office Cost Center, which is the Authority's "management company arm."

Capital Improvement Programs
HUD-Funded Capital Fund and Capital Fund Financing Programs
HUD-Funded Capital Fund and Capital Fund Financing Programs provide funds for new construction and the rehabilitation of existing housing units.

Note 1. Summary of Significant Accounting Policies (Continued)

Energy Performance Contracting
Energy Performance Contracting is a capital improvement program for designing, installing and financing energy improvement projects where the savings achieved by the project are expected to reduce energy costs of the project over the term of the agreement.

Other Capital Improvement Programs
Other Capital Improvement Programs may include HUD Empowerment Zones and Community Development Block Grant Funds passed through the City of San Antonio to supplement infrastructure improvements.

Community Initiatives
Resident and Opportunity Supportive Services Program
The Resident and Opportunity Supportive Services Program addresses the needs of public housing residents by providing supportive services, resident empowerment activities and/or assisting residents in becoming economically self-sufficient. The primary focus of the program is on “welfare to work” and on independent living for the elderly and persons with disabilities.

Jobs Plus Grant
The Jobs Plus Grant is a welfare to work demonstration aimed at significantly increasing employment and income of public housing residents through intensive employment focused programs targeting every able-bodied, working-welfare recipient at a public housing development in selected cities. The initiative is also a response to new national policies, such as time-limited welfare and cuts in public housing subsidies, which endanger the ability of public housing residents to pay rent.

B. Basic Financial Statements—Fund Financial Statements

All activities of the Authority are reported as business-type activities (enterprise funds), with the exception of the Plan, which is reported as a fiduciary-type activity, since it accumulates resources for pension benefit payments to qualified Authority employees, and the resources reported in that fund are not available to support the Authority’s programs. The effect of interfund activity has been removed from the proprietary statements. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through fees and user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting
The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the grantor have been met and qualifying expenditures have occurred.

Capital grant funds used to acquire or construct capital assets are recognized as a receivable and a capital contribution (revenues) in the period when all applicability requirements have been met.

Note 1. Summary of Significant Accounting Policies (Continued)

The Plan's financial statements are prepared using the accrual basis of accounting. Employer and Plan member contributions are recognized in the period that the contributions are due.

Financial Statement Presentation
Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are tenant rental revenue, HUD operating grants and Housing Assistance Payments, since they are used to subsidize rents at Authority-owned properties. Operating expenses for enterprise funds include the cost of the ordinary maintenance and operation expenses, utilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Deposits and Investments

Authority's Deposits and Investments
For purposes of the statement of cash flows, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds and short-term investments with original maturities of three months or less from the date of acquisition.

Portions of the Authority's cash, cash equivalents and investments are restricted by "use" limitations externally imposed by creditors, funding source agreements or legislation. Restricted cash includes HUD Family Self-Sufficiency (FSS) escrow amounts for residents in the FSS program. Restricted cash and cash equivalents also include amounts set aside for debt service in accordance with debt covenants and funds that are only allowed to be expended for certain specified modernization and development activities.

Investments are accounted for at either amortized cost or at fair value, which is the price that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Fair value of actively traded securities is determined by the reported market value of securities and mutual funds trading on national exchanges. Values of securities not actively traded are based on observable inputs of similar financial instruments or on the fair value of the underlying assets. Realized gains and losses are determined on the specific-identification method. Accrued income on investments is recorded as earned, since it is both measurable and available. Investment transactions are recorded on the settlement date.

Plan Investments
Investments in the Plan are administered by the Advisory Committee of the Plan and are held by the Frost Bank Trust Department (Trustee). Plan investments in marketable debt and equity securities are reported at fair value. Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted market price of the fund, which represents the net position value of the shares held by the fund at year-end. The fair value of each fund is based on the fair value of each funds' underlying investments at the end of the reporting period. Plan interest is recorded on the accrual basis as earned, and dividends are accrued as of the ex-dividend date.

Purchases and sales of investments in the Plan are recorded on a trade-date basis and, accordingly, the related receivable and payable for any unsettled trades are recorded. At December 31, 2017, there were no unsettled trades.

Net appreciation in fair value of the Plan's assets includes the related gains and losses on sales of investments and the unrealized gains and losses (representing the change in market value).

Note 1. Summary of Significant Accounting Policies (Continued)

E. Interprogram Receivables and Payables

The Authority pays all bills and salaries for its programs and component units through its centralized check-writing system. As a result, interprogram receivables and payables arise from interprogram and intercompany transactions and are recorded in all affected corporations in the period in which transactions are executed in the normal course of operations. Interprogram receivables, payables and transfers between programs and component units have been eliminated in the basic financial statements.

F. Accounts Receivable

Tenant receivables, other receivables and the allowance for doubtful accounts are shown separately on the financial statements. The allowance for doubtful accounts is established as losses are estimated to have occurred though a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically-identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

G. Notes and Mortgages Receivable

The majority of notes and mortgages receivable are due from tax credit partnerships in which the Authority serves as the general partner. The Authority evaluates the collectibility of the notes and mortgages receivable by reading the various tax credit partnerships' financial statements and determining projections for future cash flows. It has been the Authority's experience that once the tax credits expire, the limited partners will withdraw from the partnership and the Authority will become the sole owner. If a note payable remains outstanding at the time a partnership becomes wholly owned by the Authority, the amounts are still paid from the partnership to the Authority until they are fully paid. The Authority also has the ability to modify the terms of the notes once the Authority becomes the sole owner of the entire partnership. Thus, all amounts due under notes and mortgages receivable are considered collectible, and no allowance was recorded at June 30, 2018. A schedule of notes and mortgages receivable is provided in Note 3 to the financial statements.

H. Other Assets and Developer Fees Receivable

The Authority has several developer fees receivable from various tax credit partnerships. The developer fees generally include repayment terms based on excess cash flows from the developed property, which makes estimates of any potential allowance for uncollectible amounts difficult. The Authority evaluates the collectibility of these receivables on an annual basis using several methods, which include reading the developments' financial statements and projecting estimated cash flows to future periods, among others. As part of this process, the Authority compares the previous-year projections to the current-year collections in order to assure the allowance for uncollectible amounts is reasonable and reflects the latest cash flow trends. For additional information, see Note 4 to the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

I. Restricted Assets

Certain proceeds of the Authority's enterprise fund debts, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the repayment funds are maintained in separate bank accounts and/or maintained by trustees, as established by indenture agreements. The use of these funds is limited by third parties. The restricted investments include restricted assets to be used for the replacement of property and for other project expenditures or are held in escrow for families who successfully fulfill the FSS program requirements.

J. Capital Assets

Capital assets purchased or constructed that exceed $2,500 and have a useful life of more than one year are capitalized at cost or estimated cost if historical cost is not available. Donated capital assets are recorded at fair value at the time of donation. The cost of site and building improvements that add value to the asset or materially extend the asset's life are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Depreciation on all exhaustible capital assets of the Authority is charged as an expense with accumulated depreciation being reported on the statement of net position. Depreciation is generally recorded on the straight-line basis over the estimated life of the assets. The estimated useful lives are as follows:

Buildings and leasehold improvements	10-40 years
Furniture, equipment and machinery	3-10 years

K. Compensated Absences

Paid Time Off (PTO)
The PTO policy is included in the Authority's Personnel Procedures Handbook. Under the current policy, PTO accrues for regular full-time employees upon employment, at a rate of 15 to 25 days annually, depending upon years of service, but cannot be used prior to six months of service. Employees must complete one year of service in order to be paid PTO upon termination. Effective December 20, 2014, the maximum PTO hours an employee can carry increased from 360 hours to 440 hours.

As of June 30, 2018, the current portion of accrued compensated absences was comprised of PTO totaling $1,158,395 and the long-term portion of accrued compensated absences was comprised of PTO totaling $338,909.

L. Long-Term Debt and Other Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Mortgage loan discounts are amortized over the life of the loans using the effective-interest method.

M. Capital Contributions

Capital contributions consist of funds received through various grants to assist in the acquisition or construction of capital assets. A major portion of these contributions comes from the Public Housing Capital Fund Program.

Note 1. Summary of Significant Accounting Policies (Continued)

N. Net Position

Net position is classified into three components:

- **Net investment in capital assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- **Restricted net position**—This component of net position consists of external constraints placed on net position used by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position**—This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position.” These funds are available to use for any lawful and prudent purpose of the Authority.

O. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

P. Restricted and Unrestricted Resources

Under the terms of grant agreements, the Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the Authority’s policy to first apply cost-reimbursement grant resources to such programs and then operating revenues.

Q. Equity in Partnership Investments

Investments by certain component units in limited partnerships are accounted for as equity investments. The component units of the Authority recognize their share of the operating results of the limited partnerships based on their ownership share of the limited partnerships and the partnership agreements. Under this method, the investment is initially recorded at cost and then increased or decreased by the proportionate share of the partnerships’ net earnings or losses. The Authority is not obligated to fund capital deficits; therefore, any total capital deficits related to the Authority are only recognized to the extent of the Authority’s contributed capital. A schedule of equity in partnership investments is provided in Note 5.

Note 1. Summary of Significant Accounting Policies (Continued)

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category, which is deferred charges on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the re-acquisition price. Each deferred charge is amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Authority has one item that qualifies for reporting in this category, which is deferred swap inflows. The deferred swap inflow is recognized in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Authority recognizes the fair value of the swap agreement as either an asset or liability on its statement of net position with the offsetting gain or loss as either a deferred inflow or outflow of resources, if deemed an effective hedge. The Authority has applied the synthetic instrument method to determine its swap agreement constitutes an effective cash flow hedge.

As of June 30, 2018, the Authority's deferred outflows/inflows of resources were comprised of the following:

Deferred charges on refunding:		
Sendero I PFC	$	406,444
Converse Ranch I, LLC		178,034
Woodhill Apartments PFC		141,311
Total deferred outflows of resources	$	725,789
Deferred swap inflows:		
Converse Ranch II, LLC	$	55,746
San Antonio Housing Facility Corporation (Castle Point Apartments)		63,057
Springhill/Courtland Heights PFC		94,586
San Antonio Housing Facility Corporation (Monterrey Park and La Providencia)		21,999
Total deferred inflows of resources	$	235,388

S. Unearned Revenue

Unearned revenue is generally comprised of various ground leases in which funds were provided for the purchase of land parcels which, in turn, were leased to project developments for periods ranging from 10 to 99 years. The Authority recognized the funds received for the prepaid leases as unearned revenue and will amortize the prepayments over the initial periods on a straight-line basis. For detailed information, see Note 7 to the financial statements.

