Housing Authority of the City of San Antonio

Financial Report and Compliance Report
June 30, 2017

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Housing Authority of the City of San Antonio (the Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Authority as of June 30, 2017, and the respective changes in financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other 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 Schedule of Expenditures of Federal Awards, Schedule of Modernization Costs and Schedule of Development Costs and, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Schedule of Modernization Costs and Schedule of Development Costs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, Schedule of Modernization Costs and Schedule of Development Costs are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February __, 2018 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

San Antonio, Texas
February 22, 2018

This section of the Housing Authority of the City of San Antonio's (the Authority) annual financial report presents management's discussion and analysis (MD&A) of the Authority's financial performance during the fiscal year (FY) ended June 30, 2017, related to its business-type activities, as compared to the FY ended June 30, 2016. The business-type activities of the Authority include the following business type of accounts: Public Housing Programs, Section 8 Voucher Programs, Capital Fund Programs, Community Development Initiatives Programs, Nonprofit Properties and the San Antonio Housing Facility Corporation. The MD&A is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position and identify individual fund issues or concerns.

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

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

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

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

Highlights

- The Authority received 18 Awards of Merit for various innovative programs and initiatives from the National Association of Housing and Redevelopment Officials.

- The Authority's Education Investment Foundation presented more than 200 R.E.A.C.H. (Rewarding Educational Achievement, Cultivating Hope) Awards to Authority students for achieving perfect attendance and/or A-B honor roll. In addition, 43 Authority youth received college scholarships.

- The Authority partnered with Alamo Colleges and Workforce Solutions Alamo to introduce a mobile job training resource for clients and community members. Through the Workforce on Wheels Bus, or the WOW Bus, individuals have access to a mobile computer lab to apply for jobs and explore college and training courses.

- The Authority celebrated the opening of East Meadows Apartments, part of the community-wide revitalization effort enhancing the Eastside of San Antonio with a sustainable mixed-income neighborhood.

- The Authority auctioned 26 residential lots located on Leigh Street and collected $1.3 million. Leigh Street is located within the highly desirable Lavaca Neighborhood where the real estate market has been identified as one of the hottest in the country. Of the 26 lots, five were reserved for buyers with a household income between 80 percent and 120 percent of the Area Median Income. All 26 lots will be developed as owner-occupied single-family homes for at least two years.

- The Authority closed on a $4.0 million note with Frost Bank, which yielded approximately $3.8 million in net loan proceeds, which will be used to fund future capital repairs at the Castle Point Apartments. Additionally, Springhill/Courtland Heights Public Facility Corporation (PFC), a blended component unit of the Authority, retired its Series 1999-A Bonds through a refinance with Frost Bank in the amount of $6.0 million. The interest rate was reduced from 5.85 percent to 3.09 percent, which will generate annual savings of approximately $189,000 for the next eight years.

- The Authority's current ratio that measures liquidity was 5.33 at June 30, 2017. The ratio is an indicator of the Authority's strong capacity to meet its short-term financial obligations.

- The Authority's debt-to-net position ratio was 0.34 at June 30, 2017, demonstrating the Authority's strong long-term solvency position.

Overview of the Financial Statements

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

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

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

Basic Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority's primary business activities are accounted for as a Proprietary Fund. The basic financial statements begin on page 16 of this report.

Proprietary Fund Financial Statements
The Authority consists exclusively of Enterprise Funds. Enterprise Funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting used by the private sector.

Pension Plan Trust Fund—Fiduciary Fund
The Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust, a component unit of the Authority, is accounted for as fiduciary activity in the Fiduciary Fund financial statements. The basic Fiduciary Fund financial statements begin on page 28 of this report.

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

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

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

- **Public Housing Program**—a HUD-funded program under which the Authority manages and maintains 6,097 public housing rental units for eligible low-income families, seniors and individuals with disabilities.

In addition to the programs listed under the San Antonio Housing Authority, the Authority also operates the following component units which are reported as major funds:

San Antonio Housing Facility Corporation (SAHFAC)
The Authority owns and operates nine apartment complexes under this corporation. SAHFAC leases the Central Office Building and the Brazos Warehouse Building to the Authority. Additionally, SAHFAC serves as general partner for various tax credit limited partnerships.

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

Notes to Financial Statements
The notes to financial statements provide additional information that is essential to the full understanding of the data provided in the fund financial statements. The notes to financial statements begin on page 31 of this report.

