

HARRIS COUNTY HOUSING AUTHORITY

P.O. Box 53028, Houston, TX 77052 | 713.669-4509 P

AMENDMENT OF SOLICITATION

AMENDMENT # 1

DATE: 12-07-2023

ISSUED BY: Paul Curry, Finance Director

AMENDMENT TO SOLICITATION NUMBER: Request For Proposal
(RFP) # 23-05

Financial Auditing Services

THE SOLICITATION MENTIONED ABOVE IS AMENDED AS SET FORTH BELOW. PROPOSERS MUST ACKNOWLEDGE RECEIPT OF THIS AMENDMENT PRIOR TO THE HOUR AND DATE SPECIFIED FOR RECEIPT OF PROPOSALS BY SIGNING THIS FORM BELOW.

ITEM 1: Written Questions Received by December 5, 2023 at 2:00 pm CST

1. *Where can I see a copy of your prior audited financial statements? The most recent ones I can see on your website are from 2015.*
 - Attached is the audit for FY 2022 (Exhibit A). The audit for FY 2023 is in the process of being finalized.
2. *Why is the Housing Authority going out for audit?*
 - HCHA is conducting procurement for Financial Audit Service to be in compliance with HCHA's Procurement Policy and HUD Requirements.
3. *Were there any issues with the current auditor? Do they intend to propose again?*
 - There are no issues with current auditor. It is unknown at this time if they intend to propose at this time.
4. *When would you prefer to have the onsite testing occur?*
 - Between July - September but no later than September 20th (please see page 9 of RFP)
5. *With regards to the Housing Authority, can you provide length of service, background, and depth of government experience for each key member?*
 - Melissa Quijano – Executive Director/CEO – 29 years
 - Paul Curry – Finance Director – 15 years
 - Debra McCray – HCV Director - 14 years
 - Beverly Burroughs – Director of Program Quality – 17 years
 - Dominique King – Director of Real Estate & Development – 1 year

6. *Are there significant changes in federal funding anticipated for the current year? How many federal programs are expected? Were there any findings that will require follow up?*
- No significant changes
 - There are 4 expected federal programs (HCV, EHV, SRO, & CDBG-DR)
 - No findings that will require follow up.
7. *What single audit programs were identified as major programs during the past two audits? Are federal dollars expended expected to be consistent with prior years?*
- HCV. Yes, federal dollars are expected to be consistent with prior years.
8. *How much of the audit testing do you expect will occur onsite in your office vs virtually?*
- 30% or less on-site
9. *If the team is a remote team, can the Housing Authority be flexible in having BOCC meetings via Zoom, Teams, or other similar platforms?*
- Some accommodations can be made for remote, however, BOCC meetings are done in-person.
10. *Outside of the audit process, what does the Housing Authority find/define value from its auditors?*
- Guidance to key staff members as needed, on any areas of improvement.
11. *What part of the audit process would the Housing Authority like to improve over the past audits?*
- Timing of completion

Proposer/Respondent
Name

Date

Signature

EXHIBIT A

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED MARCH 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**HARRIS COUNTY HOUSING AUTHORITY
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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, 2022, 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, 2022, 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 Baybrook Park Retirement Center, Ltd., Cornerstone Village Apartments, L.P., Louetta Village Apartments 45, L.P., Olive Grove Manor, Ltd., Retreat at Westlock, Ltd., Sierra Meadows, Ltd., TX Bammel Housing, L.P., Waterside Court, Ltd., and Fenix Estates I, L.P. Those statements, which were prepared in accordance with the accounting standards issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments only to conform the presentation of the financial statements of the discretely presented components units to accounting standards issued by the Government Accounting Standards Board. Our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, prior to these conversion adjustments, is based solely on the reports of the other auditors.

Basis for Opinion

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 6 through 11, 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 49 and 50 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 28, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

San Antonio, Texas
December 28, 2022

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2022**

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, 2022. 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 \$96,854,342 (net position).
- The Authority's total cash as of March 31, 2021 and 2022 was \$11,648,317 and \$16,641,267, respectively, representing an increase of \$4,992,950.
- The Authority received revenue directly from the U.S. Department of Housing and Urban Development (HUD) of \$55,607,551 for 2022.

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, 2022**

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 seven senior developments and one family development.

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

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

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

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

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2022**

FINANCIAL ANALYSIS

Statement of Net Position

| | 2022 | 2021 | Net Change |
|----------------------------------|----------------------|----------------------|---------------------|
| Current Assets | \$ 17,804,694 | \$ 12,479,355 | \$ 5,325,339 |
| Capital Assets, Net | 53,402,528 | 46,739,203 | 6,663,325 |
| Other Noncurrent Assets | 56,619,195 | 46,183,367 | 10,435,828 |
| Total Assets | <u>127,826,417</u> | <u>105,401,925</u> | <u>22,424,492</u> |
| Deferred Outflows of Resources | 304,936 | 327,601 | (22,665) |
| Current Liabilities | 1,617,538 | 1,835,669 | (218,131) |
| Long-Term Debt | 27,199,158 | 12,659,708 | 14,539,450 |
| Other Noncurrent Liabilities | 1,702,887 | 1,738,771 | (35,884) |
| Total Liabilities | <u>30,519,583</u> | <u>16,234,148</u> | <u>14,285,435</u> |
| Deferred Inflows of Resources | <u>757,428</u> | <u>332,237</u> | <u>425,191</u> |
| Net Investment in Capital Assets | 26,046,562 | 35,877,889 | (9,831,327) |
| Restricted | 58,932,505 | 46,983,615 | 11,948,890 |
| Unrestricted | 11,875,275 | 6,301,637 | 5,573,638 |
| Total Net Position | <u>\$ 96,854,342</u> | <u>\$ 89,163,141</u> | <u>\$ 7,691,201</u> |

Current Assets increased by \$5,325,339 primarily due to Emergency Housing Vouchers program added in the current year and increase in fees collected in the current year.

Net Capital Assets increased by \$6,663,325 primarily due to the purchase of land for Bluestem and Arbor Oaks and construction in progress for Wastewater Treatment Supply.

Other Noncurrent Assets increased by \$10,435,828 primarily due new notes issued to The Hollows, Arbor at Wayforest and Northwood for the construction of new properties.

Deferred Outflows of Resources decreased by \$22,665 due to changes in assumptions and other actuarial factors of the net pension asset.

Current Liabilities decreased by \$218,131 primarily due to Housing Choice Voucher-CARES funding received in the prior year being spent/earned in the current year.

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

Other Noncurrent Liabilities decreased by \$35,884 primarily due to the recognized/earned construction monitoring fees which were unearned in the prior year from five developments that are under construction during 2022.

Deferred Inflows of Resources increased by \$425,191 due to changes in assumptions and other actuarial factors of the net pension asset.

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2022**

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

| | <u>2022</u> | <u>2021</u> | <u>Net Change</u> |
|--|----------------------|----------------------|---------------------|
| Operating Revenues: | | | |
| HUD Revenue | \$ 55,607,551 | \$ 48,136,257 | \$ 7,471,294 |
| Tenant Revenue | 965,130 | 915,647 | 49,483 |
| Other Revenue | 15,075,962 | 21,563,394 | (6,487,432) |
| Total Operating Revenues | <u>71,648,643</u> | <u>70,615,298</u> | <u>1,033,345</u> |
| Operating Expenses: | | | |
| Administrative | 3,049,229 | 2,697,163 | 352,066 |
| Tenant Services | 110,177 | 234,036 | (123,859) |
| Utilities | 86,281 | 65,103 | 21,178 |
| Maintenance | 397,712 | 341,208 | 56,504 |
| Protective Services | 36,645 | 34,320 | 2,325 |
| General | 1,516,597 | 460,758 | 1,055,839 |
| Depreciation | 420,536 | 413,317 | 7,219 |
| Housing Assistance Payments | 58,284,691 | 52,613,069 | 5,671,622 |
| Total Operating Expenses | <u>63,901,868</u> | <u>56,858,974</u> | <u>7,042,894</u> |
| Operating Income | 7,746,775 | 13,756,324 | (6,009,549) |
| Nonoperating Revenues (Expenses): | | | |
| Interest Income | 287,854 | 277,802 | 10,052 |
| Interest Expense | (343,428) | (215,234) | 128,194 |
| Total Nonoperating Revenues (Expenses) | <u>(55,574)</u> | <u>62,568</u> | <u>(118,142)</u> |
| Change in Net Position | 7,691,201 | 13,818,892 | (6,127,691) |
| Total Net Position - Beginning | <u>89,163,141</u> | <u>75,344,249</u> | <u>13,818,892</u> |
| Total Net Position - Ending | <u>\$ 96,854,342</u> | <u>\$ 89,163,141</u> | <u>\$ 7,691,201</u> |

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2022**

FINANCIAL ANALYSIS (CONTINUED)

Total Operating Revenue increased by \$1,033,345. The increase in HUD revenue was offset by the decrease in other revenue. In the prior year, other revenue was high due to the conveyance of land for Katy and Arbor at Wayforest and additional funding for Fenix Estates. As these were one-time transactions, they did not occur in the current fiscal year.

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 \$7,042,894 during 2022 as compared to 2021 primarily as result of various increases across the expense categories, the largest being housing assistance payments and general expenses. Housing assistance payments increased by \$5,671,622 for the Housing Choice Voucher program due to an increase in average HAP per unit during the year compared to the prior year. General expenses increased by \$1,055,839 mainly due to purchase of additional interests in Waterside Court and Baybrook Park Retirement Center and various repairs and insurance costs caused by a windstorm.

Nonoperating Revenues (Expenses) decreased by \$118,142 primarily due to increase in interest expense.

Capital Asset and Debt Activity

Total net fixed assets increased by \$6,663,325 from 2021 to 2022. The increase is due to purchase of land for the Bluestem and Arbor Oaks properties and construction in progress of a wastewater treatment supply. The Authority's current year debt of \$27,355,966 (\$156,808 considered to be short term) is for the Cypresswood Estates, The Hollows, Northwood, Bluestem, Arbor at Wayforest and Fenix Estates properties. Current year drawdowns of \$14,646,468 and payments of \$101,816 are disclosed in detail within Note 7.