Note 2. Cash, Cash Equivalents and Investments

A. The Authority's Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Unrestricted:	
Cash and cash equivalents	$ 42,830,866
Tenant security deposits	105,972
Investments	3,602,135
Restricted:	
Cash and cash equivalents—modernization and development	5,713,048
Cash and cash equivalents—payment of current liabilities	1,475,002
Cash and cash equivalents—held by lender and trustee	2,319,732
Cash and cash equivalents—other	3,127,027
Investments	7,971,872
Total cash, cash equivalents, and investments	$ 67,145,654

Cash, cash equivalents and investments as of June 30, 2018, consist of the following:

Petty cash	$ 1,150
Deposits with financial institutions	53,250,765
Short-term investments—United States Treasury notes	11,574,007
Funds held by lender and trustee	2,319,732
Total cash, cash equivalents and investments	$ 67,145,654

Investments Authorized by the Authority

Investment types that are authorized by the Authority include direct obligations of the federal government backed by the full faith and credit of the United States, including United States Treasury bills, notes and bonds; obligations of federal government agencies; securities of government-sponsored agencies; various types of deposits, demand and sweep accounts and certificates of deposit (CDs); municipal depository funds; certain types of repurchase agreements; certain separate trading of registered interest and principal securities and certain types of mutual fund investments. Each authorized investment has a maximum maturity of three years, a maximum portfolio percentage of 50 percent and is limited to a maximum investment of 50 percent in any one issuer. None of the specified limits have been exceeded. In addition, the Authority does not hold any unauthorized investments.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of debt agreements of the Authority. The investment types authorized by the Authority's debt agreements include direct obligations of the federal government, including United States Treasury bills, notes and bonds; bonds, debentures, participation certificates or notes of the Government National Mortgage Association (GNMA); bonds, debentures, participation certificates or notes of certain government-sponsored agencies; direct and general obligation of any state of the United States of America or any municipality or political subdivision of such state; corporate obligations; negotiable or nonnegotiable CDs, time deposits or other similar banking arrangements with national or state chartered banks; certain types of mutual funds or money market funds; certain types of repurchase agreements; certain types of commercial paper of finance companies; certain types of investment agreements and certain types of tax-exempt obligations.

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

The maximum maturity, maximum portfolio percentage and maximum investment in any one issuer are not limited, except for authorized types of commercial paper of finance companies and certain investment contracts, which are limited to a maximum maturity of 270 days. None of the specified limits have been exceeded, and the Authority held no unauthorized investments.

Investments Held by Lenders

Investment of funds held by lenders are governed by provisions of the debt agreements and HUD provisions for project accounts, rather than the investment requirements of the Public Funds Investment Act (PFIA). The Authority has replacement and residual reserve accounts that are held by the lender. Investing is performed in accordance with investment policies set forth by HUD. The mortgage company may invest funds in excess of $250,000 in institutions under the control of, and whose deposits are insured by, the Federal Deposit Insurance Corporation, National Credit Union Association or other United States government insurance corporations under the following conditions:

- Mortgage companies must determine the institution has a rating consistent at all times with current minimally acceptable ratings as established and published by GNMA.

- Mortgage companies must monitor the institution's ratings no less than on a quarterly basis and change institutions when necessary. The mortgage companies must document the ratings of the institutions where the funds are deposited and maintain the documentation in the administrative record for three years, including the current year.

If the mortgage company does not perform the required quarterly review of the institutions where there are deposits in excess of $250,000, and does not maintain the funds in an institution with a rating consistent with minimally acceptable ratings, as established and published by GNMA, and the institution fails, the mortgage company is held responsible for replacing any lost funds. HUD will seek all available remedies to recover whatever funds are lost as a result of the failed institution.

Required accounts that are held by the lender include project, residual receipts reserve and replacement reserve accounts that are not limited as to maximum maturity, maximum percentage of portfolio or maximum investment in any one issuer.

Fair Value Classification

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

The Authority has investments in money market funds held with their bond trustee of $1,203,660 that are recorded at amortized cost and has the following investments and other items requiring recurring fair value measurements as of June 30, 2018:

- **Debt securities**—United States Treasury securities of $11,574,007 are valued using quoted market prices (Level 1 inputs).

- **Investment derivative instruments**—Interest rate swaps resulted in a total positive fair value of $235,388 and were valued using a market approach that considers benchmark interest rates (Level 2 inputs).

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

Investment Risks

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Exposure*, the following information addresses the interest rate risk exposure, credit risk, concentration of credit risk and custodial credit risk. The Authority does not hold any foreign securities; therefore, there is no foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity the investment's fair value is to changes in market interest rates. The Authority manages its exposure to interest rate risk by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary to provide the cash flow and liquidity needed for operations. The Authority does not place a limit on interest rate risk. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations, including investments held by bond trustees, is provided in the following table, which shows the distribution of the Authority's investment by maturity:

Investment	Maturity Dates	Carrying Amount
United States Treasury notes—short term	July 15, 2018; July 31, 2018; October 15, 2018; April 15, 2019; April 30, 2019	$ 11,574,007
Held by bond trustee:		
BlackRock Liquidity Funds FedFund Institutional Shares—money market fund	N/A	1,203,660
Total investments		$ 12,777,667

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the United States Treasury are considered risk-free. Presented below is the minimum rating required by (where applicable) HUD, the Authority's investment policy, or debt agreements, and the actual rating by Moody's as of year-end:

Investment	Carrying Amount	Investment Minimum Rating
United States Treasury notes—short term	$ 11,574,007	N/A
Funds held by bond trustee:		
BlackRock Liquidity Funds FedFund Institutional Shares—money market fund	1,203,660	Aaa-mf
Total investments	$ 12,777,667	

Concentration of Credit Risk

The investment policy of the Authority or HUD contains no limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than United States Treasury securities and money market funds) that represent 5 percent or more of the total Authority's investments. The Authority does not place a limit on concentration of credit risk.

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

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an owner or a holder will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority's investment policy requires collateralization of 100 percent of its deposits. All collateral should conform to those investment instruments listed in PFIA. The Authority does not place a limit on custodial credit risk.

As of June 30, 2018, the Authority's deposits were fully collateralized by the Authority's depository with United States government agency securities held by its safekeeping agent, the Federal Reserve Bank, in the name of the Authority.

As of June 30, 2018, all the Authority's investments held by the bank trustees and lenders were held by the same broker-dealer (counterparty) that was used by the Authority to buy the securities.

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

As of December 31, 2017, the Plan's portfolio was comprised of the following:

Description	Fair Value
Equity–common stock	$ 14,332,617
Mutual funds–equity	14,463,138
Mutual funds–fixed income	13,397,522
Total investments	$ 42,193,277

Investment Risks
In accordance with GASB Statement No. 40, the following disclosures address credit risk, concentration of credit risk and interest rate risk at December 31, 2017. The Plan does not hold any foreign securities; therefore, there is no foreign currency risk.

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government are excluded from this requirement. The Plan's Pension Advisory Committee defines risk in the Plan's investment policy as the possibility of losing money over the rolling 10-year time horizon. Generally, Plan assets may be invested only in investment grade bonds rated BBB (or equivalent) or better. Within the context of a managed portfolio or pooled account, an individual manager may position less than investment-grade bonds on an opportunistic basis.

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

Presented below is the actual rating for each investment type as of December 31, 2017:

Investment Type	Fair Value	Not Rated
Brandywine Global–Global Unconstrained Bond Fund Class I	$ 5,066,750	$ 5,066,750
Metropolitan West Total Return Bond Fund	8,330,772	8,330,772
Total fixed income investments	$ 13,397,522	$ 13,397,522

Concentration of Credit Risk
The Plan is required to disclose investments in any one issuer that represent 5 percent or more of the total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The Plan's investment policy limits the investment in securities of any one company to 15 percent of the total fund, and no more than 30 percent of the total fund should be invested in any one industry. At December 31, 2017, there were no investments in any one issuer that represent 5 percent or more of total Plan investments. Additionally, the Plan did not invest more than 15 percent of the investment portfolio in one company or more than 30 percent in one industry.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan does not place a limit on the maturity of its fixed income investments.

Presented below are the investments affected by interest rate risk and their applicable weighted-average maturities as of December 31, 2017:

Investment Type	Fair Value	Percentage of Total	Weighted-Average Duration (Years)
Brandywine Global–Global Unconstrained Bond Fund Class I	$ 5,066,750	37.8%	7.20
Metropolitan West Total Return Bond Fund	8,330,772	62.2%	7.71
Total fixed income investments	$ 13,397,522	100.0%	7.46

Fair Value Measurement
Plan investments at fair value as of December 31, 2017, using fair value measurements are as follows:

	Total Fair Value	Level 1	Level 2	Level 3
Equity—common stock	$ 14,332,617	$ 11,702,102	$ 2,630,515	$ -
Mutual funds—equity	14,463,138	14,463,138	-	-
Mutual funds—fixed income	13,397,522	13,397,522	-	-
	$ 42,193,277	$ 39,562,762	$ 2,630,515	$ -

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

Investments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active exchange markets for those securities. Investments classified as Level 2 of the fair value hierarchy are valued using prices quoted in over-the-counter markets, which are traded less frequently than exchange markets.

Note 3. Notes and Mortgages Receivable

The following summarizes the notes and mortgages receivable and the related accrued interest receivable as of June 30, 2018:

	Due Within One Year	Due After One Year	Total
The Authority			
A. HUD Section 32 Homeownership Program	$ -	$ 39,900	$ 39,900
B. San Juan Square II, Ltd.	-	2,537,798	2,537,798
C. ARDC San Marcos, Ltd.	-	1,142,305	1,142,305
D. ARDC Sutton, Ltd.	-	6,395,514	6,395,514
E. Durango Midrise, LP	-	15,970,644	15,970,644
F. ARDC Sutton II, Ltd.	-	2,288,816	2,288,816
G. San Juan III, Ltd.	-	4,488,759	4,488,759
SAHFAC			
H. Wheatley Family I, LP	-	19,283,984	19,283,984
SAHDC			
I. O'Connor Road, LP	-	1,597,247	1,597,247
J. SPII LP	-	1,237,865	1,237,865
San Antonio Homeownership Opportunities Corporation			
K. Real estate sales notes	6,357	166,515	172,872
L. Secondary lien notes	-	4,344	4,344
M. Home sales notes	9,072	35,277	44,349
Refugio Street PFC			
N. Refugio Street, LP	-	8,809,336	8,809,336
Las Varas PFC			
O. Second lien notes	-	99,599	99,599
Total	$ 15,429	$ 64,097,903	$ 64,113,332

Note 4. Other Assets and Developer Fees

At June 30, 2018, other assets and developer fees receivable totaled $3,908,626. This amount is made up of developer fees receivable totaling $3,705,636 and other noncurrent receivables of $202,990. Additionally, an allowance for doubtful accounts totaling $2,242,285 is recorded for developer fees receivable.

Note 5. Equity in Partnership Investments

Various component units of the Authority serve as the general partner of various tax credit limited partnerships in which they have contributed capital. The investments in partnerships are accounted for under the equity method. Under this method, the investment is initially recorded at cost and is then increased or decreased by the proportionate share of the partnerships' net earnings or losses. The Authority is not required to fund capital deficits; therefore, any total capital deficits related to the Authority are only recognized to the extent of the Authority's contributed capital.

