

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED MARCH 31, 2023



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**HARRIS COUNTY HOUSING AUTHORITY
TABLE OF CONTENTS
YEAR ENDED MARCH 31, 2023**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	4
STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	12
STATEMENT OF CASH FLOWS	13
NOTES TO BASIC FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTAL INFORMATION	
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION OF TCDRS	48
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCDRS	49
SUPPLEMENTAL INFORMATION	
FINANCIAL DATA SCHEDULE	51
SINGLE AUDIT SECTION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	56
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	57
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 <i>GOVERNMENT AUDITING STANDARDS</i>	58
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	60
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	63



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Harris County Housing Authority
Houston, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements the business-type activities and aggregate discretely presented component units of the Harris County Housing Authority (the Authority), as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Authority, as of March 31, 2023, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the aggregate discretely presented component units of 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., Fenix Estates I, L.P., Channelview, L.P., The Abor at Wayforest, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective April 1, 2022, the Authority adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow or resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this restatement.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, Schedule of Changes in Net Pension Liability(Asset) and Related Ratios Based and Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCDRS on pages 48 and 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 GAAS. In our opinion, the financial data schedules and schedule of expenditures of federal awards 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 December 5, 2023 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
December 5, 2023

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2023**

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, 2023. 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 \$101,975,417 (net position).
- The Authority's total cash as of March 31, 2022 and 2023 was \$16,641,267 and \$19,240,316, respectively, representing an increase of \$2,599,049.
- The Authority received revenue directly from the U.S. Department of Housing and Urban Development (HUD) of \$58,221,143 for 2023.

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, 2023**

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, Emergency Housing Vouchers, 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 eight senior developments and two multifamily developments. The Authority also has one senior development and five multifamily developments under construction.

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.

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

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2023**

FINANCIAL ANALYSIS

Statement of Net Position

	<u>2023</u>	<u>2022</u>	<u>Net Change</u>
Current Assets	\$ 20,240,115	\$ 17,804,694	\$ 2,435,421
Capital Assets, Net	58,881,852	53,402,528	5,479,324
Other Noncurrent Assets	<u>88,379,133</u>	<u>56,619,195</u>	<u>31,759,938</u>
Total Assets	167,501,100	127,826,417	39,674,683
Deferred Outflows of Resources	404,205	304,936	99,269
Current Liabilities	2,324,755	1,617,538	707,217
Long-Term Debt	61,502,867	27,199,158	34,303,709
Other Noncurrent Liabilities	<u>550,867</u>	<u>1,702,887</u>	<u>(1,152,020)</u>
Total Liabilities	64,378,489	30,519,583	33,858,906
Deferred Inflows of Resources	<u>1,551,399</u>	<u>757,428</u>	<u>793,971</u>
Net Investment in Capital Assets	(3,074,868)	26,046,562	(29,121,430)
Restricted	91,515,305	58,932,505	32,582,800
Unrestricted	<u>13,534,980</u>	<u>11,875,275</u>	<u>1,659,705</u>
Total Net Position	<u>\$ 101,975,417</u>	<u>\$ 96,854,342</u>	<u>\$ 5,121,075</u>

Current Assets increased by \$2,435,421 primarily due to the transfer in of Baybrook Retirement Center, Ltd. as a component unit, increases in additional funding received from HUD for being over-leased, and an increase in fees collected in the current year.

Net Capital Assets increased by \$5,479,324 primarily due to the transfer in of Baybrook Retirement Center, Ltd. and the donation of land from the Metro Church in the current year.

Other Noncurrent Assets increased by \$31,759,938 primarily due new notes issued to The Hollows, Arbor at Wayforest, Northwood, NHL Bluestem, LP and The Residences at Arbor Oaks for the construction of new properties.

Deferred Outflows of Resources increased by \$99,269 due to changes in assumptions and other actuarial factors of the net pension asset.

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

Other Noncurrent Liabilities decreased by \$1,152,020 primarily due to the implementation of GASB 87 and movement of unearned ground lease revenues to deferred inflows of resources.

Deferred Inflows of Resources increased by \$793,971 due to changes in assumptions and other actuarial factors of the net pension asset and implementation of GASB 87.

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2023**

FINANCIAL ANALYSIS (CONTINUED)

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.

Changes in Net Position

	2023	2022	Net Change
Operating Revenues:			
HUD Revenue	\$ 58,221,143	\$ 55,607,551	\$ 2,613,592
Tenant Revenue	2,009,184	965,130	1,044,054
Other Revenue	12,170,959	15,075,962	(2,905,003)
Total Operating Revenues	72,401,286	71,648,643	752,643
Operating Expenses:			
Administrative	3,975,030	3,049,229	925,801
Tenant Services	404,557	110,177	294,380
Utilities	149,096	86,281	62,815
Maintenance	600,016	397,712	202,304
Protective Services	39,900	36,645	3,255
General	613,788	1,516,597	(902,809)
Depreciation	552,109	420,536	131,573
Housing Assistance Payments	61,143,774	58,284,691	2,859,083
Total Operating Expenses	67,478,270	63,901,868	3,576,402
Operating Income	4,923,016	7,746,775	(2,823,759)
Nonoperating Revenues (Expenses):			
Interest Income	284,917	287,854	(2,937)
Interest Expense	(609,394)	(343,428)	265,966
Acquisition of Baybrook Park	522,536	-	(522,536)
Total Nonoperating Revenues (Expenses)	198,059	(55,574)	253,633
Change in Net Position	5,121,075	7,691,201	(2,570,126)
Total Net Position - Beginning	96,854,342	89,163,141	7,691,201
Total Net Position - Ending	\$ 101,975,417	\$ 96,854,342	\$ 5,121,075

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2023**

FINANCIAL ANALYSIS (CONTINUED)

Total Operating Revenue increased by \$752,643. The increase in HUD revenue, tenant revenues and transfer in of Baybrook Retirement Center, Ltd. was offset by the decrease in port-ins due to absorbing some of these in FY 2023.

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

Total Operating Expenses increased by \$3,576,402 during 2023 as compared to 2022 primarily as result of various increases across the expense categories, the largest being housing assistance payments. Housing assistance payments increased by \$2,859,083 for the Housing Choice Voucher program due to an increase in average HAP per unit during the year compared to the prior year.

Nonoperating Revenues (Expenses) increased by \$253,633 primarily due to the transfer in of Baybrook Retirement Center, Ltd. as a blended component unit.

Capital Asset and Debt Activity

Total net fixed assets increased by \$5,479,324 from 2022 to 2023. The increase is due to the transfer in of Baybrook Retirement Center, Ltd. The Authority's current year debt of \$61,956,720 is for the Cypresswood Estates, The Hollows, Northwood, Bluestem, Arbor at Wayforest, The Residences at Arbor Oaks and Baybrook Park Retirement Center, Ltd and Fenix Estates properties. Current year drawdowns of \$35,001,155 and payments of \$400,401 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 2023 due to a 100.00% occupancy rate in the HCV program (57,828 unit months leased/57,828 unit months available).

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2023**

FINANCIAL ANALYSIS (CONTINUED)

Economic Factors

Significant economic factors affecting the Authority are as follows:

- 72 replacement Vouchers for additional HAP of \$734,438 as reported by the Financial Management Center.
- Closeout of the Jackson Hinds SRO program effective August 2023.
- Construction will be completed for five developments.

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 Ms. Quijano Melissa, Acting Executive Director, Harris County Housing Authority, P.O. Box 53028, Houston, Texas 77052.

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION
MARCH 31, 2023**

ASSETS	<u>Business-Type Activities</u>	<u>Discretely Presented Component Units</u>
CURRENT ASSETS		
Cash - Unrestricted	\$ 15,413,493	\$ 5,255,421
Cash - Restricted	3,826,823	13,955,344
Accounts Receivables, Net	913,889	282,509
Prepaid Expenses	85,910	440,327
Total Current Assets	20,240,115	19,933,601
NONCURRENT ASSETS		
Notes Receivable - Related Parties	83,207,995	-
Capital Assets not being Depreciated	46,752,069	23,930,013
Capital Assets being Depreciated, Net	12,129,783	129,957,411
Accrued Interest Receivable - Related Parties	4,159,621	-
Net Pension Asset	528,361	-
Other Assets	483,156	6,937,133
Total Noncurrent Assets	147,260,985	160,824,557
Total Assets	167,501,100	180,758,158
DEFERRED OUTFLOWS OF RESOURCES		
Defined Benefit Pension Plan	404,205	-
Total Assets and Deferred Outflows of Resources	\$ 167,905,305	\$ 180,758,158

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
MARCH 31, 2023**

	<u>Business-Type Activities</u>	<u>Discretely Presented Component Units</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 667,563	\$ 4,509,328
Accrued Salaries	26,524	-
Accrued Compensated Absences	24,769	-
Unearned Revenue	257,500	94,728
Tenant Security Deposits	58,831	412,272
Accrued Interest Payable	-	2,103,064
Current Portion of Loans Payable	453,853	24,017,487
Other Current Liabilities	835,715	7,366,438
Total Current Liabilities	2,324,755	38,503,317
NONCURRENT LIABILITIES		
Loans Payable - Long Term	61,502,867	111,178,052
Accrued Compensated Absences	74,305	-
Other Noncurrent Liabilities	476,562	19,702,051
Total Noncurrent Liabilities	62,053,734	130,880,103
Total Liabilities	64,378,489	169,383,420
DEFERRED INFLOWS OF RESOURCES		
Defined Benefit Pension Plan	152,271	-
Ground Leases	1,399,128	-
Total Deferred Inflows of Resources	1,551,399	-
NET POSITION		
Net Investment in Capital Assets	(3,074,868)	18,691,885
Restricted for:		
Program Reserves	1,320,931	-
Related Party Receivables	87,367,616	-
Customer Deposits	2,298,397	13,546,569
Net Pension Asset	528,361	-
Unrestricted	13,534,980	(20,863,716)
Total Net Position	101,975,417	11,374,738
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 167,905,305	\$ 180,758,158

See accompanying Notes to Basic Financial Statements.

HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2023

	Business-Type Activities	Discretely Presented Component Units
OPERATING REVENUES		
HUD Operating Revenue	\$ 58,221,143	\$ -
Tenant Revenue	2,009,184	12,868,527
Other Operating Revenue	12,170,959	2,462,624
Total Operating Revenues	72,401,286	15,331,151
OPERATING EXPENSES		
Administrative	3,975,030	3,792,069
Tenant Services	404,557	292,781
Utilities	149,096	1,158,123
Maintenance	600,016	3,011,394
Protective Services	39,900	-
General	613,788	3,270,469
Depreciation	552,109	5,719,480
Housing Assistance Payments	61,143,774	-
Total Operating Expenses	67,478,270	17,244,316
OPERATING INCOME (LOSS)	4,923,016	(1,913,165)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	284,917	14,416
Acquisition of Baybrook Park	522,536	(522,536)
Transfer in of Arbor at Wayforest	-	1,974,835
Interest Expense	(609,394)	(2,781,306)
Total Nonoperating Revenues (Expenses)	198,059	(1,314,591)
CHANGE IN NET POSITION	5,121,075	(3,227,756)
Total Net Position - Beginning	96,854,342	14,602,494
TOTAL NET POSITION - ENDING	\$ 101,975,417	\$ 11,374,738

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2023**

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
HUD Operating Grants Received	\$ 56,496,183
Collections from Tenants	2,321,250
Collections from Other Sources	11,773,710
Payments to Employees	(1,855,307)
Payments to Suppliers	(2,247,345)
Housing Assistance Payments	(61,143,774)
Net Cash Provided by Operating Activities	5,344,717
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Property and Equipment	(2,852,362)
Interest Paid	(609,394)
Proceeds from Acquisition of Baybrook Park	1,866,341
Proceeds on Long-Term Debt	30,301,827
Payments on Long-Term Debt	(157,044)
Net Cash Provided by Capital and Related Financing Activities	28,549,368
CASH FLOWS FROM INVESTING ACTIVITIES	
Issuance of Notes Receivables	(31,629,953)
Payments Received on Notes Receivables	50,000
Interest Received	284,917
Net Cash Used by Investing Activities	(31,295,036)
NET INCREASE IN CASH	2,599,049
Cash - Beginning of Year	16,641,267
CASH - END OF YEAR	\$ 19,240,316
AS PRESENTED IN THE STATEMENT OF NET POSITION	
Cash - Unrestricted	\$ 15,413,493
Cash - Restricted	3,826,823
Total	\$ 19,240,316

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED MARCH 31, 2023**

	Business-Type Activities
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 4,923,016
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	552,109
Bad Debt	8,561
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivables	190,821
Prepaid Expenses	12,723
Net Pension Asset	579,175
Deferred Outflows	(99,269)
Other Assets	(276,004)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	419,403
Accrued Salaries	(11,746)
Accrued Compensated Absences	(5,556)
Unearned Revenues	(1,724,960)
Deferred Inflows	793,971
Other Current Liabilities	(17,527)
Net Cash Provided by Operating Activities	\$ 5,344,717

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

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, 2023**

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
- HCHA First Met Seniors GP, LLC
- HCHA Bluestem Landing, LLC
- HCHA Arbor Oaks GP, LLC

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Blended Component Units (Continued)

- Fenix Estates I GP, LLC
- Fenix Estates Commercial, LLC
- Channelview, L.P.
- Arbor at Wayforest, L.P.
- Baybrook Park Retirement Center, Ltd. (Transferred from Discretely Presented Component Unit to Blended Component Unit as of 1/1/2022)

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, 2022. 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.

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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units (Continued)

Sierra Meadows, Ltd.

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

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.

Channelview, L.P.

Channelview, L.P. consists of a 192-unit apartment complex. The Authority is the general partner with .001% interest.

The Arbor at Wayforest, L.P.

The Arbor at Wayforest, L.P. consists of a 192-unit apartment complex. The Authority is the general partner with .051% interest.

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 Acting Executive Director, Harris County Housing Authority, P.O. Box 53028, Houston, Texas 77052.

Related Parties

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

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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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), Emergency Housing Vouchers (EHV), 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.

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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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, 2023**

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 and deferred ground leases.

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 \$1,159,821 of fee for service charges have been eliminated for the year ended March 31, 2023.

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, 2023, \$97,017 of rental income has been eliminated.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

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, 2023 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	\$ 1,320,931
Pension Asset	528,361
Accrued Interest Receivable	4,159,621
Notes Receivable	83,207,995
Customer Deposits	2,298,397
Total Restricted Net Position	\$ 91,515,305

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, 2023**

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, 2023.

Leases

The Authority is the lessor of dwelling units to low-income and market rate residents. The low-income rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the leases only for cause. A significant majority of the capital assets are used in these leasing activities. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within tenant revenue.

The Authority, acting as lessor, leases land to related parties under long-term, noncancelable lease agreements.

New Accounting Pronouncement

During the year ended March 31, 2023, the Authority adopted Statement No. 87, *Leases*, which was effective for the Authority beginning in fiscal year 2022. This statement requires recognition of certain lease assets and lease liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Authority adopted the requirements of the guidance effective for fiscal year ending March 31, 2023 and has applied the provisions of this standard to the beginning of the period of adoption.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

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, 2023, the Authority's cash balance consists of cash in the amount of \$19,240,316.

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:

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

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, 2023, 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, 2023, \$219,478 of the Authority's total bank balance of \$19,475,524 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, 2023**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Restricted Cash

Cash was restricted for the following purposes at March 31, 2023:

	Authority	DPCU
Voucher HAP Reserves	\$ 1,320,931	\$ -
Replacement Reserves/Escrow Deposits	692,907	2,159,606
Tenant Security Deposits	58,831	408,775
EHV Unspent Service Fees	148,664	-
Real Estate Tax and Insurance Escrows	120,243	609,357
Operating Deficit Reserve	1,398,388	1,206,138
Other Reserves	86,859	9,571,468
Total Restricted Cash	<u>\$ 3,826,823</u>	<u>\$ 13,955,344</u>

NOTE 3 ACCOUNTS RECEIVABLES, NET

As of March 31, 2023, receivables, net consist of:

Portability Receivables	\$ 589,606
Fraud Recovery	129,579
Tenant Receivables	6,012
Other Receivables	212,376
Total Receivables	<u>937,573</u>
Allowance for Doubtful Accounts - Fraud	<u>(23,684)</u>
Total Receivables, Net	<u>\$ 913,889</u>

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at April 1, 2022	Additions/ Transfers	Disposals/ Transfers	Balance at March 31, 2023
Nondepreciable:				
Land	\$ 41,296,108	\$ 4,276,744	\$ -	\$ 45,572,852
Construction in Progress	1,031,021	148,196	-	1,179,217
Total Nondepreciable	<u>42,327,129</u>	<u>4,424,940</u>	<u>-</u>	<u>46,752,069</u>
Depreciated:				
Buildings	15,223,274	5,137,146	-	20,360,420
Equipment	248,721	978,514	-	1,227,235
Leasehold Improvements	4,165	-	-	4,165
Total Depreciated	<u>15,476,160</u>	<u>6,115,660</u>	<u>-</u>	<u>21,591,820</u>
Less Accumulated Depreciation:				
Buildings	(4,258,195)	(5,031,360)	-	(9,289,555)
Equipment	(99,514)	(29,916)	-	(129,430)
Leasehold Improvements	(43,052)	-	-	(43,052)
Total Accumulated Depreciation	<u>(4,400,761)</u>	<u>(5,061,276)</u>	<u>-</u>	<u>(9,462,037)</u>
Capital Assets, Net	<u>\$ 53,402,528</u>	<u>\$ 5,479,324</u>	<u>\$ -</u>	<u>\$ 58,881,852</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