Factors Affecting Next Year's Budget

The Authority is primarily dependent upon HUD for the funding of the Section 8 Housing Choice Voucher program; therefore, the Authority is affected more by the Federal budget than by local economic conditions. The current funding levels are anticipated to continue for FY 2022 due to a 100.00% occupancy rate in the HCV program (57,540 unit months leased/57,540 unit months available).

**HARRIS COUNTY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2022**

FINANCIAL ANALYSIS (CONTINUED)

Economic Factors

Significant economic factors affecting the Authority are as follows:

- 49 new HCV Vouchers for additional HAP of \$568,883 as reported by the Financial Management Center.

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, 2022**

| | Business-Type Activities | Discretely Presented Component Units |
|---|------------------------------|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash - Unrestricted | \$ 13,978,150 | \$ 3,771,730 |
| Cash - Restricted | 2,663,117 | 6,646,459 |
| Accounts Receivables, Net | 1,109,219 | 191,445 |
| Prepaid Expenses | 54,208 | 552,646 |
| Total Current Assets | <u>17,804,694</u> | <u>11,162,280</u> |
| NONCURRENT ASSETS | | |
| Notes Receivable - Related Parties | 51,628,042 | - |
| Capital Assets not being Depreciated | 42,327,129 | 17,733,141 |
| Capital Assets being Depreciated, Net | 11,075,399 | 78,266,044 |
| Accrued Interest Receivable - Related Parties | 3,883,617 | - |
| Net Pension Asset | 1,107,536 | - |
| Other Assets | - | 5,818,620 |
| Total Noncurrent Assets | <u>110,021,723</u> | <u>101,817,805</u> |
| Total Assets | 127,826,417 | 112,980,085 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Defined Benefit Pension Plan | <u>304,936</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u><u>\$ 128,131,353</u></u> | <u><u>\$ 112,980,085</u></u> |

See accompanying Notes to Basic Financial Statements.

HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
MARCH 31, 2022

| | Business-Type Activities | Discretely Presented Component Units |
|---|-----------------------------|---|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 156,743 | \$ 607,791 |
| Accrued Salaries | 38,270 | - |
| Accrued Compensated Absences | 26,158 | - |
| Unearned Revenue - Ground Leases | 35,237 | - |
| Unearned Revenue | 319,474 | 183,709 |
| Tenant Security Deposits | 31,606 | 368,693 |
| Accrued Interest Payable | - | 1,270,234 |
| Current Portion of Loans Payable | 156,808 | 3,061,209 |
| Other Current Liabilities | 853,242 | 121,600 |
| Total Current Liabilities | <u>1,617,538</u> | <u>5,613,236</u> |
| NONCURRENT LIABILITIES | | |
| Loans Payable - Long Term | 27,199,158 | 82,879,600 |
| Unearned Revenue - Ground Leases | 1,624,415 | - |
| Accrued Compensated Absences | 78,472 | - |
| Other Noncurrent Liabilities | - | 9,884,755 |
| Total Noncurrent Liabilities | <u>28,902,045</u> | <u>92,764,355</u> |
| Total Liabilities | 30,519,583 | 98,377,591 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Defined Benefit Pension Plan | 757,428 | - |
| NET POSITION | | |
| Net Investment in Capital Assets | 26,046,562 | 17,418,039 |
| Restricted for: | | |
| Related Party Receivables | 55,511,659 | - |
| Customer Deposits | 2,313,310 | 6,277,766 |
| Net Pension Asset | 1,107,536 | - |
| Unrestricted | 11,875,275 | (9,093,311) |
| Total Net Position | <u>96,854,342</u> | <u>14,602,494</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 128,131,353</u> | <u>\$ 112,980,085</u> |

See accompanying Notes to Basic Financial Statements.

HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2022

| | Business-Type Activities | Discretely Presented Component Units |
|---|-----------------------------|---|
| OPERATING REVENUES | | |
| HUD Operating Revenue | \$ 55,607,551 | \$ - |
| Tenant Revenue | 965,130 | 12,894,678 |
| Other Operating Revenue | 15,075,962 | 7,906,921 |
| Total Operating Revenues | <u>71,648,643</u> | <u>20,801,599</u> |
| OPERATING EXPENSES | | |
| Administrative | 3,049,229 | 2,539,139 |
| Tenant Services | 110,177 | 233,481 |
| Utilities | 86,281 | 989,061 |
| Maintenance | 397,712 | 3,696,208 |
| Protective Services | 36,645 | - |
| General | 1,516,597 | 3,131,659 |
| Depreciation | 420,536 | 5,084,425 |
| Housing Assistance Payments | 58,284,691 | - |
| Total Operating Expenses | <u>63,901,868</u> | <u>15,673,973</u> |
| OPERATING INCOME | 7,746,775 | 5,127,626 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest Income - Unrestricted | 287,854 | 2,415 |
| Interest Income - Restricted | - | 69 |
| Interest Expense | (343,428) | (1,959,310) |
| Total Nonoperating Expenses | <u>(55,574)</u> | <u>(1,956,826)</u> |
| CHANGE IN NET POSITION | 7,691,201 | 3,170,800 |
| Total Net Position - Beginning | <u>89,163,141</u> | <u>11,431,694</u> |
| TOTAL NET POSITION - ENDING | <u>\$ 96,854,342</u> | <u>\$ 14,602,494</u> |

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2022**

| | Business-Type Activities |
|---|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| HUD Operating Grants Received | \$ 54,767,690 |
| Collections from Tenants | 687,490 |
| Collections from Other Sources | 14,585,265 |
| Payments to Employees | (2,881,356) |
| Payments to Suppliers | (1,765,153) |
| Housing Assistance Payments | (58,284,691) |
| Net Cash Provided by Operating Activities | <u>7,109,245</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of Property and Equipment | (7,083,861) |
| Interest Paid | (343,428) |
| Proceeds on Long-Term Debt | 14,646,468 |
| Payments on Long-Term Debt | (101,816) |
| Net Cash Provided by Capital and Related Financing Activities | <u>7,117,363</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Issuance of Notes Receivables | (9,571,512) |
| Payments Received on Notes Receivables | 50,000 |
| Interest Received | 287,854 |
| Net Cash Used by Investing Activities | <u>(9,233,658)</u> |
| NET INCREASE IN CASH | 4,992,950 |
| Cash - Beginning of Year | <u>11,648,317</u> |
| CASH - END OF YEAR | <u><u>\$ 16,641,267</u></u> |
| AS PRESENTED IN THE STATEMENT OF NET POSITION | |
| Cash - Unrestricted | \$ 13,978,150 |
| Cash - Restricted | 2,663,117 |
| Total | <u><u>\$ 16,641,267</u></u> |

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED MARCH 31, 2022**

| | Business-Type Activities |
|--|-----------------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income | \$ 7,746,775 |
| Adjustments to Reconcile Operating Income to Net Cash | |
| Provided by Operating Activities: | |
| Depreciation | 420,536 |
| Bad Debt | 139,109 |
| (Increase) Decrease in Assets and Deferred Outflows: | |
| Accounts Receivables | (481,515) |
| Prepaid Expenses | 13,350 |
| Net Pension Asset | (630,377) |
| Deferred Outflows | 22,665 |
| Other Assets | (287,272) |
| Increase (Decrease) in Liabilities and Deferred Inflows: | |
| Accounts Payable | 11,663 |
| Accrued Salaries | (36,630) |
| Accrued Compensated Absences | (4,090) |
| Unearned Revenues | (839,861) |
| Tenant Security Deposits | 450 |
| Deferred Inflows | 425,191 |
| Other Current Liabilities | 609,251 |
| Net Cash Provided by Operating Activities | <u>\$ 7,109,245</u> |

See accompanying Notes to Basic Financial Statements.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

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

Blended Component Units

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

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

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

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

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Blended Component Units (Continued)

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

Discretely Presented Component Units

The following entities are for-profit, limited partnerships created for the redevelopment and management of the affordable housing developments. Each of the entities below have a year-end of December 31, 2021. The Authority's blended component units has a controlling minority interest as the general partner for each respective entity. The Authority has outstanding notes receivables, ground leases and other related party transactions. Management has determined that based on the significant relationship with the limited partnerships, omitting them from the financial reporting entity would be misleading. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and therefore, are shown as discretely presented component units:

Cornerstone Village Apartments, L.P.

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

TX Bammel Housing, L.P.

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

Louetta Village Apartments 45, L.P.

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

Baybrook Park Retirement Center, Ltd.

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

Olive Grove Manor, Ltd.

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

Waterside Court, Ltd.

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

Sierra Meadows, Ltd.

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

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units (Continued)

Retreat at Westlock, Ltd.

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

Fenix Estates I, L.P.

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

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.

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

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

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

Summary of Programs

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

Central Office Cost Center

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

Housing Assistance Payments Programs

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

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Programs (Continued)

Housing Assistance Payments Programs (Continued)

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

Community Development Block Grants

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

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

Cash and Cash Equivalents

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

Receivables

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

Capital Assets

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

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

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

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows of Resources

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

Due to HUD

Amounts due to HUD typically consist of excess funding provided by HUD that has not yet been earned and must be paid back.

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.

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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Inflows of Resources

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

Eliminations

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

Interprogram Due to/from

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

Fee for Service

The Authority's COCC internally charges fees to the programs of the Authority. These charges include management fees, bookkeeping fees, and asset management fees. For financial reporting purposes \$1,138,313 of fee for service charges have been eliminated for the year ended March 31, 2022.

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, 2022, \$324,000 of rental income has been eliminated.

Net Position

In accordance with GASB Codification Section 1800.155, *Reporting Net Position in Government-Wide Financial Statements*, total equity as of March 31, 2022 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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Position (Continued)

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 | \$ 907,314 |
| EHV HAP Reserves | 986,312 |
| Pension Asset | 1,107,536 |
| Accrued Interest Receivable | 3,883,617 |
| Notes Receivable | 51,628,042 |
| Replacement Reserves | 419,684 |
| Total Restricted Net Position | <u>\$ 58,932,505</u> |

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.

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.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022.

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, 2022, the Authority's cash balance consists of cash in the amount of \$16,641,267.

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

Credit Risk

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies in the United States of America. As of March 31, 2022, the Authority mitigated their exposure to credit risk by following HUD regulations.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

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, 2022, \$186,164 of the Authority's total bank balance of \$16,641,267 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.