Financial Analysis

General
Over time, net position may serve as a useful indicator of a government's financial position. At June 30, 2017, the Authority's assets and deferred outflows of resources exceeded liabilities by $254,878,374. By far, the largest portion of net position is the Authority's investment in capital assets (e.g., land, buildings, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services and housing to its clients. Consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Assets, Deferred Outflows of Resources, Liabilities and Net Position Information

Presented below is the Authority's condensed assets, deferred outflows of resources, liabilities and net position information for FY 2017 compared to FY 2016. This information reflects the economic resources of the Authority, as well as its economic obligations at the end of the FYs shown. This information reflects the financial condition of the Authority's Proprietary Funds on an accrual basis. See notes to the financial statements.

Condensed Assets, Deferred Outflows of Resources, Liabilities and Net Position Information

	FY 2017	FY 2016	Increase (Decrease)	Percentage Change
Assets:				
Unrestricted current assets	$ 53,670,119	$ 59,049,757	$ (5,379,638)	(9.11%)
Restricted current assets	29,741,485	24,078,414	5,663,071	23.52%
Capital assets, net	189,006,428	194,686,934	(5,680,506)	(2.92%)
Other assets	68,962,432	64,943,893	4,018,539	6.19%
Total assets	341,380,464	342,758,998	(1,378,534)	(0.40%)
Deferred outflows of resources:				
Deferred charges on refunding	839,999	954,209	(114,210)	(11.97%)
Deferred swap outflow	210,250	223,018	(12,768)	(5.73%)
Total deferred outflows of resources	1,050,249	1,177,227	(126,978)	(10.79%)
Total assets and deferred outflows of resources	$ 342,430,713	$ 343,936,225	$ (1,505,512)	(0.44%)
Liabilities:				
Current liabilities	$ 14,528,969	$ 15,039,897	$ (510,928)	(3.40%)
Current liabilities payable from restricted assets	1,114,946	1,263,222	(148,276)	(11.74%)
Noncurrent liabilities	71,908,424	69,817,540	2,090,884	2.99%
Total liabilities	87,552,339	86,120,659	1,431,680	1.66%
Net position:				
Net investment in capital assets	130,740,548	132,261,007	(1,520,459)	(1.15%)
Restricted net position	21,186,276	22,678,007	(1,491,731)	(6.58%)
Unrestricted net position	102,951,550	102,876,552	74,998	0.07%
Total net position	254,878,374	257,815,566	(2,937,192)	(1.14%)
Total liabilities and net position	$ 342,430,713	$ 343,936,225	$ (1,505,512)	(0.44%)

Assets

During FY 2017, total assets decreased by $1.4 million. Unrestricted current assets decreased by $5.4 million, or 9.11 percent, due to the sale of various treasury notes, which were subsequently disbursed under the Section 8 HCV Program. Other assets increased by $4.0 million, or 6.19 percent, due to note receivable additions consisting of a $1.9 million MTW loan and a $1.3 million Replacement Housing Factor funds loan with Wheatley Senior, LP. Additionally, a pre-development loan of $702,000 was executed between Wheatley Senior, LP and the Authority. Restricted current assets increased by $5.7 million, or 23.52 percent, due primarily to debt issuances for the Castle Point Apartments and Springhill/Courtland Heights PFC. Net loan proceeds were $3.8 million for the Castle Point Apartments and $260,000 for Springhill/Courtland Heights PFC. Additionally, contributing to the increase in restricted assets was the Authority's sale of 26 single-family Leigh Street lots which resulted in auction proceeds of $1.3 million. The $5.7 million decrease in capital assets, net resulted primarily from the routine recording of depreciation, partially offset by the capitalization of Capital Fund Program Public Housing projects. A total of $14.6 million in depreciation expense was recorded for the fiscal year.

Liabilities
During FY 2017, total liabilities increased by $1.4 million. Current liabilities experienced a decrease of $0.5 million due primarily to a reduction in accounts payable and amortization of ground leases. Noncurrent liabilities increased by $2.1 million due to the refinance of the Castle Point Apartments, which resulted in new debt of $4.0 million and the refinance of Springhill/Courtland Heights PFC, which resulted in a net addition of debt totaling $1.4 million. The increase was partially offset by scheduled debt reductions, payments on Capital Fund Financing Program long-term obligations and amortization of unearned ground leases. During FY 2017, the Authority made principal payments in the amount of $3.3 million on mortgage obligations and loans payable.