The general partners include SAHFAC, SAHDC, LVPFC and RSPFC. The general partners have ownership interests ranging from 0.0045 percent to 0.0100 percent.

A reconciliation of changes in the equity in partnership investments is presented below:

Limited Partnership	General Partner (GP)	GP % of Ownership	Balance at July 1, 2017	Cash Contributions From GP	Cash Distributions to GP	GP's Share of Profit (Loss)	Balance at June 30, 2018
ARDC Sutton, Ltd.	SAHFAC	0.005%	$ 1,499,665	$ -	$ -	$ (52)	$ 1,499,613
Midcrowne Senior Pavilion, LP	SAHFAC	0.01%	3,263,922	-	-	(31)	3,263,891
The Alhambra Apartments, Ltd.	SAHFAC	0.01%	660,592	-	-	(17)	660,575
San Juan Square, Ltd.	SAHFAC	0.01%	1,464,639	-	-	(66)	1,464,573
O'Connor Road, LP	SAHDC	0.01%	211,570	-	-	(24)	211,546
SP II, LP	SAHDC	0.01%	144,928	-	-	(23)	144,905
ARDC Military, Ltd.*	LVPFC	0.01%	-	-	-	-	-
ARDC Salado, Ltd.*	LVPFC	0.01%	-	-	-	-	-
ARDC San Marcos, Ltd.*	LVPFC	0.005%	-	-	-	-	-
Costa Almadena, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Costa Mirada, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Durango Midrise, LP*	LVPFC	0.01%	-	-	-	-	-
Enclave Gardens, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Primrose SA IV Housing, LP*	LVPFC	0.01%	-	-	-	-	-
The Mirabella, Ltd.*	LVPFC	0.01%	-	-	-	-	-
TX Pleasanton Housing, LP*	LVPFC	0.01%	-	-	-	-	-
Refugio Street, LP*	RSPFC	0.01%	-	-	-	-	-
ARDC Sutton II, Ltd.*	SAHFAC	0.005%	-	-	-	-	-
Clark 05 Housing, LP*	SAHFAC	0.01%	-	-	-	-	-
Costa Valencia, Ltd.*	SAHFAC	0.01%	-	-	-	-	-
New Braunfels 2 Housing, LP*	SAHFAC	0.005%	-	-	-	-	-
San Juan III, Ltd.*	SAHFAC	0.01%	-	-	-	-	-
San Juan Square II, Ltd.*	SAHFAC	0.0045%	-	-	-	-	-
Wheatley Family I, LP*	SAHFAC	0.01%	-	-	-	-	-
Wheatley Family II, LP*	SAHFAC	0.01%	-	-	-	-	-
Wheatley Senior, LP*	SAHFAC	0.01%	-	-	-	-	-
			$ 7,245,316	$ -	$ -	$ (213)	$ 7,245,103

*For all partnerships marked with an asterisk, the general partner was not required to make a capital contribution at inception. Additionally, as the general partners are not required to fund capital deficits and these entities have cumulative loss positions as of June 30, 2018, the general partners have not recorded the related deficit capital positions of these partnerships, as they exceed the general partners' contributed capital.

Note 6. Capital Assets

The Authority's Capital Assets

Capital asset activity for the year ended June 30, 2018, for the business-type activities was as follows:

	Balance at July 1, 2017	Additions	Deletions	Transfers/ Reclass	Balance at June 30, 2018
Capital assets not being depreciated:					
Land	$ 44,857,722	$ 1,035,780	$ (271,935)	$ -	$ 45,621,567
Construction in progress	16,531,482	24,266,672	(616,680)	(9,426,080)	30,755,394
Total capital assets not being depreciated	61,389,204	25,302,452	(888,615)	(9,426,080)	76,376,961
Capital assets being depreciated:					
Buildings and improvements	447,541,352	820,333	(4,022,842)	9,073,451	453,412,294
Furniture and equipment:					
Dwellings	2,518,725	-	-	-	2,518,725
Administration	5,586,281	50,519	(776,409)	195,823	5,056,214
Leasehold improvements	1,088,365	20,131	-	156,806	1,265,302
Total capital assets being depreciated	456,734,723	890,983	(4,799,251)	9,426,080	462,252,535
Less accumulated depreciation:					
Buildings and improvements	(320,533,628)	(13,638,791)	1,731,019	-	(332,441,400)
Furniture and equipment:					
Dwellings	(2,420,224)	(74,111)	-	-	(2,494,335)
Administration	(5,193,647)	(179,968)	774,656	-	(4,598,959)
Leasehold improvements	(943,666)	(47,261)	-	-	(990,927)
Total accumulated depreciation	(329,091,165)	(13,940,131)	2,505,675	-	(340,525,621)
Total capital assets being depreciated, net	127,643,558	(13,049,148)	(2,293,576)	9,426,080	121,726,914
Business-type activities capital assets, net	$ 189,032,762	$ 12,253,304	$ (3,182,191)	$ -	$ 198,103,875

Depreciation expense for the current year totaled $13,940,131.

Note 7. Unearned Revenue

Ground Lease Agreements

Unearned revenue is generally comprised of various ground leases in which funds were provided for the purchase of land parcels which, in turn, were leased to project developments for periods ranging from 10 to 99 years. The Authority recognized the funds received for the prepaid leases as unearned revenue and will amortize the prepayments over the initial periods on a straight-line basis. As of June 30, 2018, prepaid ground leases totaled $7,176,543, of which $383,521 is classified as current unearned revenue. The remaining amount is reported as noncurrent unearned revenue. The book value of the land related to the prepaid ground leases totaled $17,027,212 as of June 30, 2018.

On August 5, 2005, the Authority entered into a ground lease agreement with Clark 05 Housing, LP for a period of 55 years for the lease of land to construct and operate a rental project, comprised of 252 rental units. Clark 05 Housing, LP provided $361,316 for the purchase of land, which is considered a prepayment of the annual rent for the initial period, often 10 years of the lease term. After the initial period, Clark 05 Housing, LP will provide an annual lease payment of $100.

Note 7. Unearned Revenue (Continued)

SAHFAC entered into 11 ground lease agreements with various limited partnerships for a period of 52 to 99 years for the lease of land to construct and operate rental projects. The limited partnerships provided a total of $10,442,196 for the purchase of land, which is considered prepayment of annual rents for the initial periods of 10 to 15 years of the lease terms. After the end of the initial period, the limited partnerships will provide annual lease payments of $100.

Las Varas PFC entered into 10 ground lease agreements with various limited partnerships for a period of 75 years for the lease of land to construct and operate rental projects. The limited partnerships provided a total of $13,081,271 for the purchase of land, which is considered prepayment of annual rents for the initial periods of 10 to 15 years of the lease terms. After the end of the initial period, the limited partnerships will provide annual lease payments of $10 to $100.

Unearned Revenue
Current unearned revenue consists of prepaid tenant rent of $363,999 and HUD Housing Choice Vouchers and Public Housing Operating Subsidy grant revenue of $513,405.

Note 8. Bonds and Notes Payable

A. The Authority's Bonds and Notes Payable

The Authority may, from time to time, issue bonds or other debt where it pledges income derived from the acquired or constructed assets to pay debt service. The Authority has pledged future revenues from Sendero I PFC and Woodhill Apartments PFC to repay revenue bonds as follows:

	Original Amount of Bonds	Debt Service Requirement	Debt Outstanding
Sendero I PFC	$ 10,000,000	125%	$ 8,936,906
Woodhill Apartments PFC	9,000,000	125%	7,562,992

Note 8. Bonds and Notes Payable (Continued)

The long-term indebtedness of the Authority's business-type activities is presented as follows:

Program	Issue	Original Amount	Due Within One Year	Due After One Year	Balance Outstanding at June 30, 2018
SAHDC					
SAHDC entered into a mortgage loan with Column Guaranteed (now Walker & Dunlop) in the amount of $1,060,000. The mortgage loan is dated January 21, 2005 (FNMA Commitment No. 999919), bears interest at 5.960% and matures February 1, 2035. Monthly installments of $6,328 are payable beginning March 1, 2005. Secured by a deed of trust for Bella Claire Apartments.	Mortgage note	$ 1,060,000	$ 29,118	$ 769,617	$ 798,735
SAHFAC					
SAHFAC entered into mortgage loans bearing interest at 5.960%. The loans mature February 1, 2035, and are secured by deeds of	Mortgage note	3,430,000	94,222	2,490,363	2,584,585
trust, security agreements and assignment of rents and leases.	Mortgage note	1,390,000	38,184	1,009,214	1,047,398
SAHFAC issued $5,600,000 of Multifamily Housing Revenue Bonds (Converse Ranch II Apartments Project)—Series 2014; bearing interest at a rate of 67.800% of the Wall Street Journal LIBOR plus 1.380% per annum. At closing, an interest rate swap contract was executed which fixed the rate at 3.250%. The note matures September 30, 2024, and is secured by a deed of trust, security agreement and assignment of rents and leases.	Revenue Bonds—Series 2014	5,600,000	161,285	4,915,297	5,076,582
SAHFAC entered into a mortgage loan with Frost Bank in the amount of $4,000,000. The mortgage loan is dated December 6, 2016, and bears interest at a rate of 67.800% of the Wall Street Journal LIBOR plus 1.460% per annum. At closing, an interest rate swap contract was executed which fixed the rate at 3.090%. The note matures December 6, 2026, and is secured by a deed of trust, security agreement and assignment of rents and leases.	Mortgage note	4,000,000	111,492	3,725,877	3,837,369
SAHFAC entered into a mortgage loan with Frost Bank in the amount of $6,800,000. The mortgage loan is dated December 19, 2017, and bears interest at a rate of 67.800% of the Wall Street Journal LIBOR plus 1.480% per annum. At closing, an interest rate swap contract was executed which fixed the rate at 3.320%. The note matures December 19, 2027, and is secured by a deed of trust, security agreement and assignment of rents and leases.	Mortgage note	6,800,000	179,271	6,521,759	6,701,030
SAHFAC assumed mortgage loans with the Texas Department of Housing and Community Affairs for the Claremont and Warren House Apartments. The loans mature on August 1, 2028, and are secured by deed of trusts, security agreements and assignment	Mortgage note	191,200	6,373	58,423	64,796
of rents and leases. The loans are noninterest bearing.	Mortgage note	262,500	8,750	78,749	87,499
SAHFAC entered into a loan with the City of San Antonio in the amount of $900,000. The loan is a 30-year deferred, noninterest bearing, forgivable note; and matures September 30, 2039. The note is secured by deed of trust for real property improvements at the Sutton Oaks Apartments. Loan forbearance is subject to SAHFAC's compliance with the terms and conditions outlined in the loan agreement.	Sutton NSP note	900,000	-	900,000	900,000
		22,573,700	599,577	19,699,682	20,299,259
Section 8 Project Based					
On December 6, 2016, Springhill/Courtland Heights PFC retired its Series 1999-A Bonds through a refinance with Frost Bank in the amount of $6,000,000. The mortgage loan bears interest at a rate of 67.800% of LIBOR plus 1.460% per annum. At closing, an interest rate swap contract was executed which fixed the rate at 3.090%. The note matures December 6, 2026, and is secured by a deed of trust, security agreement and assignment of rents and leases.	Mortgage note	6,000,000	167,238	5,588,815	5,756,053