Restricted Cash

Cash was restricted for the following purposes at March 31, 2022:

| | <u>Authority</u> | <u>DPCU</u> |
|---------------------------------------|---------------------|---------------------|
| Voucher HAP Reserves | \$ 907,314 | \$ - |
| Replacement Reserves | 419,684 | 1,883,140 |
| Tenant Security Deposits | 31,606 | 368,087 |
| EHV HAP Reserves | 986,312 | - |
| EHV Unspent Service Fees | 318,201 | - |
| Real Estate Tax and Insurance Escrows | - | 497,465 |
| Operating Deficit Reserve | - | 1,406,865 |
| Other Reserves | - | 2,490,902 |
| Total Restricted Cash | <u>\$ 2,663,117</u> | <u>\$ 6,646,459</u> |

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 3 ACCOUNTS RECEIVABLES, NET

As of March 31, 2022, receivables, net consist of:

| | |
|---|----------------------------|
| Portability Receivables | \$ 861,706 |
| Fraud Recovery | 115,328 |
| Tenant Receivables | 1,164 |
| HUD Other Projects | 41,315 |
| Other Receivables | 113,063 |
| Total Receivables | <u>1,132,576</u> |
| Allowance for Doubtful Accounts - Fraud | <u>(23,357)</u> |
| Total Receivables, Net | <u><u>\$ 1,109,219</u></u> |

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | Balance at April 1, 2021 | Additions/ Transfers | Disposals/ Transfers | Balance at March 31, 2022 |
|--------------------------------|-----------------------------|----------------------------|-------------------------|------------------------------|
| Nondepreciable: | | | | |
| Land | \$ 35,196,108 | \$ 6,100,000 | \$ - | \$ 41,296,108 |
| Construction in Progress | 68,120 | 962,901 | - | 1,031,021 |
| Total Nondepreciable | <u>35,264,228</u> | <u>7,062,901</u> | <u>-</u> | <u>42,327,129</u> |
| Depreciated: | | | | |
| Buildings | 15,223,274 | - | - | 15,223,274 |
| Equipment | 227,761 | 20,960 | - | 248,721 |
| Leasehold Improvements | 4,165 | - | - | 4,165 |
| Total Depreciated | <u>15,455,200</u> | <u>20,960</u> | <u>-</u> | <u>15,476,160</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (3,867,854) | (390,341) | - | (4,258,195) |
| Equipment | (93,883) | (5,631) | - | (99,514) |
| Leasehold Improvements | (18,488) | (24,564) | - | (43,052) |
| Total Accumulated Depreciation | <u>(3,980,225)</u> | <u>(420,536)</u> | <u>-</u> | <u>(4,400,761)</u> |
| Capital Assets, Net | <u><u>\$ 46,739,203</u></u> | <u><u>\$ 6,663,325</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 53,402,528</u></u> |

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, 2022, total outstanding principal and accrued interest on these loans were \$51,628,042 and \$3,883,617, respectively.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

**NOTE 5 NOTES RECEIVABLE AND ACCRUED INTEREST RECEIVABLE – RELATED PARTIES
(CONTINUED)**

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, 2022 | Accrued Interest at March 31, 2022 |
|-------------------------------------|----------------|-----------------|------------------|---|--|
| Baybrook | \$ 625,000 | 06/01/05 | 4.57% | \$ 625,000 | \$ 447,994 |
| Bammel | 741,420 | 01/01/05 | 4.27% | 731,420 | 530,938 |
| Cornerstone | 1,400,000 | 08/01/04 | 5.00% | 1,390,000 | 1,158,684 |
| Louetta | 550,000 | 01/01/05 | 4.30% | 550,000 | 434,878 |
| Magnolia Estates (Olive Grove) | 700,000 | 12/01/06 | 4.90% | 700,000 | 515,232 |
| Waterside | 500,000 | 06/01/06 | 5.32% | 500,000 | 412,992 |
| LT- Retreat at Westlock Ltd. (HOME) | 2,538,170 | 08/28/14 | 0.25% | 2,385,000 | 382,899 |
| LT- Retreat at Westlock Ltd. (CDBG) | 7,899,509 | 08/01/15 | 0.00% | 7,899,509 | - |
| LT- Fenix Estates CDBG | 21,266,972 | 5/19/2017 | 0.28%* | 14,720,769 | - |
| 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% | 5,800,000 | - |
| The Hollows CDBG-GLO | 2,434,212 | 4/28/2020 | 0.25%* | 2,434,212 | - |
| Arbor at Wayforest CDBG-GLO | 3,263,781 | 5/19/2020 | 1.75%* | 3,263,781 | - |
| Northwood CDBG-GLO | 3,873,520 | 6/30/2020 | 0.25%* | 3,873,520 | - |
| Total | | | | <u>\$ 51,628,042</u> | <u>\$ 3,883,617</u> |

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

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, 2022, the related parties' equity balances of the general partners are as follows for the year ended December 31, 2021:

| Blended Component Unit | Related Party Partnership | Balance at December 31, 2021 |
|-------------------------------|---------------------------------------|------------------------------------|
| HCHA Olive Grove, LLC | Olive Grove Manor, Ltd. | \$ (848,312) |
| HCHA Cornerstone, LLC | Cornerstone Village Apartments, L.P. | (94,974) |
| HCHA Bammel, LLC | TX Bammel Housing, L.P. | (493) |
| HCHA Louetta, LLC | Louetta Village Apartments 45, L.P. | (796,789) |
| HCHA Baybrook Park, LLC | Baybrook Park Retirement Center, Ltd. | (53,160) |
| HCHA Waterside, LLC | Waterside Court, Ltd. | (10,752) |
| HCHA Sierra Meadows, LLC | Sierra Meadows, Ltd. | (5,045) |
| HCHA Retreat at Westlock, LLC | Retreat at Westlock, Ltd. | (100) |
| Fenix Estates I GP, LLC | Fenix Estates I, LP | (524) |
| Total | | <u>\$ (1,810,149)</u> |

HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 7 LONG-TERM LIABILITIES

A summary of changes in noncurrent liabilities for the year ended March 31, 2022 is as follows:

| | Payable at April 1, 2021 | Additions | Reductions | Payable at March 31, 2022 | Due Within One Year |
|-------------------------------------|--------------------------------|----------------------|---------------------|---------------------------------|------------------------|
| Direct Borrowings: | | | | | |
| AGM Financial Services, Inc. - | | | | | |
| Cypresswood | \$ 4,509,920 | \$ - | \$ (63,971) | \$ 4,445,949 | \$ 66,508 |
| Fenix Estates I | 1,950,000 | - | - | 1,950,000 | 50,000 |
| Citibank, N.A.- | | | | | |
| Fenix Estates Commercial, LLC | 2,196,950 | - | (37,845) | 2,159,105 | 40,300 |
| Harris County County Community | | | | | |
| Services Dept. - Northwood | 2,287,500 | 3,873,520 | - | 6,161,020 | - |
| Harris County County Community | | | | | |
| Services Dept. - The Hollows | 1,866,944 | 2,434,212 | - | 4,301,156 | - |
| Harris County County Community | | | | | |
| Services Dept. - Bluestem | - | 3,900,000 | - | 3,900,000 | - |
| Harris County County Community | | | | | |
| Services Dept. - Arbor at Wayforest | - | 4,438,736 | - | 4,438,736 | - |
| Total Loans | 12,811,314 | 14,646,468 | (101,816) | 27,355,966 | 156,808 |
| Compensated Absences | 108,720 | 95,611 | (99,701) | 104,630 | 26,158 |
| Total | <u>\$ 12,920,034</u> | <u>\$ 14,742,079</u> | <u>\$ (201,517)</u> | <u>\$ 27,460,596</u> | <u>\$ 182,966</u> |

As of March 31, 2022, 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> |
|------------------------------|----------------------|---------------------|
| 2023 | \$ 156,808 | \$ 493,514 |
| 2024 | 403,802 | 654,635 |
| 2025 | 472,072 | 648,865 |
| 2026 | 2,459,797 | 538,233 |
| 2027 | 432,823 | 513,798 |
| 2028-2032 | 2,218,405 | 1,681,700 |
| 2033-2037 | 2,324,346 | 1,575,759 |
| 2038-2042 | 16,492,449 | 1,444,784 |
| 2043-2047 | 847,171 | 424,859 |
| 2048-2052 | 1,047,359 | 224,671 |
| 2053-2057 | 500,934 | 23,644 |
| Total | <u>\$ 27,355,966</u> | <u>\$ 8,224,462</u> |

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

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, 2022 is \$4,445,949.

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, 2022 is \$1,950,000.

Citibank Construction Loan – Fenix Estates Commercial, LLC

On January 1, 2021, the Authority entered into a loan agreement with Citibank for a principal amount up to \$2,200,000. The first payment on the loan was on March 1, 2021 with principal and interest of \$14,526, and the note is due on May 1, 2025. Interest is set at the 6.26%. The loan is secured by the property. The current outstanding balance including principal and interest as of March 31, 2022 is \$2,159,105.

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, 2022 is \$6,161,020 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, 2022 is \$4,301,156 and the project is still under construction.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

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, 2022 is \$4,438,736 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, 2022 is \$3,900,000 and the project is still under construction.

Unearned Revenue – Ground Leases

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

A summary of changes in unearned revenue associated with the prepaid leases from the following entities as of March 31, 2022 is as follows:

| | Payable at April 1, 2021 | Additions | Reductions | Payable at March 31, 2022 | Due Within One Year |
|---|--------------------------------|-------------------|---------------------|---------------------------------|------------------------|
| Cornerstone Village Apartments, L.P. | \$ 563,757 | \$ - | \$ (12,738) | \$ 551,019 | \$ 12,738 |
| TX Bammel Housing L.P. | 209,467 | - | (5,600) | 203,867 | 5,600 |
| Louetta Village Apartments 45, L.P. | 265,809 | - | (6,755) | 259,054 | 6,755 |
| Baybrook Park Retirement Center, Ltd. | 430,570 | - | (10,145) | 420,425 | 10,144 |
| Total Unearned Revenue - Ground Leases | <u>\$ 1,469,603</u> | <u>\$ -</u> | <u>\$ (35,238)</u> | <u>\$ 1,434,365</u> | <u>\$ 35,237</u> |
| Total Unearned Revenue - Construction Monitoring Fees | <u>\$ 222,213</u> | <u>\$ 180,000</u> | <u>\$ (176,926)</u> | <u>\$ 225,287</u> | <u>\$ -</u> |

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Unearned Revenue – Ground Leases (Continued)

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.