Net Position
The Authority's net position totaled $254,878,374 at June 30, 2017, and is comprised of net investment in capital assets of $130,740,548; restricted net position of $21,186,276 and unrestricted net position of $102,951,550. Total net position decreased 1.14 percent as a result of operations for the FY. The balance in unrestricted net position represents resources available to meet the Authority's ongoing obligations to tenants, citizens and creditors.

Revenues, Expenses and Changes in Net Position Information

Presented on the following page is the condensed revenues, expenses and changes in net position information for FY 2017 compared to FY 2016. The information reflects the result of operations for the Authority and displays the sources of revenue, the nature of expenses for the year and the resulting change in net position. All revenues and expenses are accounted for on an accrual basis. See notes to financial statements.

Condensed Revenues, Expenses and Changes in Net Position Information

	FY 2017	FY 2016	Increase (Decrease)	Percentage Change
Operating revenues:				
Tenant	$ 29,690,071	$ 29,783,734	$ (93,663)	(0.31%)
Operating grants	40,943,875	39,198,879	1,744,996	4.45%
Other revenue	4,680,619	5,489,941	(809,322)	(14.74%)
Total operating revenues	75,314,565	74,472,554	842,011	1.13%
Operating expenses:				
Administrative	30,166,136	28,614,554	1,551,582	5.42%
Tenant services	3,230,037	2,802,178	427,859	15.27%
Utilities	6,804,072	6,937,371	(133,299)	(1.92%)
Ordinary maintenance and operations	21,700,606	21,741,517	(40,911)	(0.19%)
Protective services	790,918	1,008,642	(217,724)	(21.59%)
Insurance	2,144,643	2,280,801	(136,158)	(5.97%)
Bad debts	1,567,988	1,750,759	(182,771)	(10.44%)
Other	1,103,634	1,253,740	(150,106)	(11.97%)
Depreciation	14,550,627	15,466,232	(915,605)	(5.92%)
Total operating expenses	82,058,661	81,855,794	202,867	0.25%
Operating loss	(6,744,096)	(7,383,240)	639,144	(8.66%)
Nonoperating revenues (expenses):				
Investment income	135,410	127,936	7,474	5.84%
Mortgage interest income	1,903,253	1,850,118	53,135	2.87%
HUD Housing Assistance Grants	76,224,071	99,810,448	(23,586,377)	(23.63%)
Recovery of Section 8 funds	169,451	80,147	89,304	111.43%
Housing assistance payments	(89,416,345)	(90,129,674)	713,329	(0.79%)
Interest expense	(2,503,085)	(2,615,545)	112,460	(4.30%)
Demolition costs	-	(39,935)	39,935	(100.00%)
Gain (loss) on disposition/retirement of capital assets	1,962,677	(4,443,851)	6,406,528	(144.17%)
Insurance recoveries, net of impairment losses	6,180,133	-	6,180,133	100.00%
Gain on investments	259	-	259	100.00%
Amortization and trustee expense	(478,407)	(134,326)	(344,081)	256.15%
Total nonoperating revenues (expenses)	(5,822,583)	4,505,318	(10,327,901)	(229.24%)
Decrease in net position before capital contributions and special item	(12,566,679)	(2,877,922)	(9,688,757)	336.66%
Capital contributions	9,029,487	8,326,554	702,933	8.44%
Special item	600,000	-	600,000	100.00%
Changes in net position	(2,937,192)	5,448,632	(8,385,824)	(153.91%)
Net position at beginning of year	257,815,566	252,366,934	5,448,632	2.16%
Net position at end of year	$ 254,878,374	$ 257,815,566	$ (2,937,192)	(1.14%)