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 2065. 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, 2023, total outstanding principal and accrued interest on these loans were \$83,207,995 and \$4,159,621, 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, 2023	Accrued Interest at March 31, 2023
Baybrook	\$ 625,000	06/01/05	4.57%	\$ 625,000	\$ 476,557
Bammel	741,420	01/01/05	4.27%	731,420	562,172
Cornerstone	1,400,000	08/01/04	5.00%	1,390,000	1,216,913
Louetta	550,000	01/01/05	4.30%	550,000	469,791
Magnolia Estates (Olive Grove)	700,000	12/01/06	4.90%	700,000	549,533
Waterside	500,000	06/01/06	5.32%	500,000	439,592
LT- Retreat at Westlock Ltd. (HOME)	2,538,170	08/28/14	0.25%	3,381,971	445,063
LT- Retreat at Westlock Ltd. (CDBG)	7,899,509	08/01/15	0.00%*	7,055,710	-
LT- Fenix Estates CDBG	21,266,972	5/19/2017	0.28%*	14,720,769	-
LT- Fenix Estates CDBG-GLO	6,754,831	5/19/2017	1.05%*	6,754,831	-
LT- Fenix Estates City of Houston	5,950,000	5/19/2017	0.00%*	5,750,000	-
The Hollows CDBG-GLO	11,120,000	8/5/2020	0.29%*	7,279,575	-
Arbor at Wayforest CDBG-GLO	9,520,000	5/19/2020	1.75%*	8,057,143	-
Northwood CDBG-GLO	11,500,000	6/30/2020	0.25%*	7,815,536	-
Bluestem	23,000,000	7/28/2020	0.5%*	9,545,336	-
The Residences at Arbor Oaks	12,000,000	7/29/2021	2.00%*	8,350,704	-
Total				<u>\$ 83,207,995</u>	<u>\$ 4,159,621</u>

* Interest is not deemed collectible, as such fully allowed for.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

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, 2023, the related parties' equity balances of the general partners are as follows for the year ended December 31, 2022:

<u>Blended Component Unit</u>	<u>Related Party Partnership</u>	<u>Balance at December 31, 2022</u>
HCHA Olive Grove, LLC	Olive Grove Manor, Ltd.	\$ (1,004,785)
HCHA Cornerstone, LLC	Cornerstone Village Apartments, L.P.	(94,981)
HCHA Bammel, LLC	TX Bammel Housing, L.P.	(501)
HCHA Louetta, LLC	Louetta Village Apartments 45, L.P.	(870,105)
HCHA Waterside, LLC	Waterside Court, Ltd.	(10,806)
HCHA Sierra Meadows, LLC	Sierra Meadows, Ltd.	(5,048)
HCHA Retreat at Westlock, LLC	Retreat at Westlock, Ltd.	(130)
Fenix Estates I GP, LLC	Fenix Estates I, LP	(709)
HCHA Channelview GP, LLC	LDG Channelview, LP	(79)
HCHA Wayforest GP, LLC	Arbor at Wayforest, LP	(105)
Total		<u>\$ (1,987,249)</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 7 LONG-TERM LIABILITIES

A summary of changes in noncurrent liabilities for the year ended March 31, 2023 is as follows:

	Payable at April 1, 2022	Additions	Reductions	Payable at March 31, 2023	Due Within One Year
Direct Borrowings:					
AGM Financial Services, Inc. -					
Cypresswood	\$ 4,445,949	\$ -	\$ (61,073)	\$ 4,384,876	\$ 69,390
Fenix Estates I	1,950,000	-	(100,000)	1,850,000	50,000
Citibank, N.A.-					
Fenix Estates Commercial, LLC	2,159,105	-	(40,300)	2,118,805	42,897
Harris County County Community Services Dept. - Northwood	6,161,020	3,942,016	-	10,103,036	-
Harris County County Community Services Dept. - The Hollows	4,301,156	4,845,363	-	9,146,519	-
Harris County County Community Services Dept. - Bluestem	3,900,000	9,545,336	-	13,445,336	-
Harris County County Community Services Dept. - Arbor at Wayforest	4,438,736	3,618,407	-	8,057,143	241,515
Harris County County Community Services Dept. - The Residences at Arbor Oaks	-	8,395,033	-	8,395,033	-
Baybrook Park Retirement Center, Ltd.	-	4,655,000	(199,028)	4,455,972	50,051
Total Loans	<u>27,355,966</u>	<u>35,001,155</u>	<u>(400,401)</u>	<u>61,956,720</u>	<u>453,853</u>
Compensated Absences					
Total	<u>104,630</u>	<u>101,427</u>	<u>(106,983)</u>	<u>99,074</u>	<u>24,769</u>
	<u>\$ 27,460,596</u>	<u>\$ 35,102,582</u>	<u>\$ (507,384)</u>	<u>\$ 62,055,794</u>	<u>\$ 478,622</u>

As of March 31, 2023, 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>
2024	\$ 453,853	\$ 539,635
2025	524,354	888,865
2026	2,514,410	778,233
2027	1,114,871	753,798
2028	383,331	750,382
2029-2033	2,578,098	2,862,270
2034-2038	2,771,558	2,751,738
2039-2043	25,312,748	2,615,087
2044-2048	23,334,530	743,144
2049-2053	1,906,891	179,280
2054-2058	1,062,076	6,714
Total	<u>\$ 61,956,720</u>	<u>\$ 12,869,146</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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 was due on May 1, 2019, and the note is due on April 1, 2054. Monthly principal and interest payments are \$21,201. The note is secured by the property. The current outstanding balance including principal and interest as of March 31, 2023 is \$4,384,876.

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, 2023 is \$1,850,000.

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, 2023 is \$2,118,805.

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, 2023 is \$10,103,036 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, 2023 is \$9,146,519 and the project is still under construction.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Harris County Community Services Department – Arbor at Wayforest

On May 19, 2020, the Authority entered into a loan agreement with HCCSD for a principal amount up to \$9,520,000. The first annual principal and interest payment of \$408,115 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. Interest is set at the 1.75%. The loan is secured by the property. The current outstanding balance as of March 31, 2023 is \$8,057,143 and the project is still under construction.

Harris County Community Services Department – Bluestem

On July 28, 2020, the Authority entered into a loan agreement with HCCSD for a principal amount up to \$23,000,000. The first annual interest payment of \$115,000 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 0.50%. The loan is secured by the property. The current outstanding balance as of March 31, 2023 is \$13,445,336 and the project is still under construction.

Harris County Community Services Department – The Residences at Arbor Oak

On July 9, 2021 the Authority entered into a loan agreement with HCCSD for a principal amount up to \$12,000,000. The first annual interest payment of \$240,000 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 2.00%. The loan is secured by the property. The current outstanding balance as of March 31, 2023 is \$8,395,033 and the project is still under construction.

Baybrook Park Retirement Center, Ltd.

On October 18, 2022, the Partnership refinanced its existing mortgage into a mortgage with AMG Financial Services, Inc. in the amount of \$4,030,000. The loan bears interest at 4.37% per annum with monthly principal and interest payments of \$18,749 due until maturity on November 1, 2057. The note is secured by a deed of trust. The current outstanding balance including principal and interest as of December 31, 2022 is \$3,830,972.

In June 2005, the Partnership obtained a HOME loan in the total amount of \$625,000 from Harris County Housing Authority. The HOME loan accrues interest on the outstanding balance at the applicable federal interest rate in place on the date of the agreement, which was 4.57%. The HOME loan matures on August 31, 2027, is collateralized by the project, and is subordinate to the mortgage. Payments of principal and unpaid interest are required at maturity. The current outstanding balance of principal and accrued interest as of December 31, 2022 is \$625,000 and \$476,562, respectively.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 8 LESSOR ACTIVITIES - 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.

	April 1, 2022	Additions	Reductions	March 31, 2023
Cornerstone Village Apartments, L.P.	\$ 551,015	\$ -	\$ (12,738)	\$ 538,277
TX Bammel Housing L.P.	203,867	-	(5,600)	198,267
Louetta Village Apartments 45, L.P.	259,059	-	(6,754)	252,305
Baybrook Park Retirement Center, Ltd.	420,425	-	(10,146)	410,279
Total Deferred Inflows - Ground Leases	<u>\$ 1,434,366</u>	<u>\$ -</u>	<u>\$ (35,238)</u>	<u>\$ 1,399,128</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.

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 \$10,145 per year.

The Authority entered into ground lease agreements as the lessor with several other limited partnerships not noted above that have constructed or are in the process of constructing rental home projects. The units must be used for affordable housing and are subject to affordable housing requirements. If at any time during the lease the affordable housing requirements are not met, the tenant is deemed to be in default and the lease is voided. The lease terms are for 99 year with varying rent terms and did not meet the definition of GASB 87 to be recorded.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 9 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 an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR 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.