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

NOTE 8 PENSION PLAN

Plan Description

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

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

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 8 PENSION PLAN (CONTINUED)

Plan Description (Continued)

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, 2021, the following employees were covered by the benefit terms:

| | |
|---|-----------|
| Inactive Employees or Beneficiaries Currently | |
| Receiving Benefits | 3 |
| Inactive Employees Entitled to But Not Yet | |
| Receiving Benefits | 29 |
| Active Employees | 37 |
| Total | <u>69</u> |

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 is 6.80%.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 8 PENSION PLAN (CONTINUED)

Net Pension Liability (Asset)

The Authority's net pension liability (asset) was measured as of December 31, 2021, 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, 2021, 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, 2021, actuarial valuation were based on the results of an actuarial experience investigation of TCDRS over the years 2017-2020.

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 2022 information for a 10-year time horizon.

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

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 8 PENSION PLAN (CONTINUED)

Net Pension Liability (Asset)

Actuarial Assumptions (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Geometric Real Rate of Return</u> |
|------------------------------------|------------------------------|--|
| U.S. Equities | 11.50 % | 3.80 % |
| Global Equities | 2.50 | 4.10 |
| International Equities - Developed | 5.00 | 3.80 |
| International Equities - Emerging | 6.00 | 4.30 |
| Investment-Grade Bonds | 3.00 | (0.85) |
| Strategic Credit | 9.00 | 1.77 |
| Direct Lending | 16.00 | 6.25 |
| Distressed Debt | 4.00 | 4.50 |
| REIT Equities | 2.00 | 3.10 |
| Master Limited Partnerships (MLPs) | 2.00 | 3.85 |
| Private Real Estate Partnerships | 6.00 | 5.10 |
| Private Equity | 25.00 | 6.80 |
| Hedge Funds | 6.00 | 1.55 |
| Cash Equivalents | 2.00 | (1.05) |
| 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, 2022

NOTE 8 PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|---|-----------------------------------|----------------------------------|--|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability / (Asset) (a) - (b) |
| Balance as of December 31, 2020 | \$ 4,042,295 | 4,519,454 | \$ (477,159) |
| Changes for the Year: | | | |
| Service Cost | 313,938 | - | 313,938 |
| Interest on Total Pension Liability | 328,820 | - | 328,820 |
| Effect of Plan Changes | - | - | - |
| Effect of Economic/Demographic Gains or Losses | (6,237) | - | (6,237) |
| Effect of Assumptions, Changes, or Inputs | 13,898 | - | 13,898 |
| Refund of Contributions | (44,067) | (44,067) | - |
| Benefit Payments | (16,350) | (16,350) | - |
| Administrative Expenses | - | (3,105) | 3,105 |
| Member Contributions | - | 132,969 | (132,969) |
| Net Investment Income (Losses) | - | 1,015,779 | (1,015,779) |
| Employer Contributions | - | 128,220 | (128,220) |
| Other | - | 6,933 | (6,933) |
| Balance as of December 31, 2021 | <u>\$ 4,632,297</u> | <u>\$ 5,739,833</u> | <u>\$ (1,107,536)</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>\$ (258,391)</u> | <u>\$ (1,107,536)</u> | <u>\$ (1,791,970)</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, 2022, the Authority recognized a credit to pension expense of \$182,521.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 8 PENSION PLAN (CONTINUED)

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

Deferred Outflows of Resources and Deferred Inflow of Resources

As of March 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference Between Expected and Actual Experience | \$ 21,753 | \$ 137,973 |
| Changes in Assumptions | 225,940 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 619,455 |
| Contributions Subsequent to the Measurement Date of December 31, 2021 | 57,243 | - |
| Total | <u>\$ 304,936</u> | <u>\$ 757,428</u> |

The amount of \$57,243 shown above for "Contributions subsequent to the measurement date of December 31, 2021," 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> |
|---------------------------------|---------------------|
| 2022 | \$ (147,556) |
| 2023 | (194,081) |
| 2024 | (93,940) |
| 2025 | (74,158) |
| 2026 | - |
| Total | <u>\$ (509,735)</u> |

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

Payable to the Pension Plan

The Authority had no outstanding amount of contributions to the pension plan required at the year ended March 31, 2022.

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 9 RISK MANAGEMENT

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

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

NOTE 10 COMMITMENTS AND CONTINGENCIES

Legal

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

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, 2022, the Authority had \$1,893,626 of unspent cumulative excess HAP funding (\$907,314 Section 8 Housing Choice Vouchers ; \$986,312 Emergency Housing Vouchers) which is reflected in restricted net position. Furthermore, additional amounts are payable to federal programs from nonfederal programs.

Office Lease

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

Ground Leases

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

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Ground Leases (Continued)

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

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

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

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

The Authority entered into 99-year ground leases in 2021 with six developments that are under construction as of March 31, 2022.

NOTE 11 CONCENTRATIONS

For the year ended March 31, 2022, approximately 78% 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, 2022**

NOTE 12 LEASING ACTIVITIES

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

NOTE 13 FINANCIAL DATA SCHEDULE

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

NOTE 14 CONDUIT DEBT

Retreat at Westlock

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

Fenix Estates

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

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 14 CONDUIT DEBT (CONTINUED)

The Arbor at Wayforest, L.P.

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

LDG Channelview, L.P.

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

LDG Northwood, L.P.

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

NOTE 15 SUBSEQUENT EVENTS

Subsequent to year end, the Authority refinanced the long-term debt for one property and closed on one property:

- On October 18, 2022, the Authority refinanced the loan on one of the multifamily projects known as Baybrook Park Retirement Center.
- On November 3, 2022, the Authority purchased a multifamily project known as First Met.

HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022

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 | | | | | Total Blended |
|--|---|-------------|-------------|--------|---------|----------|-----------|---------|---------------|---------------|-------------|---------------|---------------|---------------|-------------|----------|----------|---------------|
| | Cypresswood | | | | | Baybrook | Sierra | | Fenix Estates | Fenix Estates | Development | Harris | Redevelopment | Fenix Estates | AMCAL | | | Component |
| | Estates | Olive Grove | Cornerstone | Bammel | Louetta | Park | Waterside | Meadows | Westlock | I, GP, LLC | Commercial | Corporation | County PFC | Authority | Development | Katy, LP | Bluestem | Units |
| Assets: | | | | | | | | | | | | | | | | | | |
| Current Assets | \$ 330,559 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 485,708 | \$ 143,879 | \$ 2,520 | \$ 2,174,956 | \$ 199,665 | \$ - | \$ - | \$ 3,337,287 |
| Restricted Assets | 407,957 | - | - | - | - | - | - | - | - | - | 43,333 | - | - | - | - | - | - | 451,290 |
| Capital Assets, Net | 11,744,587 | - | - | - | - | - | - | - | - | - | 2,200,000 | - | 2,038,170 | 9,031,474 | - | - | - | 25,014,231 |
| Notes Receivable | - | - | - | - | - | - | - | - | 3,381,970 | - | - | 27,275,601 | 6,902,539 | 9,571,512 | - | - | - | 47,131,622 |
| Total Assets | 12,483,103 | - | - | - | - | - | - | - | 3,381,970 | - | 2,729,041 | 27,419,480 | 8,943,229 | 20,777,942 | 199,665 | - | - | 75,934,430 |
| Liabilities: | | | | | | | | | | | | | | | | | | |
| Current Liabilities | 15,917 | - | - | - | - | - | - | - | - | - | 9,778 | 19,203 | - | - | - | - | - | 44,898 |
| Current Liabilities Payable from Restricted Assets | 31,606 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 31,606 |
| Debt Payable | 4,445,949 | - | - | - | - | - | - | - | - | - | 2,159,105 | 1,950,000 | - | 14,646,468 | - | - | - | 23,201,522 |
| Total Liabilities | 4,493,472 | - | - | - | - | - | - | - | - | - | 2,168,883 | 1,969,203 | - | 14,646,468 | - | - | - | 23,278,026 |
| Net Position: | | | | | | | | | | | | | | | | | | |
| Net Investment in | | | | | | | | | | | | | | | | | | |
| Capital Assets | 7,298,638 | - | - | - | - | - | - | - | - | - | 40,895 | (1,950,000) | 2,038,170 | (5,614,994) | - | - | - | 1,812,709 |
| Restricted | 376,351 | - | - | - | - | - | - | - | 3,381,970 | - | 43,333 | 27,275,601 | 6,902,539 | 9,571,512 | - | - | - | 47,551,306 |
| Unrestricted | 314,642 | - | - | - | - | - | - | - | - | - | 475,930 | 124,676 | 2,520 | 2,174,956 | 199,665 | - | - | 3,292,389 |
| Total Net Position | \$ 7,989,631 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,381,970 | \$ - | \$ 560,158 | \$ 25,450,277 | \$ 8,943,229 | \$ 6,131,474 | \$ 199,665 | \$ - | \$ - | \$ 52,656,404 |