Note 8. Bonds and Notes Payable (Continued)

Program	Issue	Original Amount	Due Within One Year	Due After One Year	Balance Outstanding at June 30, 2018
Converse Ranch, LLC					
On May 1, 2013, Converse Ranch, LLC refinanced its mortgage loan with Greystone Servicing Corporation, Inc. in the amount of $7,443,700; interest rate of 2.980%; payable in monthly installments of $26,562; maturing June 1, 2053.	Mortgage note	$ 7,443,700	$ 114,300	$ 6,798,180	$ 6,912,480
Other Affordable Housing					
Sendero I PFC issued $10,000,000 of Sendero I PFC Multifamily Housing Revenue Refunding Bonds—Series 2013; bearing interest at a rate of 4.305%; maturing January 1, 2024; and secured by a deed of trust, a security agreement and assignment of rents and leases. Principal and interest payments totaling $54,915 are payable monthly.	Revenue Bonds—Series 2013	10,000,000	274,323	8,662,583	8,936,906
Woodhill PFC issued $9,000,000 of Woodhill PFC Multifamily Housing Revenue Refunding Bonds—Series 2012; bearing interest at a rate of 3.400%; maturing September 1, 2022; and secured by a deed of trust, a security agreement and assignment of rents and leases. Principal and interest payments totaling $44,852 are payable monthly.	Revenue Bonds—Series 2012	9,000,000	281,922	7,281,070	7,562,992
Capital Fund Financing Program (CFFP)					
$27,828,627 CFFP loan agreement dated November 9, 2006, with Fannie Mae for the accelerated renovation and rehabilitation of eight public housing developments. The 4.850% loan is secured with pledged Capital Grant Funds and is paid directly by HUD in monthly payments of $182,721 beginning April 1, 2007; maturing December 1, 2026. On June 14, 2012, Fannie Mae assigned its interest in the loan and the loan agreement to Deutsche Bank National Trust Company.	CFFP loan	27,828,627	1,556,557	12,265,962	13,822,519
Vera Cruz Redevelopment Partnership, Ltd.					
The San Antonio Housing Trust Foundation made a loan in November 1993 in the amount of $350,000 to the partnership. The loan bears interest at 1.000%, and principal and interest are due monthly, determined by available cash flow. The loan matures on November 28, 2023, and is secured by land, buildings and improvements. Accrued interest has been added to the outstanding balance.	Loan	350,000	-	444,407	444,407
Homestead Redevelopment Partnership, Ltd.					
The Texas Department of Housing and Community Affairs made a loan in the amount of $500,000 to the partnership. Monthly installments of principal and interest in the amount of $2,109 began on May 1, 1996. The loan bears interest at 3.000%, compounded annually.	Loan	500,000	20,355	153,975	174,330
Energy Performance Contract Loan					
The Authority entered into an Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. to finance the implementation of the HUD Energy Performance Contract. The contract rate is 3.260% per annum and monthly principal and interest payments are to be made starting August 14, 2016. The monthly payments fluctuate and average $25,183 over the term of the contract, which ends June 14, 2031.	Loan	3,637,964	394,775	2,674,480	3,069,255
		$ 88,393,991	$ 3,438,165	$ 64,338,771	$ 67,776,936

Note 8. Bonds and Notes Payable (Continued)

The following table provides the annual principal and interest requirements of the Authority and its component units as of June 30, 2018, for long-term debt outstanding:

	Principal	Interest	Total
Years ending June 30:			
2019	$ 3,438,165	$ 2,524,805	$ 5,962,970
2020	3,599,273	2,381,356	5,980,629
2021	3,693,153	2,224,265	5,917,418
2022	3,676,847	2,068,288	5,745,135
2023	9,792,813	1,750,891	11,543,704
2024-2028	34,025,393	3,538,636	37,564,029
2029-2033	3,233,001	1,273,595	4,506,596
2034-2038	1,583,667	676,973	2,260,640
2039-2043	2,000,956	492,738	2,493,694
2044-2048	1,277,614	316,080	1,593,694
2049-2053	1,456,054	111,075	1,567,129
	$ 67,776,936	$ 17,358,702	$ 85,135,638

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Mortgages, bonds and notes	$ 65,676,792	$ 6,804,400	$ 4,704,256	$ 67,776,936	$ 3,438,165
Compensated absences	1,496,418	1,733,433	1,732,547	1,497,304	1,158,395
	$ 67,173,210	$ 8,537,833	$ 6,436,803	$ 69,274,240	$ 4,596,560

Note 9. Derivative Financial Instrument

Interest Rate Swaps

The Authority has four interest rate swap agreements (swaps) with one counterparty as of June 30, 2018. The objective of the agreements was to attain a synthetic fixed interest rate at a cost that was expected to be less than rates associated with fixed-rate debt. The swap agreement terms state the Authority is to make monthly fixed interest rate payments at a specified rate on a notional principal amount and in exchange receive monthly payments based upon a rate of 67.8 percent of the one-month London InterBank Offered Rate (LIBOR) plus a spread.

The swaps have an aggregate positive fair value of $235,388 at June 30, 2018. The fair value was estimated using a proprietary valuation model developed by a counterparty. The swaps have been determined to constitute an effective hedge at June 30, 2018, by using the synthetic instrument method. The aggregate fair value is classified as an interest rate swap asset and a deferred inflows of resources.

Note 9. Derivative Financial Instrument (Continued)

The following contains the terms, fair values and credit ratings issued by Standard & Poor's of the swaps as of June 30, 2018:

Related Debt Issuance	Current Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
Converse Ranch II, LLC	$ 5,076,582	10/23/2014	3.25%	67.8% of 1-month LIBOR plus 1.38%	$ 55,746	11/01/2024	A-
SAHFAC (Castle Point)	3,837,369	12/06/2016	3.09%	67.8% of 1-month LIBOR plus 1.46%	63,057	12/06/2026	A-
Springhill/Courtland Heights PFC	5,756,053	12/06/2016	3.09%	67.8% of 1-month LIBOR plus 1.46%	94,586	12/06/2026	A-
SAHFAC (Monterrey Park and La Providencia)	6,701,030	12/19/2017	3.32%	67.8% of 1-month LIBOR plus 1.48%	21,999	12/19/2027	A-
Totals	$ 21,371,034				$ 235,388		

Credit risk—The Authority is exposed to credit risk on swaps that have a positive fair value. At June 30, 2018, all four swaps have positive fair values totaling $235,388. This amount represents the Authority's credit exposure to the related counterparty and the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. Fair value is only a factor upon termination. The interest rate swap's counterparty has guaranteed all payments and is rated A- by Standard & Poor's. The interest rate swap agreements provide no collateral by the counterparty.

Interest rate risk—The interest rate swaps decrease the Authority's exposure to interest rate risk.

Basis risk—The interest rate swaps do not expose the Authority to basis risk because the interest rates on the loans and the swaps are the same, equal to a rate of 67.8 percent of one-month LIBOR plus the defined spread.

Termination risk—The interest rate swaps were issued pursuant to the International Swap Dealers Association Master Agreements, which include standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate an interest rate swap if the other party fails to perform under the terms of the contract. Also, if at the time of termination the interest rate swap has a positive fair value, the counterparty would be liable to the Authority for a payment equal to the swap's fair value. As of June 30, 2018, the interest rate swaps had a total fair value of $235,388.

Note 10. Line of Credit

SAHFAC has a revolving line of credit with Frost Bank for $3,000,000, which may be used for short-term borrowing needs. The line of credit bears interest at the applicable prime rate, as listed in *The Wall Street Journal*, plus 0.25 percent. As of June 30, 2018, the all-in rate was 5.25 percent. The line of credit was renewed October 14, 2017, and has a term of three years. As of June 30, 2018, $70,616 was borrowed against the line of credit.

Line of credit activity for the year ended June 30, 2018, was as follows:

	Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018
Line of credit	$ 539,663	$ 2,087,031	$ 2,556,078	$ 70,616

Note 11. Conduit Debt

From time to time, SAHFC issues tax-exempt revenue bonds for the financing of residential developments for persons of low- and moderate-income families. The bonds are secured by the property financed and are payable solely from, and secured by, a pledge of rental receipts. The bonds do not constitute a debt or pledge of the faith and credit of SAHFC and, accordingly, have not been reported in the accompanying financial statements.

As of June 30, 2018, there were 17 series of tax-exempt revenue bonds outstanding with an aggregate principal amount payable of $197,718,993.

Note 12. Defined Contribution Plan

A. Plan Description

The Plan provides pension benefits for all regular full-time employees through a defined contribution plan, established in 1948 and was last amended in 2016. The Plan constitutes a "public retirement system" within the meaning of section 810.001 of the Texas Government Code and a "governmental plan" within the meaning of Code section 414(d) and ERISA section 3(32). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All regular full-time employees are eligible to participate after one year of service. At December 31, 2017, there were 537 participants. Each eligible participant must contribute 5.0 percent and may elect to contribute up to 100.0 percent of eligible compensation, up to the maximum dollar limitation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The employer's contribution for each employee is 7.0 percent to 11.0 percent of compensation, excluding bonuses, commissions, overtime, contingent compensation or benefits plus 5.7 percent of such employee's compensation for the Plan year that exceeds the social security taxable wage base in effect at the beginning of the year. The employer's required contribution of $1,884,678 and the employees' required contributions of $884,220 were made to the Plan during the Plan year ended December 31, 2017. Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of continuous service. A participant is fully vested after five years of credited service. Plan provisions and contributing requirements are established and may be amended by the Authority's Board.

B. Plan Amendments

Effective December 3, 2015, the Plan was amended to provide for a three- to five-person Plan Administrator consisting of, at a minimum, the Chief Executive Officer, the Chief Financial Officer and the Chief Legal Officer; and to amend section 4.1 of the Plan, Conditions of Eligibility, to make the early entry of certain classes of employees automatic instead of discretionary, and pursuant to the United States Supreme Court's decision in Obergefell v. Hodges (June 26, 2015), the Plan must treat same-sex spouses the same as opposite-sex spouses for all purposes.

Effective May 5, 2016, the Plan was amended to provide for a three- to five-person Plan Administrator consisting of, at a minimum, the Chief Executive Officer, the Chief Financial Officer and the Chief Administrative Officer (or the person serving in each capacity), to provide for the immediate entry into participation by existing eligible employees holding titles of Director or above, to reform the application of forfeitures under the Plan, and to create a priority list of default beneficiaries for those situations in which the participant is not survived by a designated beneficiary.

