

**HARRIS COUNTY HOUSING AUTHORITY
(HOUSTON, TEXAS)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED MARCH 31, 2021



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**HARRIS COUNTY HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Harris County Housing Authority
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented components units of the Harris County Housing Authority (the Authority), as of and for the year ended March 31, 2021, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the aggregate discretely presented component units of Baybrook Park Retirement Center, Ltd., Cornerstone Village Apartments, L.P., Louetta Village Apartments 45, L.P., Olive Grove Manor, Ltd., Retreat at Westlock, Ltd., Sierra Meadows, Ltd., TX Bammel Housing, L.P., Waterside Court, Ltd., and Fenix Estates I, L.P. Those statements, which were prepared in accordance with the accounting standards issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments only to conform the presentation of the financial statements of the discretely presented components units to accounting standards issued by the Government Accounting Standards Board. Our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, prior to these conversion adjustments, is based solely on the reports of the other auditors.

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. The financial statements of Baybrook Park Retirement Center, Ltd., Cornerstone Village Apartments, L.P., Louetta Village Apartments 45, L.P., Olive Grove Manor, Ltd., Retreat at Westlock, Ltd., Sierra Meadows, Ltd., TX Bammel Housing, L.P., Waterside Court, Ltd., and Fenix Estates I, L.P. were not audited in accordance with *Government Auditing Standards*.

Auditors' Responsibility (Continued)

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority's business-type activities and aggregate discretely presented component units as of March 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority changed reporting of the component units from the previous treatment in the prior year by reporting them as discretely presented component units in 2020. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability (asset) and related ratios based on participation in the Public Employee Pension Plan of TCDRS, and schedule of contributions based on participation in the Public Employee Pension Plan of TCDRS 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 supplemental 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying financial data schedule is presented for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2022, 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.



CliftonLarsonAllen LLP

San Antonio, Texas
January 11, 2022

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2021**

Harris County Housing Authority (the Authority) offers the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

This financial report is designed to provide our residents, the citizens of Harris County, Texas, all federal and state regulatory bodies, and any creditors with a general overview of the Authority's finances and program compliance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by \$89,163,141 (net position).
- The Authority's total cash as of March 31, 2020 and 2021 was \$10,545,200 and \$11,648,317, respectively, representing an increase of \$1,103,117.
- The Authority received revenue directly from the U.S. Department of Housing and Urban Development (HUD) of \$48,136,257 for 2021.

OVERVIEW OF FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose governmental agency engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in the Authority's net position serve as a useful indicator of the entity's financial health. To fully assess the financial health of any authority, the reader must also consider other nonfinancial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program changes, and the physical condition of capital assets. The following statements are included:

- **Statement of Net Position** – this statement reports the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the fiscal year. You can think of the Authority's net position as the difference between the Authority's rights (assets and deferred outflows of resources) and the Authority's obligations (liabilities and deferred inflows of resources).
- **Statement of Revenues, Expenses, and Changes in Net Position** – this statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in future periods.
- **Statement of Cash Flows** – this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e., capital additions, debt service, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Authority in prior periods and subsequently received during the current fiscal year (i.e., accounts receivable, notes receivable, etc.).

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2021**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Notes to the Basic Financial Statements – notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided. These notes provide greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Authority may face.

In addition to the basic financial statements listed above, our report includes supplementary information. This information provides more detail on the Authority's various programs and the required information mandated by regulatory bodies that fund the Authority's various programs.

THE AUTHORITY'S PROGRAMS

Housing Choice Voucher, Section 8 Moderate Rehabilitation, and Single Room Occupancy Programs – The Authority administers contracts with independent landlords and private property owners. Landlords and property owners enter into Housing Assistance Payment contracts with the Authority. The Authority then subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions funding to enable the Authority to approve market rate leases, with the participants' portion of rent set at 30% of household income, adjusted for family composition and certain allowances.

Business Activities – The Authority's Affordable Housing Division was created to facilitate the expansion of its mission to promote innovative housing communities and encourage clients to achieve self-sufficiency. The Affordable Housing Division is committed to the development and operation of safe and affordable housing communities with enhanced access to social services, job training and transportation. The Authority is committed to building new affordable housing using the Low Income Housing Tax Credit Program with HOME and Community Development Block Grant funds provided by the Harris County Community Services Department. This unique public/public partnership is well positioned to meet the needs of affordable housing in the unincorporated areas of Harris County. This has enabled the Authority to develop seven senior developments and one family development.

Community Development Block Grant (CDBG) – The CDBG program is providing funding through the Harris County and the Texas General Land Office (GLO).

Central Office Cost Center (COCC) – Is a business unit within the Authority that generates revenue from fees for service and other business activities. The COCC consists of activities funded through these revenue sources.

Blended Component Units – The blended component units consist of sixteen entities where the HCHA is the sole member. Ten of the entities represent the General Partner (GP) of a discretely presented component unit.

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2021**

THE AUTHORITY'S PROGRAMS (CONTINUED)

Discretely Presented Component Units – The discretely presented component units consist of nine Partnerships where the HCHA is a .01% GP.

FINANCIAL ANALYSIS

Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>Net Change</u>
Current Assets	\$ 12,479,355	\$ 19,411,876	\$ (6,932,521)
Capital Assets, Net	46,739,203	26,134,229	20,604,974
Other Noncurrent Assets	<u>46,183,367</u>	<u>54,710,079</u>	<u>(8,526,712)</u>
Total Assets	105,401,925	100,256,184	5,145,741
 Deferred Outflows of Resources	 327,601	 43,116	 284,485
Current Liabilities	1,835,669	17,133,157	(15,297,488)
Long-Term Debt	12,659,708	5,915,136	6,744,572
Other Noncurrent Liabilities	<u>1,738,771</u>	<u>1,546,732</u>	<u>192,039</u>
Total Liabilities	16,234,148	24,595,025	(8,360,877)
 Deferred Inflows of Resources	 <u>332,237</u>	 <u>360,026</u>	 <u>(27,789)</u>
Net Investment in Capital Assets	35,877,889	8,066,662	27,811,227
Restricted	46,983,615	66,979,045	(19,995,430)
Unrestricted	<u>6,301,637</u>	<u>298,542</u>	<u>6,003,095</u>
Total Net Position	<u>\$ 89,163,141</u>	<u>\$ 75,344,249</u>	<u>\$ 13,818,892</u>

Current Assets decreased by \$6,932,521 primarily due to converting Patriots by the Lake from an asset held for sale to land in 2021. The Authority is moving forward with developing on the land instead of selling.

Net Capital Assets increased by \$20,604,974 primarily due to the purchase or transfer of land for several new properties including Katy, Arbor at Wayforest, The Hollows, Northwood and Fenix Estates and current year depreciation expense of \$413,317.

Other Noncurrent Assets decreased by \$8,526,712 primarily due to converting the construction loan into a permanent loan after construction was completed for The Villas at Eastwood (Fenix Estates) and the outstanding notes receivable being paid off to the Authority.

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2021**

FINANCIAL ANALYSIS (CONTINUED)

Deferred Outflows of Resources increased by \$284,485 due to changes in assumptions and other actuarial factors of the net pension asset.

Current Liabilities decreased by \$15,297,488 primarily due to converting the construction loan into a permanent loan after construction was completed for The Villas at Eastwood (Fenix Estates). Outstanding notes payable were repaid by related parties that owed the Authority.

Long-Term Debt is discussed in more detail in the Capital Asset and Debt Activity section below.

Other Noncurrent Liabilities increased by \$192,039 primarily due to the Authority receiving construction monitoring fees from three developments that are under construction during 2021.

Deferred Inflows of Resources decreased by \$27,789 due to changes in assumptions and other actuarial factors of the net pension asset.

Net Position – The difference between an organization’s assets and deferred outflows and its liabilities and deferred inflows is its net position. Net position is categorized as one of three types:

1. Net investment in capital assets – The Authority’s capital assets, net of accumulated depreciation and related debt.
2. Restricted – The Authority’s net position which is subject to constraints imposed by law or agreement.
3. Unrestricted – The Authority’s net position that is neither invested in capital assets nor restricted which changes principally due to operations. These resources are available to meet the Authority’s ongoing obligations to its residents and creditors.

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2021**

FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Net Change</u>
Operating Revenues:			
HUD Revenue	\$ 48,136,257	\$ 46,541,808	\$ 1,594,449
Tenant Revenue	915,647	901,941	13,706
Other Revenue	<u>21,563,394</u>	<u>6,006,221</u>	<u>15,557,173</u>
Total Operating Revenues	70,615,298	53,449,970	17,165,328
Operating Expenses:			
Administrative	2,697,163	2,891,902	(194,739)
Tenant Services	234,036	-	234,036
Utilities	65,103	87,983	(22,880)
Maintenance	341,208	334,103	7,105
Protective Services	34,320	34,320	-
General	460,758	391,912	68,846
Depreciation	413,317	411,012	2,305
Housing Assistance Payments	<u>52,613,069</u>	<u>45,918,005</u>	<u>6,695,064</u>
Total Operating Expenses	<u>56,858,974</u>	<u>50,069,237</u>	<u>6,789,737</u>
Operating Income	13,756,324	3,380,733	10,375,591
Nonoperating Revenues (Expenses):			
Interest Income	277,802	284,167	(6,365)
Interest Expense	<u>(215,234)</u>	<u>(195,639)</u>	<u>19,595</u>
Total Nonoperating Revenues (Expenses)	62,568	88,528	(25,960)
Change in Net Position	13,818,892	3,469,261	10,349,631
Total Net Position - Beginning	<u>75,344,249</u>	<u>71,874,988</u>	<u>3,469,261</u>
Total Net Position - Ending	<u>\$ 89,163,141</u>	<u>\$ 75,344,249</u>	<u>\$ 13,818,892</u>

Total Operating Revenue increased by \$17,165,328 mainly due to an increase in HCVP leasing and HCV portability vouchers being leased. In addition, the Affordable Housing division closed on four developments which included the conveyance of land for Katy and Arbor at Wayforest.

Operating Expenses are categorized by the Authority as housing assistance payments, depreciation expense, administrative, tenant services, utilities, maintenance, protective services and general.

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2021**

FINANCIAL ANALYSIS (CONTINUED)

Total Operating Expenses increased by \$6,789,737 during 2021 as compared to 2020 primarily as result of various small increases across the expense categories, the largest of which is an increase of \$6,695,064 in housing assistance payments for the Housing Choice Voucher program due to an increase in units leased during the year compared to the prior year.

Nonoperating Revenues (Expenses) decreased by \$25,960 primarily due to decrease in interest expense.

Capital Asset and Debt Activity

Total net fixed assets increased \$20,604,974 from 2020 to 2021. The increase is due to depreciation expense of \$413,317, along with purchases and transfers of land for several new properties including Katy, Arbor at Wayforest, The Hollows, Northwood and Fenix Estates. The Authority's current year debt of \$12,811,314 (\$151,606 considered to be short term) is for the Cypresswood Estates, The Hollows, Northwood and Fenix Estates properties. Current year drawdowns of \$6,949,444 and payments of \$13,660,697 are disclosed in detail within Note 7.

Factors Affecting Next Year's Budget

The Authority is primarily dependent upon HUD for the funding of the Section 8 Housing Choice Voucher program; therefore, the Authority is affected more by the Federal budget than by local economic conditions. The current funding levels are anticipated to continue for FY 2022 due to a 99.14% occupancy rate in the HCV program (58,147 unit months leased/58,649 unit months available).

Economic Factors

Significant economic factors affecting the Authority are as follows:

- In March of 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing. Although tenant collections may decrease in fiscal year 2021, we expect an increase in federal funding in connection with the Coronavirus Aid, Relief, and Economic Security (CARES) Act that was signed into law on March 27, 2020.
- Federal funding provided by Congress to HUD;
- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of Housing Assistance Payments;
- Inflationary pressure on utility rates, housing costs, supplies and other costs.

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2021**

CONCLUSION

The Authority continues to operate a diverse housing portfolio to provide revenue not dependent on Federal sources. The Authority's management is committed to staying abreast of regulations and appropriations as well as performing ongoing analysis of budgets, expenses and program compliance to assure the Authority continues to operate at the highest standards and degree of integrity.

The Authority will continue to deliver quality service to its customers and will strive to continue to increase the availability of quality affordable housing for very-low to moderate income citizens of Harris County through a variety of mixed-finance approaches. The Authority is continuing to search for opportunities to increase revenues, increase resident employment and self-sufficiency, reduce dependency on federal funding, promote staff development, and develop cost saving opportunities.