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

NOTE 16 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

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

| | General Partners in Tax Credit Partnerships | | | | | | | | | | HCHA | | HCHA | | | | Total Blended |
|--------------------------------|---|-------------|-------------|--------|----------|-----------|-----------|---------|--------------|---------------|---------------|---------------|--------------|---------------|---------------|-----------|---------------|
| | Cypresswood | | | | | Baybrook | | Sierra | | Fenix Estates | Fenix Estates | Development | Harris | Redevelopment | Fenix Estates | AMCAL | |
| | Estates | Olive Grove | Cornerstone | Bammel | Louetta | Park | Waterside | Meadows | Westlock | I, GP, LLC | Commercial | Corporation | County PFC | Authority | Development | Katy, LP | Bluestem |
| | | | | | | | | | | | | | | | | | Units |
| Operating Revenues (Expenses): | | | | | | | | | | | | | | | | | |
| Tenant Revenue, Net | \$ 965,130 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 965,130 |
| Other Revenue | 191,038 | 224,777 | 228,240 | - | 18,000 | 100,800 | 108,000 | - | - | - | 324,000 | - | 200,000 | 1,315,798 | - | 211,989 | 3,139,820 |
| Depreciation | (390,341) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (390,341) |
| Other Operating Expenses | (777,859) | - | - | - | - | - | - | - | - | (89,674) | (101,894) | (50,000) | - | - | - | - | (1,019,427) |
| Total Operating Revenue | | | | | | | | | | | | | | | | | |
| (Expenses) | (12,032) | 224,777 | 228,240 | - | 18,000 | 100,800 | 108,000 | - | - | (89,674) | 222,106 | (50,000) | 200,000 | 1,315,798 | - | 211,989 | 2,695,182 |
| Nonoperating Revenues | | | | | | | | | | | | | | | | | |
| (Expenses): | | | | | | | | | | | | | | | | | |
| Interest Income | 534 | - | - | - | - | - | - | - | - | - | - | 1 | - | - | 2 | - | 537 |
| Interest Expense | (201,624) | - | - | - | - | - | - | - | - | - | (136,471) | - | (5,333) | - | - | - | (343,428) |
| Transfer from (to) Other | | | | | | | | | | | | | | | | | |
| Programs | - | (224,777) | (228,240) | - | (18,000) | (100,800) | (108,000) | - | - | - | - | - | (262,500) | (1,335,255) | - | (211,989) | (2,706,739) |
| Total Nonoperating | | | | | | | | | | | | | | | | | |
| Revenues (Expenses) | (201,090) | (224,777) | (228,240) | - | (18,000) | (100,800) | (108,000) | - | - | - | (136,471) | 1 | (267,833) | (1,335,255) | 2 | (211,989) | (2,832,452) |
| Change in Net Position | (213,122) | - | - | - | - | - | - | - | - | (89,674) | 85,635 | (49,999) | (67,833) | (19,457) | 2 | - | (354,448) |
| Net Position - Beginning | 8,202,753 | - | - | - | - | - | - | - | 3,381,970 | 89,674 | 474,523 | 25,500,276 | 9,011,062 | 6,150,931 | 199,663 | - | 53,010,852 |
| Net Position - Ending | \$ 7,989,631 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,381,970 | \$ - | \$ 560,158 | \$ 25,450,277 | \$ 8,943,229 | \$ 6,131,474 | \$ 199,665 | \$ - | \$ 52,656,404 |

HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 16 CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Statement of Cash Flows

| | General Partners in Tax Credit Partnerships | | | | | | | | | | | HCHA | | HCHA | | | | Total Blended |
|---------------------------------|---|-------------|-------------|--------|-----------|------------|------------|---------|----------|---------------|---------------|-------------|------------|---------------|---------------|------------|------------|---------------|
| | Cypresswood | | | | | Baybrook | | Sierra | | Fenix Estates | Fenix Estates | Development | Harris | Redevelopment | Fenix Estates | AMCAL | | Component |
| | Estates | Olive Grove | Cornerstone | Bammel | Louetta | Park | Waterside | Meadows | Westlock | I, GP, LLC | Commercial | Corporation | County PFC | Authority | Development | Katy, LP | Bluestem | Units |
| Net Cash Provided (Used) by: | | | | | | | | | | | | | | | | | | |
| Operating Activities | \$ 127,081 | \$ 224,777 | \$ 228,240 | \$ - | \$ 18,000 | \$ 100,800 | \$ 108,000 | \$ - | \$ - | \$ (89,674) | \$ 57,568 | \$ - | \$ 194,667 | \$ 2,494,087 | \$ - | \$ 211,989 | \$ 217,178 | \$ 3,892,713 |
| Capital and Related Financing | | | | | | | | | | | | | | | | | | |
| Activities | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Investing Activities | 534 | - | - | - | - | - | - | - | - | - | - | 1 | - | - | 2 | - | - | 537 |
| Transfer to/from | | | | | | | | | | | | | | | | | | |
| Other Entities | - | (224,777) | (228,240) | - | (18,000) | (100,800) | (108,000) | - | - | - | - | - | (262,500) | (1,335,255) | - | (211,989) | (217,178) | (2,706,739) |
| Net Increase (Decrease) in Cash | 127,615 | - | - | - | - | - | - | - | - | (89,674) | 57,568 | 1 | (67,833) | 1,158,832 | 2 | - | - | 1,186,511 |
| Cash - Beginning | 608,931 | - | - | - | - | - | - | - | - | 89,674 | 471,473 | 143,878 | 70,353 | 1,016,124 | 199,663 | - | - | 2,600,096 |
| Cash - Ending | \$ 736,546 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 529,041 | \$ 143,879 | \$ 2,520 | \$ 2,174,956 | \$ 199,665 | \$ - | \$ - | \$ 3,786,607 |

HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022

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, 2021 is as follows.

| | Baybrook Park Retirement Center | Cornerstone Village Apartments | Louetta Village Apartments 45 | Olive Grove Manor | Sierra Meadows | TX Bammel Housing | Waterside Court | Retreat at Westlock | Fenix Estates I | Total |
|--|---------------------------------------|--------------------------------------|----------------------------------|----------------------|-----------------------|----------------------|---------------------|------------------------|----------------------|-----------------------|
| ASSETS | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 150,004 | \$ 94,977 | \$ 100,174 | \$ 372,128 | \$ 354,478 | \$ 1,762,474 | \$ 276,364 | \$ 280,920 | \$ 380,211 | \$ 3,771,730 |
| Cash and Cash Equivalents - Restricted | 369,630 | 731,557 | 491,742 | 784,240 | 547,492 | 1,153,689 | 662,917 | 755,413 | 1,149,779 | 6,646,459 |
| Accounts Receivables | 2,195 | 12,354 | 14,017 | 4,307 | 3,759 | 32,460 | 29,365 | 22,862 | 70,126 | 191,445 |
| Other Assets | 476,075 | 840,324 | 523,426 | 175,612 | 195,679 | 756,303 | 147,879 | 2,489,541 | 766,427 | 6,371,266 |
| Capital Assets, Net | 3,159,551 | 6,117,337 | 5,316,920 | 8,686,289 | 6,806,176 | 7,954,913 | 8,160,557 | 15,846,795 | 33,950,647 | 95,999,185 |
| Total Assets | <u>\$ 4,157,455</u> | <u>\$ 7,796,549</u> | <u>\$ 6,446,279</u> | <u>\$ 10,022,576</u> | <u>\$ 7,907,584</u> | <u>\$ 11,659,839</u> | <u>\$ 9,277,082</u> | <u>\$ 19,395,531</u> | <u>\$ 36,317,190</u> | <u>\$ 112,980,085</u> |
| LIABILITIES | | | | | | | | | | |
| Current Liabilities | \$ 2,556,843 | \$ 185,810 | \$ 415,365 | \$ 595,241 | \$ 132,980 | \$ 870,701 | \$ 262,262 | \$ 269,542 | \$ 324,492 | \$ 5,613,236 |
| Long-Term Liabilities | 1,078,076 | 9,154,114 | 6,476,996 | 3,910,063 | 8,800,172 | 11,046,532 | 4,570,667 | 15,485,820 | 32,241,915 | 92,764,355 |
| Total Liabilities | <u>\$ 3,634,919</u> | <u>\$ 9,339,924</u> | <u>\$ 6,892,361</u> | <u>\$ 4,505,304</u> | <u>\$ 8,933,152</u> | <u>\$ 11,917,233</u> | <u>\$ 4,832,929</u> | <u>\$ 15,755,362</u> | <u>\$ 32,566,407</u> | <u>\$ 98,377,591</u> |
| NET POSITION | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 61,202 | \$ (1,524,802) | \$ (447,275) | \$ 4,900,108 | \$ 4,795,620 | \$ 912,882 | \$ 3,993,780 | \$ 2,367,619 | \$ 2,358,905 | \$ 17,418,039 |
| Restricted | 339,755 | 731,557 | 491,742 | 636,317 | 522,415 | 1,113,106 | 565,461 | 755,413 | 1,122,000 | 6,277,766 |
| Unrestricted (Deficit) | 121,579 | (750,130) | (490,549) | (19,153) | (6,343,603) | (2,283,382) | (115,088) | 517,137 | 269,878 | (9,093,311) |
| Net Position | <u>\$ 522,536</u> | <u>\$ (1,543,375)</u> | <u>\$ (446,082)</u> | <u>\$ 5,517,272</u> | <u>\$ (1,025,568)</u> | <u>\$ (257,394)</u> | <u>\$ 4,444,153</u> | <u>\$ 3,640,169</u> | <u>\$ 3,750,783</u> | <u>\$ 14,602,494</u> |
| Operating Revenues | \$ 980,664 | \$ 1,599,184 | \$ 1,271,685 | \$ 1,925,035 | \$ 1,096,143 | \$ 1,986,986 | \$ 1,671,699 | \$ 1,256,373 | \$ 9,013,830 | \$ 20,801,599 |
| Operating Expenses | (948,026) | (1,471,228) | (1,199,627) | (1,923,472) | (1,032,625) | (1,839,343) | (1,600,692) | (1,601,517) | (4,057,443) | (15,673,973) |
| Operating Income (Loss) | 32,638 | 127,956 | 72,058 | 1,563 | 63,518 | 147,643 | 71,007 | (345,144) | 4,956,387 | 5,127,626 |
| Nonoperating Revenues | 500 | 66 | 47 | 825 | 138 | 148 | 665 | 95 | - | 2,484 |
| Nonoperating Expenses | (239,708) | (217,538) | (145,970) | (277,845) | (155,828) | (182,069) | (314,075) | (240,080) | (186,197) | (1,959,310) |
| Loss Before Capital Contributions | (239,208) | (217,472) | (145,923) | (277,020) | (155,690) | (181,921) | (313,410) | (239,985) | (186,197) | (1,956,826) |
| Change in Net Position | (206,570) | (89,516) | (73,865) | (275,457) | (92,172) | (34,278) | (242,403) | (585,129) | 4,770,190 | 3,170,800 |
| Beginning Net Position, As Restated | 729,106 | (1,453,859) | (372,217) | 5,792,729 | (933,396) | (223,116) | 4,686,556 | 4,225,298 | (1,019,407) | 11,431,694 |
| Ending Net Position | <u>\$ 522,536</u> | <u>\$ (1,543,375)</u> | <u>\$ (446,082)</u> | <u>\$ 5,517,272</u> | <u>\$ (1,025,568)</u> | <u>\$ (257,394)</u> | <u>\$ 4,444,153</u> | <u>\$ 3,640,169</u> | <u>\$ 3,750,783</u> | <u>\$ 14,602,494</u> |