Employees Covered by Benefit Terms

At the measurement date of December 31, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	4
Inactive Employees Entitled to But Not Yet	
Receiving Benefits	33
Active Employees	39
Total	<u>76</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 9 PENSION PLAN (CONTINUED)

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 2019 was 7.46%. The contribution rate for 2020 is 6.69%. The contribution rate for 2021 was 6.80%. The contribution rate for 2022 was 7.00%.

Net Pension Liability (Asset)

The Authority's net pension liability (asset) was measured as of December 31, 2022, 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, 2022, 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. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Mortality	135% of the PUB-2010 General Retirees Table for males and 120% of the PUB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions used in the December 31, 2022, actuarial valuation were based on the results of an actuarial experience investigation of TCDRS over the years 2017-2021.

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 2023 information for a 10-year time horizon.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 9 PENSION PLAN (CONTINUED)

Net Pension Liability (Asset) (Continued)

Actuarial Assumptions (Continued)

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 2022 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>
U.S. Equities	11.50 %	4.95 %
Global Equities	2.50	4.95
International Equities - Developed	5.00	4.95
International Equities - Emerging	6.00	4.95
Investment-Grade Bonds	3.00	2.40
Strategic Credit	9.00	3.39
Direct Lending	16.00	6.95
Distressed Debt	4.00	7.60
REIT Equities	2.00	4.15
Master Limited Partnerships (MLPs)	2.00	5.30
Private Real Estate Partnerships	6.00	5.70
Private Equity	25.00	7.95
Hedge Funds	6.00	2.90
Cash Equivalents	2.00	0.20
Total	<u>100.00</u>	

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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 9 PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a) - (b)
Balance as of December 31, 2021	\$ 4,632,297	5,739,833	\$ (1,107,536)
Changes for the Year:			
Service Cost	351,868	-	351,868
Interest on Total Pension Liability	375,789	-	375,789
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	(113,035)	-	(113,035)
Effect of Assumptions, Changes, or Inputs	-	-	-
Refund of Contributions	-	-	-
Benefit Payments	(80,620)	(80,620)	-
Administrative Expenses	-	(3,337)	3,337
Member Contributions	-	144,904	(144,904)
Net Investment Income (Losses)	-	(359,895)	359,895
Employer Contributions	-	210,318	(210,318)
Other	-	43,457	(43,457)
Balance as of December 31, 2022	<u>\$ 5,166,299</u>	<u>\$ 5,694,660</u>	<u>\$ (528,361)</u>

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 (8.6%)
	The Authority's Net Pension Liability (Asset)	<u>\$ 387,013</u>	<u>\$ (528,361)</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, 2023, the Authority recognized a credit to pension expense of \$700,529.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 9 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

As of March 31, 2023, 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	\$ 16,314	\$ 152,271
Changes in Assumptions	165,448	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	164,192	-
Contributions Subsequent to the Measurement Date of December 31, 2022	58,251	-
Total	\$ 404,205	\$ 152,271

The amount of \$58,251 shown above for “Contributions subsequent to the measurement date of December 31, 2022,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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>
2024	\$ (55,115)
2025	45,026
2026	64,808
2027	138,964
2028	-
Total	\$ 193,683

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, 2023.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 10 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 11 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.

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, 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, 2023, the Authority had \$1,320,931 of unspent cumulative excess HAP funding which is reflected in restricted net position. Furthermore, additional amounts are payable to federal programs from nonfederal programs.

NOTE 12 CONCENTRATIONS

For the year ended March 31, 2023, approximately 80.41% of operating revenues reflected in the financial statements for the primary government 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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 13 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 Note 8.

NOTE 14 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 15 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.

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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 15 CONDUIT DEBT (CONTINUED)

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.

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.

The Residences at Arbor Oaks, L.P.

In July 2021, HCHA PFC issued \$20,000,000 of bonds that are payable from the Residences at Arbor Oaks 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, 2023**

NOTE 16 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		HCHA		Baybrook		Total Blended Component Units	
	Cypresswood Estates	Olive Grove	Cornerstone	Louetta	Waterside	Westlock	Fenix Estates Commercial, LLC	Development Corporation	Harris County PFC	Redevelopment Authority	Fenix Estates Development, LLC	AMCAL Katy, LP		Retirement Center, Ltd.
Assets:														
Current Assets	\$ 392,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 490,563	\$ 150,096	\$ -	\$ 1,000,000	\$ -	\$ -	\$ 165,694	\$ 2,199,242
Restricted Assets	430,944	-	-	-	-	-	83,333	-	-	-	-	-	1,850,022	2,364,299
Capital Assets, Net	11,354,248	-	-	-	-	-	2,200,000	-	2,038,170	9,031,474	-	-	3,047,218	27,671,110
Notes Receivable	-	-	-	-	-	3,381,970	-	27,225,601	7,055,709	41,048,295	-	-	-	78,711,575
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	483,156	483,156
Total Assets	12,178,081	-	-	-	-	3,381,970	2,773,896	27,375,697	9,093,879	51,079,769	-	-	5,546,090	111,429,382
Liabilities:														
Current Liabilities	46,510	-	-	-	-	-	14,764	19,203	-	-	-	-	122,526	203,003
Current Liabilities Payable from Restricted Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Payable	4,379,205	-	-	-	-	-	2,118,805	1,900,000	-	44,948,295	-	-	4,455,971	57,802,276
Other Noncurrent Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	476,562	476,562
Total Liabilities	4,425,715	-	-	-	-	-	2,133,569	1,919,203	-	44,948,295	-	-	5,055,059	58,481,841
Net Position:														
Net Investment in														
Capital Assets	6,975,043	-	-	-	-	-	81,195	(1,900,000)	2,038,170	(35,916,821)	-	-	(1,408,753)	(30,131,166)
Restricted	430,944	-	-	-	-	3,381,970	83,333	27,225,601	7,055,709	41,048,295	-	-	-	81,048,099
Unrestricted	346,379	-	-	-	-	-	475,799	130,893	-	1,000,000	-	-	77,537	2,030,608
Total Net Position	\$ 7,752,366	\$ -	\$ -	\$ -	\$ -	\$ 3,381,970	\$ 640,327	\$ 25,456,494	\$ 9,093,879	\$ 6,131,474	\$ -	\$ -	\$ 491,031	\$ 52,947,541

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 16 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

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

	General Partners in Tax Credit Partnerships						Fenix Estates Commercial	HCHA Development Corporation	Harris County PFC	HCHA Redevelopment Authority	Fenix Estates Development	AMCAL Katy, LP	Baybrook Retirement Center, Ltd.	Total Blended Component Units
	Cypresswood Estates	Olive Grove	Cornerstone	Louetta	Waterside	Westlock								
Operating Revenues (Expenses):														
Tenant Revenue, Net	\$ 999,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,009,883	\$ 2,009,184
Other Revenue	3,793	228,092	91,800	182,824	228,672	-	324,000	97,017	159,132	571,276	-	279,440	-	2,166,046
Depreciation	(390,340)	-	-	-	-	-	-	-	-	-	-	-	(131,853)	(522,193)
Other Operating Expenses	(666,291)	-	-	-	-	-	(109,815)	-	-	-	-	-	(722,929)	(1,499,035)
Total Operating Revenue (Expenses)	(53,537)	228,092	91,800	182,824	228,672	-	214,185	97,017	159,132	571,276	-	279,440	155,101	2,154,002
Nonoperating Revenues (Expenses):														
Interest Income	3,935	-	-	-	-	-	-	-	-	-	-	-	4,977	8,912
Interest Expense	(187,663)	-	-	-	-	-	(134,016)	(90,800)	(5,332)	-	-	-	(191,583)	(609,394)
Transfer from (to) Other Programs	-	(228,092)	(91,800)	(182,824)	(228,672)	-	-	-	(3,150)	(571,276)	(199,665)	(279,440)	522,536	(1,262,383)
Total Nonoperating Revenues (Expenses)	(183,728)	(228,092)	(91,800)	(182,824)	(228,672)	-	(134,016)	(90,800)	(8,482)	(571,276)	(199,665)	(279,440)	335,930	(1,862,865)
Change in Net Position	(237,265)	-	-	-	-	-	80,169	6,217	150,650	-	(199,665)	-	491,031	291,137
Net Position - Beginning	7,989,631	-	-	-	-	3,381,970	560,158	25,450,277	8,943,229	6,131,474	199,665	-	-	52,656,404
Net Position - Ending	\$ 7,752,366	\$ -	\$ -	\$ -	\$ -	\$ 3,381,970	\$ 640,327	\$ 25,456,494	\$ 9,093,879	\$ 6,131,474	\$ -	\$ -	\$ 491,031	\$ 52,947,541

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 16 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Statement of Cash Flows