REQUESTS FOR INFORMATION

This financial report is designed to provide our residents, the citizens of Harris County, Texas, all Federal and State regulatory bodies, and any creditors with an overview of the Authority's finances. If you have questions regarding these financial statements or supplemental information, address them to Mr. Horace Allison, Chief Executive Officer, Harris County Housing Authority, P.O. Box 53028, Houston, Texas 77052.

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION
MARCH 31, 2021**

	Business-Type Activities	Discretely Presented Component Units
ASSETS		
CURRENT ASSETS		
Cash - Unrestricted	\$ 9,688,780	\$ 2,540,050
Cash - Restricted	1,959,537	10,332,486
Accounts Receivables, Net	766,813	142,592
Prepaid Expenses	64,225	591,580
Total Current Assets	12,479,355	13,606,708
NONCURRENT ASSETS		
Notes Receivable - Related Parties	42,106,530	-
Capital Assets, Net	46,739,203	104,801,721
Accrued Interest Receivable - Related Parties	3,596,345	-
Net Pension Asset	477,159	-
Other Assets	3,333	6,745,628
Total Noncurrent Assets	92,922,570	111,547,349
Total Assets	105,401,925	125,154,057
DEFERRED OUTFLOWS OF RESOURCES		
Defined Benefit Pension Plan	327,601	-
Total Assets and Deferred Outflows of Resources	\$ 105,729,526	\$ 125,154,057
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 145,080	\$ 471,433
Accrued Salaries	74,900	-
Accrued Compensated Absences	26,528	-
Unearned Revenue - Ground Leases	35,237	-
Unearned Revenue	1,127,171	74,684
Tenant Security Deposits	31,156	362,177
Accrued Interest Payable	-	1,142,726
Current Portion of Loans Payable	151,606	986,531
Other Current Liabilities	243,991	140,314
Total Current Liabilities	1,835,669	3,177,865
NONCURRENT LIABILITIES		
Loans Payable - Long Term	12,659,708	96,138,728
Unearned Revenue - Ground Leases	1,656,579	-
Accrued Compensated Absences	82,192	-
Other Noncurrent Liabilities	-	14,405,770
Total Noncurrent Liabilities	14,398,479	110,544,498
Total Liabilities	16,234,148	113,722,363
DEFERRED INFLOWS OF RESOURCES		
Defined Benefit Pension Plan	332,237	-
NET POSITION		
Net Investment in Capital Assets	35,877,889	10,802,738
Restricted for:		
Related Party Receivables	45,702,875	-
Customer Deposits	803,581	9,970,309
Net Pension Asset	477,159	-
Unrestricted	6,301,637	(9,341,353)
Total Net Position	89,163,141	11,431,694
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 105,729,526	\$ 125,154,057

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2021**

	Business-Type Activities	Discretely Presented Component Units
OPERATING REVENUES		
HUD Operating Revenue	\$ 48,136,257	\$ -
Tenant Revenue	915,647	12,349,438
Other Operating Revenue	21,563,394	2,267,352
Total Operating Revenues	70,615,298	14,616,790
OPERATING EXPENSES		
Administrative	2,697,163	2,853,362
Tenant Services	234,036	155,065
Utilities	65,103	1,005,038
Maintenance	341,208	2,399,668
Protective Services	34,320	116,498
General	460,758	2,179,416
Depreciation	413,317	5,267,457
Housing Assistance Payments	52,613,069	-
Total Operating Expenses	56,858,974	13,976,504
OPERATING INCOME	13,756,324	640,286
NONOPERATING REVENUES (EXPENSES)		
Interest Income - Unrestricted	277,802	7,619
Interest Income - Restricted	-	2,741
Interest Expense	(215,234)	(2,262,735)
Total Nonoperating Revenues (Expenses)	62,568	(2,252,375)
CHANGE IN NET POSITION	13,818,892	(1,612,089)
Total Net Position - Beginning	75,344,249	13,043,783
TOTAL NET POSITION - ENDING	\$ 89,163,141	\$ 11,431,694

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

HUD Operating Grants Received	\$ 49,068,397
Collections from Tenants	966,749
Collections from Other Sources	18,604,827
Payments to Employees	(2,378,734)
Payments to Suppliers	(1,698,256)
Housing Assistance Payments	<u>(52,613,069)</u>
Net Cash Provided by Operating Activities	<u>11,949,914</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Property and Equipment	(12,768,057)
Interest Paid	(215,234)
Proceeds on Long-Term Debt	6,949,444
Payments on Long-Term Debt	<u>(13,660,697)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(19,694,544)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Issuance of Notes Receivables	(5,026,389)
Payments Received on Notes Receivables	13,596,334
Interest Received	<u>277,802</u>
Net Cash Provided by Investing Activities	<u>8,847,747</u>

NET INCREASE IN CASH

1,103,117

Cash - Beginning of Year

10,545,200

CASH - END OF YEAR

\$ 11,648,317

AS PRESENTED IN THE STATEMENT OF NET POSITION

Cash - Unrestricted	\$ 9,688,780
Cash - Restricted	<u>1,959,537</u>
Total	<u><u>\$ 11,648,317</u></u>

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED MARCH 31, 2021**

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 13,756,324
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	413,317
Bad Debt	4,429
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivables	(60,154)
Prepaid Expenses	(24,518)
Assets Held for Sale	(137,686)
Net Pension Asset	236,105
Deferred Outflows	(284,485)
Other Assets	(276,005)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(39,602)
Accrued Salaries	(14,097)
Accrued Compensated Absences	5,882
Due to HUD	(2,952,252)
Unearned Revenues	1,314,086
Tenant Security Deposits	(1,000)
Deferred Inflows	(27,789)
Other Current Liabilities	37,359
Net Cash Provided by Operating Activities	\$ 11,949,914

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Harris County Housing Authority (the Authority) was authorized to transact business and exercise all powers conferred under Texas statute by Harris County, Texas (the County) through adoption of an order and resolution of the County Commissioners Court (the Court) on March 20, 1975.

Texas Statute provides for the creation and operation of the Authority under Local Government Code (LGC) Chapter 392 - *Housing Authorities Established by Municipalities and Counties*. Under LGC Chapter 392, the Authority is a unit of government and its functions are essential for the well-being of the community.

The March 20, 1975 Court order and resolution activated the Authority in accordance with LGC Chapter 392 by declaring the following:

- There is unsanitary or unsafe inhabited housing in the County;
- There is a shortage of safe or sanitary housing in the County available to persons of low income at rentals that they can afford; and
- There is a need for a public housing authority to function in the County.

The Court's March 20, 1975 order and resolution also appointed commissioners of the Authority in accordance with LGC Chapter 392. There are five commissioners governing the Authority serving staggered two-year terms. The staggered two-year terms apply to two and three of the Authority's five commissioners, respectively, every other year. The Court appoints all Authority commissioners when terms expire.

On March 29, 1994, the Court merged the Authority with the County's Community Development Department (CDD). The Authority's grant contracts with the Federal Department of Housing and Urban Development (HUD) were subsequently assumed by CDD and the Authority's commissioners were not reappointed by the Court.

On July 2, 2002, the Court approved a plan whereby the Authority would be reestablished and returned to its previous status as an independent entity. On March 1, 2003, the separation was completed, and the Court appointed five new commissioners to govern the Authority.

The Authority's financial statements include all of its accounts and activities. Under LGC Chapter 392, the Authority is a separate unit of government. Based on criteria prescribed by accounting principles generally accepted in the United States of America, the Authority is no longer considered a component unit of the County or any other entity. The Court appoints all Authority commissioners and may remove commissioners under LGC Chapter 392; however, the Authority has complete legislative and administrative authority and it recruits and employs personnel. Considerations regarding the potential for inclusion of other entities, organizations or functions in the financial reporting entity are based on criteria prescribed by accounting principles generally accepted in the United States of America. These same criteria are evaluated in considering whether the Authority is a part of any governmental or other type of reporting entity.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The Authority is not a component unit of the County, as defined in Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100, *Defining the Financial Reporting Entity*, and 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, since the Board independently oversees the Authority's operations.

The definition of the reporting entity as defined by GASB Codification Sections 2100 and 2600 is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The Authority's reporting entity is comprised of an enterprise fund which includes the activities of several housing programs and blended component units.

Blended Component Units

Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government. These component units are blended with the primary government as the Authority owns 100% of each Limited Liability Company (LLC).

The Authority formed an LLC for the development of Cypresswood Estates. For financial reporting purposes, Cypresswood Estates is included in the operations and activities of the Authority as a blended component unit. HCHA Cypresswood Estates, LLC is the 100% owner of the Cypresswood Estates Development which was placed in service in June 2011.

The Authority has also created other LLCs whose sole purpose is to assist in the development and construction of affordable housing. Each of the LLCs formed by the Authority is the General Partner of the associated Limited Partnership. The following blended component units have an ownership interest in developments owned by the Authority's related parties:

- HCHA Cornerstone, LLC
- HCHA Bammel, LLC
- HCHA Louetta, LLC
- HCHA Baybrook Park, LLC
- HCHA Olive Grove, LLC
- HCHA Waterside, LLC
- HCHA Sierra Meadows, LLC
- HCHA Retreat at Westlock, LLC
- Fenix Estates I GP, LLC
- Fenix Estates Commercial, LLC

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Blended Component Units (Continued)

In addition to the previously mentioned entities, the Authority has also created Harris County Housing Authority Public Facilities Corporation (PFC), HCHA Development Corporation, HCHA Redevelopment Authority, Inc., Fenix Estates Commercial, LLC, Fenix Estates Development, LLC and AMCAL Katy, LP to assist in the development of affordable housing. These blended component units do not issue their own separately audited financial statements.

Discretely Presented Component Units

The following entities are for-profit, limited partnerships created for the redevelopment and management of the affordable housing developments. Each of the entities below have a year-end of December 31, 2019. The Authority's blended component units has a controlling minority interest as the general partner for each respective entity. The Authority has outstanding notes receivables, ground leases and other related party transactions. Management has determined that based on the significant relationship with the limited partnerships, omitting them from the financial reporting entity would be misleading. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and therefore, are shown as discretely presented component units:

Cornerstone Village Apartments, L.P.

Cornerstone Village Apartments, L.P. consists of a 156-unit low-income apartment complex. The Authority is the general partner with .01% interest.

TX Bammel Housing, L.P.

TX Bammel Housing, L.P. consists of a 210-unit low-income apartment complex that is known as Primrose at Heritage Park. The Authority is the general partner with .01% interest.

Louetta Village Apartments 45, L.P.

Louetta Village Apartments 45, L.P. consists of a 116-unit low-income apartment complex that is known as Louetta Village Apartments. The Authority is the general partner with .01% interest.

Baybrook Park Retirement Center, Ltd.

Baybrook Park Retirement Center, Ltd. consists of a 100-unit low-income apartment complex that is known as Baybrook Retirement Center. The Authority is the general partner with .01% interest.

Olive Grove Manor, Ltd.

Olive Grove Manor, Ltd. consists of a 160-unit apartment complex that is known as Magnolia Estates. The Authority is the general partner with .01% interest.

Waterside Court, Ltd.

Waterside Court, Ltd. consists of a 118-unit low-income apartment complex. The Authority is the general partner with .01% interest.

Sierra Meadows, Ltd.

Sierra Meadows, Ltd. consists of a 90-unit senior housing project. The Authority is the general partner with .01% interest.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units (Continued)

Retreat at Westlock, Ltd.

Retreat at Westlock, Ltd. consists of a 140-unit elderly housing complex. The Authority is the general partner with .005% interest.

Fenix Estates I, L.P.

Fenix Estates I, L.P. consists of a 200-unit apartment complex and is known as Villas at Eastwood. The Authority is the general partner with .001% interest.

During 2021, the Authority has five new limited partnerships that were created and are in various levels of construction during the year. The activity of these partnerships are not included in the discretely presented component units.

Each partnership has developed apartment complexes and has set aside a predetermined number of units specifically for low to moderate income housing. Each related party may also have a ground lease with the Authority. As the sole member of each general partner of each respective partnership, the Authority receives the audited financial statements for the partnerships. Therefore, complete financial statements for each of the Limited Partnerships can be obtained from the Chief Executive Officer, Harris County Housing Authority, P.O. Box 53028, Houston, Texas 77052.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information about the reporting government as a whole, excluding fiduciary activities. Business type activities rely to a significant extent on user fees and charges for support.

Governments use fund accounting whereby funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures/expenses.

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating activities generally arise from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of rental charges to tenants, management fees, development fees and operating grants from HUD and include, to a lesser extent, certain operating amounts of capital grants that offset operating expenses. In addition, the Authority receives grant funding from the Texas General Land Office (GLO) to cover start up and development costs associated with the blended component units and is presented as operating revenue on the statement of revenue, expenses, and changes in net position.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. When HUD, GLO, the County, and City grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses, and changes in net position.