Operating Revenues and Expenses

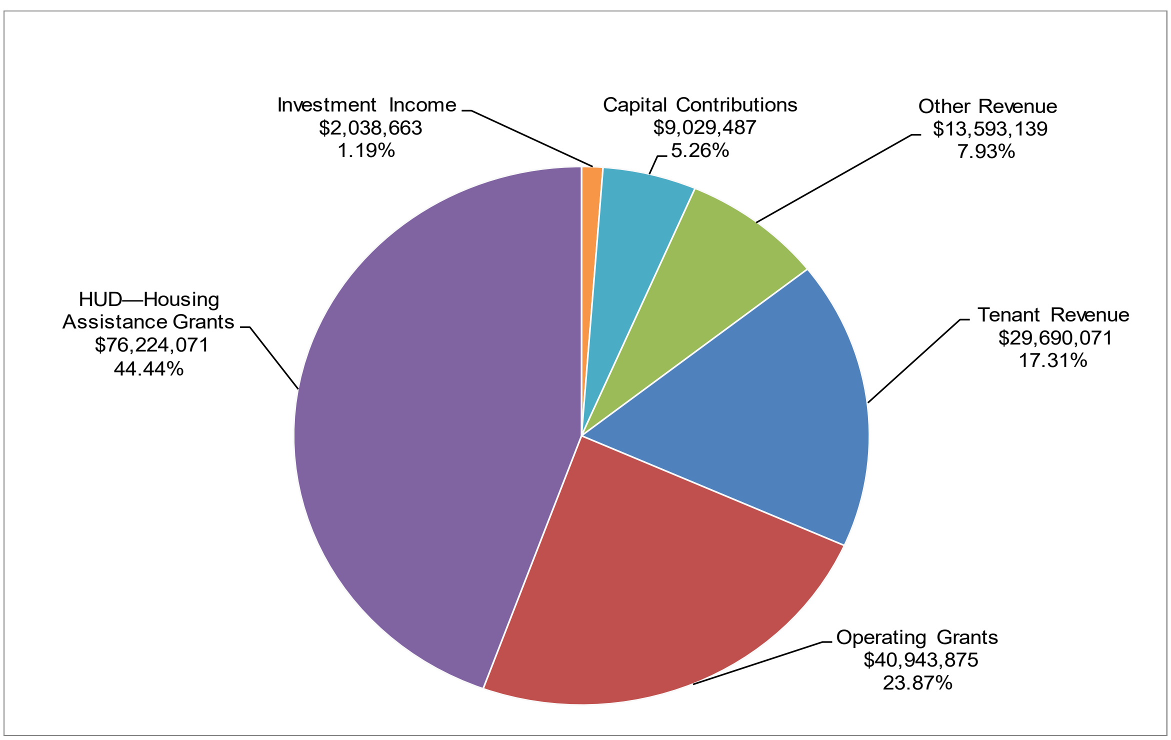
Operating revenues increased by $0.8 million, or 1.13 percent, over the previous year and operating expenses increased by $0.2 million, or 0.25 percent. The primary source of revenue, other than HUD funding, is tenant income, which decreased by $0.1 million, or 0.31 percent over the prior year. The $1.7 million, or 4.45 percent, increase in operating grants can be attributed to increases of $1.4 million in Public Housing operating subsidy and $0.5 million in Resident Opportunities and Self-Sufficiency Program grants. The $0.8 million, or 14.74 percent, decrease in other revenue was due primarily to less development fee revenue recognized during FY 2017. Administrative expenses increased by $1.6 million, or 5.42 percent, and tenant services increased by $0.4 million, or 15.27 percent. The remaining operating expenses experienced decreases. Depreciation expense, which does not require cash expenditures, but impacts the total operating expenses, totaled $14.6 million for FY 2017.

Nonoperating Revenues, Expenses and Changes in Net Position

There was a decrease of $8.4 million for the changes in net position primarily due to a decrease in HUD Housing Assistance Grants of $23.6 million. During FY 2017, the Authority was required to use Section 8 reserve funds to disburse housing assistance payments for August, September and a portion of October. Partially offsetting the large overall decrease were increases of $6.2 million in insurance recoveries, net of impairment losses, and $2.0 million in gain on disposition/retirement of capital assets. During FY 2017, the Authority recognized insurance proceeds, net of impairment losses, for a severe hail storm that struck San Antonio and caused extensive damage to several of the Authority's properties. The Authority filed an insurance claim in FY 2017 and recognized insurance recoveries of $8.1 million, which was offset by a $1.9 million impairment loss. The $2.0 million gain on disposition/retirement of capital assets in FY 2017 resulted from the sale of 26 single-family Leigh Street lots and the sale of a vacant parcel of land located at Ingram Road.