**HARRIS COUNTY HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
MARCH 31, 2022**

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, 2021:

| | Balance at January 1, 2021 | Additions | Disposals/ Transfers | Balance at December 31, 2021 |
|---------------------------------|----------------------------------|-----------------------|-------------------------|------------------------------------|
| Land Improvements | \$ 17,726,793 | \$ 6,348 | \$ - | \$ 17,733,141 |
| Buildings and Improvements | 123,043,352 | 19,450 | (3,743,909) | 119,318,893 |
| Equipment | 7,272,678 | - | - | 7,272,678 |
| Leasehold Improvements | 42,327 | - | - | 42,327 |
| Total Capital Assets | 148,085,150 | 25,798 | (3,743,909) | 144,367,039 |
| Less: Accumulated Depreciation: | (43,283,429) | (5,084,425) | - | (48,367,854) |
| Total Capital Assets, Net | <u>\$ 104,801,721</u> | <u>\$ (5,058,627)</u> | <u>\$ (3,743,909)</u> | <u>\$ 95,999,185</u> |

Summarized Notes Payable – Discretely Presented Component Units

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

| | December 31, 2021 |
|---|----------------------|
| Notes Payable - Due to Primary Government | \$ 51,628,042 |
| Mortgages and Other Housing Related Notes | 34,312,767 |
| Total | 85,940,809 |
| Less: Current Portion | (3,061,209) |
| Noncurrent Portion | <u>\$ 82,879,600</u> |

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

| Balance January 1, 2021 | Increase | Decrease | Balance December 31, 2021 |
|-------------------------------|-------------|------------------------|---------------------------------|
| <u>\$ 97,125,259</u> | <u>\$ -</u> | <u>\$ (11,184,450)</u> | <u>\$ 85,940,809</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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|------|
| Total Pension Liability | | | | | | | | | |
| Service Cost | \$ 313,938 | \$ 254,766 | \$ 235,739 | \$ 256,322 | \$ 295,565 | \$ 332,895 | \$ 283,212 | (Historical information prior to implementation of GASB 68 not required) | |
| Interest on Total Pension Liability | 328,820 | 278,190 | 242,823 | 225,469 | 206,992 | 168,261 | 144,593 | | |
| 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 | (6,237) | 32,631 | (23,605) | (164,679) | (159,503) | (84,014) | (69,707) | | |
| Benefit Payments/Refunds of Contributions | (60,417) | (27,101) | (47,219) | (116,000) | (60,132) | (82,125) | (101,034) | | |
| Net Change in Total Pension Liability | 590,002 | 849,330 | 407,738 | 201,112 | 294,749 | 335,017 | 260,003 | | |
| Total Pension Liability - Beginning | 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) | \$ 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 | \$ 128,220 | \$ 113,953 | \$ 120,053 | \$ 126,392 | \$ 140,517 | \$ 146,992 | \$ 141,627 | | |
| Contributions - Member | 132,969 | 119,234 | 112,650 | 110,043 | 118,068 | 133,977 | 135,350 | | |
| Net Investment Income | 1,015,779 | 403,961 | 524,118 | (56,926) | 375,842 | 161,775 | (66,887) | | |
| Benefit Payments, Including Refunds of Employee Contributions | (60,417) | (27,101) | (47,219) | (116,001) | (60,132) | (82,125) | (101,034) | | |
| Administrative Expense | (3,105) | (3,307) | (2,977) | (2,564) | (2,080) | (1,759) | (1,533) | | |
| Other | 6,933 | 6,485 | 6,895 | 3,903 | 2,641 | 31,239 | (29) | | |
| Net Change in Plan Fiduciary Net Position | 1,220,379 | 613,225 | 713,520 | 64,847 | 574,856 | 390,099 | 107,494 | | |
| Plan Fiduciary Net Position - Beginning | 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) | \$ 5,739,833 | \$ 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) | \$ (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 | 123.91 % | 111.80 % | 122.34 % | 114.63 % | 121.04 % | 111.52 % | 110.67 % | | |
| Covered Payroll | \$ 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 | (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 | \$ 140,517 | \$ 126,392 | \$ 120,053 | \$ 113,953 | \$ 128,220 |
| Contribution in Relation to the Actuarially Determined Contribution | 140,517 | 126,392 | 120,053 | 113,953 | 128,220 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 1,672,824 | \$ 1,572,043 | \$ 1,609,287 | \$ 1,703,339 | \$ 1,899,561 |
| Contributions as a Percentage of Covered Payroll | 8.40 % | 8.00 % | 7.50 % | 6.70 % | 6.80 % |

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, 2022**

| 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 | \$ 2,196,589 | \$ - | \$ 180,000 | \$ 34,868 | \$ 204,232 | \$ - | \$ 6,427,124 | \$ 3,335,317 | \$ 1,476,800 | \$ 123,220 | \$ - | \$ 13,978,150 | \$ 3,771,730 | \$ 17,749,880 |
| 113 | Other Restricted | 907,314 | - | - | - | - | - | - | 419,684 | - | 1,304,513 | - | 2,631,511 | 6,277,766 | 8,909,277 |
| 114 | Tenant Security Deposits | - | - | - | - | - | - | - | 31,606 | - | - | - | 31,606 | 368,693 | 400,299 |
| 100 | Total Cash | 3,103,903 | - | 180,000 | 34,868 | 204,232 | - | 6,427,124 | 3,786,607 | 1,476,800 | 1,427,733 | - | 16,641,267 | 10,418,189 | 27,059,456 |
| Accounts and Notes Receivable: | | | | | | | | | | | | | | | |
| 121 | PHA Projects | 861,706 | - | - | - | - | - | - | - | - | - | - | 861,706 | - | 861,706 |
| 122 | HUD Other Projects | - | - | - | - | 41,315 | - | - | - | - | - | - | 41,315 | - | 41,315 |
| 125 | Miscellaneous | 19,409 | - | - | - | - | - | 27,828 | - | 65,826 | - | - | 113,063 | 4,294 | 117,357 |
| 126 | Tenants | - | - | - | - | - | - | - | 1,164 | - | - | - | 1,164 | 187,291 | 188,455 |
| 126.1 | Allowance for Doubtful Accounts - Tenants | - | - | - | - | - | - | - | - | - | - | - | - | (140) | (140) |
| 128 | Fraud Recovery | 115,005 | - | - | - | 323 | - | - | - | - | - | - | 115,328 | - | 115,328 |
| 128.1 | Allowance for Doubtful Accounts - Fraud | (23,034) | - | - | - | (323) | - | - | - | - | - | - | (23,357) | - | (23,357) |
| 129 | Accrued Interest Receivable | - | - | - | - | - | - | 3,883,617 | - | - | - | - | 3,883,617 | - | 3,883,617 |
| 120 | Total Receivables, Net of Allowances for Uncollectibles | 973,086 | - | - | - | 41,315 | - | 3,911,445 | 1,164 | 65,826 | - | - | 4,992,836 | 191,445 | 5,184,281 |
| 142 | Prepaid Expenses and Other Assets | 37,104 | - | - | - | 517 | - | 1,516 | 806 | 12,546 | 1,719 | - | 54,208 | 552,646 | 606,854 |
| 150 | Total Current Assets | 4,114,093 | - | 180,000 | 34,868 | 246,064 | - | 10,340,085 | 3,788,577 | 1,555,172 | 1,429,452 | - | 21,688,311 | 11,162,280 | 32,850,591 |
| NONCURRENT ASSETS | | | | | | | | | | | | | | | |
| Fixed Assets: | | | | | | | | | | | | | | | |
| 161 | Land | - | - | - | - | - | - | 27,276,464 | 14,019,644 | - | - | - | 41,296,108 | 17,733,141 | 59,029,249 |
| 162 | Buildings | - | - | - | - | - | - | - | 15,223,274 | - | - | - | 15,223,274 | 119,318,893 | 134,542,167 |
| 164 | Furniture, Equipment, and Mach - Admin. | 135,282 | - | - | - | - | - | 59,545 | 31,378 | 22,516 | - | - | 248,721 | 7,272,678 | 7,521,399 |
| 165 | Leasehold Improvements | - | - | - | - | - | - | - | 4,165 | - | - | - | 4,165 | 42,327 | 46,492 |
| 166 | Accumulated Depreciation | (85,970) | - | - | - | - | - | (30,045) | (4,264,230) | (20,516) | - | - | (4,400,761) | (48,367,854) | (52,768,615) |
| 167 | Construction in Progress | - | - | - | - | - | - | 1,031,021 | - | - | - | - | 1,031,021 | - | 1,031,021 |
| 160 | Total Fixed Assets, Net of Accumulated Depreciation | 49,312 | - | - | - | - | - | 28,336,985 | 25,014,231 | 2,000 | - | - | 53,402,528 | 95,999,185 | 149,401,713 |
| 171 | Notes, Loans, and Mortgages Receivable - Noncurrent | - | - | - | - | - | - | 4,496,420 | 47,131,622 | - | - | - | 51,628,042 | - | 51,628,042 |
| 174 | Other Assets | 669,594 | - | - | 8,559 | 7,383 | - | 171,816 | - | 250,184 | - | - | 1,107,536 | 5,818,620 | 6,926,156 |
| 180 | Total Noncurrent Assets | 718,906 | - | - | 8,559 | 7,383 | - | 33,005,221 | 72,145,853 | 252,184 | - | - | 106,138,106 | 101,817,805 | 207,955,911 |
| 200 | Deferred Outflows of Resources | 184,358 | - | - | 517 | 3,872 | - | 47,306 | - | 68,883 | - | - | 304,936 | - | 304,936 |
| 290 | Total Assets | <u>\$ 5,017,357</u> | <u>\$ -</u> | <u>\$ 180,000</u> | <u>\$ 43,944</u> | <u>\$ 257,319</u> | <u>\$ -</u> | <u>\$ 43,392,612</u> | <u>\$ 75,934,430</u> | <u>\$ 1,876,239</u> | <u>\$ 1,429,452</u> | <u>\$ -</u> | <u>\$ 128,131,353</u> | <u>\$ 112,980,085</u> | <u>\$ 241,111,438</u> |