Operating expenses for the Authority include the cost of general, administrative, maintenance, utilities, protective services, depreciation and housing assistance payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Summary of Programs

The accompanying basic financial statements include the activities of several housing programs of the Authority. A summary of each significant program is provided below.

Central Office Cost Center

The Central Office Cost Center (COCC) is a business unit within the Authority that generates revenue through fees for service from other Authority programs and activities.

Housing Assistance Payments Programs

The Housing Assistance Payments Programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. The Section 8 Housing Choice Voucher (HCV), Section 8 Moderate Rehabilitation, and Single Room Occupancy programs are funded through federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Programs (Continued)

Housing Assistance Payments Programs (Continued)

The Section 8 Moderate Rehabilitation and Single Room Occupancy programs assist low-income families in affording decent, safe and sanitary housing by encouraging property owners to rehabilitate existing substandard housing, and then to lease the units with rental subsidies to low income families.

Community Development Block Grants

The Community Development Block Grant (CDBG) programs include redevelopment activities of the affected areas of the City and County undergoing revitalization of distressed affordable housing communities under the control of the Authority. This program is designed to acquire, construct and manage property within the City and County, as well as to perform contractual service in the field of housing management, and to assist in providing housing for low and moderate-income individuals. Funding is received through the Texas General Land Office (GLO) and Harris County.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents are considered to be cash in banks and highly liquid investments with original maturities of three months or less.

Receivables

Receivables consist of revenues earned and not yet collected. Receivables consist of tenant receivables, fraud recovery receivables for the housing assistance payments programs and reimbursement receivables from various parties in the normal course of business. An allowance for uncollectible amounts is estimated by management based on account composition and prior experience. Amounts due from other governments mainly consist of amounts due from Harris County, the GLO, and the City of Houston for CDBG and HOME which are deemed to be fully collectible.

Capital Assets

The Authority's policy is to capitalize assets with a value in excess of \$1,000 and a useful life in excess of one year. The Authority capitalizes the costs of site acquisition and improvement, structures, infrastructure, equipment and direct development costs meeting the capitalization policy. Assets are valued at historical cost or estimated historical cost if actual historical cost is not available, and contributed assets are valued at acquisition value on the date contributed.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Buildings	39 Years
Leasehold Improvements	10 Years
Equipment	3 to 5 Years

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and thus, will not be recognized as an outflow of resources until then. The Authority's balance of deferred outflows of resources relates to funding of the net pension asset.

Due to HUD

Amounts due to HUD typically consist of excess funding provided by HUD that has not yet been earned and must be paid back. However, in prior years in order to help the needs of the residents the Authority overspent on certain programs and utilized cash from other programs to cover the overage. Included in these amounts is \$2,933,154 from the DHAP-IKE program. During the fiscal year ended March 31, 2021, HUD reversed their decision to have the Authority repay this amount and the balance was moved out of Accounts Payable and was recorded as Revenue.

Tenant Security Deposits

Tenant security deposits are deposits held by the Authority that are required of tenants before they are allowed to move into an Authority owned site. The Authority records this cash as restricted, with an offsetting liability, as these funds may be reimbursable to the tenant when they move out.

Accrued Compensated Absences

Accumulated compensatory time and vacation leave are recorded as an expense and a liability as the benefit is accrued for employees. A full-time employee earns 6.5 days of personal time off (PTO) per year. Unused PTO will not be paid out upon separation from employment. Full Time employees accrue from 80 to 200 hours of vacation per year, depending on years of service. Employees will be paid for unused vacation computed at the rate of pay earned upon separation, if two weeks written notice for a voluntary termination is provided and are not being involuntarily terminated. A liability for vacation earned, but not taken, has been recorded.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Accrued Compensated Absences (Continued)

Nonexempt employees may accrue a maximum of 240 hours of compensatory time. Any compensatory time earned above 240 will be paid out at the employee's current hourly rate of pay. Upon termination, HCHA will pay non-exempt employees for any outstanding compensatory time balance at the higher of (1) their final, regular rate of pay or (2) the employee's average regular rate of pay during the last three years of employment. Exempt employees are not eligible to have compensatory time paid out upon separation. At its discretion, HCHA may compel employees to use part of their compensatory time balance in lieu of other types of paid leave.

Unearned Revenues

Unearned revenues include amounts collected before revenue recognition criteria are met. The unearned revenues of the Authority consist mostly of prepaid ground leases from the related party partnerships.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and thus, will not be recognized as an inflow of resources until then. The Authority's balance of deferred inflows of resources relates to funding of the net pension asset.

Eliminations

For financial reporting purposes, certain amounts are internal and are, therefore, eliminated in the accompanying financial statements. The following have been eliminated from the financial statements:

Interprogram Due to/from

In the normal course of operations, certain programs may pay for common costs or advance funds for operations that create interprogram receivables or payables.

Fee for Service

The Authority's COCC internally charges fees to the programs of the Authority. These charges include management fees, bookkeeping fees, and asset management fees. For financial reporting purposes \$1,148,219 of fee for service charges have been eliminated for the year ended March 31, 2021.

Rental Income

The Authority entered into a commercial lease agreement with Fenix Estates Commercial, LLC, a Blended Component Unit. For the year ended March 31, 2021, \$324,000 of rental income has been eliminated.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Net Position

In accordance with GASB Codification Section 1800.155, Reporting Net Position in Government-Wide Financial Statements, total equity as of March 31, 2021 is classified into three components of net position:

Net Investment in Capital Assets

This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.

Restricted Component of Net Position

This category consists of restricted assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

The statement of net position of the Authority reports the following restricted net position:

Voucher HAP Reserves	\$	496,519
Pension Asset		477,159
Accrued Interest Receivable		3,596,345
Notes Receivable		42,106,530
Replacement Reserve for Cypresswood		307,062
Total Restricted Net Position		\$ 46,983,615

Unrestricted Component of Net Position

This category includes all of the remaining net position that does not meet the definition of the other two components.

Budgets

Budgets are prepared on an annual basis for each major program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor required in the basic financial statement presentation.

Income Taxes

The Authority is a governmental entity and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the financial statements. The Authority's nonprofit blended component units are also not subject to federal or state income taxes.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and 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 those estimates.

Impairment of Long-Lived assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. Management has determined that there were no impairments as of March 31, 2021.

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance (FDIC) currently is available for funds deposited at any one financial institution up to a maximum of \$250,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. Noninterest-bearing accounts are fully insured, regardless of the balance of the account at all FDIC insured institutions. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

Investments

Chapter 2256 of the Texas Government Code is known as the Public Funds Investment Act. This act authorizes the Authority to invest excess funds in fully collateralized or insured time deposits, direct debt securities of the United States or its Agencies, investment grade commercial paper, money market mutual funds and fully collateralized repurchase agreements pursuant to a written investment policy which primarily emphasizes the safety of principal and liquidity, addresses investment diversification, yield, and maturity.

As of March 31, 2021, the Authority's cash balance consists of cash in the amount of \$11,648,317.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

In accordance with GASB Codification Sections C20, *Cash Deposits with Financial Institutions*, and I50, *Investments*, the Authority's exposure to deposit and investment risk is disclosed as follows:

Credit Risk

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies in the United States of America. As of March 31, 2021, the Authority mitigated their exposure to credit risk by following HUD regulations.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy regarding types of deposits allowed and collateral requirements are as follows: deposits and investments of the Authority and its component units, other than direct purchases of United States Treasury instruments or its agencies, is secured by pledged collateral. Collateralization levels of the Authority and component unit funds are pledged at market value deposits and investments less an amount insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC).

Acceptable collateral, exclusive of FDIC and FSLIC coverage, is (1) a bond, certificate of indebtedness, or Treasury Note of the United States, or other evidence of indebtedness of the United States, its agencies or instrumentalities, (2) obligations, the principal and interest on which, are unconditionally guaranteed or insured by the state of Texas, or (3) a bond of the State of Texas or of a county, city or other political subdivision of the state of Texas rated as investment grade (no less than "A" or its equivalent) by a nationally rating agency with a remaining maturity of 10 years or less. As of March 31, 2021, \$124,148 of the Authority's total bank balance of \$11,900,725 was exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the Authority's investment in a single issuer. To limit the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, the Authority limits its investments to a diversified portfolio and limits investments to those instruments allowed by Texas state law and its investment policy.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Restricted Cash

Cash was restricted for the following purposes at March 31, 2021:

	<u>Authority</u>	<u>DPCU</u>
Voucher HAP Reserves	\$ 496,519	\$ -
Replacement Reserves	307,062	1,596,465
Tenant Security Deposits	31,156	362,177
CARES - HCVP	1,124,800	-
Real Estate Tax and Insurance Escrows	-	369,960
Loan Proceeds	-	3,587,745
Operating Deficit Reserve	-	1,848,633
Other Reserves	-	2,567,506
Total Restricted Cash	<u>\$ 1,959,537</u>	<u>\$ 10,332,486</u>

NOTE 3 ACCOUNTS RECEIVABLES, NET

As of March 31, 2021, receivables, net consist of:

Portability Receivables	\$ 395,087
Fraud Recovery	85,511
Tenant Receivables	133,419
HUD Other Projects	28,471
Other Receivables	147,682
Total Receivables	<u>790,170</u>
Allowance for Doubtful Accounts - Fraud	<u>(23,357)</u>
Total Receivables, Net	<u>\$ 766,813</u>

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance at April 1, 2020</u>	<u>Additions/ Transfers</u>	<u>Transfer</u>	<u>Balance at March 31, 2021</u>
Nondepreciable:				
Land	\$ 14,300,739	\$ 12,645,135	\$ 8,250,234	\$ 35,196,108
Construction in Progress	12,489	55,631	-	68,120
Total Nondepreciable	<u>14,313,228</u>	<u>12,700,766</u>	<u>8,250,234</u>	<u>35,264,228</u>
Depreciated:				
Buildings	15,223,274	-	-	15,223,274
Equipment	160,470	67,291	-	227,761
Leasehold Improvements	4,165	-	-	4,165
Total Depreciated	<u>15,387,909</u>	<u>67,291</u>	<u>-</u>	<u>15,455,200</u>
Less Accumulated Depreciation:				
Buildings	(3,477,514)	(390,340)	-	(3,867,854)
Equipment	(85,229)	(8,654)	-	(93,883)
Leasehold Improvements	(4,165)	(14,323)	-	(18,488)
Total Accumulated Depreciation	<u>(3,566,908)</u>	<u>(413,317)</u>	<u>-</u>	<u>(3,980,225)</u>
Capital Assets, Net	<u>\$ 26,134,229</u>	<u>\$ 12,354,740</u>	<u>\$ 8,250,234</u>	<u>\$ 46,739,203</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 5 NOTES RECEIVABLE AND ACCRUED INTEREST RECEIVABLE – RELATED PARTIES

The Authority has Subordinate Promissory Notes with the Partnerships that were funded with pass through funds from HOME Grants with the exception of Fenix Estates I, L.P. which is funded through a pair of loans from Citibank. The loans accrue interest on the outstanding balances at the applicable federal interest rate in effect at the time of the loan and mature on varying dates between the years of 2027 and 2038. No payments are required on the notes until the maturity date, at which time all principal and accrued interest are due, except for the Retreat at Westlock, Ltd. which requires interest only payments. The notes are secured by a mortgage on each respective property. As of March 31, 2021, total outstanding principal and accrued interest on these loans were \$42,106,530 and \$3,596,345, respectively.