	General Partners in Tax Credit Partnerships						Fenix Estates Commercial	HCHA Development Corporation	Harris County PFC	HCHA Redevelopment Authority	Fenix Estates Development	AMCAL Katy, LP	Baybrook Retirement Center, Ltd.	Total Blended Component Units
	Cypresswood Estates	Olive Grove	Comerstone	Louetta	Waterside	Westlock								
Net Cash Provided (Used) by:														
Operating Activities	\$ 80,199	\$ 228,092	\$ 91,800	\$ 182,824	\$ 228,672	\$ -	\$ 44,855	\$ 6,217	\$ 630	\$ (603,680)	\$ -	\$ 279,440	\$ 115,079	\$ 539,049
Capital and Related Financing Activities	-	-	-	-	-	-	-	-	-	-	-	-	1,352,046	-
Investing Activities	3,935	-	-	-	-	-	-	-	-	-	-	-	(319,420)	3,935
Transfer to/from Other Entities	-	(228,092)	(91,800)	(182,824)	(228,672)	-	-	-	(3,150)	(571,276)	(199,665)	(279,440)	522,536	(1,784,919)
Net Increase (Decrease) in Cash	84,134	-	-	-	-	-	44,855	6,217	(2,520)	(1,174,956)	(199,665)	-	1,670,241	(1,241,935)
Cash - Beginning	736,546	-	-	-	-	-	529,041	143,879	2,520	2,174,956	199,665	-	296,998	3,786,607
Cash - Ending	\$ 820,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 573,896	\$ 150,096	\$ -	\$ 1,000,000	\$ -	\$ -	\$ 1,967,239	\$ 2,544,672

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 17 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, 2023 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	Arbor at Wayforest	Channel View	Total
ASSETS												
Cash and Cash Equivalents	\$ -	\$ 17,958	\$ 9,834	\$ 195,641	\$ 396,423	\$ 1,924,126	\$ 73,560	\$ 175,262	\$ 264,386	\$ 2,080,754	\$ 117,477	\$ 5,255,421
Cash and Cash Equivalents - Restricted	-	709,262	666,670	892,245	576,320	1,309,544	733,195	795,250	1,208,274	3,174,077	3,890,507	13,955,344
Accounts Receivables	-	1,146	13,684	652	771	18,141	18,926	18,788	84,292	121,477	4,632	282,509
Other Assets	-	742,471	341,434	73,209	93,243	351,328	71,802	2,237,465	109,574	1,522,004	1,834,930	7,377,460
Capital Assets, Net	-	5,886,217	5,096,310	8,267,357	6,426,532	7,441,584	7,675,206	15,184,513	32,018,777	32,488,983	33,401,945	153,887,424
Total Assets	<u>\$ -</u>	<u>\$ 7,357,054</u>	<u>\$ 6,127,932</u>	<u>\$ 9,429,104</u>	<u>\$ 7,493,289</u>	<u>\$ 11,044,723</u>	<u>\$ 8,572,689</u>	<u>\$ 18,411,278</u>	<u>\$ 33,685,303</u>	<u>\$ 39,387,295</u>	<u>\$ 39,249,491</u>	<u>\$ 180,758,158</u>
LIABILITIES												
Current Liabilities	\$ -	\$ 56,891	\$ 481,952	\$ 630,183	\$ 72,763	\$ 921,058	\$ 630,032	\$ 312,009	\$ 491,431	\$ 27,752,544	\$ 7,154,454	\$ 38,503,317
Long-Term Liabilities	-	8,935,058	6,098,004	3,737,872	8,485,822	10,449,426	4,068,571	15,052,119	31,491,742	11,091,760	31,469,729	130,880,103
Total Liabilities	<u>\$ -</u>	<u>\$ 8,991,949</u>	<u>\$ 6,579,956</u>	<u>\$ 4,368,055</u>	<u>\$ 8,558,585</u>	<u>\$ 11,370,484</u>	<u>\$ 4,698,603</u>	<u>\$ 15,364,128</u>	<u>\$ 31,983,173</u>	<u>\$ 38,844,304</u>	<u>\$ 38,624,183</u>	<u>\$ 169,383,420</u>
NET POSITION												
Net Investment in Capital Assets	\$ -	\$ (1,471,030)	\$ (485,318)	\$ 4,558,485	\$ 4,438,747	\$ 554,739	\$ 3,606,635	\$ 132,394	\$ 4,793,177	\$ 631,840	\$ 1,932,216	\$ 18,691,885
Restricted	-	684,897	624,028	848,930	552,834	1,267,731	636,774	764,536	1,182,000	3,105,333	3,879,506	13,546,569
Unrestricted (Deficit)	-	(848,762)	(590,734)	(346,366)	(6,056,877)	(2,148,231)	(369,323)	2,150,220	(4,273,047)	(3,194,182)	(5,186,414)	(20,863,716)
Net Position	<u>\$ -</u>	<u>\$ (1,634,895)</u>	<u>\$ (452,024)</u>	<u>\$ 5,061,049</u>	<u>\$ (1,065,296)</u>	<u>\$ (325,761)</u>	<u>\$ 3,874,086</u>	<u>\$ 3,047,150</u>	<u>\$ 1,702,130</u>	<u>\$ 542,991</u>	<u>\$ 625,308</u>	<u>\$ 11,374,738</u>
Operating Revenues	\$ -	\$ 1,632,647	\$ 1,434,172	\$ 1,625,514	\$ 1,128,184	\$ 2,056,411	\$ 1,547,168	\$ 1,239,546	\$ 1,603,615	\$ 1,539,557	\$ 1,524,337	\$ 15,331,151
Operating Expenses	-	(1,535,219)	(1,241,855)	(1,832,036)	(1,039,175)	(2,018,584)	(1,782,150)	(1,601,759)	(3,397,510)	(2,177,209)	(618,819)	(17,244,316)
Operating Income (Loss)	-	97,428	192,317	(206,522)	89,009	37,827	(234,982)	(362,213)	(1,793,895)	(637,652)	905,518	(1,913,165)
Nonoperating Revenues	-	759	705	1,461	429	863	1,866	4,979	-	-	3,354	14,416
Nonoperating Expenses	-	(189,707)	(198,964)	(251,162)	(129,166)	(107,057)	(336,951)	(235,785)	(254,758)	(794,192)	(283,564)	(2,781,306)
Loss Before Capital Contributions	-	(188,948)	(198,259)	(249,701)	(128,737)	(106,194)	(335,085)	(230,806)	(254,758)	(794,192)	(280,210)	(1,692,488)
Change in Net Position	-	(91,520)	(5,942)	(456,223)	(39,728)	(68,367)	(570,067)	(593,019)	(2,048,653)	(1,431,844)	625,308	(4,680,055)
Beginning Net Position	522,536	(1,543,375)	(446,082)	5,517,272	(1,025,568)	(257,394)	4,444,153	3,640,169	3,750,783	-	-	14,602,494
Transfer In or Out	(522,536)	-	-	-	-	-	-	-	-	1,974,835	-	1,452,299
Ending Net Position	<u>\$ -</u>	<u>\$ (1,634,895)</u>	<u>\$ (452,024)</u>	<u>\$ 5,061,049</u>	<u>\$ (1,065,296)</u>	<u>\$ (325,761)</u>	<u>\$ 3,874,086</u>	<u>\$ 3,047,150</u>	<u>\$ 1,702,130</u>	<u>\$ 542,991</u>	<u>\$ 625,308</u>	<u>\$ 11,374,738</u>

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2023**

NOTE 17 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, 2022:

	Balance at January 1, 2022	Additions	Disposals/ Transfers	Balance at December 31, 2022
Land Improvements	\$ 18,751,729	\$ 5,178,284	\$ -	\$ 23,930,013
Buildings and Improvements	111,606,510	40,541,052	-	152,147,562
Equipment	6,297,755	1,492,235	-	7,789,990
Construction in Progress	-	19,555,699	-	19,555,699
Leasehold Improvements	42,327	-	-	42,327
Total Capital Assets	<u>136,698,321</u>	<u>66,767,270</u>	-	<u>203,465,591</u>
Less: Accumulated Depreciation:	<u>(43,858,687)</u>	<u>(5,719,480)</u>	-	<u>(49,578,167)</u>
Total Capital Assets, Net	<u>\$ 92,839,634</u>	<u>\$ 61,047,790</u>	<u>\$ -</u>	<u>\$ 153,887,424</u>

Summarized Notes Payable – Discretely Presented Component Units

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

	December 31, 2022
Notes Payable - Due to Primary Government	\$ 83,207,995
Mortgages and Other Housing Related Notes	<u>51,987,544</u>
Total	135,195,539
Less: Current Portion	<u>(24,017,487)</u>
Noncurrent Portion	<u>\$ 111,178,052</u>