Note 12. Defined Contribution Plan (Continued)

C. Forfeitures

Participant forfeitures of nonvested balances will be used to reduce future employer contributions. During the Plan year ended December 31, 2017, employer contributions were reduced by $57,751 from forfeited nonvested accounts. There were no unallocated forfeitures at December 31, 2017.

D. Plan Termination

Although it has not expressed any intent to do so, the Authority has the right under the Plan to discontinue its contribution at any time and to terminate the Plan. In the event of Plan termination, participants would become 100 percent vested in their employer contributions.

E. Tax Status

The Internal Revenue Service has determined and informed the Authority, by a letter dated May 29, 2001, that the Plan and related trust are designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the determination letter, the Plan Administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the requirements of the IRC.

F. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

Note 13. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for all risks of loss (with the exception of workers' compensation and employee health and accident insurance.). Settled claims resulting from other risks of loss have not exceeded commercial insurance coverage in any of the past two years.

Health and Dental Insurance Plan

On August 2, 2007, the Board approved a self-funded health insurance plan and contract with Humana as the third-party administrator for health and dental insurance. The plan went into effect January 1, 2008. The contract with Humana was terminated on December 31, 2017. The Board approved a contract with Blue Cross Blue Shield of Texas (BCBS) as the third-party administrator for health and dental insurance on September 7, 2017. BCBS began serving as the third-party administrator on January 1, 2018.

In a self-funded plan, the employee payroll deductions for health and dental insurance are collected and held by the Authority in a separate bank account specifically to pay health and dental claims. The Authority makes an initial deposit with the third-party administrator to start the plan. Thereafter, the third-party administrator processes claims and makes payments directly to health care providers. The Authority transfers funds weekly to the third-party administrator to cover the prior week's claims paid. The plan provides protection for the Authority against catastrophic claims with a $100,000 individual stop-loss and a formula driven aggregate stop-loss limit.

Note 13. Risk Management (Continued)

The actuarially determined claims liability of $194,672 is based on the requirements of GASB Statement No. 10, as amended by GASB Statement No. 30. The liability includes provisions for medical, dental and prescription drug claim reserves for incurred, but not paid, and incurred, but not reported, claims. No allowance was made for the expense of processing run-out claims, since it is assumed any expense related to run-out claims processing would be included as current administration expenses.

A reconciliation of changes in the liability for health and dental plan expenses for fiscal year 2017 and fiscal year 2018 were as follows:

	Liability at Beginning of Fiscal Year	Claims and Changes in Estimates in Current Year	Claim Payments	Balance at Fiscal Year-End
Years ended June 30:				
2017	$ 496,971	$ 4,664,209	$ 4,640,471	$ 520,709
2018	520,709	2,378,388	2,704,425	194,672

Note 14. Commitments and Contingencies

The Authority is exposed to the risk of contingent liabilities in the ordinary course of its operations. Specifically, such risks arise as a result of the Authority's participation in various state and federal grant programs and as a result of threatened and pending litigation. Disallowed costs could result if the Authority's expenditures made under its grants programs are found to be improper in that they violate state or federal regulations. Such disallowed costs would have to be paid back to the granting agency from the general funds of the Authority. The Authority is not aware of any costs that have been disallowed in the current year and does not anticipate any costs will be disallowed.

A. Grants

The Authority receives significant financial assistance from federal, state and local agencies in the form of grants and operating subsidies. HUD provided approximately 81 percent of the Authority's revenue in the current year. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies; therefore, to the extent the Authority has not complied with rules and regulations governing the grants, if any, refunds of any money received may be required. Management believes there are no significant contingent liabilities relating to compliance with grant rules and regulations.

B. Construction Contracts

The Authority entered into construction contracts for the rehabilitation of various low-income and multi-family housing projects that were in progress as of year-end. The unexpended balance of construction contracts is $3,227,365 at June 30, 2018.

Note 14. Commitments and Contingencies (Continued)

C. Environmental Remediation

The Authority's revitalization activities for its developments are subject to extensive and evolving environmental laws and regulations. For the year ended June 30, 2018, the Authority has expended $65,193 related to environmental remediation efforts. The annual level of future remediation expenditures is difficult to estimate due to the many uncertainties relating to conditions of individual sites, as well as uncertainties about the status of environmental laws and regulations and developments in remedial technology. Future information and developments will require the Authority to continually reassess the expected impact of these environmental matters.

D. Pending Litigation

The Authority is the subject of various claims and litigation that have arisen in the ordinary course of its operations. Management, in consultation with legal counsel, is of the opinion that the Authority's liabilities in these cases, if decided adversely to the Authority, will not be material.

E. Guarantees

SAHFAC and SAHDC are governed by Chapter 22 of the Texas Business Organizations Code, which requires each corporation to adopt bylaws, which are rules adopted to regulate or manage their actions. The initial bylaws were adopted by the Authority's Board. Per Article VII of both corporations' bylaws, the corporations shall issue obligations only upon approval of the Authority given not more than 60 days prior to the date of a proposed issue.

In July 2004, SP II LP and O'Connor Road LP, affiliated entities of SAHFAC and SAHDC, obtained permanent financing of $3,432,000 and $4,158,000, respectively. The SP II LP and O'Connor Road LP multi-family notes both mature on June 1, 2022. SAHFAC and SAHDC serve as key principals for both multi-family notes and have unconditionally guaranteed all amounts, of which SP II LP and O'Connor Road LP may become personally liable.

On August 1, 2012, SAHFAC guaranteed the payment of the 10-year, $9,000,000 Series 2012 bond issuance of Woodhill PFC, an affiliated entity of SAHFAC. The bonds mature on September 1, 2022. In the event Woodhill PFC is unable to make a payment, SAHFAC will be required to make that payment.

On December 1, 2013, SAHFAC guaranteed the payment of the 10-year, $10,000,000 Series 2013 bond issuance of Sendero I PFC, an affiliated entity of SAHFAC. The bonds mature on January 1, 2024. In the event Sendero I PFC is unable to make a payment, SAHFAC will be required to make that payment.

On December 6, 2016, SAHFAC guaranteed the payment of the 10-year, $6,000,000 promissory note issued by Springhill/Courtland Heights PFC, an affiliated entity of SAHFAC. The note matures on December 1, 2026. In the event Springhill/Courtland Heights PFC is unable to make a payment, SAHFAC will be required to make that payment.

Note 15. Related-Party Transactions

As stated in Note 1, the Authority is considered to be financially accountable to the component units, and the component units serve as the Authority's instruments to enhance its purpose to build and maintain affordable housing for low- and moderate-income families. Consequently, related transactions in the following areas occurred in the current year.

- Management fees of $50,829 were paid to SAHDC by a component unit—Sunshine Plaza Apartments, Inc.

- Of the total notes receivable outstanding, $63,752,267 is due from various partnerships, which are related parties of the Authority. During the fiscal year, the Authority received payments in the amount of $164,809.

Note 16. Merger

In October 2017, the Authority's Board of Commissioners approved the merger of the real estate assets of the San Antonio Housing Opportunity Corporation (SAHOC) to the San Antonio Housing Facility Corporation (SAHFAC) and voted to dissolve and terminate SAHOC. The dissolution of SAHOC is treated as a government merger in accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, whereby one legally separate entity, SAHOC, is absorbed into a continuing government, SAHFAC. The merger has been reported effective July 1, 2017.

The following table summarizes the amounts recognized to reflect the merger of SAHOC with SAHFAC as of July 1, 2017:

	As Previously Reported	SAHOC Balances	Restated Balances
Unrestricted current assets	$ 53,670,119	$ 18,250	$ 53,688,369
Restricted current assets	29,741,485	-	29,741,485
Capital assets, net	189,006,428	42,184	189,048,612
Noncurrent assets	68,962,432	44,286	69,006,718
Deferred outflow of resources	1,050,249	-	1,050,249
Unrestricted current liabilities	14,528,969	20,786	14,549,755
Current liabilities from restricted assets	1,114,946	-	1,114,946
Noncurrent liabilities	71,908,424	478,280	72,386,704
Net position	254,878,374	(436,530)	254,441,844

Note 17. Subsequent Events

On December 10, 2018, SAHFAC (a component unit of the Authority) issued a promissory note to Frost Bank in the amount of $6,800,000 to finance capital repairs and improvements for the Burning Tree Apartments, Encanta Villa Apartments and other properties within the Beacon portfolio. The note bears interest at 80.700 percent of the monthly *The Wall Street Journal* LIBOR offered rate plus 1.480 percent and is secured by a Deed of Trust and Security Agreement. The promissory note matures on December 10, 2028, and requires monthly payments of principal based on a 25-year amortization schedule. At closing, SAHFAC also executed a swap agreement with Frost Bank, which fixed the interest rate at 3.935 percent. The swap agreement is for the full term of the loan and matures on December 10, 2028. However, the borrower has the option of canceling the swap at the end of five years without penalty.

Supplementary Information

Housing Authority of the City of San Antonio

Schedule of Modernization Costs
June 30, 2018

HUD Project Number	Approved Funds	Expended Funds	Disbursed Funds	Approved Funds Available to Expend	Expended Funds Available to be to be Disbursed
TX 59P006501-04	$ 8,784,423	$ 8,784,423	$ 8,784,423	$ -	$ -
TX 59P006501-05	8,880,273	8,880,273	8,880,273	-	-
TX 59P006501-06	8,789,524	8,789,524	8,789,524	-	-
TX 59P006501-07	9,033,330	9,033,330	9,033,330	-	-
TX 59P006501-08	8,800,604	8,800,604	8,800,604	-	-
TX 59P006501-09	9,252,125	9,252,125	9,252,125	-	-
TX 59P006501-10	9,744,572	9,744,572	9,744,572	-	-
TX 59P006501-11	8,151,333	8,151,333	8,151,333	-	-
TX 59P006501-12	7,410,330	7,410,330	7,410,330	-	-
TX 59P006501-13	7,192,132	7,192,132	7,192,132	-	-
TX 59P006501-14	7,294,109	7,294,109	7,294,109	-	-
TX 59P006501-15	7,539,807	7,470,149	7,100,726	69,658	369,423
TX 59P006501-16	7,805,380	7,249,648	6,166,228	555,732	1,083,420
TX 59P006501-17	7,973,378	2,486,172	894,653	5,487,206	1,591,519
TX 59P006501-18	12,191,825	-	-	12,191,825	-
TX 59E006501-11	250,000	250,000	250,000	-	-
TX 59E006501-15	250,000	250,000	250,000	-	-
TX 59R006501-01	2,697,733	2,697,733	2,697,733	-	-
TX 59R006501-02	3,375,061	3,375,061	3,375,061	-	-
TX 59R006501-03	2,635,633	2,635,633	2,635,633	-	-
TX 59R006501-04	1,998,864	1,998,864	1,998,864	-	-
TX 59R006502-04	920,510	920,510	920,510	-	-
TX 59R006501-05	1,454,488	1,454,488	1,454,488	-	-
TX 59R006502-05	1,727,302	1,727,302	1,727,302	-	-
TX 59R006502-06	2,608,481	2,608,481	2,608,481	-	-
TX 59R006501-07	104,266	104,266	104,266	-	-
TX 59R006502-07	2,682,078	2,682,078	2,682,078	-	-
TX 59R006501-08	106,898	106,898	106,898	-	-
TX 59R006502-08	2,593,345	2,593,345	2,593,345	-	-
TX 59R006501-09	91,863	91,863	91,863	-	-
TX 59R006502-09	1,408,098	1,408,098	1,408,098	-	-
TX 59R006504-09	1,119,306	1,119,306	1,119,306	-	-
TX 59R006501-10	360,291	360,291	360,291	-	-
TX 59R006502-10	1,810,724	1,810,724	1,810,724	-	-
TX 59R006501-11	661,479	661,479	661,479	-	-
TX 59R006502-11	425,726	425,726	425,726	-	-
TX 59R006501-12	520,769	520,769	520,769	-	-
TX 59R006502-12	76,939	76,939	76,939	-	-
TX 59R006501-13	549,153	549,153	549,153	-	-
TX 59R006502-13	84,890	84,890	84,890	-	-
TX 59R006501-14	530,328	530,328	530,328	-	-
TX 59R006502-14	79,058	79,058	79,058	-	-
TX 59R006501-15	321,414	321,414	321,414	-	-
TX 59R006502-15	80,032	80,032	80,032	-	-
TX 59R006502-16	80,606	80,606	80,606	-	-
	$ 160,448,480	$ 142,144,059	$ 139,099,697	$ 18,304,421	$ 3,044,362