A summary of notes receivable and accrued interest balances is as follows:

	Loan Amount	Date of Loan	Interest Rate	Notes Receivable Balance at March 31, 2021	Accrued Interest at March 31, 2021
Baybrook	\$ 625,000	06/01/05	4.57%	\$ 625,000	\$ 419,431
Bammel	741,420	01/01/05	4.27%	731,420	499,707
Cornerstone	1,400,000	08/01/04	5.00%	1,390,000	1,089,183
Louetta	550,000	01/01/05	4.30%	550,000	399,965
Magnolia Estates (Olive Grove)	700,000	12/01/06	4.90%	700,000	480,931
Waterside	500,000	06/01/06	5.32%	500,000	386,392
LT- Retreat at Westlock Ltd. (HOME)	2,538,170	08/28/14	25.00%	2,385,000	320,736
LT- Retreat at Westlock Ltd. (CDBG)	7,899,509	08/01/15	0.00%	7,899,509	-
LT- Fenix Estates CDBG	21,266,972	5/19/2017	0.28%	14,720,770	-
LT- Fenix Estates CDBG-GLO	6,754,831	5/19/2017	0.00%	6,754,831	-
LT- Fenix Estates City of Houston	5,950,000	5/19/2017	0.00%	5,850,000	-
Total				<u>\$ 42,106,530</u>	<u>\$ 3,596,345</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 6 GENERAL PARTNER CAPITAL ACCOUNTS

The Authority is the general partner in several LLCs which are reported as blended component units. It was determined that the general partners capital accounts do not meet the definition of an investment and thus these balances are not reflected in the blended component units financial statements. As of March 31, 2021, the related parties' equity balances of the general partners are as follows for the year ended December 31, 2020:

Blended Component Unit	Related Party Partnership	Balance at December 31, 2020
HCHA Olive Grove, LLC	Olive Grove Manor, Ltd.	\$ (693,085)
HCHA Cornerstone, LLC	Cornerstone Village Apartments, L.P.	(94,967)
HCHA Bammel, LLC	TX Bammel Housing, L.P.	(489)
HCHA Louetta, LLC	Louetta Village Apartments 45, L.P.	(796,781)
HCHA Baybrook Park, LLC	Baybrook Park Retirement Center, Ltd.	(34,743)
HCHA Waterside, LLC	Waterside Court, Ltd.	(10,729)
HCHA Sierra Meadows, LLC	Sierra Meadows, Ltd.	(5,036)
HCHA Retreat at Westlock, LLC	Retreat at Westlock, Ltd.	(71)
Fenix Estates I GP, LLC	Fenix Estates I, LP	(283)
Total		<u>\$ (1,635,901)</u>

NOTE 7 LONG-TERM LIABILITIES

A summary of changes in noncurrent liabilities for the year ended March 31, 2021 is as follows:

	Payable at April 1, 2020	Additions	Reductions	Payable at March 31, 2021	Due Within One Year
Direct Borrowings:					
AGM Financial Services, Inc. - Cypresswood	\$ 4,571,233	\$ -	\$ (61,313)	\$ 4,509,920	\$ -
Citibank Tax Exempt Loan - Fenix Estates I	9,974,555	-	(9,974,555)	-	-
Citibank Construction Loan - Fenix Estates I	3,521,779	-	(3,521,779)	-	-
City of Houston Loan - Fenix Estates I	1,455,000	595,000	(100,000)	1,950,000	151,606
Citibank, N.A.- Fenix Estates Commercial, LLC	-	2,200,000	(3,050)	2,196,950	-
Harris County County Community Services Dept. - Northwood	-	2,287,500	-	2,287,500	-
Harris County County Community Services Dept. - The Hollows	-	1,866,944	-	1,866,944	-
Total Loans	19,522,567	6,949,444	(13,660,697)	12,811,314	151,606
Compensated Absences	102,838	85,186	(79,304)	108,720	26,528
Total	<u>\$ 19,625,405</u>	<u>\$ 7,034,630</u>	<u>\$ (13,740,001)</u>	<u>\$ 12,920,034</u>	<u>\$ 178,134</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

As of March 31, 2021, the future principal and interest maturities are as follows for the years ending March 31:

<u>Year Ending March 31.</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 151,606	\$ 383,716
2023	156,808	378,514
2024	224,787	373,035
2025	230,557	367,265
2026	2,218,267	256,633
2027-2031	992,208	1,125,322
2032-2036	1,093,748	1,023,781
2037-2041	5,198,727	798,277
2042-2046	811,981	460,049
2047-2051	1,003,854	268,176
2052-2056	728,771	50,439
Total	<u>\$ 12,811,314</u>	<u>\$ 5,485,207</u>

AGM Financial Services, Inc. – Cypresswood

On March 6, 2019, the Authority issued a note in the amount of \$4,630,000 at 4.25% per annum to refinance the outstanding Community Bank of Texas note. The first payment on the loan is due on May 1, 2019, and the note is due on April 1, 2054. Monthly principal and interest payments are \$21,200. The note is secured by the property. The current outstanding balance including principal and interest as of March 31, 2021 is \$4,509,920

Citibank Tax Exempt Loan – Fenix Estates I

On May 1, 2017, the Authority entered into a construction funding agreement with Citibank for a principal amount up to \$20,000,000. The first payment on the loan was on June 1, 2017, and the note is due on May 1, 2020. Interest is set at the 4.29% (LIBOR rate plus 2.50%) and only interest payments are due monthly with the entire principal balance and any accrued interest payments due upon the maturity date. The loan is secured by the property. This loan was paid off during the fiscal year ended March 31, 2021.

Citibank Construction Loan – Fenix Estates I

On May 1, 2017, the Authority entered into a construction loan agreement with Citibank for a principal amount up to \$5,000,000. The first payment on the loan was on June 1, 2017, and the note is due on November 1, 2019 with the option to extend to May 1, 2020 at the borrower's discretion. Interest is set at the 4.29% (LIBOR rate plus 2.50%) and only interest payments are due monthly with the entire principal balance and any accrued interest payments due upon the maturity date. The loan is secured by the property. The option to extend the loan to May 1, 2020 was taken. This loan was paid off during the fiscal year ended March 31, 2021.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

City of Houston Loan – Fenix Estates I

On May 19, 2017, the Authority entered into a construction loan agreement with the City of Houston (City) for a principal amount of \$5,950,000. This amount is provided in two tranches; Tranche A (\$3,900,000) is provided from HOME grant funding and is not due back to the City based on the Authority's ongoing compliance with provisions within the agreement, Tranche B (\$2,050,000) is provided from Tax Increment Reinvestment Zone funds and is due back to the City within 20 years of project completion. Repayment is required in \$50,000 installments beginning September 30, 2020 and increases to \$112,500 installments on September 30, 2023 throughout the remaining life of the loan with a final balloon payment of outstanding principal and interest due at maturity. The current outstanding balance including principal and interest as of March 31, 2021 is \$1,950,000.

Citibank Construction Loan – Fenix Estates Commercial, LLC

On January 1, 2021, the Authority entered into a loan agreement with Citibank for a principal amount up to \$2,200,000. The first payment on the loan was on March 1, 2021 with principal and interest of \$14,526, and the note is due on May 1, 2025. Interest is set at the 6.26%. The loan is secured by the property. The current outstanding balance including principal and interest as of March 31, 2021 is \$2,196,950

Harris County Community Services Department – Northwood

On June 30, 2020, the Authority entered into a loan agreement with HCCSD for a principal amount up to \$11,520,000. The first annual interest payment of \$28,800 will be due on or before the 10th day of the month following 12 months after the issuance of a certificate of occupancy/completion of the entire project and annually thereafter for the duration of the loan term. The principal will be deferred until the maturity date at which time, if no default then exists, the loan shall be deemed paid and the loan shall terminate. Interest is set at the 0.25%. The loan is secured by the property. The current outstanding balance as of March 31, 2021 is \$2,287,500 and the project is still under construction.

Harris County Community Services Department – The Hollows

On April 28, 2020, the Authority entered into a loan agreement with HCCSD for a principal amount up to \$11,120,000. The first annual interest payment of \$27,800 will be due on or before the 10th day of the month following 12 months after the issuance of a certificate of occupancy/completion of the entire project and annually thereafter for the duration of the loan term. The principal will be deferred until the maturity date at which time, if no default then exists, the loan shall be deemed paid and the loan shall terminate. Interest is set at the 0.25%. The loan is secured by the property. The current outstanding balance as of March 31, 2021 is \$1,866,944 and the project is still under construction.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Unearned Revenue – Ground Leases

The Authority has entered into several ground lease agreements with related parties that required prepaid amounts. These amounts are considered unearned, and will be recognized as revenue over the terms of each respective lease.

A summary of changes in unearned revenue associated with the prepaid leases from the following entities as of March 31, 2021 is as follows:

	Payable at April 1, 2020	Additons	Reductions	Payable at March 31, 2021	Due Within One Year
Cornerstone Village Apartments, L.P.	\$ 576,495	\$ -	\$ (12,738)	\$ 563,757	\$ 12,738
TX Bammel Housing L.P.	215,067	-	(5,600)	209,467	5,600
Louetta Village Apartments 45, L.P.	272,564	-	(6,755)	265,809	6,755
Baybrook Park Retirement Center, Ltd.	440,715	-	(10,145)	430,570	10,144
Total Unearned Revenue - Ground Leases	<u>\$ 1,504,841</u>	<u>\$ -</u>	<u>\$ (35,238)</u>	<u>\$ 1,469,603</u>	<u>\$ 35,237</u>
Total Unearned Revenue - Construction Monitoring Fees	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ (87,787)</u>	<u>\$ 222,213</u>	<u>\$ -</u>

The Authority and Cornerstone Village Apartments, L.P. have a 65-year land lease agreement signed August 12, 2004. The rent for the first 12 years of the lease is \$65,000 annually. After the first 12 years, the annual lease amount is \$65,000 with all but \$1,000 of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. The \$775,000 of rent paid in 2005 is being amortized at \$12,738 per year.

The Authority and TX Bammel Housing, L.P. have a 65-year land lease agreement signed January 1, 2005. Under the terms of the lease, the rent for the first year was \$300,000. Afterwards, the annual lease amount is \$65,000 with all but \$1,000 of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. The \$300,000 of initial year rent is being amortized at \$5,600 per year.

The Authority and Louetta Village Apartments 45, L.P. have a 65-year land lease agreement signed January 12, 2005. Under the terms of the lease, the rent for the first year was \$375,000. Afterwards, the annual lease amount is \$65,000 with all but \$1,000 of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. The \$375,000 of initial year rent is being amortized at \$6,755 per year.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Unearned Revenue – Ground Leases (Continued)

The Authority and Baybrook Park Retirement Center, Ltd. have a 65-year land lease agreement signed June 21, 2005. Under the terms of the lease, the rent for the first year was \$595,427. Afterwards, the annual lease amount is \$65,000 with all but \$1,000 of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements. The \$595,427 of initial year rent is being amortized at \$10,144 per year.

See Note 10 for additional ground leases not related to unearned revenue.

NOTE 8 PENSION PLAN

Plan Description

The Authority provides retirement for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 nontraditional defined benefit pension plans.

TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The Plan provisions were adopted by the Board of Commissioners of the Authority, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 5 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after five years of service but must leave their accumulated contributions in the plan to receive an employer-financed benefit. Members who withdraw their personal contribution in a lump sum are not entitled to any amounts contributed by the Authority.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by the Board of Commissioners, within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rate prescribed by the TCDRS Act.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 8 PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

At the measurement date of December 31, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to But Not Yet Receiving Benefits	25
Active Employees	34
Total	62

Contributions

Under the state law governing TCDRS since 1991, the Authority has the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective March 1, 2014, the Authority adopted an annual determined contribution rate plan, for which the employer contribution rate is actuarially determined as part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 20-year amortization period which began March 1, 2010, using the entry age actuarial cost method. Monthly contributions by the Authority are based on the covered payroll and the employer contributions rate in effect. The Authority's contribution rate for 2018 was 8.40%. The contribution rate for 2019 is 7.46%. The contribution rate for 2020 is 6.69%.

Net Pension Liability (Asset)

The Authority's net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary Increase	Varies of age and service. 4.6% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 8 PENSION PLAN (CONTINUED)

Net Pension Liability (Asset)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the December 31, 2020 actuarial valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS's investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

Note that the valuation assumption for the long-term expected return is reassessed at a minimum of every four years and is set based on a 30-year time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Millman relies on the expertise of Cliffwater in this assessment.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
US Equities	11.50 %	4.25 %
Global Equities	2.50	4.55
International Equities - Developed	5.00	4.25
International Equities - Emerging	6.00	4.75
Investment-Grade Bonds	3.00	(0.85)
Strategic Credit	9.00	2.11
Direct Lending	16.00	6.70
Distressed Debt	4.00	5.70
REIT Equities	2.00	3.45
Master Limited Partnerships (MLPs)	2.00	5.10
Private Real Estate Partnerships	6.00	4.90
Private Equity	25.00	7.25
Hedge Funds	6.00	1.85
Cash Equivalents	2.00	(0.70)
Total	<u>100.00</u>	

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 8 PENSION PLAN (CONTINUED)

Net Pension Liability (Asset)

Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following: (1) the actuarial present value of benefit payments projected to be made in future periods in which, (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and, (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments and, (2) the actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate. Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance as of December 31, 2019	\$ 3,192,965	\$ 3,906,229	\$ (713,264)
Changes for the Year:			
Service Cost	254,766	-	254,766
Interest on Total Pension Liability	278,190	-	278,190
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	32,631	-	32,631
Effect of Assumptions, Changes, or Inputs	310,844	-	310,844
Refund of Contributions	(10,751)	(10,751)	-
Benefit Payments	(16,350)	(16,350)	-
Administrative Expenses	-	(3,307)	3,307
Member Contributions	-	119,234	(119,234)
Net Investment Income (Losses)	-	403,961	(403,961)
Employer Contributions	-	113,953	(113,953)
Other	-	6,485	(6,485)
Balance as of December 31, 2020	<u>\$ 4,042,295</u>	<u>\$ 4,519,454</u>	<u>\$ (477,159)</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 8 PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 7.60%, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
The Authority's Net Pension Liability (Asset)	<u>\$ 265,058</u>	<u>\$ (477,159)</u>	<u>\$ (1,072,360)</u>

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense (Income)

For the year ended March 31, 2021, the Authority recognized a credit to pension expense of \$74,197.