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

Balance January 1, 2022	Increase	Decrease	Balance December 31, 2022
<u>\$ 82,838,383</u>	<u>\$ 63,639,991</u>	<u>\$ (11,282,835)</u>	<u>\$ 135,195,539</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, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										
Service Cost	\$ 351,868	\$ 313,938	\$ 254,766	\$ 235,739	\$ 256,322	\$ 295,565	\$ 332,895	\$ 283,212	(Historical information prior to	
Interest on Total Pension Liability	375,789	328,820	278,190	242,823	225,469	206,992	168,261	144,593	implementation of GASB 68 not required)	
Effect of Plan Changes	-	-	-	-	-	-	-	(30,775)		
Effect of Assumption Changes or Inputs	-	13,898	310,844	-	-	11,827	-	33,714		
Effect of Economic/Demographic (Gains) or Losses	(113,035)	(6,237)	32,631	(23,605)	(164,679)	(159,503)	(84,014)	(69,707)		
Benefit Payments/Refunds of Contributions	(80,620)	(60,417)	(27,101)	(47,219)	(116,000)	(60,132)	(82,125)	(101,034)		
Net Change in Total Pension Liability	534,002	590,002	849,330	407,738	201,112	294,749	335,017	260,003		
Total Pension Liability - Beginning	4,632,297	4,042,295	3,192,965	2,785,227	2,584,115	2,289,366	1,954,349	1,694,346		
Total Pension Liability - Ending (a)	\$ 5,166,299	\$ 4,632,297	\$ 4,042,295	\$ 3,192,965	\$ 2,785,227	\$ 2,584,115	\$ 2,289,366	\$ 1,954,349		
Plan Fiduciary Net Position										
Contributions - Employer	\$ 210,318	\$ 128,220	\$ 113,953	\$ 120,053	\$ 126,392	\$ 140,517	\$ 146,992	\$ 141,627		
Contributions - Member	144,904	132,969	119,234	112,650	110,043	118,068	133,977	135,350		
Net Investment Income	(359,895)	1,015,779	403,961	524,118	(56,926)	375,842	161,775	(66,887)		
Benefit Payments, Including Refunds of Employee Contributions	(80,620)	(60,417)	(27,101)	(47,219)	(116,001)	(60,132)	(82,125)	(101,034)		
Administrative Expense	(3,337)	(3,105)	(3,307)	(2,977)	(2,564)	(2,080)	(1,759)	(1,533)		
Other	43,457	6,933	6,485	6,895	3,903	2,641	31,239	(29)		
Net Change in Plan Fiduciary Net Position	(45,173)	1,220,379	613,225	713,520	64,847	574,856	390,099	107,494		
Plan Fiduciary Net Position - Beginning	5,739,833	4,519,454	3,906,229	3,192,709	3,127,863	2,553,007	2,162,908	2,055,414		
Plan Fiduciary Net Position - Ending (b)	\$ 5,694,660	\$ 5,739,833	\$ 4,519,454	\$ 3,906,229	\$ 3,192,710	\$ 3,127,863	\$ 2,553,007	\$ 2,162,908		
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (528,361)	\$ (1,107,536)	\$ (477,159)	\$ (713,264)	\$ (407,483)	\$ (543,748)	\$ (263,641)	\$ (208,559)		
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	110.23 %	123.91 %	111.80 %	122.34 %	114.63 %	121.04 %	111.52 %	110.67 %		
Covered Payroll	\$ 2,070,060	\$ 1,899,561	\$ 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	(25.52)%	(58.30)%	(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, 2022**

	2018	2019	2020	2021	2022
Actuarially Determined Contributions	\$ 126,392	\$ 120,053	\$ 113,953	\$ 128,220	\$ 210,318
Contribution in Relation to the Actuarially Determined Contribution	<u>126,392</u>	<u>120,053</u>	<u>113,953</u>	<u>128,220</u>	<u>210,318</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,572,043	\$ 1,609,287	\$ 1,703,339	\$ 1,899,561	\$ 2,070,060
Contributions as a Percentage of Covered Payroll	8.00 %	7.50 %	6.70 %	6.80 %	10.20 %

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 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% 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	135% of the PUB-2010 General Retirees Table for males and 120% of the PUB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
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, 2023**

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	Emergency Housing Voucher	Elimination	Enterprise Fund Total	Discrete Component Unit	Total
CURRENT ASSETS															
Cash:															
111	Unrestricted	\$ 3,614,406	\$ -	\$ 180,000	\$ 227,387	\$ -	\$ -	\$ 7,376,140	\$ 2,154,683	\$ 1,704,202	\$ 156,675	\$ -	\$ 15,413,493	\$ 5,255,421	\$ 20,668,914
113	Other Restricted	1,320,931	-	-	-	-	-	-	2,298,397	-	148,664	-	3,767,992	13,546,569	17,314,561
114	Tenant Security Deposits	-	-	-	-	-	-	-	58,831	-	-	-	58,831	408,775	467,606
100	Total Cash	4,935,337	-	180,000	227,387	-	-	7,376,140	4,511,911	1,704,202	305,339	-	19,240,316	19,210,765	38,451,081
Accounts and Notes Receivable:															
121	PHA Projects	589,606	-	-	-	-	-	-	-	-	-	-	589,606	-	589,606
122	HUD Other Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125	Miscellaneous	66,125	-	-	38,079	-	-	6,000	-	88,528	13,644	-	212,376	-	212,376
126	Tenants	-	-	-	-	-	-	-	6,012	-	-	-	6,012	13,875	19,887
126.1	Allowance for Doubtful Accounts - Tenants	-	-	-	-	-	-	-	-	-	-	-	-	269,375	269,375
126.2	Allowance for Doubtful Accounts - Other	(328)	-	-	-	-	-	-	-	-	-	-	(328)	(741)	(1,069)
128	Fraud Recovery	129,256	-	-	323	-	-	-	-	-	-	-	129,579	-	129,579
128.1	Allowance for Doubtful Accounts - Fraud	(23,033)	-	-	(323)	-	-	-	-	-	-	-	(23,356)	-	(23,356)
129	Accrued Interest Receivable	-	-	-	-	-	-	4,159,621	-	-	-	-	4,159,621	-	4,159,621
120	Total Receivables, Net of Allowances for Uncollectibles	761,626	-	-	38,079	-	-	4,165,621	6,012	88,528	13,644	-	5,073,510	282,509	5,356,019
142	Prepaid Expenses and Other Assets	7,673	-	-	71	-	-	3,517	45,618	28,856	175	-	85,910	440,327	526,237
150	Total Current Assets	5,704,636	-	180,000	265,537	-	-	11,545,278	4,563,541	1,821,586	319,158	-	24,399,736	19,933,601	44,333,337
NONCURRENT ASSETS															
Fixed Assets:															
161	Land	-	-	-	-	-	-	29,977,039	15,595,813	-	-	-	45,572,852	23,930,013	69,502,865
162	Buildings	-	-	-	-	-	-	-	20,360,420	-	-	-	20,360,420	152,147,562	172,507,982
164	Furniture, Equipment, and Mach - Admin.	135,282	-	-	-	-	-	59,545	1,006,301	26,105	-	-	1,227,233	7,789,990	9,017,223
165	Leasehold Improvements	-	-	-	-	-	-	-	4,165	-	-	-	4,165	42,327	46,492
166	Accumulated Depreciation	(115,387)	-	-	-	-	-	(30,045)	(9,295,589)	(21,014)	-	-	(9,462,035)	(49,578,167)	(59,040,202)
167	Construction in Progress	-	-	-	-	-	-	1,179,217	-	-	-	-	1,179,217	19,555,699	20,734,916
160	Total Fixed Assets, Net of Accumulated Depreciation	19,895	-	-	-	-	-	31,185,756	27,671,110	5,091	-	-	58,881,852	153,887,424	212,769,276
171	Notes, Loans, and Mortgages Receivable - Noncurrent	-	-	-	-	-	-	4,496,420	78,711,575	-	-	-	83,207,995	-	83,207,995
174	Other Assets	306,955	77,466	-	-	-	-	483,156	134,204	134,204	9,736	-	1,011,517	6,937,133	7,948,650
180	Total Noncurrent Assets	326,850	-	-	-	-	-	35,759,642	106,865,841	139,295	9,736	-	143,101,364	160,824,557	303,925,921
200	Deferred Outflows of Resources	234,826	-	-	-	-	-	59,263	-	102,668	7,448	-	404,205	-	404,205
290	Total Assets	\$ 6,266,312	\$ -	\$ 180,000	\$ 265,537	\$ -	\$ -	\$ 47,364,183	\$ 111,429,382	\$ 2,063,549	\$ 336,342	\$ -	\$ 167,905,305	\$ 180,758,158	\$ 348,663,463