Housing Authority of the City of San Antonio

Statement of Development Costs
June 30, 2018

	HUD Project Number TX6J006CNG112
Administration	$ 1,523,521
Critical community improvements	1,393,398
Fees and costs	4,475,576
Dwelling structures	5,712,283
Site improvements	4,367,414
Relocation costs	242,561
Supportive services	3,032,620
Evaluation	275,845
Total development costs	21,023,218
HUD funds disbursed	20,622,377
Total development costs in excess of HUD funds disbursed	$ 400,841

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Compliance Section

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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*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Housing Authority of the City of San Antonio (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 7, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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.

RSM US LLP

San Antonio, Texas
February 7, 2019

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for a Major Federal Program
We have audited the Housing Authority of the City of San Antonio (the Authority), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Opinion on the Major Federal Program
In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of the 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

RSM US LLP

San Antonio, Texas
February 7, 2019

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I—Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified?	______	Yes	X	None Reported
Noncompliance material to financial statements noted?	______	Yes	X	No

2. Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified?	______	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)?	______	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.881	Moving to Work Demonstration Program

Dollar threshold used to distinguish between type A and type B programs:	$ 3,000,000			
Auditee qualified as low-risk auditee?	X	Yes	______	No

(Continued)

Section II—Financial Statement Findings

A. Internal Control Findings

No matters to report.

B. Compliance Findings

No matters to report.

Section III—Federal Award Findings and Questioned Costs

A. Internal Control Findings

No matters to report.

B. Compliance Findings

No matters to report.

Housing Authority of the City of San Antonio

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

2017-001: Information Technology (IT) Controls

Criteria: The internal controls surrounding the flow of accounting transactions and data in and out of the computer systems at the Authority are a critical component of the organization's system of internal controls over financial reporting.

Recommendation: We recommend the Authority implement or strengthen its internal controls related to IT polices, user access controls, transaction audit logs, unbalanced journal entries and application security patches that have a direct impact on significant financial applications.

Status: Many of the issues noted have been rectified, including the following:

- IT change management procedure implemented in August 2017, including documentation of all program changes and related approvals prior to changing production;
- Improved process now in place for timely completion of application security patches, including development and maintenance of a patch schedule and testing of all patches prior to adding to production;
- Use of security logs implemented in September 2017, to track network activity by user and changes in critical functions, such as critical application parameter settings and user configuration;
- Complete review of domain administrators conducted in August 2017, resulting in removal of staff that did not meet the new requirements;
- Routine user access reviews implemented in August 2017, to be performed on a quarterly basis going forward;
- Improved process for disabling of user accounts by IT, to be immediate upon notification by Human Resources (HR) of employee terminations; and
- Improved process for review and resolution of unbalanced journal entries, with goal to resolve existing errors as soon as possible, but no later than June 30, 2019.

It should also be noted that the auditors did not identify any findings of loss of data or breaches of IT security.

Housing Authority of the City of San Antonio

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

2017-002: Capital Asset Impairment

Criteria: GASB Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries (GASB Statement No. 42), specifies criteria for the determination of impairment of capital assets. Potential impairments should be evaluated timely to ensure the impairment is recognized in the period it was incurred.

Recommendation: We recommend the Authority implement policies and procedures to ensure future impairments are properly calculated in accordance with GASB Statement No. 42 and recorded in a timely manner.

Status: The Authority's existing Business and Financial Policies and Procedures, Section 1.0 "Business and Financial Administration" includes the following:

> **1.2 Business Financial Manuals and Guides**
>
> All business and accounting of SAHA is to conform to the following accounting principles and practices for Housing Authorities.
>
> - Government Accounting Standards Board (GASB) - Accessible by subscription.

The Authority is committed to fully complying with all applicable standards, including GASB standards. Were a catastrophic event similar to the April 2016 hail storm to occur in the future, staff will provide their calculation and proposed entry to the external auditors to ensure that any such events are calculated and recorded in accordance with GASB Statement 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." In addition, documentation of the corrected accounting for the impairment resulting from the April 2016 event will be maintained for future reference.

Housing Authority of the City of San Antonio

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

2017-003: Bank Reconciliation

Condition: During testing of bank reconciliations, we noted one bank reconciliation for a deposit-only account was not fully prepared timely. Although the net unreconciled items did not result in a material error, the overall reconciliation was not completed until several months after the end of the fiscal year.

Additionally, we noted some reconciliations originally prepared by the Authority did not agree to the final trial balance provided to the auditors due to additional entries prepared by the Authority that were not included on the reconciliation. Furthermore, certain cash transfers between bank accounts were reflected on the bank reconciliation, but not recorded in the general ledger.

Recommendation: We recommend the Authority implement procedures to ensure timely bank reconciliations are performed. Additionally, transfers between bank accounts should be recorded in the general ledger regardless if those monies are subsequently transferred back to the original bank account to allow for adequate documentation and audit trail.

Status: The bank reconciliation that resulted in Finding 2017-003 is the most voluminous and most time-consuming to perform of all of the Authority's bank reconciliations, and requires an experienced accountant to keep the reconciliations current. Due to that accountant position being vacant for a time, this reconciliation was reassigned. The aforementioned accountant position has now been filled; the individual selected began training in July 2018. Detailed procedures for all bank reconciliations are included in the Authority's *Business and Financial Policies and Procedures*, Section 6.0 *Cash Management*, specifically sub-section 6.13 *Bank Account Reconciliations* (see Attachment). With regard to the transfers between bank accounts, steps have been taken to ensure that all such transfers are individually recorded in the general ledger, as recommended by the auditors.

SAHA
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Housing Authority of the City of San Antonio

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Direct Programs			
United States Department of Housing and Urban Development:			
HOPE VI Cluster:			
Choice Neighborhoods Implementation Grant	14.889	TX6J006CNG112	$ 4,243,001
Total HOPE VI Cluster			4,243,001
Section 8 Project-Based Cluster:			
Section 8 Moderate Rehabilitation	14.856	FW-4045K	1,706,933
Section 8 New Construction/Subs Rehab:			
Villa de Valencia	14.182	TX59E000020	315,300
Reagan West	14.182	TX59E000018	49,884
Total Section 8 New Construction/Subs Rehab			365,184
Total Section 8 Project-Based Cluster			2,072,117
Housing Voucher Cluster:			
Section 8 Veterans Affairs Supportive Housing—VASH	14.871		2,778,019
DHAP-IKE to HCV Temporary Vouchers	14.871		40,888
Total Section 8 Housing Choice Vouchers			2,818,907
Section 8 Mainstream Program	14.879	FW-4045DV	492,480
Total Housing Voucher Cluster			3,311,387
Moving to Work (MTW) Demonstration Program:			
MTW—Low Rent Public Housing Authority Owned Housing	14.881	FW-1247	22,332,845
MTW—Section 8 Housing Choice Voucher Program	14.881	FW-4045V	105,064,281
MTW—2014 Capital Fund Program	14.881	TX59P006501-14	10,700
MTW—2015 Capital Fund Program	14.881	TX59P006501-15	2,530,961
MTW—2016 Capital Fund Program	14.881	TX59P006501-16	4,509,258
MTW—2017 Capital Fund Program	14.881	TX59P006501-17	2,486,172
Total MTW Demonstration Program			136,934,217
Family Self-Sufficiency Program:			
2016 HCV/PH Combined FSS Grant	14.896	TX006FSH643A016	361,425
2017 HCV/PH Combined FSS Grant	14.896	TX006FSS17TX0306	339,336
Total Family Self-Sufficiency Program			700,761
Resident Opportunity and Supportive Services (ROSS)—Service Coordinator Grant:			
2015 ROSS—Service Coordinator	14.870	TX006RPS098A015	161,903
Total ROSS—Service Coordinator Grant			161,903
Job-Plus Pilot Initiative	14.895	TX006FJP000815	678,324

(Continued)

Housing Authority of the City of San Antonio

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Direct Programs (Continued)			
Special Needs Assistance Program (SNAP):			
SNAP	14.267	TX0233L6J001602	$ 98,804
SNAP	14.267	TX0233L6J001608	811,950
Total SNAP			910,754
Total United States Department of Housing and Urban Development			149,012,464
United States Department of Justice:			
Byrne Criminal Justice Innovation Program—BCJI	16.817		77,150
Total United States Department of Justice			77,150
Pass-Through Programs			
United States Department of Housing and Urban Development:			
City of San Antonio:			
Community Development Block Grant	14.218		100,000
Total United States Department of Housing and Urban Development			100,000
United States Department of Health and Human Services:			
Alamo Community College District:			
Alamo College HPOG Grant	93.093		42,130
Alamo College HPOG Grant	93.093		68,504
Total United States Department of Health and Human Services			110,634
Total Federal Financial Assistance			$ 149,300,248

See notes to schedule of expenditures of federal awards.

Housing Authority of the City of San Antonio

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Note 1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

Subrecipients: There were no subrecipients in the current year.

Low-rent expenditures represent the current-year operating subsidy from HUD.

Section 8 and Shelter Plus Care Program expenditures represent the current year earned annual contribution from HUD.