Deferred Outflows of Resources and Deferred Inflow of Resources

As of March 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 27,192	\$ 207,865
Changes in Assumptions	272,533	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	124,372
Contributions Subsequent to the Measurement Date of December 31, 2020	27,876	-
Total	<u>\$ 327,601</u>	<u>\$ 332,237</u>

The amount of \$27,876 shown above for "Contributions subsequent to the measurement date of December 31, 2020," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 8 PENSION PLAN (CONTINUED)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred Outflows of Resources and Deferred Inflow of Resources (Continued)

The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ (48,383)
2022	(16,155)
2023	(62,680)
2024	37,461
2025	57,245
Total	<u>\$ (32,512)</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

The Authority had no outstanding amount of contributions to the pension plan required at the year ended March 31, 2021.

NOTE 9 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of the Authority's risk management program, certain commercial insurance policies are purchased.

There were no significant reductions of insurance coverage from prior years and actual settlements did not exceed insurance coverage for each of the past three fiscal years.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Legal

In the normal course of operations, the Authority is party to various pending or threatened legal actions arising in the normal course of operations. Although the outcome of these actions is not presently determinable, it is the Authority's opinion that any ultimate liability is not expected to have a material adverse effect on the Authority's financial position.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

HUD Repayment Agreements

On May 30, 2014, the Authority executed several repayment agreements with HUD totaling \$7,656,507 that are based on the results of audit findings detailed in an OIG report dated June 19, 2013. The repayment agreements require a total of \$15,000 to be repaid to federally funded programs from nonfederal sources each quarter for 10 years with a balloon payment of the full balance at the end of the 10 years. HCHA has also committed to paying up to the full amount of the net proceeds from the sale of the West Lake Houston property (a.k.a. Patriots by the Lake) within 60 days of the receipt of those funds. The repayment agreements are not dependent upon the sale of the West Lake Houston property, because HCHA has up to 10 years to repay the amounts subject to the repayment agreements. As of March 31, 2021, the Authority has paid off the remaining balance.

Grants and Contracts

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. As of the date of this report, other than the HUD repayment agreements as discussed in the previous note, management is not aware of any such instances.

The Authority has received cumulative funding in excess of housing assistance payments (HAP) through the Section 8 Housing Choice Voucher Program in accordance with current regulations. As of March 31, 2021, the Authority had \$496,519 of unspent cumulative excess HAP funding which is reflected in restricted net position. Furthermore, additional amounts are payable to federal programs from nonfederal programs.

Office Lease

As of September 1, 2019, the Authority entered into a lease for office space with a related party, Fenix Estates Commercial, LLC, which is a blended component unit. The lease term was for 240 months, expiring August 31, 2039. The Authority has the option to extend this lease and term for one renewal term of 10 years. The minimum payment required is \$324,000 on an annual basis. The amount is fully eliminated in the financial statements.

Ground Leases

The Authority and Olive Grove Manor, Ltd. have an amended 45-year land lease agreement signed December 21, 2006. Under the terms of the lease, the annual lease amount is \$65,000 with all but \$1,000 of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements.

The Authority and Waterside Court, Ltd. have a 45-year land lease agreement signed June 22, 2006. Under the terms of the lease, the annual lease is \$65,000 with all but \$1,000 of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Ground Leases (Continued)

The Authority and Sierra Meadows, Ltd. have a 45-year ground lease agreement signed December 9, 2009. Under the terms of the lease, the annual lease is \$75,000 with all but \$1,000 of that waived, provided that the Project is leased to tenants in accordance with all applicable Low Income Housing requirements.

The Authority's blended component unit, Harris County Housing Authority Public Facilities Corporation and Retreat at Westlock, Ltd. have a ground lease agreement signed August 28, 2014 and amended on September 19, 2016. Under the terms of the lease, a note receivable in the amount of \$2,038,170 was issued and annual rent payments of \$1,000 are required for a length of 75 years.

The Authority and Fenix Estates Commercial, LLC have a 99-year ground lease agreement signed May 1, 2017. Under the terms of the lease only a one-time payment of \$2,000 is payable upon the closing of the financing of the project, no other annual or monthly payments are due. The Authority and Fenix Estates I, LP have a 99-year ground lease agreement signed May 1, 2017. Under the terms of the lease only a one-time payment of \$8,000 is payable upon the closing of the tax credit syndication with the investment limited partner, no other annual or monthly payments are due. See Note 7 for additional ground leases related to unearned revenue.

The Authority entered into four new 99-year ground leases during the year for four new developments that are under construction as of March 31, 2021.

NOTE 11 CONCENTRATIONS

For the year ended March 31, 2021, approximately 61% of revenues reflected in the financial statements are from HUD.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes. In addition, any excess reserves may reduce future funding levels and possibly be subject to recapture.

NOTE 12 LEASING ACTIVITIES

The Authority leases property to tenants in their affordable housing program. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the leases only for cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within tenant revenue. Primarily all of the capital assets of the Authority are for these leasing activities except for administrative offices and equipment. In addition, the Authority has ground leases with the related party partnerships as discussed in Notes 7 and 10.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 13 FINANCIAL DATA SCHEDULE

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The schedule's format presents certain operating items as nonoperating such as depreciation expense, housing assistance payments and extraordinary maintenance expense. In addition, the schedule's format includes non-operating items as operating such as investment revenue, HUD capital grants revenue, interest expense and gains and losses on the disposal of capital assets. Furthermore, the schedule reflects tenant revenue and bad debt expense separately.

NOTE 14 CONDUIT DEBT

Retreat at Westlock

In prior years, the Authority entered into agreements with the County, the Retreat at Westlock, Ltd., tax credit investors and private developers for the construction of the tax credit project, the Retreat at Westlock which is deemed to be in the public interest. As discussed in notes 7 and 10, the County awarded HOME funding to HCHA PFC for the purchase of the associated land. Also, as part of the deal, PFC issued \$12,000,000 of bonds that are payable from the Retreat at Westlock, Ltd. to the issuing bank. The Authority is not obligated in any manner for repayment of these bonds and accordingly, the balance is not reflected as a liability on the statement of net position. In addition, PFC has a note receivable and ground lease agreement with the Retreat at Westlock, Ltd.

Fenix Estates

The Authority has entered into agreements for the construction of Fenix Estates which has begun development. The HCHA Development Corporation has been awarded funding from multiple local sources for Fenix Estates. These sources included CDBG and HOME grant awards from the GLO, Harris County, and the City of Houston. The Authority is not obligated for the repayment of these awards so long as the Authority follows the guidelines outlined in the agreements for these awards, which the Authority intends to comply with.

The Arbor at Wayforest, L.P.

In July 2020, HCHA PFC issued \$20,000,000 of bonds that are payable from The Arbor at Wayforest, L.P. to the issuing bank. The Authority is not obligated in any manner for repayment of these bonds and accordingly, the balance is not reflected as a liability on the statement of net position.

LDG Channelview, L.P.

In August 2020, HCHA PFC issued \$20,000,000 of bonds that are payable from the LDG Channelview L.P. to the issuing bank. The Authority is not obligated in any manner for repayment of these bonds and accordingly, the balance is not reflected as a liability on the statement of net position.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 14 CONDUIT DEBT (CONTINUED)

LDG Northwood, L.P.

In October 2020, HCHA PFC issued \$37,003,000 of bonds that are payable from the LDG Northwood L.P. to the issuing bank. The Authority is not obligated in any manner for repayment of these bonds and accordingly, the balance is not reflected as a liability on the statement of net position.

NOTE 15 SUBSEQUENT EVENTS

Subsequent to year end, the Authority closed on two properties:

- On April 1, 2021, the Authority purchased a multifamily project known as North Lake Houston (NLH Bluestem).
- On July 15, 2021, the Authority purchased a multifamily project known as The Residences at Arbor Oaks.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact HCHA's financial condition and operating results. The Authority is still determining the full financial impact as the pandemic continues.

NOTE 16 PENDING GASB PRONOUNCEMENTS

GASB routinely issues standards that will become effective in future years. GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued in May 2020. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective was accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that were originally scheduled to become effective for periods beginning after June 15, 2018, and later. The Authority is evaluating the potential impacts of the following postponed GASB statements on its accounting practices and financial statements:

- GASB Statement No. 87, *Leases*, postponed 18 months.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, postponed 12 months.
- GASB Statement No. 91, *Conduit Debt Obligations*, postponed 12 months.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 17 CONDENSED BLENDED COMPONENT UNIT INFORMATION

Condensed component unit information for the Authority's significant blended component units as listed in Note 1 is presented below.

Condensed Statement of Net Position

	General Partners in Tax Credit Partnerships										HCHA Development Corporation	Harris County PFC	HCHA Redevelopment Authority	Fenix Estates Development	AMCAL Katy, LP	Total Blended Component Units	
	Cypresswood Estates	Olive Grove	Comerstone	Bammel	Louetta	Baybrook Park	Waterside	Sierra Meadows	Westlock	Fenix Estates I, GP, LLC							Fenix Estates Commercial
Assets:																	
Current Assets	\$ 275,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,674	\$ 471,473	\$ 143,878	\$ 70,353	\$ 1,016,124	\$ 199,663	\$ -	\$ 2,266,307
Restricted Assets	338,218	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	338,218
Capital Assets, Net	12,134,928	-	-	-	-	-	-	-	-	-	2,200,000	-	2,038,170	-	-	5,131,474	21,504,572
Notes Receivable	-	-	-	-	-	-	-	-	3,381,970	-	-	27,325,601	6,902,539	-	-	-	37,610,110
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	3,333	-	-	3,333
Total Assets	12,748,288	-	-	-	-	-	-	-	3,381,970	89,674	2,671,473	27,469,479	9,011,062	1,019,457	199,663	5,131,474	61,722,540
Liabilities:																	
Current Liabilities	4,459	-	-	-	-	-	-	-	-	-	-	69,203	-	-	-	-	73,662
Current Liabilities Payable from Restricted Assets	31,156	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,156
Due to Other Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Payable	4,509,920	-	-	-	-	-	-	-	-	2,196,950	-	1,900,000	-	-	-	-	8,606,870
Other Noncurrent Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	4,545,535	-	-	-	-	-	-	-	-	2,196,950	-	1,969,203	-	-	-	-	8,711,688
Net Position:																	
Net Investment in Capital Assets	7,625,008	-	-	-	-	-	-	-	-	3,050	-	-	2,038,170	-	-	5,131,474	14,797,702
Restricted	307,062	-	-	-	-	-	-	3,381,970	-	-	-	27,325,601	6,902,539	-	-	-	37,917,172
Unrestricted	270,683	-	-	-	-	-	-	-	89,674	471,473	(1,825,325)	70,353	1,019,457	199,663	-	-	295,978
Total Net Position	\$ 8,202,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,381,970	\$ 89,674	\$ 474,523	\$ 25,500,276	\$ 9,011,062	\$ 1,019,457	\$ 199,663	\$ 5,131,474	\$ 53,010,852	

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 17 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

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

	General Partners in Tax Credit Partnerships										HCHA		HCHA		AMCAL Katy, LP	Total Blended Component Units
	Cypresswood Estates	Olive Grove	Cornerstone	Bammel	Louetta	Baybrook Park	Waterside	Sierra Meadows	Westlock	Fenix Estates I, GP, LLC	Fenix Estates Commercial	Development Corporation	Harris County PFC	Redevelopment Authority		
Operating Revenues (Expenses):																
Tenant Revenue, Net	\$ 915,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	-	232,414	118,080	-	128,469	82,800	133,200	-	-	89,674	351,000	-	781,955	19,457	199,661	5,526,545
Depreciation	(390,340)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	(521,670)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue (Expenses)	3,637	232,414	118,080	-	128,469	82,800	133,200	-	-	89,674	351,000	-	781,955	19,457	199,661	5,526,545
Nonoperating Revenues (Expenses):																
Interest Income	1,527	-	-	-	-	-	-	-	-	-	-	11	-	-	2	-
Interest Expense	(193,092)	-	-	-	-	-	-	-	-	-	(11,477)	-	(10,665)	-	-	-
Transfer from (to) Other Programs	4,485,733	(232,414)	(118,080)	-	(128,469)	(82,800)	(133,200)	-	-	-	-	2,570,306	(770,030)	-	-	(395,071)
Total Nonoperating Revenues (Expenses)	4,294,168	(232,414)	(118,080)	-	(128,469)	(82,800)	(133,200)	-	-	-	(11,477)	2,570,317	(780,695)	-	2	(395,071)
Change in Net Position	4,297,805	-	-	-	-	-	-	-	-	89,674	339,523	2,570,317	1,260	19,457	199,663	5,131,474
Net Position - Beginning	3,904,948	-	-	-	-	-	-	-	3,381,970	-	135,000	22,929,959	9,009,802	1,000,000	-	-
Net Position - Ending	\$ 8,202,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,381,970	\$ 89,674	\$ 474,523	\$ 25,500,276	\$ 9,011,062	\$ 1,019,457	\$ 199,663	\$ 5,131,474