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2022**

| 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 | \$ 62,204 | \$ - | \$ - | \$ 18,786 | \$ 1,206 | \$ - | \$ 9,978 | \$ 24,422 | \$ 39,249 | \$ 898 | \$ - | \$ 156,743 | \$ 607,791 | \$ 764,534 |
| 321 | Accrued Wage/Payroll Taxes Payable | 21,526 | - | - | - | 404 | - | 4,600 | - | 11,012 | 728 | - | 38,270 | - | 38,270 |
| 322 | Accrued Compensated Absences - Current Portion | 16,848 | - | - | - | - | - | 3,715 | - | 5,595 | - | - | 26,158 | - | 26,158 |
| 325 | Accrued Interest Payable | - | - | - | - | - | - | - | - | - | - | - | - | 1,270,234 | 1,270,234 |
| 332 | Accounts Payable - PHA Projects | 783,430 | - | - | - | - | - | - | - | - | - | - | 783,430 | - | 783,430 |
| 341 | Tenant Security Deposits | - | - | - | - | - | - | - | 31,606 | - | - | - | 31,606 | 368,693 | 400,299 |
| 342 | Deferred Revenues | - | - | - | - | - | - | 35,237 | 1,273 | - | 318,201 | - | 354,711 | 183,709 | 538,420 |
| 343 | Current Portion of Long-Term Debt - Capital Projects | - | - | - | - | - | - | - | 156,808 | - | - | - | 156,808 | 3,061,209 | 3,218,017 |
| 345 | Other Current Liabilities | 1,016 | - | - | - | 18 | - | 49,104 | 19,203 | 455 | 16 | - | 69,812 | 121,600 | 191,412 |
| 310 | Total Current Liabilities | 885,024 | - | - | 18,786 | 1,628 | - | 102,634 | 233,312 | 56,311 | 319,843 | - | 1,617,538 | 5,613,236 | 7,230,774 |
| NONCURRENT LIABILITIES | | | | | | | | | | | | | | | |
| 351 | Long-Term Debt, Net of Current - Capital Projects | - | - | - | - | - | - | 4,154,444 | 23,044,714 | - | - | - | 27,199,158 | 82,879,600 | 110,078,758 |
| 353 | Noncurrent Liabilities - Other | - | - | - | - | - | - | 1,624,415 | - | - | - | - | 1,624,415 | 9,884,755 | 11,509,170 |
| 354 | Accrued Compensated Absences - Noncurrent | 50,543 | - | - | - | - | - | 11,146 | - | 16,783 | - | - | 78,472 | - | 78,472 |
| 350 | Total Noncurrent Liabilities | 50,543 | - | - | - | - | - | 5,790,005 | 23,044,714 | 16,783 | - | - | 28,902,045 | 92,764,355 | 121,666,400 |
| 300 | Total Liabilities | 935,567 | - | - | 18,786 | 1,628 | - | 5,892,639 | 23,278,026 | 73,094 | 319,843 | - | 30,519,583 | 98,377,591 | 128,897,174 |
| 400 | Deferred Inflow of Resources | 457,926 | - | - | 4,320 | 6,582 | - | 117,503 | - | 171,097 | - | - | 757,428 | - | 757,428 |
| NET POSITION | | | | | | | | | | | | | | | |
| 508.4 | Invested in Capital Assets | 49,312 | - | - | - | - | - | 24,182,541 | 1,812,709 | 2,000 | - | - | 26,046,562 | 17,418,039 | 43,464,601 |
| 511.4 | Restricted Net Position | 1,576,908 | - | - | 8,559 | 7,383 | - | 8,551,853 | 47,551,306 | 250,184 | 986,312 | - | 58,932,505 | 6,277,766 | 65,210,271 |
| 512.4 | Unrestricted Net Position | 1,997,644 | - | 180,000 | 12,279 | 241,726 | - | 4,648,076 | 3,292,389 | 1,379,864 | 123,297 | - | 11,875,275 | (9,093,311) | 2,781,964 |
| 513 | Total Net Position | 3,623,864 | - | 180,000 | 20,838 | 249,109 | - | 37,382,470 | 52,656,404 | 1,632,048 | 1,109,609 | - | 96,854,342 | 14,602,494 | 111,456,836 |
| 600 | Total Liabilities and Net Position | \$ 5,017,357 | \$ - | \$ 180,000 | \$ 43,944 | \$ 257,319 | \$ - | \$ 43,392,612 | \$ 75,934,430 | \$ 1,876,239 | \$ 1,429,452 | \$ - | \$ 128,131,353 | \$ 112,980,085 | \$ 241,111,438 |

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2022**

| 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 956,229 | \$ - | \$ - | \$ - | \$ 956,229 | \$ 12,494,095 | \$ 13,450,324 |
| 70400 | Tenant Revenue - Other | - | - | - | - | - | - | - | 8,901 | - | - | - | 8,901 | 400,583 | 409,484 |
| 70500 | Total Tenant Revenue | - | - | - | - | - | - | - | 965,130 | - | - | - | 965,130 | 12,894,678 | 13,859,808 |
| 70600 | HUD PHA Operating Grants | 52,845,367 | 1,124,800 | - | - | 330,572 | - | - | - | - | 1,306,812 | - | 55,607,551 | - | 55,607,551 |
| 70710 | Management Fee | - | - | - | - | - | - | - | - | 700,500 | - | (700,500) | - | - | - |
| 70720 | Asset Management Fee | - | - | - | - | - | - | - | - | 437,813 | - | (437,813) | - | - | - |
| 71100 | Investment Income - Unrestricted | 1 | - | - | - | - | - | 287,316 | 537 | - | - | - | 287,854 | 2,415 | 290,269 |
| 71400 | Fraud Recovery | 203,425 | - | - | - | - | - | - | - | - | - | - | 203,425 | - | 203,425 |
| 71500 | Other Revenue | 9,614,655 | - | - | - | 4,673 | - | 2,419,367 | 3,139,820 | 18,022 | - | (324,000) | 14,872,537 | 7,906,921 | 22,779,458 |
| 72000 | Investment Income - Restricted | - | - | - | - | - | - | - | - | - | - | - | - | 69 | 69 |
| 72000 | Total Revenue | 62,663,448 | 1,124,800 | - | - | 335,245 | - | 2,706,683 | 4,105,487 | 1,156,335 | 1,306,812 | (1,462,313) | 71,936,497 | 20,804,083 | 92,740,580 |
| EXPENSES | | | | | | | | | | | | | | | |
| Administrative: | | | | | | | | | | | | | | | |
| 91100 | Administrative Salaries | 526,645 | 526,645 | - | - | 25,744 | - | 272,316 | 84,569 | 471,763 | 34,223 | - | 1,941,905 | 961,009 | 2,902,914 |
| 91200 | Auditing Fees | 55,359 | - | - | - | 401 | - | 2,088 | - | 1,403 | - | - | 59,251 | 86,766 | 146,017 |
| 91300 | Management Fee | 690,672 | - | - | - | 8,952 | - | - | 47,743 | - | 876 | (700,500) | 47,743 | 606,731 | 654,474 |
| 91310 | Bookkeeping Fee | 431,670 | - | - | - | 5,595 | - | - | - | - | 548 | (437,813) | - | - | - |
| 91400 | Advertising and Marketing | - | - | - | - | - | - | - | 5,559 | - | - | - | 5,559 | 83,481 | 89,040 |
| 91500 | Employee Benefit Contributions - Administrative | 163,525 | 163,260 | - | - | 4,332 | - | 67,192 | 25,481 | 109,929 | 12,669 | - | 546,388 | 281,476 | 827,864 |
| 91600 | Office Expenses | 93,909 | 140,975 | - | - | 2,271 | - | 26,420 | 17,721 | 191,687 | 3,823 | (324,000) | 152,806 | 348,190 | 500,996 |
| 91700 | Legal Expense | 21,638 | - | - | - | - | - | 114,563 | - | 10,463 | - | - | 146,664 | 5,899 | 152,563 |
| 91800 | Travel | - | - | - | - | - | - | 37 | - | - | - | - | 37 | 6,135 | 6,172 |
| 91900 | Other | 11,201 | 41,060 | - | - | 692 | - | 19,852 | 34,066 | 40,895 | 1,110 | - | 148,876 | 159,452 | 308,328 |
| | Total Administrative | 1,994,619 | 871,940 | - | - | 47,987 | - | 502,468 | 215,139 | 826,140 | 53,249 | (1,462,313) | 3,049,229 | 2,539,139 | 5,588,368 |
| Tenant Services: | | | | | | | | | | | | | | | |
| 92000 | Asset Management Fee | - | - | - | - | - | - | - | - | - | - | - | - | 51,614 | 51,614 |
| 92100 | Salaries | - | - | - | - | - | - | - | - | - | - | - | - | 3,670 | 3,670 |
| 92300 | Employee Benefit Contribution - Tenant Services | - | - | - | - | - | - | - | - | - | - | - | - | 1,313 | 1,313 |
| 92400 | Other | - | - | - | - | - | - | - | 3,128 | - | 107,049 | - | 110,177 | 176,884 | 287,061 |
| | Total Tenant Services | - | - | - | - | - | - | - | 3,128 | - | 107,049 | - | 110,177 | 233,481 | 343,658 |
| Utilities: | | | | | | | | | | | | | | | |
| 93100 | Water | - | - | - | - | - | - | - | 65,776 | - | - | - | 65,776 | 561,279 | 627,055 |
| 93200 | Electricity | - | - | - | - | - | - | - | 20,505 | - | - | - | 20,505 | 320,517 | 341,022 |
| 93300 | Gas | - | - | - | - | - | - | - | - | - | - | - | - | 6,860 | 6,860 |
| 93800 | Other Utilities Expense | - | - | - | - | - | - | - | - | - | - | - | - | 100,405 | 100,405 |
| | Total Utilities | - | - | - | - | - | - | - | 86,281 | - | - | - | 86,281 | 989,061 | 1,075,342 |
| Ordinary Maintenance and Operations: | | | | | | | | | | | | | | | |
| 94100 | Labor | - | - | - | - | - | - | - | 57,224 | - | - | - | 57,224 | 678,865 | 736,089 |
| 94200 | Materials and Other | 1,836 | - | - | - | 12 | - | 3,545 | 14,381 | 1,011 | 12 | - | 20,797 | 508,541 | 529,338 |
| 94300 | Contracts | 22,280 | 7,179 | - | - | 13 | - | 69,531 | 165,001 | 38,040 | 660 | - | 302,704 | 2,325,138 | 2,627,842 |
| 94500 | Employee Benefits Contribution | - | - | - | - | - | - | - | 16,987 | - | - | - | 16,987 | 183,664 | 200,651 |
| | Total Ordinary Maintenance and Operations | 24,116 | 7,179 | - | - | 25 | - | 73,076 | 253,593 | 39,051 | 672 | - | 397,712 | 3,696,208 | 4,093,920 |
| Protective Services: | | | | | | | | | | | | | | | |
| 95200 | Other Contract Costs | - | - | - | - | - | - | - | 36,645 | - | - | - | 36,645 | - | 36,645 |
| | Total Protective Services | - | - | - | - | - | - | - | 36,645 | - | - | - | 36,645 | - | 36,645 |