De minimis election: The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

A reconciliation of the SEFA to the statement of revenues, expenses and changes in net position for the year ended June 30, 2018, is as follows:

Total Federal Financial Assistance per SEFA		$ 149,300,248
A. Federal Assistance per statement of revenues, expenses and changes in net position:		
HUD operating grants and housing assistance payments	$ 40,448,920	
Other government grants	287,785	
HUD Housing Assistance Grants	102,271,764	
Capital contributions	8,508,635	
B. Less grant revenue for multifamily properties separately reported to REAC:		
a. Sunshine Plaza—HUD Project No. 115-94026	(467,063)	
b. Pecan Hill—HUD Project No. 115-94027	(615,416)	
c. Springhill I PFC—HUD Grant No. TX59E000035	(600,982)	
d. Springhill II PFC—HUD Grant No. TX59E000036	(533,395)	
		$ 149,300,248

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February 7, 2019

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

Attention: Members of the Board of Commissioners

This letter is to inform the Board of Commissioners of the Housing Authority of the City of San Antonio (the Authority) about significant matters related to the conduct of our audit as of and for the year ended June 30, 2018, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management
Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated June 11, 2018. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit
We have issued a separate communication dated June 11, 2018, regarding the planned scope and timing of our audit.

Significant Accounting Practices, Including Policies, Estimates and Disclosures
In our meeting with you, we will discuss our views about the qualitative aspects of the Authority's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The following is a list of the matters that will be discussed, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

- Allowance for doubtful accounts
- Useful lives of capital assets
- Fair value of investments and interest rate swaps

Audit Adjustments
There were no audit adjustments proposed by us and recorded by the Authority.

Uncorrected Misstatements
We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

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*
We have separately issued a 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* and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The communication is included in the Financial and Compliance Report of the Housing Authority of the City of San Antonio for the year ended June 30, 2018.

Consultation With Other Accountants
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Management Representations
Attached is a copy of the management representation letter.

Closing
We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Housing Authority of the City of San Antonio.

This report is intended solely for the information and use of the Board of Commissioners and management and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

February 7, 2019

RSM US LLP
19026 Ridgewood Parkway, Suite 400
San Antonio, TX 78259

This representation letter is provided in connection with your audits of the basic financial statements of the Housing Authority of the City of San Antonio (the Authority) as of and for the year ended June 30, 2018 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of February 7, 2019:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 11, 2018, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party transactions, including those with component units for which the Authority is accountable, joint ventures in which the Authority has an interest, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. The classification of restricted current assets is appropriate since these assets are considered cash and cash equivalents, and the Authority can use these assets in their operations. Additionally, FDS reporting classifies these items as current restricted assets.

9. We have reviewed the trust indenture dated October 1, 2014 for the Converse Ranch II Apartments Project and believe we are in compliance with the debt service coverage ratio requirement by using pledged revenues from the issuer instead of the project. Additionally, the trustee of the bonds is aware of the pledged revenues used in the calculation prepared and submitted to them.

10. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.

11. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

12. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

13. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

    b. Additional information that you have requested from us for the purpose of the audit;

    c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence; and

    d. Minutes of the meetings of the governing board of commissioners and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

14. All transactions have been recorded in the accounting records and are reflected in the financial statements.

15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

16. We have no knowledge of allegations of fraud or suspected fraud affecting the Authority's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, or others.

18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.

19. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

20. We have disclosed to you the identity of the Authority's related parties and all the related-party relationships and transactions of which we are aware.

21. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize and report financial data.

22. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

23. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

24. With respect to supplementary information presented in relation to the financial statements as a whole:

    a. We acknowledge our responsibility for the presentation of such information.

    b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

    d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

25. With respect to Management's Discussion and Analysis presented as required by Government Accounting Standards Board to supplement the basic financial statements:

    a. We acknowledge our responsibility for the presentation of such required supplementary information.

b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

26. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

27. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.

28. Is not aware of instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

29. Is not aware of instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

30. Is not aware of instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.

31. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

32. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

33. Has a process to track the status of audit findings and recommendations.

34. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.

35. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

36. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.

37. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.

38. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs in existence prior to December 26, 2014, as well as for funding increments and new awards obtained after that date.

39. Management has prepared the schedule of expenditures of federal awards in accordance with the Uniform Guidance and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance.

40. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.

41. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program. Management has further identified each award resulting from programs in existence prior to December 26, 2014 and funding increments or new awards obtained after that date.

42. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

43. There are no amounts questioned or known noncompliance with the direct and material compliance requirements of federal awards.

44. Management believes that the auditee has complied with the direct and material compliance requirements.

45. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

46. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.

47. There are no communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including

communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

48. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

49. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

50. There is no known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.

51. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

52. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

53. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

54. Management has charged costs to federal awards in accordance with applicable cost principles.

55. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.

56. The reporting package does not contain protected personally identifiable information.

57. Management has accurately completed the appropriate sections of the data collection form.

58. If applicable, management has disclosed all contracts or other agreements with service organizations.

59. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

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Housing Authority of the City of San Antonio

David Nisivoccia,
Chief Executive Officer

1/25/19
Ed Hinojosa,
Chief Financial Officer

Diana K. Fiedler,
Director of Finance & Accounting

Housing Authority of the City of San Antonio

Report to the Board of Commissioners
February 22, 2018

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February 22, 2018

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

Dear Members of the Board of Commissioners:

We are pleased to present this report related to our audit of the financial statements of the Housing Authority of the City of San Antonio (the Authority) as of and for the year ended June 30, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Commissioners and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Housing Authority of the City of San Antonio.

RSM US LLP

Contents

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated June 9, 2017. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued communication regarding the planned scope and timing of our audit within our arrangement letter, dated June 9, 2017.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. **Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.
Audit Adjustments	Audit adjustments proposed by us and recorded by the Authority are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.

Area	Comments
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
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*	We have separately issued a report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards* and *Uniform Administrative Requirements, Cost Principles, and Audit Requirements, for Federal Awards at* 2 CFR 200 *(Uniform Guidance).* The communication is included in the Financial and Compliance Report of the Authority for the year ended June 30, 2017.
Letter Communicating Internal Control Deficiencies	We have separately communicated internal control deficiencies, and this communication is attached as Exhibit A.
Significant Written Communication Between Management and Our Firm	A copy of a significant written communication between our firm and management of the Authority, the representation letter provided to us by management, is attached as Exhibit B.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events, and certain assumptions about future events. Management may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority's June 30, 2017, financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Allowance for Doubtful Accounts	Receivables are shown net of allowance for uncollectible amounts.	Receivables are analyzed for their collectibility based on the Authority's historic experience.	We have audited the underlying data supporting the estimate and reviewed management's methodology, which appear properly and consistently applied, and have deemed the resulting estimate to be reasonable.
Capital Assets and Depreciation	The depreciable life of capital assets is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions, including the estimated useful life and prior experience.	We have audited the underlying data supporting the estimate and reviewed management's methodology, which appear properly and consistently applied, and have deemed the resulting estimate to be reasonable.
Fair Value of Investments and Interest Rate Swaps	Investments and interest rate swaps are disclosed at their fair value.	Investments and interest rate swaps are valued using third parties and are reviewed regularly.	We have audited the underlying data supporting the fair value estimate of both investments and the interest rate swaps and have deemed the resulting estimate to be reasonable.

Summary of Recorded Audit Adjustments

Entry	Entity	Description	Debit	Credit
AJE 4	Nonmajor funds	Accumulated depreciation	$ 9,542	$ -
AJE 4	Nonmajor funds	Loss on disposition/retirement of capital assets	-	9,542
AJE 12	Nonmajor funds	Buildings	-	87,781
AJE 12	Nonmajor funds	Accumulated depreciation	58,106	-
AJE 12	Nonmajor funds	Loss on disposition/retirement of capital assets	34,098	-
AJE 12	Nonmajor funds	Depreciation	-	4,423
AJE 13	San Antonio Housing	Expense	822	-
AJE 13	San Antonio Housing	Accounts payable	-	822
AJE 13	Facility Corp.	Expense	59,858	-
AJE 13	Facility Corp.	Accounts payable	-	59,858
AJE 13	Sendero	Expense	22,095	
AJE 13	Sendero	Accounts payable	-	22,095
AJE 13	Nonmajor funds	Expense	193,633	
AJE 13	Nonmajor funds	Accounts payable	-	193,633
AJE 15	Eliminating company	Interest rate swap liability	-	1,037,000
AJE 15	Eliminating company	Notes and mortgages receivable	1,037,000	-
AJE 15	Facility Corp.	Accrued interest receivable	-	30,609
AJE 15	Facility Corp.	Interest rate swap liability	1,037,000	-
AJE 15	Facility Corp.	Mortgage interest income	31,568	-
AJE 15	Facility Corp.	Notes and mortgages receivable	-	1,061,660
AJE 15	Facility Corp.	Transfers in/out	23,701	-
AJE 15	San Antonio Housing	Mortgage interest income	-	31,568
AJE 15	San Antonio Housing	Notes and mortgages receivable	55,269	-
AJE 15	San Antonio Housing	Transfers in/out	-	23,701
AJE 16	Facility Corp.	Restricted net position	3,806,632	-
AJE 16	Facility Corp.	Unrestricted net position	138,729	-
AJE 16	Facility Corp.	Net investment in capital assets	-	3,945,361
AJE 16	Nonmajor funds	Restricted net position	2,458,131	-
AJE 16	Nonmajor funds	Net investment in capital assets	-	2,458,131
AJE 17	Nonmajor funds	Cash and cash equivalents	815,995	-
AJE 17	Nonmajor funds	Cash and cash equivalents—restricted	-	815,995
AJE 17	Nonmajor funds	Restricted net position	815,995	-
AJE 17	Nonmajor funds	Unrestricted net position	-	815,995

Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of operations, cash flows and related financial statement disclosures. Following is a summary of those differences:

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Beginning Fund Balance/ Net Position	Revenue	Expenses
Housing Authority of the City of San Antonio:					
To correct contributed revenue recorded in the current year that should have been recorded in a prior period	$ -	$ -	$ 218,575	$ (218,575)	$ -
To record a projected misstatement of unaccrued accounts payable at year-end	-	78,093	-	-	78,093
To correct an error in the calculation of capital asset impairments (netted against insurance recoveries in the financial statements)	(142,032)	-	-	(142,032)	-
To correct for prior-year expenses included in construction in progress in error that were written off during the current year	-	-	(166,094)	-	(166,094)
To record blended component unit excluded from the financial reporting entity	62,537	499,067	(426,728)	69,389	79,191
Total	$ (79,495)	$ 577,160	(374,247)	$ (291,218)	$ (8,810)
Effect of current-year passed adjustments on net position			(282,408)		
Total			$ (656,655)		
San Antonio Housing Facility Corporation:					
To correct expenses improperly recorded in current year that should have been recorded in a prior period	$ -	$ -	$ (223,741)	-	$ (223,741)
To correct an error in the calculation of capital asset impairments (netted against insurance recoveries in the financial statements)	(1,110)	-	(1,110)	-	-
To correct expenses improperly recorded in fiscal year 2018 that belong in fiscal year 2017 in a prior period	-	45,144	-	-	45,144
Total	$ (1,110)	$ 45,144	(224,851)	$ -	$ (178,597)
Effect of current-year passed adjustments on net position			178,597		
Total			$ (46,254)		