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 17 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Statement of Cash Flows

	General Partners in Tax Credit Partnerships										HCHA		HCHA		AMCAL Katy, LP	Total Blended Component Units	
	Cypresswood Estates	Olive Grove	Cornerstone	Bammel	Louetta	Baybrook Park	Waterside	Sierra Meadows	Westlock	Fenix Estates I, GP, LLC	Fenix Estates Commercial	Development Corporation	Harris County PFC	Redevelopment Authority			Fenix Estates Development
Net Cash Provided (Used) by:																	
Operating Activities	\$ (4,444,798)	\$ 232,414	\$ 118,080	\$ -	\$ 128,469	\$ 82,800	\$ 133,200	\$ -	\$ -	\$ 89,674	\$ 471,473	\$ (12,125,785)	\$ 930,423	\$ 16,124	\$ 199,661	\$ 395,071	\$ (13,773,194)
Capital and Related Financing Activities		-	-	-	-	-	-	-	-	-	-	526,541	(153,170)	-	-	-	373,371
Investing Activities	1,527	-	-	-	-	-	-	-	-	-	-	11	-	-	2	-	1,540
Transfer to/from Other Entities	4,485,733	(232,414)	(118,080)	-	(128,469)	(82,800)	(133,200)	-	-	-	-	2,570,306	(770,030)	-	-	(395,071)	5,195,975
Net Increase (Decrease) in Cash	42,462	-	-	-	-	-	-	-	-	89,674	471,473	(9,028,927)	7,223	16,124	199,663	-	(8,202,308)
Cash - Beginning	566,469	-	-	-	-	-	-	-	-	-	-	9,172,805	63,130	1,000,000	-	-	10,802,404
Cash - Ending	<u>\$ 608,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,674</u>	<u>\$ 471,473</u>	<u>\$ 143,878</u>	<u>\$ 70,353</u>	<u>\$ 1,016,124</u>	<u>\$ 199,663</u>	<u>\$ -</u>	<u>\$ 2,600,096</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 18 DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION

HCHA is the General Partner and holds a 0.01% to 1% interest in each of the following limited partnerships. Summarized partnership information as of and for the year ended December 31, 2020 is as follows.

	Baybrook Park Retirement Center	Cornerstone Village Apartments	Louetta Village Apartments 45	Olive Grove Manor	Sierra Meadows	TX Bammel Housing	Waterside Court	Retreat at Westlock	Fenix Estates I	Total
ASSETS										
Cash and Cash Equivalents	\$ 111,552	\$ 61,613	\$ 53,773	\$ 212,418	\$ 316,603	\$ 1,198,561	\$ 164,879	\$ 193,835	\$ 226,816	\$ 2,540,050
Cash and Cash Equivalents - Restricted	435,113	645,235	530,930	856,560	522,232	1,254,106	637,991	713,802	4,736,517	10,332,486
Accounts Receivables	966	11,956	1,810	2,689	2,155	10,065	7,966	73,005	31,980	142,592
Other Assets	487,914	899,233	554,806	177,079	218,059	849,056	170,214	2,528,890	1,451,957	7,337,208
Capital Assets, Net	3,355,829	6,367,290	5,522,829	9,098,679	7,185,809	8,468,242	8,645,908	16,532,857	39,624,278	104,801,721
Total Assets	<u>\$ 4,391,374</u>	<u>\$ 7,985,327</u>	<u>\$ 6,664,148</u>	<u>\$ 10,347,425</u>	<u>\$ 8,244,858</u>	<u>\$ 11,780,030</u>	<u>\$ 9,626,958</u>	<u>\$ 20,042,389</u>	<u>\$ 46,071,548</u>	<u>\$ 125,154,057</u>
LIABILITIES										
Current Liabilities	\$ 138,932	\$ 144,033	\$ 393,846	\$ 644,115	\$ 104,278	\$ 961,747	\$ 272,773	\$ 225,848	\$ 292,293	\$ 3,177,865
Long-Term Liabilities	3,523,336	9,295,153	6,642,519	3,910,581	9,073,976	11,041,399	4,667,629	15,591,243	46,798,662	110,544,498
Total Liabilities	<u>\$ 3,662,268</u>	<u>\$ 9,439,186</u>	<u>\$ 7,036,365</u>	<u>\$ 4,554,696</u>	<u>\$ 9,178,254</u>	<u>\$ 12,003,146</u>	<u>\$ 4,940,402</u>	<u>\$ 15,817,091</u>	<u>\$ 47,090,955</u>	<u>\$ 113,722,363</u>
NET POSITION										
Net Investment in Capital Assets	\$ 178,588	\$ (1,459,741)	\$ (423,933)	\$ 5,241,517	\$ 5,155,423	\$ (2,154,490)	\$ 4,389,695	\$ 1,318,432	\$ (1,442,753)	\$ 10,802,738
Restricted	407,653	623,795	489,238	813,775	497,226	1,215,167	540,135	676,574	4,706,746	9,970,309
Unrestricted (Deficit)	142,865	(617,913)	(437,522)	(262,563)	(6,586,045)	716,207	(243,274)	2,230,292	(4,283,400)	(9,341,353)
Net Position	<u>\$ 729,106</u>	<u>\$ (1,453,859)</u>	<u>\$ (372,217)</u>	<u>\$ 5,792,729</u>	<u>\$ (933,396)</u>	<u>\$ (223,116)</u>	<u>\$ 4,686,556</u>	<u>\$ 4,225,298</u>	<u>\$ (1,019,407)</u>	<u>\$ 11,431,694</u>
Operating Revenues	\$ 937,546	\$ 1,569,886	\$ 1,285,112	\$ 1,518,629	\$ 1,080,713	\$ 1,932,556	\$ 1,495,974	\$ 2,226,732	\$ 2,569,642	\$ 14,616,790
Operating Expenses	(905,417)	(1,588,501)	(1,199,110)	(1,570,688)	(803,948)	(1,626,250)	(1,618,177)	(1,456,158)	(3,208,255)	(13,976,504)
Operating Income (Loss)	32,129	(18,615)	86,002	(52,059)	276,765	306,306	(122,203)	770,574	(638,613)	640,286
Nonoperating Revenues	1,594	416	225	2,310	184	550	1,957	3,124	-	10,360
Nonoperating Expenses	(206,799)	(168,395)	(182,388)	(287,378)	(164,067)	(271,186)	(352,762)	(251,447)	(378,313)	(2,262,735)
Loss Before Capital Contributions	(205,205)	(167,979)	(182,163)	(285,068)	(163,883)	(270,636)	(350,805)	(248,323)	(378,313)	(2,252,375)
Change in Net Position	(173,076)	(186,594)	(96,161)	(337,127)	112,882	35,670	(473,008)	522,251	(1,016,926)	(1,612,089)
Beginning Net Position, As Restated	902,182	(1,267,265)	(276,056)	6,129,856	(1,046,278)	(258,786)	5,159,564	3,703,047	(2,481)	13,043,783
Ending Net Position	<u>\$ 729,106</u>	<u>\$ (1,453,859)</u>	<u>\$ (372,217)</u>	<u>\$ 5,792,729</u>	<u>\$ (933,396)</u>	<u>\$ (223,116)</u>	<u>\$ 4,686,556</u>	<u>\$ 4,225,298</u>	<u>\$ (1,019,407)</u>	<u>\$ 11,431,694</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 18 DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION (CONTINUED)

Summarized Capital Assets – Discretely Presented Component Units

Land, structures, and equipment activity of the discretely presented component units was as follows for the year ended December 31, 2020:

	Balance at January 1, 2020	Additions	Disposals	Balance at December 31, 2020
Land Improvements	\$ 17,616,177	\$ 110,616	\$ -	\$ 17,726,793
Buildings and Improvements	123,042,917	435	-	123,043,352
Equipment	7,275,269	-	(2,591)	7,272,678
Leasehold Improvements	-	42,327	-	42,327
Total Capital Assets	<u>147,934,363</u>	<u>153,378</u>	<u>(2,591)</u>	<u>148,085,150</u>
Less: Accumulated Depreciation:	<u>(38,023,372)</u>	<u>(5,260,057)</u>	<u>-</u>	<u>(43,283,429)</u>
Total Capital Assets, Net	<u>\$ 109,910,991</u>	<u>\$ (5,106,679)</u>	<u>\$ (2,591)</u>	<u>\$ 104,801,721</u>

Summarized Notes Payable – Discretely Presented Component Units

Notes payable of the discretely presented component units consist of the following:

	December 31, 2020
Notes Payable - Due to Primary Government	\$ 42,106,530
Mortgages and Other Housing Related Notes	55,018,729
Total	<u>97,125,259</u>
Less: Current Portion	<u>(986,531)</u>
Noncurrent Portion	<u>\$ 96,138,728</u>

A summary of activity of the discretely presented component units' notes payable is as follows:

Balance January 1, 2020	Increase	Decrease	Balance December 31, 2020
<u>\$ 89,452,445</u>	<u>\$ 8,203,456</u>	<u>\$ (530,642)</u>	<u>\$ 97,125,259</u>

REQUIRED SUPPLEMENTAL INFORMATION

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND
RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION OF TCDRS
YEAR ENDED MARCH 31, 2021**

	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability								
Service Cost	\$ 254,766	\$ 235,739	\$ 256,322	\$ 295,565	\$ 332,895	\$ 283,212	(Historical information prior to implementation of GASB 68 not required)	
Interest on Total Pension Liability	278,190	242,823	225,469	206,992	168,261	144,593		
Effect of Plan Changes	-	-	-	-	-	(30,775)		
Effect of Assumption Changes or Inputs	310,844	-	-	11,827	-	33,714		
Effect of Economic/Demographic (Gains) or Losses	32,631	(23,605)	(164,679)	(159,503)	(84,014)	(69,707)		
Benefit Payments/Refunds of Contributions	(27,101)	(47,219)	(116,000)	(60,132)	(82,125)	(101,034)		
Net Change in Total Pension Liability	<u>849,330</u>	<u>407,738</u>	<u>201,112</u>	<u>294,749</u>	<u>335,017</u>	<u>260,003</u>		
Total Pension Liability - Beginning	<u>3,192,965</u>	<u>2,785,227</u>	<u>2,584,115</u>	<u>2,289,366</u>	<u>1,954,349</u>	<u>1,694,346</u>		
Total Pension Liability - Ending (a)	<u>\$ 4,042,295</u>	<u>\$ 3,192,965</u>	<u>\$ 2,785,227</u>	<u>\$ 2,584,115</u>	<u>\$ 2,289,366</u>	<u>\$ 1,954,349</u>		
Plan Fiduciary Net Position								
Contributions - Employer	\$ 113,953	\$ 120,053	\$ 126,392	\$ 140,517	\$ 146,992	\$ 141,627		
Contributions - Member	119,234	112,650	110,043	118,068	133,977	135,350		
Net Investment Income	403,961	524,118	(56,926)	375,842	161,775	(66,887)		
Benefit Payments, Including Refunds of Employee Contributions	(27,101)	(47,219)	(116,001)	(60,132)	(82,125)	(101,034)		
Administrative Expense	(3,307)	(2,977)	(2,564)	(2,080)	(1,759)	(1,533)		
Other	6,485	6,895	3,903	2,641	31,239	(29)		
Net Change in Plan Fiduciary Net Position	<u>613,225</u>	<u>713,520</u>	<u>64,847</u>	<u>574,856</u>	<u>390,099</u>	<u>107,494</u>		
Plan Fiduciary Net Position - Beginning	<u>3,906,229</u>	<u>3,192,709</u>	<u>3,127,863</u>	<u>2,553,007</u>	<u>2,162,908</u>	<u>2,055,414</u>		
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,519,454</u>	<u>\$ 3,906,229</u>	<u>\$ 3,192,710</u>	<u>\$ 3,127,863</u>	<u>\$ 2,553,007</u>	<u>\$ 2,162,908</u>		
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (477,159)</u>	<u>\$ (713,264)</u>	<u>\$ (407,483)</u>	<u>\$ (543,748)</u>	<u>\$ (263,641)</u>	<u>\$ (208,559)</u>		
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.80 %	122.34 %	114.63 %	121.04 %	111.52 %	110.67 %		
Covered Payroll	\$ 1,703,339	\$ 1,609,287	\$ 1,572,043	\$ 1,672,824	\$ 1,913,952	\$ 1,931,410		
Net Pension Liability (Asset) as a Percentage of Covered Payroll	28.01 %	44.32 %	(25.92)%	(32.50)%	(13.77)%	(10.80)%		

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCDRS
YEAR ENDED MARCH 31, 2021**

	2017	2018	2019	2020
Actuarially Determined Contributions Contribution in Relation to the Actuarially Determined Contribution	\$ 140,517	\$ 126,392	\$ 120,053	\$ 113,953
	140,517	126,392	120,053	113,953
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,672,824	\$ 1,572,043	\$ 1,609,287	\$ 1,703,339
Contributions as a Percentage of Covered Payroll	8.40 %	8.04 %	7.50 %	6.70 %

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Method	0.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer	2015: New inflation, mortality, and other assumptions were reflected. 2017: New Mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected In the Schedule	New Annuity Purchase Rates were reflected for benefits earned after 2017.