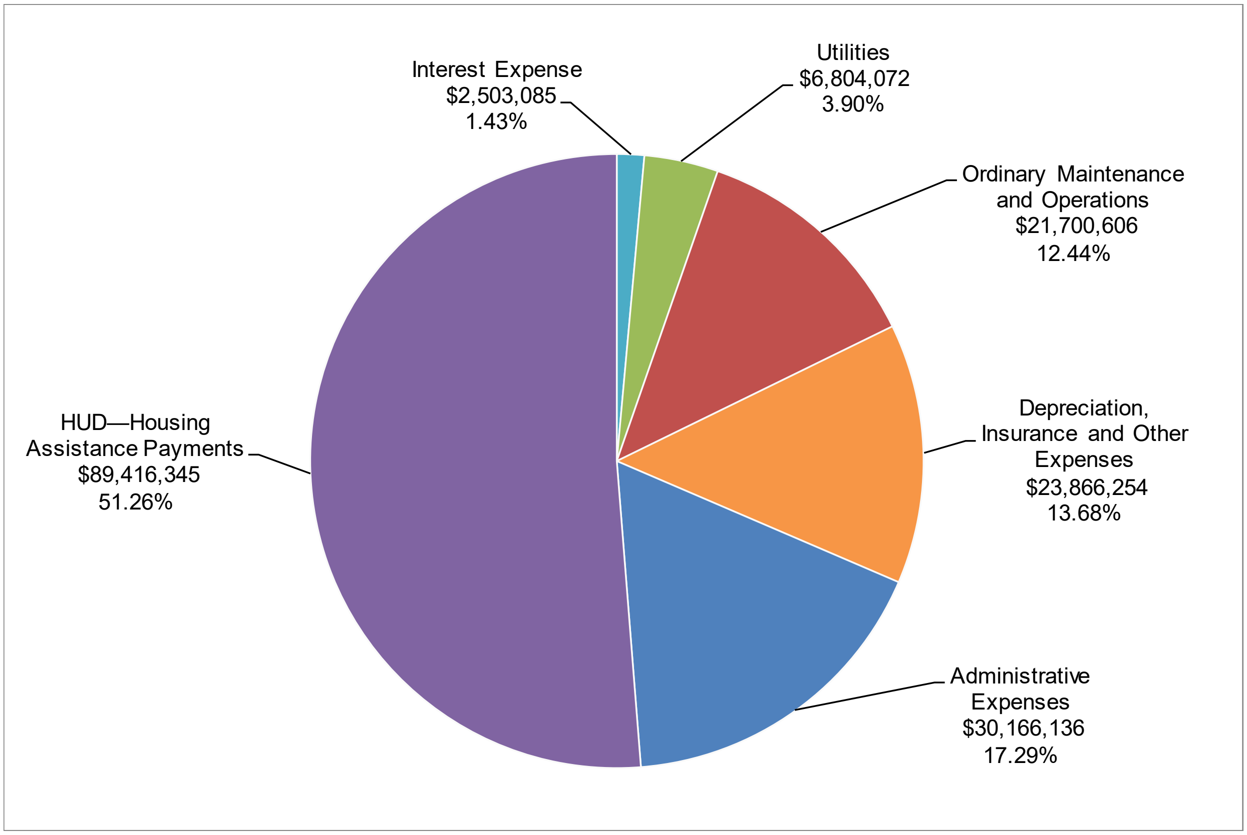
Revenue by Source—Business-Type Activities

Total Revenue—$171,519,306



Expenses by Use—Business-Type Activities

Total Expenses—$174,456,498



Capital Assets and Debt Administration

Net Capital Assets

At the end of FY 2017, the Authority had invested $189,006,428 in a broad range of capital assets, including land, buildings, furniture, equipment, vehicles and construction in progress. The schedule below reflects the changes in capital assets, net of depreciation, during FY 2017:

Schedule of Changes in Capital Assets—FY 2017

Beginning net capital assets	$ 194,686,934
Additions and transfers in/out	11,405,529
Deletions	(2,535,408)
Depreciation	(14,550,627)
Ending net capital assets	$ 189,006,428

Net capital assets decreased by $5.7 million in FY 2017 when compared to FY 2016. Additions and transfers totaled $11.4 million, while deletions totaled $2.5 million. The majority of the additions were attributable to construction in progress. The Authority recognized a $1.9 million impairment loss, reflected in deletions above, for damaged building structures caused by a hail storm. The Authority filed an insurance claim to supplement the loss and recognized insurance recoveries totaling $8.1 million during FY 2017. Additional information on the Authority's capital assets can be found in Note 6 of the notes to financial statements.