**HARRIS COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2022**

| 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 73,687 | \$ - | \$ - | \$ - | \$ 73,687 | \$ 907,448 | \$ 981,135 |
| 96130 | Workmen's Compensation | - | - | - | - | - | - | - | - | - | - | - | - | 24,510 | 24,510 |
| 96140 | Other Insurance | 6,430 | - | - | - | 86 | - | 2,588 | 202,710 | 6,485 | 17 | - | 218,316 | 150,576 | 368,892 |
| | Total Insurance Premiums | 6,430 | - | - | - | 86 | - | 2,588 | 276,397 | 6,485 | 17 | - | 292,003 | 1,082,534 | 1,374,537 |
| General Expenses: | | | | | | | | | | | | | | | |
| 96200 | Other General Expenses | 184,603 | 235,081 | - | - | 2,530 | - | 402,606 | 148,244 | 16,717 | 93 | - | 989,874 | 1,966,402 | 2,956,276 |
| 96210 | Compensated Absences | 57,879 | - | - | - | 2,118 | - | 7,785 | - | 27,829 | - | - | 95,611 | - | 95,611 |
| 96400 | Bad Debt - Tenant Rents | 139,109 | - | - | - | - | - | - | - | - | - | - | 139,109 | 82,723 | 221,832 |
| 96600 | Bad Debt - Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 96000 | Total General Expenses | 381,591 | 235,081 | - | - | 4,648 | - | 410,391 | 148,244 | 44,546 | 93 | - | 1,224,594 | 2,049,125 | 3,273,719 |
| Interest Expenses: | | | | | | | | | | | | | | | |
| 96710 | Interest of Mortgage Payable | - | - | - | - | - | - | - | 343,428 | - | - | - | 343,428 | 1,951,649 | 2,295,077 |
| 96720 | Interest of Notes Payable | - | - | - | - | - | - | - | - | - | - | - | - | 5,820 | 5,820 |
| 96730 | Amortization Expense | - | - | - | - | - | - | - | - | - | - | - | - | 1,841 | 1,841 |
| | Total Interest Expenses | - | - | - | - | - | - | - | 343,428 | - | - | - | 343,428 | 1,959,310 | 2,302,738 |
| 96900 | Total Operating Expenses | 2,406,756 | 1,114,200 | - | - | 52,746 | - | 988,523 | 1,362,855 | 916,222 | 161,080 | (1,462,313) | 5,540,069 | 12,548,858 | 18,088,927 |
| EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSES | | | | | | | | | | | | | | | |
| 97000 | | 60,256,692 | 10,600 | - | - | 282,499 | - | 1,718,160 | 2,742,632 | 240,113 | 1,145,732 | - | 66,396,428 | 8,255,225 | 74,651,653 |
| 97100 | Extraordinary Maintenance | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 97200 | Casualty Losses - Noncapitalized | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 97300 | Housing Assistance Payments | 48,751,702 | - | - | - | 260,137 | - | - | - | - | 36,123 | - | 49,047,962 | - | 49,047,962 |
| 97350 | Housing Assistance Payments Portability - In | 9,236,729 | - | - | - | - | - | - | - | - | - | - | 9,236,729 | - | 9,236,729 |
| 97400 | Depreciation Expense | 26,866 | - | - | - | - | - | - | 390,341 | 3,329 | - | - | 420,536 | 5,084,425 | 5,504,961 |
| 90000 | Total Expenses | 60,422,053 | 1,114,200 | - | - | 312,883 | - | 988,523 | 1,753,196 | 919,551 | 197,203 | (1,462,313) | 64,245,296 | 17,633,283 | 81,878,579 |
| Other Financing Sources (Uses): | | | | | | | | | | | | | | | |
| 10010 | Operating Transfer In | - | - | - | - | - | - | 2,706,739 | 217,178 | - | - | (2,923,917) | - | - | - |
| 10020 | Operating Transfer Out | - | - | - | - | - | - | - | (2,923,917) | - | - | 2,923,917 | - | - | - |
| 10040 | Operating Transfers from/to Component Unit | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10080 | Special Items (Net Gain/Loss) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10093 | Transfers between Program and Project - In | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10094 | Transfers between Program and Project - Out | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10100 | Total Other Financing Sources (Uses) | - | - | - | - | - | - | 2,706,739 | (2,706,739) | - | - | - | - | - | - |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES | | | | | | | | | | | | | | | |
| 10000 | | \$ 2,241,395 | \$ 10,600 | \$ - | \$ - | \$ 22,362 | \$ - | \$ 4,424,899 | \$ (354,448) | \$ 236,784 | \$ 1,109,609 | \$ - | \$ 7,691,201 | \$ 3,170,800 | \$ 10,862,001 |
| Memo Account Information: | | | | | | | | | | | | | | | |
| 11020 | Required Annual Debt Principal Payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 66,508 | \$ - | \$ - | \$ - | \$ 66,508 | \$ 3,421,135 | \$ 3,487,643 |
| 11030 | Beginning Equity | 1,371,869 | - | 180,000 | 20,838 | 226,747 | - | 32,957,571 | 53,010,852 | 1,395,264 | - | - | 89,163,141 | 11,431,694 | 100,594,835 |
| 11040 | Prior Period Adjustments, Equity Transfers and Correction | 10,600 | (10,600) | - | - | - | - | - | - | - | - | - | - | - | - |
| 11170 | Administrative Fee Equity | 2,046,956 | - | - | - | - | - | - | - | - | - | - | 2,046,956 | - | 2,046,956 |
| 11180 | Housing Assistance Payments Equity | 1,576,908 | - | - | - | - | - | - | - | - | - | - | 1,576,908 | - | 1,576,908 |
| 11190 | Unit Months Available | 57,540 | - | - | - | 864 | - | - | 1,056 | - | 2,187 | - | 61,647 | 15,483 | 77,130 |
| 11210 | Unit Months Leased | 57,540 | - | - | - | 792 | - | - | 1,029 | - | 75 | - | 59,436 | 14,933 | 74,369 |

SINGLE AUDIT SECTION

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2022**

| 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 | \$ 52,845,367 |
| Emergency Housing Vouchers | 14.EHV | N/A | 197,203 |
| COVID-19 HCV Cares Act Funding | 14.HCC | N/A | 1,124,800 |
| Total Housing Voucher Cluster | | | <u>54,167,370</u> |
| Section 8 Project-Based Cluster: | | | |
| Section 8 Moderate Rehabilitation Single Room Occupancy | 14.249 | N/A | <u>330,572</u> |
| Pass-through from Harris County, Texas: | | | |
| Community Development Block Grants - Disaster Recovery: | 14.228 | Unknown | |
| Beginning Loan Balance | | | 4,154,444 |
| Current Year Loan Disbursements | | | 14,646,468 |
| Total Community Development Block Grants - Disaster Recovery | | | <u>18,800,912</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 73,298,854</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, 2022

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, 2022, 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, 2022.

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, 2022, the Authority obtained \$14,646,468 in CDBG loans from Harris County, Texas. There were no repayments made during the fiscal year. The March 31, 2022 ending balance of outstanding CDBG loans was \$18,800,912.



**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, 2022, 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 28, 2022. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on the Authority's financial statements. The audits of the discretely presented component units were not performed in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units.

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.

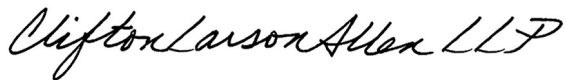
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

San Antonio, Texas
December 28, 2022



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

Board of Commissioners
Harris County Housing Authority
Houston, Texas

Report on Compliance for Each Major Federal Program

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, 2022. 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, 2022. 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, 2022.

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, 2022.

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 is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Harris County Housing Authority's response to the noncompliance finding 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 a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 items 2022-001, 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 Harris County Housing Authority's response to the internal control over compliance findings identified in our 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.

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 28, 2022

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2022**

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:

\$ 2,198,965

Auditee qualified as low-risk auditee?

 x yes _____ no

**HARRIS COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED MARCH 31, 2022**

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

2022 – 001

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Housing Voucher Cluster

Assistance Listing Number: 14.871

Federal Award Identification Number and Year: TX441VO; 2022

Award Period: April 1, 2021 – March 31, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: The Uniform Financial Reporting Standards (24 CFR section 5.801) require Public Housing Authorities (PHAs) to submit timely GAAP-based unaudited financial information electronically to HUD via the Real Estate Assessment Center (REAC) within 60 days of the PHAs fiscal year end.

Condition: The unaudited financial data schedule (FDS) was not submitted to REAC by the deadline.

Questioned costs: None

Context: The unaudited FDS was submitted to HUD on July 20, 2022.

Cause: The unaudited FDS was not prepared timely.

Effect: The Authority is not in compliance with reporting requirements.

Repeat Finding: No

Recommendation: We recommend that the Authority implements a control to ensure timely reporting to HUD in accordance with applicable regulatory requirements.

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