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2023**

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	Emergency Housing Voucher	Elimination	Enterprise Fund Total	Discrete Component Unit	Total
CURRENT LIABILITIES															
312	Accounts Payable < 90 Days	\$ 408,052	\$ -	\$ -	\$ 1,377	\$ -	\$ -	\$ 4,844	\$ 121,377	\$ 48,282	\$ 83,631	\$ -	\$ 667,563	\$ 4,509,328	\$ 5,176,891
321	Accrued Wage/Payroll Taxes Payable	15,794	-	-	165	-	-	4,473	-	5,853	169	-	26,524	-	26,524
322	Accrued Compensated Absences - Current Portion	18,006	-	-	-	-	-	2,368	-	4,395	-	-	24,769	-	24,769
325	Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	2,103,064	2,103,064
332	Accounts Payable - PHA Projects	764,792	-	-	-	-	-	-	-	-	-	-	764,792	-	764,792
341	Tenant Security Deposits	-	-	-	-	-	-	-	58,831	-	-	-	58,831	412,272	471,103
342	Deferred Revenues	-	-	-	-	-	-	105,244	3,592	-	148,664	-	257,500	94,728	352,228
343	Current Portion of Long-Term Debt - Capital Projects	-	-	-	-	-	-	-	453,853	-	-	-	453,853	24,017,487	24,471,340
345	Other Current Liabilities	1,849	-	-	52	-	-	49,035	19,203	746	38	-	70,923	7,366,438	7,437,361
310	Total Current Liabilities	<u>1,208,493</u>	<u>-</u>	<u>-</u>	<u>1,614</u>	<u>-</u>	<u>-</u>	<u>165,964</u>	<u>656,856</u>	<u>59,306</u>	<u>232,522</u>	<u>-</u>	<u>2,324,755</u>	<u>38,503,317</u>	<u>40,828,072</u>
NONCURRENT LIABILITIES															
351	Long-Term Debt, Net of Current - Capital Projects	-	-	-	-	-	-	4,154,444	57,348,423	-	-	-	61,502,867	111,178,052	172,680,919
353	Noncurrent Liabilities - Other	-	-	-	-	-	-	-	476,562	-	-	-	476,562	19,702,051	20,178,613
354	Accrued Compensated Absences - Noncurrent	54,016	-	-	-	-	-	7,103	-	13,186	-	-	74,305	-	74,305
350	Total Noncurrent Liabilities	<u>54,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,161,547</u>	<u>57,824,985</u>	<u>13,186</u>	<u>-</u>	<u>-</u>	<u>62,053,734</u>	<u>130,880,103</u>	<u>192,933,837</u>
300	Total Liabilities	<u>1,262,509</u>	<u>-</u>	<u>-</u>	<u>1,614</u>	<u>-</u>	<u>-</u>	<u>4,327,511</u>	<u>58,481,841</u>	<u>72,492</u>	<u>232,522</u>	<u>-</u>	<u>64,378,489</u>	<u>169,383,420</u>	<u>233,761,909</u>
400	Deferred Inflow of Resources	88,462	-	-	-	-	-	1,421,454	-	38,677	2,806	-	1,551,399	-	1,551,399
NET POSITION															
508.4	Invested in Capital Assets	19,895	-	-	-	-	-	27,031,312	(30,131,166)	5,091	-	-	(3,074,868)	18,691,885	15,617,017
511.4	Restricted Net Position	1,627,886	-	-	-	-	-	8,733,507	81,009,972	134,204	9,736	-	91,515,305	13,546,569	105,061,874
512.4	Unrestricted Net Position	3,267,560	-	180,000	263,923	-	-	5,850,399	2,068,735	1,813,085	91,278	-	13,534,980	(20,863,716)	(7,328,736)
513	Total Net Position	<u>4,915,341</u>	<u>-</u>	<u>180,000</u>	<u>263,923</u>	<u>-</u>	<u>-</u>	<u>41,615,218</u>	<u>52,947,541</u>	<u>1,952,380</u>	<u>101,014</u>	<u>-</u>	<u>101,975,417</u>	<u>11,374,738</u>	<u>113,350,155</u>
600	Total Liabilities and Net Position	<u>\$ 6,266,312</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 265,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,364,183</u>	<u>\$ 111,429,382</u>	<u>\$ 2,063,549</u>	<u>\$ 336,342</u>	<u>\$ -</u>	<u>\$ 167,905,305</u>	<u>\$ 180,758,158</u>	<u>\$ 348,663,463</u>

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2023**

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	Emergency Housing Voucher	Elimination	Enterprise Fund Total	Discrete Component Unit	Total
REVENUE															
70300	Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,984,689	\$ -	\$ -	\$ -	\$ 1,984,689	\$ 12,647,565	\$ 14,632,254
70400	Tenant Revenue - Other	-	-	-	-	-	-	-	24,495	-	-	-	24,495	220,962	245,457
70500	Total Tenant Revenue	-	-	-	-	-	-	-	2,009,184	-	-	-	2,009,184	12,868,527	14,877,711
70600	HUD PHA Operating Grants	56,273,515	-	-	334,024	-	-	-	-	-	1,613,604	-	58,221,143	-	58,221,143
70710	Management Fee	-	-	-	-	-	-	-	-	713,736	-	(713,736)	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70730	Bookkeeping Fee	-	-	-	-	-	-	-	-	446,085	-	(446,085)	-	-	-
70750	Other Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70800	Other Governmental Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71100	Investment Income - Unrestricted	-	-	-	-	-	-	276,005	8,912	-	-	-	284,917	14,416	299,333
71400	Fraud Recovery	121,245	-	-	-	-	-	-	-	-	-	-	121,245	-	121,245
71500	Other Revenue	7,061,767	-	-	-	-	-	2,863,591	2,166,046	257,682	24,628	(324,000)	12,049,714	2,462,624	14,512,338
72000	Investment Income - Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70000	Total Revenue	63,456,527	-	-	334,024	-	-	3,139,596	4,184,142	1,417,503	1,638,232	(1,483,821)	72,686,203	15,345,567	88,031,770
EXPENSES															
Administrative:															
91100	Administrative Salaries	1,168,204	-	-	26,029	-	-	271,464	164,479	483,325	37,208	-	2,150,709	1,209,895	3,360,604
91200	Auditing Fees	50,329	-	-	294	-	-	4,538	43,800	1,079	-	-	100,040	120,808	220,848
91300	Management Fee	682,212	-	-	9,204	-	-	-	100,418	-	22,320	(713,736)	100,418	1,393,447	1,493,865
91310	Bookkeeping Fee	426,382	-	-	5,753	-	-	-	-	-	13,950	(446,085)	-	-	-
91400	Advertising and Marketing	-	-	-	-	-	-	-	15,754	-	-	-	15,754	181,466	197,220
91500	Employee Benefit Contributions - Administrative	451,020	-	-	5,065	-	-	82,252	39,775	120,186	916	-	699,214	290,823	990,037
91600	Office Expenses	166,755	-	-	3,450	-	-	55,982	33,258	198,567	11,669	(324,000)	145,681	294,717	440,398
91700	Legal Expense	48,900	-	-	-	-	-	170,097	-	170,833	-	-	389,830	116,736	506,566
91800	Travel	-	-	-	-	-	-	240	-	-	-	-	240	15,491	15,731
91900	Other	217,275	-	-	-	-	-	95,207	25,756	33,572	1,334	-	373,144	168,686	541,830
	Total Administrative	3,211,077	-	-	49,795	-	-	679,780	423,240	1,007,562	87,397	(1,483,821)	3,975,030	3,792,069	7,767,099
Tenant Services:															
92000	Asset Management Fee	-	-	-	-	-	-	-	7,413	-	-	-	7,413	53,221	60,634
92100	Salaries	-	-	-	-	-	-	-	1,650	-	-	-	1,650	28,000	29,650
92300	Employee Benefit Contribution - Tenant Services	-	-	-	-	-	-	-	-	-	-	-	-	7,036	7,036
92400	Other	-	-	-	-	-	-	-	13,332	-	382,162	-	395,494	204,524	600,018
	Total Tenant Services	-	-	-	-	-	-	-	22,395	-	382,162	-	404,557	292,781	697,338
Utilities:															
93100	Water	-	-	-	-	-	-	-	99,945	-	-	-	99,945	667,053	766,998
93200	Electricity	-	-	-	-	-	-	-	43,360	-	-	-	43,360	378,343	421,703
93300	Gas	-	-	-	-	-	-	-	5,791	-	-	-	5,791	3,257	9,048
93800	Other Utilities Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
93600	Sewer	-	-	-	-	-	-	-	-	-	-	-	-	109,470	109,470
	Total Utilities	-	-	-	-	-	-	-	149,096	-	-	-	149,096	1,158,123	1,307,219
Ordinary Maintenance and Operations:															
94100	Labor	-	-	-	-	-	-	-	129,238	-	-	-	129,238	669,207	798,445
94200	Materials and Other	2,567	-	-	39	-	-	355	167,643	3,121	130	-	173,855	413,334	587,189
94300	Contracts	36,185	-	-	12	-	-	6,062	194,161	28,754	455	-	265,629	1,758,663	2,024,292
94500	Employee Benefits Contribution	-	-	-	-	-	-	-	31,294	-	-	-	31,294	170,190	201,484
	Total Ordinary Maintenance and Operations	38,752	-	-	51	-	-	6,417	522,336	31,875	585	-	600,016	3,011,394	3,611,410
Protective Services:															
95200	Other Contract Costs	-	-	-	-	-	-	-	39,900	-	-	-	39,900	-	39,900
	Total Protective Services	-	-	-	-	-	-	-	39,900	-	-	-	39,900	-	39,900