Description	Assets	Liabilities	Effect—Increase (Decrease) Beginning Fund Balance/ Net Position	Revenue	Expenses
Sendero I Public Facility Corporation:					
To correct expenses recorded in current year that should have been recorded in a prior period	$ -	$ -	$ (19,308)	$ -	$ (19,308)
Total	$ -	$ -	(19,308)	$ -	$ (19,308)
Effect of current-year passed adjustments on net position			19,308		
Total			$ -		
Nonmajor funds:					
Springhill:					
To correct expenses recorded in current year that should have been recorded in a prior period	$ -	$ -	$ (63,369)	$ -	$ (63,369)
To properly record an accrual for contract labor services at year-end	-	8,122	-	-	8,122
To correct an error in the calculation of capital asset impairments (netted against insurance recoveries in the financial statements)	(8,170)	-	-	(8,170)	-
Woodhill:					
To correct expenses recorded in current year that should have been recorded in a prior period	-	-	(146,597)	-	(146,597)
To correct for prior-year expenses included in construction in progress in error that were written off during the current year	-	-	(38,924)	-	(38,924)
Other nonmajor funds:					
To correct expenses improperly recorded in fiscal year 2018 that belong in fiscal year 2017 in a prior period	-	22,104	-	-	22,104
Total	$ (8,170)	$ 30,226	(248,890)	$ (8,170)	$ (218,664)
Effect of current-year passed adjustments on net position			210,494		
Total			$ (38,396)		
Total	$ (88,775)	$ 652,530	(867,296)	$ (299,388)	$ (425,379)
			125,991		
			$ (741,305)		

Exhibit A—Letter Communicating Internal Control Deficiencies

RSM

February 22, 2018

RSM US LLP

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

In planning and performing our audit of the financial statements of the Housing Authority of the City of San Antonio (the Authority) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and control deficiencies.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

We communicated the significant deficiencies identified during our audit in a separate communication dated February 22, 2018.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses.

Accounts Payable
For certain properties, the Authority uses third-party management companies to operate and manage the property. This includes administrative functions such as paying operating costs and accounting. During our testing over properties that had third-party management companies, we noted accounts payable were not being properly accrued. Upon further investigation, we noted the Authority does not have adequate controls in place to ensure accounts payable are accrued in the period in which the goods or services were provided. Adjustments in the amount of $435,000 were proposed to correct accounts payable at June 30, 2017.

We recommend the Authority strengthen procedures over reviewing financial information provided by third-party management companies to ensure accounts payable are properly accrued.

Revenue Recognition
Accounting principles generally accepted in the United States of America require revenue to be recognized for cost reimbursement grants when all eligibility criteria is met and an eligible cost is incurred. During our testing of revenues, we noted $218,000 of cost-reimbursement grant revenues were recorded in the current year for expenses that were incurred in the prior period.

We recommend the Authority strengthen its year-end closing procedures to ensure all cost-reimbursement grant revenues are properly accrued in the proper periods.

Blended Component Unit Reporting
Governments are required to include in their financial statements not only the activity and balances for the government itself but also for organizations for which the primary government is financially accountable as either a blended component unit or a discrete component unit. During the audit, one blended component unit was improperly excluded from the financial reporting entity. This component unit has a deficit net position balance of approximately $436,500. Our understanding is that this entity is being dissolved in fiscal year 2018 and the operations will be combined with the San Antonio Housing Facility Corporation.

We recommend the Authority re-evaluate all potential component units annually to determine if any of the potential component units should be reported as a component unit of the Authority.

This communication is intended solely for the information and use of management and the Board of Commissioners and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

Exhibit B—Significant Written Communication Between Management and Our Firm

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February 22, 2018

RSM US LLP
19026 Ridgewood Parkway, Suite 400
San Antonio, TX 78259

This representation letter is provided in connection with your audits of the basic financial statements of Housing Authority of the City of San Antonio and the following component units of the Housing Authority of the City of San Antonio: Sendero I Public Facility Corporation, Woodhill Public Facility Corporation, Springhill/Courtland Heights Public Facility Corporation, and the San Antonio Housing Facility Corporation (collectively referred to as the "Authority"), as of and for the year ended June 30, 2017 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of February 22, 2018:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 9, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party transactions, including those with component units for which the Authority is accountable, joint ventures in which the Authority has an interest, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. The classification of restricted current assets is appropriate since these assets care considered cash and cash equivalents, and the Authority can use these assets in their operations. Additionally, FDS reporting classifies these items as current restricted assets.

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9. We have reviewed the trust indenture dated October 1, 2014 for the Converse Ranch II Apartments Project and believe we are in compliance with the debt service coverage ratio requirement by using pledged revenues from the issuer instead of the project. Additionally, the trustee of the bonds is aware of the pledged revenues used in the calculation prepared and submitted to them.

10. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.

11. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

12. We have informed you of all uncorrected misstatements.

As of and for the year ended June 30, 2017, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the opinion units of the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Beginning Fund Balance/ Net Position	Revenue	Expenses
Housing Authority of the City of San Antonio:					
To correct contributed revenue recorded in the current year that should have been recorded in a prior period	$ -	$ -	$ 218,575	$ (218,575)	$ -
To record a projected misstatement of unaccrued accounts payable at year-end	-	78,093	-	-	78,093
To correct an error in the calculation of capital asset impairments (netted against insurance recoveries in the financial statements)	(142,032)	-	-	(142,032)	-
To correct for prior-year expenses included in construction in progress in error that were written off during the current year	-	-	(166,094)	-	(166,094)
To record blended component unit excluded from the financial reporting entity	62,537	499,067	(426,728)	69,389	79,191
Total	$ (79,495)	$ 577,160	(374,247)	$ (291,218)	$ (8,810)
Effect of current-year passed adjustments on net position			(282,408)		
Total			$ (656,655)		

Description	Assets	Liabilities	Beginning Fund Balance/ Net Position	Revenue	Expenses
San Antonio Housing Facility Corporation:					
To correct expenses improperly recorded in current year that should have been recorded in a prior period	$ -	$ -	$ (223,741)	-	$ (223,741)
To correct an error in the calculation of capital asset impairments (netted against insurance recoveries in the financial statements)	(1,110)	-	(1,110)	-	-
To correct expenses improperly recorded in fiscal year 2018 that belong in fiscal year 2017 in a prior period	-	45,144	-	-	45,144
Total	$ (1,110)	$ 45,144	(224,851)	$ -	$ (178,597)
Effect of current-year passed adjustments on net position			178,597		
Total			$ (46,254)		

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Beginning Fund Balance/ Net Position	Revenue	Expenses
Sendero I Public Facility Corporation:					
To correct expenses recorded in current year that should have been recorded in a prior period	$ -	$ -	$ (19,308)	$ -	$ (19,308)
Total	$ -	$ -	(19,308)	$ -	$ (19,308)
Effect of current-year passed adjustments on net position			19,308		
Total			$ -		
Nonmajor funds:					
Springhill:					
To correct expenses recorded in current year that should have been recorded in a prior period	$ -	$ -	$ (63,369)	$ -	$ (63,369)
To properly record an accrual for contract labor services at year-end	-	8,122	-	-	8,122
To correct an error in the calculation of capital asset impairments (netted against insurance recoveries in the financial statements)	(8,170)	-	-	(8,170)	-
Woodhill:					
To correct expenses recorded in current year that should have been recorded in a prior period	-	-	(146,597)	-	(146,597)
To correct for prior-year expenses included in construction in progress in error that were written off during the current year	-	-	(38,924)	-	(38,924)
Other nonmajor funds:					
To correct expenses improperly recorded in fiscal year 2018 that belong in fiscal year 2017 in a prior period	-	22,104	-	-	22,104
Total	$ (8,170)	$ 30,226	(248,890)	$ (8,170)	$ (218,664)
Effect of current-year passed adjustments on net position			210,494		
Total			$ (38,396)		
Total	$ (88,775)	$ 652,530	(867,296)	$ (299,388)	$ (425,379)
			125,991		
			$ (741,305)		

Information Provided

13. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

    b. Additional information that you have requested from us for the purpose of the audit;

    c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence; and

    d. Minutes of the meetings of the governing board of commissioners and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

14. All transactions have been recorded in the accounting records and are reflected in the financial statements.

15. Our risk assessment process include the assessments of risk related to fraud material to the financial statements, the results of that risk assessment has been disclosed to you.

16. We have no knowledge of allegations of fraud or suspected fraud affecting the Authority's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators or others.

18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.

19. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

20. We have disclosed to you the identity of the Authority's related parties and all the related-party relationships and transactions of which we are aware.

21. We informed you of all significant deficiencies in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize and report financial data.

22. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

23. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

24. With respect to supplementary information presented in relation to the financial statements as a whole:

    a. We acknowledge our responsibility for the presentation of such information.

    b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

    d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

25. With respect to Management's Discussion and Analysis presented as required by the Government Accounting Standards Board to supplement the basic financial statements:

    a. We acknowledge our responsibility for the presentation of such required supplementary information.

    b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations
In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

26. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

27. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.

28. Is not aware of instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

29. Is not aware of instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

30. Is not aware of instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.

31. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

32. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

33. Has a process to track the status of audit findings and recommendations.

34. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.

35. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

Uniform Guidance Considerations (only applicable to the Housing Authority of the City of San Antonio and Springhill/Courtland Heights Public Facility Corporation)

36. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.

37. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.

38. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.

39. Management has prepared the schedule of expenditures of federal awards in accordance with Uniform Guidance and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance.

40. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.

41. Management has identified and disclosed to the auditor the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program. Management has further identified each award resulting from programs in existence prior to December 26, 2014 and funding increments or new awards after that date.

42. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

43. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or state there was no such noncompliance.

44. Management believes that the auditee has complied with the direct and material compliance requirements.

45. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

46. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.

47. Management has disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

48. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

49. Management is responsible for taking corrective action on audit findings of the compliance audit.

50. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

51. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

52. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances.

53. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

54. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

55. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

56. Management has charged costs to federal awards in accordance with applicable cost principles.

57. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.

58. The reporting package does not contain protected personally identifiable information.

59. Management will accurately complete the appropriate sections of the data collection form.

60. If applicable, management has disclosed all contracts or other agreements with service organizations.

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61. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

San Antonio Housing Authority
Sendero I Public Facility Corporation
Woodhill Public Facility Corporation
Springhill/Courtland Heights Public Facility Corporation
San Antonio Housing Facility Corporation

David Nisivoccia
Chief Executive Officer

2/22/18
Ed Hinojosa
Chief Financial Officer

Diana K. Fiedler, CPA CGMA
Director of Finance & Accounting

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