SUPPLEMENTAL INFORMATION

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED MARCH 31, 2021**

Line Item #	Accounts Description	Housing Choice Voucher	CARES Housing Choice Voucher	Disaster Housing Assistance	Section 8 Moderate Rehabilitation	Section 8 Single Room Occupancy	CDBG	Business Activities	Blended Component Unit	Central Office Cost Center	Elimination	Enterprise Fund Total	Discrete Component Unit	Total
CURRENT ASSETS														
Cash:														
111	Unrestricted	\$ 254,368	\$ -	\$ 180,000	\$ 34,868	\$ 199,179	\$ -	\$ 5,450,227	\$ 2,261,878	\$ 1,308,260	\$ -	\$ 9,688,780	\$ 2,540,050	\$ 12,228,830
113	Other Restricted	496,519	1,124,800	-	-	-	-	-	307,062	-	-	1,928,381	9,970,309	11,898,690
114	Tenant Security Deposits	-	-	-	-	-	-	-	31,156	-	-	31,156	362,177	393,333
100	Total Cash	<u>750,887</u>	<u>1,124,800</u>	<u>180,000</u>	<u>34,868</u>	<u>199,179</u>	<u>-</u>	<u>5,450,227</u>	<u>2,600,096</u>	<u>1,308,260</u>	<u>-</u>	<u>11,648,317</u>	<u>12,872,536</u>	<u>24,520,853</u>
Accounts and Notes Receivable:														
121	PHA Projects	395,087	-	-	-	-	-	-	-	-	-	395,087	-	395,087
122	HUD Other Projects	-	-	-	-	28,471	-	-	-	-	-	28,471	-	28,471
125	Miscellaneous	-	-	-	-	-	-	109,984	-	37,698	-	147,682	55,394	203,076
126	Tenants	132,882	-	-	-	-	-	-	537	-	-	133,419	90,393	223,812
126.1	Allowance for Doubtful Accounts - Tenants	-	-	-	-	-	-	-	-	-	-	-	(3,195)	(3,195)
128	Fraud Recovery	85,188	-	-	-	323	-	-	-	-	-	85,511	-	85,511
128.1	Allowance for Doubtful Accounts - Fraud	(23,034)	-	-	-	(323)	-	-	-	-	-	(23,357)	-	(23,357)
129	Accrued Interest Receivable	-	-	-	-	-	-	3,596,345	-	-	-	3,596,345	-	3,596,345
120	Total Receivables, Net of Allowances for Uncollectibles	<u>590,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,471</u>	<u>-</u>	<u>3,706,329</u>	<u>537</u>	<u>37,698</u>	<u>-</u>	<u>4,363,158</u>	<u>142,592</u>	<u>4,505,750</u>
142	Prepaid Expenses and Other Assets	35,676	-	-	-	497	-	1,563	3,892	22,597	-	64,225	591,580	655,805
150	Total Current Assets	<u>1,376,686</u>	<u>1,124,800</u>	<u>180,000</u>	<u>34,868</u>	<u>228,147</u>	<u>-</u>	<u>9,158,119</u>	<u>2,604,525</u>	<u>1,368,555</u>	<u>-</u>	<u>16,075,700</u>	<u>13,606,708</u>	<u>29,682,408</u>
NONCURRENT ASSETS														
Fixed Assets:														
161	Land	-	-	-	-	-	-	25,076,464	10,119,644	-	-	35,196,108	17,726,793	52,922,901
162	Buildings	-	-	-	-	-	-	-	15,223,274	-	-	15,223,274	123,043,352	138,266,626
164	Furniture, Equipment, and Mach - Admin.	114,322	-	-	-	-	-	59,545	31,378	22,516	-	227,761	7,272,678	7,500,439
165	Leasehold Improvements	-	-	-	-	-	-	-	4,165	-	-	4,165	42,327	46,492
166	Accumulated Depreciation	(59,104)	-	-	-	-	-	(30,045)	(3,873,889)	(17,187)	-	(3,980,225)	(43,283,429)	(47,263,654)
167	Construction in Progress	-	-	-	-	-	-	68,120	-	-	-	68,120	-	68,120
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>55,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,174,084</u>	<u>21,504,572</u>	<u>5,329</u>	<u>-</u>	<u>46,739,203</u>	<u>104,801,721</u>	<u>151,540,924</u>
171	Notes, Loans, and Mortgages Receivable - Noncurrent	-	-	-	-	-	-	4,496,420	37,610,110	-	-	42,106,530	-	42,106,530
174	Other Assets	288,481	-	-	8,559	-	-	74,024	3,333	106,095	-	480,492	6,745,628	7,226,120
180	Total Noncurrent Assets	<u>343,699</u>	<u>-</u>	<u>-</u>	<u>8,559</u>	<u>-</u>	<u>-</u>	<u>29,744,528</u>	<u>59,118,015</u>	<u>111,424</u>	<u>-</u>	<u>89,326,225</u>	<u>111,547,349</u>	<u>200,873,574</u>
200	Deferred Outflows of Resources	198,106	-	-	517	-	-	50,834	-	78,144	-	327,601	-	327,601
290	Total Assets	<u>\$ 1,918,491</u>	<u>\$ 1,124,800</u>	<u>\$ 180,000</u>	<u>\$ 43,944</u>	<u>\$ 228,147</u>	<u>\$ -</u>	<u>\$ 38,953,481</u>	<u>\$ 61,722,540</u>	<u>\$ 1,558,123</u>	<u>\$ -</u>	<u>\$ 105,729,526</u>	<u>\$ 125,154,057</u>	<u>\$ 230,883,583</u>

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2021**

Line Item #	Accounts Description	Housing Choice Voucher	CARES Housing Choice Voucher	Disaster Housing Assistance	Section 8 Moderate Rehabilitation	Section 8 Single Room Occupancy	CDBG	Business Activities	Blended Component Unit	Central Office Cost Center	Elimination	Enterprise Fund Total	Discrete Component Unit	Total
CURRENT LIABILITIES														
312	Accounts Payable < 90 Days	\$ 52,491	\$ -	\$ -	\$ 18,786	\$ 274	\$ -	\$ 16,998	\$ 2,088	\$ 54,443	\$ -	\$ 145,080	\$ 471,433	\$ 616,513
321	Accrued Wage/Payroll Taxes Payable	42,810	-	-	-	1,126	-	12,638	-	18,326	-	74,900	-	74,900
322	Accrued Compensated Absences - Current Portion	18,633	-	-	-	-	-	4,250	-	3,645	-	26,528	-	26,528
325	Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-	1,142,726	1,142,726
332	Accounts Payable - PHA Projects	175,864	-	-	-	-	-	-	-	-	-	175,864	-	175,864
341	Tenant Security Deposits	-	-	-	-	-	-	-	31,156	-	-	31,156	362,177	393,333
342	Deferred Revenues	-	1,124,800	-	-	-	-	35,237	2,371	-	-	1,162,408	74,684	1,237,092
343	Current Portion of Long-Term Debt - Capital Projects	-	-	-	-	-	-	-	101,606	-	-	101,606	986,531	1,088,137
344	Current Portion of Long-Term Debt - Operating Borrowings	-	-	-	-	-	-	-	50,000	-	-	50,000	-	50,000
345	Other Current Liabilities	63	-	-	-	-	-	48,861	19,203	-	-	68,127	140,314	208,441
310	Total Current Liabilities	<u>289,861</u>	<u>1,124,800</u>	<u>-</u>	<u>18,786</u>	<u>1,400</u>	<u>-</u>	<u>117,984</u>	<u>206,424</u>	<u>76,414</u>	<u>-</u>	<u>1,835,669</u>	<u>3,177,865</u>	<u>5,013,534</u>
NONCURRENT LIABILITIES														
351	Long-Term Debt, Net of Current - Capital Projects	-	-	-	-	-	-	4,154,444	6,605,264	-	-	10,759,708	96,138,728	106,898,436
352	Long-Term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	1,900,000	-	-	1,900,000	-	1,900,000
353	Noncurrent Liabilities - Other	-	-	-	-	-	-	1,656,579	-	-	-	1,656,579	14,405,770	16,062,349
354	Accrued Compensated Absences - Noncurrent	55,897	-	-	-	-	-	15,362	-	10,933	-	82,192	-	82,192
350	Total Noncurrent Liabilities	<u>55,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,826,385</u>	<u>8,505,264</u>	<u>10,933</u>	<u>-</u>	<u>14,398,479</u>	<u>110,544,498</u>	<u>124,942,977</u>
300	Total Liabilities	<u>345,758</u>	<u>1,124,800</u>	<u>-</u>	<u>18,786</u>	<u>1,400</u>	<u>-</u>	<u>5,944,369</u>	<u>8,711,688</u>	<u>87,347</u>	<u>-</u>	<u>16,234,148</u>	<u>113,722,363</u>	<u>129,956,511</u>
400	Deferred Inflow of Resources	200,864	-	-	4,320	-	-	51,541	-	75,512	-	332,237	-	332,237
NET POSITION														
508.4	Invested in Capital Assets	55,218	-	-	-	-	-	21,019,640	14,797,702	5,329	-	35,877,889	10,802,738	46,680,627
511.4	Restricted Net Position	785,000	-	-	8,559	-	-	8,166,789	37,917,172	106,095	-	46,983,615	9,970,309	56,953,924
512.4	Unrestricted Net Position	531,651	-	180,000	12,279	226,747	-	3,771,142	295,978	1,283,840	-	6,301,637	(9,341,353)	(3,039,716)
513	Total Net Position	<u>1,371,869</u>	<u>-</u>	<u>180,000</u>	<u>20,838</u>	<u>226,747</u>	<u>-</u>	<u>32,957,571</u>	<u>53,010,852</u>	<u>1,395,264</u>	<u>-</u>	<u>89,163,141</u>	<u>11,431,694</u>	<u>100,594,835</u>
600	Total Liabilities and Net Position	<u>\$ 1,918,491</u>	<u>\$ 1,124,800</u>	<u>\$ 180,000</u>	<u>\$ 43,944</u>	<u>\$ 228,147</u>	<u>\$ -</u>	<u>\$ 38,953,481</u>	<u>\$ 61,722,540</u>	<u>\$ 1,558,123</u>	<u>\$ -</u>	<u>\$ 105,729,526</u>	<u>\$ 125,154,057</u>	<u>\$ 230,883,583</u>