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2023**

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	Emergency Housing Voucher	Elimination	Enterprise Fund Total	Discrete Component Unit	Total
EXPENSES (Continued)															
Insurance Premiums:															
96110	Property Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	239,622	\$ -	\$ -	\$ -	239,622	\$ 1,411,582	\$ 1,651,204
96130	Workmen's Compensation	-	-	-	-	-	-	-	11,812	-	-	-	11,812	15,858	27,670
96140	Other Insurance	-	-	-	96	-	-	-	551	7,188	202	-	8,037	-	8,037
	Total Insurance Premiums	-	-	-	96	-	-	-	251,985	7,188	202	-	259,471	1,427,440	1,686,911
General Expenses:															
96200	Other General Expenses	131,211	-	-	2,541	-	-	-	81,522	27,523	1,532	-	244,329	1,634,696	1,879,025
96210	Compensated Absences	69,709	-	-	2,398	-	-	5,570	-	22,524	1,226	-	101,427	-	101,427
96400	Bad Debt - Tenant Rents	-	-	-	-	-	-	-	8,561	-	-	-	8,561	208,333	216,894
96600	Bad Debt - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96000	Total General Expenses	200,920	-	-	4,939	-	-	5,570	90,083	50,047	2,758	-	354,317	1,843,029	2,197,346
Interest Expenses:															
96710	Interest of Mortgage Payable	-	-	-	-	-	-	-	609,394	-	-	-	609,394	2,723,324	3,332,718
96720	Interest of Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	11,867	11,867
96730	Amortization Expense	-	-	-	-	-	-	-	-	-	-	-	-	46,115	46,115
	Total Interest Expenses	-	-	-	-	-	-	-	609,394	-	-	-	609,394	2,781,306	3,390,700
96900	Total Operating Expenses	3,450,749	-	-	54,881	-	-	691,767	2,108,429	1,096,672	473,104	(1,483,821)	6,391,781	14,306,142	20,697,923
EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSES															
97000		60,005,778	-	-	279,143	-	-	2,447,829	2,075,713	320,831	1,165,128	-	66,294,422	1,039,425	67,333,847
97100	Extraordinary Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97200	Casualty Losses - Noncapitalized	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	51,929,034	-	-	259,657	-	-	-	-	-	2,149,824	-	54,338,515	-	54,338,515
97350	Housing Assistance Payments Portability - In	6,781,360	-	-	-	-	-	-	-	-	23,899	-	6,805,259	-	6,805,259
97400	Depreciation Expense	29,417	-	-	-	-	-	-	522,193	499	-	-	552,109	5,719,480	6,271,589
90000	Total Expenses	62,190,560	-	-	314,538	-	-	691,767	2,630,622	1,097,171	2,646,827	(1,483,821)	68,087,664	20,025,622	88,113,286
Other Financing Sources (Uses):															
10010	Operating Transfer In	-	-	-	-	-	-	1,784,919	-	-	-	(1,784,919)	-	-	-
10020	Operating Transfer Out	-	-	-	-	-	-	-	(1,784,919)	-	-	1,784,919	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-	-	-	-	-	-	1,974,835	1,974,835
10093	Transfers between Program and Project - In	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10094	Transfers between Program and Project - Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	1,784,919	(1,784,919)	-	-	-	-	1,974,835	1,974,835
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES															
10000		\$ 1,265,987	\$ -	\$ -	\$ 19,488	\$ -	\$ -	\$ 4,232,748	\$ (231,399)	\$ 320,332	\$ (1,008,595)	\$ -	\$ 4,598,539	\$ (2,705,220)	\$ 1,893,319
Memo Account Information:															
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,190,325	\$ 24,190,325
11030	Beginning Equity	3,623,864	-	180,000	249,109	20,838	-	37,382,470	52,656,404	1,632,048	1,109,609	-	96,854,342	14,602,494	111,456,836
11040	Prior Period Adjustments, Equity Transfers and Correction	25,510	-	-	(4,672)	(20,838)	-	-	522,536	-	-	-	522,536	(522,536)	-
11170	Administrative Fee Equity	3,287,455	-	-	-	-	-	-	-	-	-	-	3,287,455	-	3,287,455
11180	Housing Assistance Payments Equity	1,627,886	-	-	-	-	-	-	-	-	-	-	1,627,886	-	1,627,886
11190	Unit Months Available	57,657	-	-	864	-	-	-	1,056	-	2,916	-	62,493	19,968	82,461
11210	Unit Months Leased	56,959	-	-	767	-	-	-	1,040	-	1,856	-	60,622	17,421	78,043

SINGLE AUDIT SECTION

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct:			
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 56,273,515
Emergency Housing Vouchers	14.871	N/A	<u>1,613,604</u>
Total Housing Voucher Cluster			<u>57,887,119</u>
Section 8 Project-Based Cluster:			
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	N/A	<u>334,024</u>
Pass-through from Harris County, Texas:			
Community Development Block Grants - Disaster Recovery:	14.228	N/A	
Beginning Loan Balance			18,800,912
Current Year Loan Disbursements			<u>30,301,827</u>
Total Community Development Block Grants - Disaster Recovery			<u>49,102,739</u>
Total Expenditures of Federal Awards			<u><u>\$ 107,323,882</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2023**

NOTE 1 BASIS OF PRESENTATION

The 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, ALN 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 SUB-RECIPIENTS

During the year ended March 31, 2023, the Authority had no sub-recipients.

NOTE 4 NONCASH FEDERAL ASSISTANCE

The Authority did not receive any noncash federal assistance for the year ended March 31, 2023.

NOTE 5 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, 2023, the Authority obtained \$30,301,827 in CDBG loans from Harris County, Texas. There were no repayments made during the fiscal year. The March 31, 2023 ending balance of outstanding CDBG loans was \$49,102,739.



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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 5, 2023.

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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


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

Report on 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
December 5, 2023



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

Opinion on Each Major Federal Program

We have audited the Harris County Housing Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit 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, 2023. The Authority's major federal programs are identified in the summary of auditors' 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, 2023. 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 federally insured loan that is not included in the schedule of expenditures of federal awards for the year ended March 31, 2023.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Harris County Housing Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

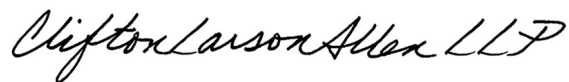
Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CliftonLarsonAllen LLP

San Antonio, Texas
December 5, 2023

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2023**

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)? x yes _____ 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)? x yes _____ no

Identification of Major Federal Programs

Assistance Listing Number

14.871

Name of Federal Program or Cluster

Housing Voucher Cluster

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

\$ 3,000,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED MARCH 31, 2023**

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

2023 – 001

Federal Agency: US Department of Housing and Urban Development

Federal Program Title: Community Development Block Grants/Entitlement Grants

ALN Number: 14.228

Award Periods: April 1, 2022 – March 31, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance also reported as Other Noncompliance

Criteria or specific requirement: 2 CFR Subpart D 200.302 (1) and 200.303 (a) stipulates that the auditee must identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the ALN title and number, Federal award identification number and year, name of Federal agency, and name of the pass-through entity; establish and maintain effective internal control over Federal award that provides reasonable assurance that the auditee is managing Federal awards in compliance with Federal statutes, regulation, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Controller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee on Sponsoring Organizations of the Treadway Commission (COSO).

In addition, 2 CFR 200.502(b) states that since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:

- (1) Value of new loans made or received during the audit period; plus
- (2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

Condition: The Authority’s schedule of expenditures of federal awards (SEFA) did not report loan balances on the SEFA as required by Uniform Guidance for federal program 14.228.

Questioned costs: Not able to determine.

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED MARCH 31, 2023**

Context: The Agency did not report loan balances on the SEFA.

Cause: The Agency was not aware of the requirements to include loan balances on the SEFA.

Effect: The SEFA omitted loan balances for federal program 14.228. Therefore, it was not in compliance with 2 CFR Subpart D 200.302 (1), 200.303 (a) and 200.502 (b). The Agency's program expenditures may be disallowed if the expenditures are not reported correctly on the SEFA.

Recommendation: We recommend that the Agency review current procedures for creating the SEFA to ensure that it is accurately reporting loan balances and expenditures during the year under audit for all federal programs to ensure compliance with Uniform Guidance.

Views of responsible officials: There is no disagreement with the audit finding.