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2021**

Line Item #	Accounts Description	Housing Choice Voucher	CARES Housing Choice Voucher	Disaster Housing Assistance	Section 8 Moderate Rehabilitation	Section 8 Single Room Occupancy	CDBG	Business Activities	Blended Component Unit	Central Office Cost Center	Elimination	Enterprise Fund Total	Discrete Component Unit	Total
REVENUE														
70300	Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 895,996	\$ -	\$ -	\$ 895,996	\$ 12,232,017	\$ 13,128,013
70400	Tenant Revenue - Other	-	-	-	-	-	-	19,651	-	-	-	19,651	117,421	137,072
70500	Total Tenant Revenue	-	-	-	-	-	-	915,647	-	-	-	915,647	12,349,438	13,265,085
70600	HUD PHA Operating Grants	47,517,200	301,327	-	-	317,730	-	-	-	-	-	48,136,257	-	48,136,257
70710	Management Fee	-	-	-	-	-	-	-	706,596	(706,596)	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	441,623	(441,623)	-	-	-	-
70800	Other Governmental Grants	-	-	-	-	-	2,570,306	-	-	-	-	2,570,306	-	2,570,306
71100	Investment Income - Unrestricted	15	-	-	-	-	-	276,247	1,540	-	-	277,802	7,619	285,421
71200	Mortgage Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-
71400	Fraud Recovery	112,256	-	-	-	-	-	-	-	-	-	112,256	-	112,256
71500	Other Revenue	6,764,860	-	2,933,154	5	-	-	1,825,870	7,663,255	17,688	(324,000)	18,880,832	2,267,352	21,148,184
72000	Investment Income - Restricted	-	-	-	-	-	-	-	-	-	-	-	2,741	2,741
70000	Total Revenue	54,394,331	301,327	2,933,154	5	317,730	2,570,306	2,102,117	8,580,442	1,165,907	(1,472,219)	70,893,100	14,627,150	85,520,250
EXPENSES														
Administrative:														
91100	Administrative Salaries	919,069	-	-	-	21,881	-	235,831	81,280	343,396	-	1,601,457	977,589	2,579,046
91200	Auditing Fees	39,242	-	-	-	284	-	2,530	-	994	-	43,050	81,992	125,042
91300	Management Fee	696,948	-	-	-	9,648	-	-	46,333	-	(706,596)	46,333	873,757	920,090
91310	Bookkeeping Fee	435,593	-	-	-	6,030	-	-	-	-	(441,623)	-	-	-
91400	Advertising and Marketing	-	-	-	-	-	-	1,018	7,926	-	-	8,944	90,090	99,034
91500	Employee Benefit Contributions - Administrative	367,130	-	-	-	3,653	-	40,151	24,004	98,849	-	533,787	334,817	868,604
91600	Office Expenses	303,736	-	-	-	3,197	-	30,113	16,414	217,121	(324,000)	246,581	310,430	557,011
91700	Legal Expense	21,353	-	-	-	-	-	74,138	-	76,725	-	172,216	14,423	186,639
91800	Travel	5	-	-	-	-	-	-	-	18	-	23	4,435	4,458
91900	Other	3,298	-	-	-	856	-	1,945	6,703	31,970	-	44,772	165,829	210,601
	Total Administrative	2,786,374	-	-	-	45,549	-	385,726	182,660	769,073	(1,472,219)	2,697,163	2,853,362	5,550,525
Tenant Services:														
92100	Salaries	-	-	-	-	-	-	-	-	-	-	-	8,213	8,213
92300	Employee Benefit Contribution - Tenant Services	-	-	-	-	-	-	-	-	-	-	-	1,073	1,073
92400	Other	-	234,036	-	-	-	-	-	-	-	-	234,036	145,779	379,815
	Total Tenant Services	-	234,036	-	-	-	-	-	-	-	-	234,036	155,065	389,101
Utilities:														
93100	Water	3,891	-	-	-	58	-	288	39,623	4,277	-	48,137	583,922	632,059
93200	Electricity	1,157	-	-	-	18	-	105	8,451	7,235	-	16,966	297,365	314,331
93300	Gas	-	-	-	-	-	-	-	-	-	-	-	5,051	5,051
93800	Other Utilities Expense	-	-	-	-	-	-	-	-	-	-	-	118,700	118,700
	Total Utilities	5,048	-	-	-	76	-	393	48,074	11,512	-	65,103	1,005,038	1,070,141
Ordinary Maintenance and Operations:														
94100	Labor	-	-	-	-	-	-	-	57,067	-	-	57,067	495,380	552,447
94200	Materials and Other	1,392	-	-	-	15	-	76	22,868	1,805	-	26,156	374,768	400,924
94300	Contracts	32,208	-	-	-	257	-	34,513	114,515	59,639	-	241,132	1,393,525	1,634,657
94500	Employee Benefits Contribution	-	-	-	-	-	-	-	16,853	-	-	16,853	135,995	152,848
	Total Ordinary Maintenance and Operations	33,600	-	-	-	272	-	34,589	211,303	61,444	-	341,208	2,399,668	2,740,876
Protective Services:														
95200	Other Contract Costs	15,685	-	-	-	232	-	-	-	-	-	15,917	116,498	132,415
95300	Other	-	-	-	-	-	-	1,161	-	17,242	-	18,403	-	18,403
	Total Protective Services	15,685	-	-	-	232	-	1,161	-	17,242	-	34,320	116,498	150,818

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2021**

Line Item #	Accounts Description	Housing Choice Voucher	CARES Housing Choice Voucher	Disaster Housing Assistance	Section 8 Moderate Rehabilitation	Section 8 Single Room Occupancy	CDBG	Business Activities	Blended Component Unit	Central Office Cost Center	Elimination	Enterprise Fund Total	Discrete Component Unit	Total
EXPENSES (Continued)														
Insurance Premiums:														
96110	Property Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,917	\$ -	\$ -	\$ 62,917	\$ 822,272	\$ 885,189
96140	Other Insurance	5,181	-	-	-	76	-	2,328	-	6,042	-	13,627	-	13,627
	Total Insurance Premiums	5,181	-	-	-	76	-	2,328	62,917	6,042	-	76,544	822,272	898,816
General Expenses:														
96200	Other General Expenses	147,375	-	-	-	2,587	-	99,195	16,716	28,726	-	294,599	1,274,526	1,569,125
96210	Compensated Absences	44,498	-	-	-	2,090	-	10,973	-	27,625	-	85,186	-	85,186
96400	Bad Debt - Tenant Rents	4,429	-	-	-	-	-	-	-	-	-	4,429	82,618	87,047
96600	Bad Debt - Other	-	-	-	-	-	-	-	-	-	-	-	-	-
96000	Total General Expenses	196,302	-	-	-	4,677	-	110,168	16,716	56,351	-	384,214	1,357,144	1,741,358
Interest Expenses:														
96710	Interest of Mortgage Payable	-	-	-	-	-	-	-	215,234	-	-	215,234	1,911,802	2,127,036
96720	Interest of Notes Payable	-	-	-	-	-	-	-	-	-	-	-	6,488	6,488
96730	Amortization Expense	-	-	-	-	-	-	-	-	-	-	-	344,445	344,445
	Total Interest Expenses	-	-	-	-	-	-	-	215,234	-	-	215,234	2,262,735	2,477,969
96900	Total Operating Expenses	3,042,190	234,036	-	-	50,882	-	534,365	736,904	921,664	(1,472,219)	4,047,822	10,971,782	15,019,604
EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSES														
97000		51,352,141	67,291	2,933,154	5	266,848	2,570,306	1,567,752	7,843,538	244,243	-	66,845,278	3,655,368	70,500,646
97100	Extraordinary Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
97200	Casualty Losses - Noncapitalized	-	-	-	-	-	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	45,881,557	-	-	-	250,186	-	-	-	-	-	46,131,743	-	46,131,743
97350	Housing Assistance Payments Portability - In	6,481,326	-	-	-	-	-	-	-	-	-	6,481,326	-	6,481,326
97400	Depreciation Expense	14,323	-	-	-	-	-	4,932	390,340	3,722	-	413,317	5,267,457	5,680,774
90000	Total Expenses	55,419,396	234,036	-	-	301,068	-	539,297	1,127,244	925,386	(1,472,219)	57,074,208	16,239,239	73,313,447
Other Financing Sources (Uses):														
10010	Operating Transfer In	15,600	-	14,400	-	-	-	1,860,064	7,056,039	-	(8,946,103)	-	-	-
10020	Operating Transfer Out	-	-	(4,485,733)	-	-	(2,570,306)	(30,000)	(1,860,064)	-	8,946,103	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-
10093	Transfers between Program and Project - In	-	-	-	-	-	-	-	-	-	-	-	-	-
10094	Transfers between Program and Project - Out	-	-	-	-	-	-	-	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	15,600	-	(4,471,333)	-	-	(2,570,306)	1,830,064	5,195,975	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES														
10000		\$ (1,009,465)	\$ 67,291	\$ (1,538,179)	\$ 5	\$ 16,662	\$ -	\$ 3,392,884	\$ 12,649,173	\$ 240,521	\$ -	\$ 13,818,892	\$ (1,612,089)	\$ 12,206,803
Memo Account Information:														
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,745	\$ -	\$ -	\$ 63,745	\$ 986,531	\$ 1,050,276
11030	Beginning Equity	2,314,043	-	1,718,179	24,367	206,551	-	29,564,687	40,361,679	1,154,743	-	75,344,249	13,043,783	88,388,032
11040	Prior Period Adjustments, Equity Transfers and Correction	67,291	(67,291)	-	(3,534)	3,534	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	586,869	-	-	-	-	-	-	-	-	-	586,869	-	586,869
11180	Housing Assistance Payments Equity	785,000	-	-	-	-	-	-	-	-	-	785,000	-	785,000
11190	Unit Months Available	58,649	-	-	-	864	-	-	1,056	-	-	60,569	13,102	73,671
11210	Unit Months Leased	58,147	-	-	-	792	-	-	1,012	-	-	59,951	12,305	72,256

SINGLE AUDIT SECTION

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 47,517,200
COVID-19 HCV Cares Act Funding	14.HCC	N/A	<u>301,327</u>
Total Housing Choice Vouchers Cluster			<u>47,818,527</u>
Section 8 Project-Based Cluster:			
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	N/A	317,730
Community Development Block Grants - Disaster Recovery			
Passed-Through from Texas General Land Office	14.228	B-08-DI-48-0001	2,570,306
Passed-Through from Harris County, Texas (Loans)	14.228	Unknown	<u>4,154,443</u>
			<u>6,724,749</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 54,861,006</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2021**

NOTE 1 BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of the Authority and its Blended Component Units and is presented on the accrual basis of accounting. The information on 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Section 8 Housing Choice Voucher Program, CFDA No. 14.871, to be considered an expenditure for the purposes of this schedule. Therefore, the amount in this schedule is the total amount received directly from HUD and not the total expenditures paid by the Authority.

HCHA Cypresswood Estates, LLC, which is a blended component unit, elected to have their own single audit and their expenditures of federal awards are therefore excluded from the Authority's Schedule of Federal Awards.

NOTE 2 INDIRECT COST RATE

The Authority did not elect to use the 10-percent de minimis indirect cost rate.

NOTE 3 DEVELOPMENT AGREEMENTS

The Community Development Block Grant and HOME grant expenditures above are amounts earned through a reimbursable grant from the Texas General Land Office that are to be loaned to related party partnerships as part of tax credit developments agreements. As of March 31, 2021, \$21,475,600 has been loaned to Fenix Estates I, LP. No amounts are required to be paid back as long as the Project remains in compliance with the loan agreement.

NOTE 4 SUB-RECIPIENTS

During the year ended March 31, 2021, the Authority had no sub-recipients.

NOTE 5 NONCASH FEDERAL ASSISTANCE

The Authority did not receive any noncash Federal assistance for the year ended March 31, 2021.

NOTE 6 LOAN PROGRAMS

In accordance with the Uniform Guidance, the notes to the Schedule of Expenditures of Federal Awards shall include loan and loan activities of federal programs. During the year ended March 31, 2021, the Authority obtained \$4,154,443 in CDBG loans from Harris County, Texas.



**INDEPENDENT AUDITORS' 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***

Board of Commissioners
Harris County Housing Authority
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Harris County Housing Authority (the Authority), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 11, 2022. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on the Authority's financial statements. The audits of the discretely presented component units were not performed in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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.

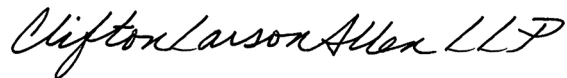
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 of 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 financial statements. 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 Authority’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 Authority’s internal control over compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

San Antonio, Texas
January 11, 2022



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

Board of Commissioners
Harris County Housing Authority
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited the Harris County Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Authority's basic financial statements include the operations of discretely presented component units which may have received federal awards which are not included in the schedule of expenditures of federal awards for the year ended March 31, 2021. Our audit, described below, did not include the operations of the aggregate discretely presented component units because other auditors were engaged to perform audits of compliance, if applicable. HCHA Cypresswood Estates, LLC, which is a blended component unit, received a \$4.6 million federally insured loan that is not included in the schedule of expenditures of federal awards for the year ended March 31, 2021.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2021.

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

San Antonio, Texas
January 11, 2022

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

14.871
14.228

Name of Federal Program or Cluster

Housing Voucher Cluster
Community Development Block Grants – Disaster Recovery

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 1,645,830

Auditee qualified as low-risk auditee?

 x yes _____ no

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED MARCH 31, 2021**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).