Long-Term Debt
At the end of FY 2017, the Authority had total long-term debt of $65,509,373. Of this amount, $22,267,161 represents bonds that were issued to purchase or rehabilitate properties owned by component units of the Authority. The Authority's debt increased by $2,129,237 when compared to FY 2016.

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

Economic Factors and Next Year's Budget

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

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, housing costs, supplies and other costs
- Current trends in the housing market
- Local and national property rental markets that determine Housing Assistance Payments
- The Authority voted to accept $1.5 million in Tax Increment Financing (TIF) funding from the City of San Antonio, which will be used for public improvements such as utilities, streets and sidewalks at the Victoria Commons area southeast of downtown. San Antonio's City Council approved the TIF funding in September 2017.

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

The operating budgets for the Authority's 2017-2018 FY were approved by the Board of Commissioners on June 1, 2017, and became effective July 1, 2017. The Authority's budget is balanced, with estimated revenues of $176.0 million, with these funds being used primarily for Section 8 payments to landlords, public housing operations, salaries and benefits, upgrades, repairs and maintenance of the Authority's housing communities, as well as other operating costs.

In December 2017, the San Antonio Housing Facility Corporation issued a promissory note in the amount of $6,800,000 to Frost Bank to refinance the existing debt on the Monterrey Park Apartments and to finance capital repairs and improvements to the Monterrey Park Apartments and La Providencia Apartments. The refinance increased the mortgage debt on the Monterrey Park Apartments; however, the net refinancing proceeds of approximately $5,159,000 will be utilized to preserve and extend the useful life of both properties.

The Authority's goal remains to continue to provide housing to over 65,000 children, adults and senior citizens served through its three core housing programs: Section 8, Public Housing and Nonprofit properties. In FY 2018, the Authority looks forward to continuing to work on the Wheatley Choice Neighborhood revitalization; significantly enhancing property management and housing operations; expanding educational, job training and health services to residents and implementing additional efficiencies across the Authority.

Requests for Information

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

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

Basic Financial Statements

Housing Authority of the City of San Antonio

Statement of Net Position
June 30, 2017

Assets and Deferred Outflows of Resources	
Current assets:	
Cash and cash equivalents:	
Unrestricted	$ 38,285,008
Tenant security deposits	81,405
Accounts receivable–HUD	2,484,987
Accounts receivable–miscellaneous	2,177,111
Accounts receivable–insurance holdback	2,050,898
Accounts receivable–tenants	819,826
Allowance for doubtful accounts—tenants	(261,505)
Notes and mortgages	14,636
Accrued interest receivable	2,934
Investments—unrestricted	801,189
Prepaid expenses and other assets	7,213,630
	53,670,119
Restricted assets:	
Cash and cash equivalents—modernization and development	10,284,023
Cash and cash equivalents—payment of current liabilities	1,242,769
Cash and cash equivalents—held by lender and trustee	6,007,174
Cash and cash equivalents—other	6,187,220
Investments	6,007,163
Accrued interest	13,136
Total restricted assets	29,741,485
Total current assets	83,411,604
Noncurrent assets:	
Capital assets:	
Land	44,832,622
Buildings and improvements	446,783,871
Furniture and equipment—dwellings	2,518,725
Furniture and equipment—administration	5,586,281
Leasehold improvements	1,088,365
Construction in progress	16,531,482
	517,341,346
Less accumulated depreciation	(328,334,918)
Net capital assets	189,006,428
Other noncurrent assets:	
Notes and mortgages receivable	48,759,279
Accrued interest receivable	11,545,180
Other assets and developer fees receivable	4,338,168
Allowance for doubtful accounts—developer fees	(2,925,511)
Equity in partnership investments	7,245,316
Total noncurrent assets	257,968,860
Total assets	341,380,464
Deferred outflows of resources:	
Deferred charges on refunding	839,999
Deferred swap outflow	210,250
Total deferred outflows of resources	1,050,249
Total assets and deferred outflows of resources	$ 342,430,713

See notes to financial statements.

Liabilities and Net Position	
Liabilities:	
Current liabilities:	
Accounts payable	$ 4,431,392
Accrued wages and payroll taxes	1,252,983
Accrued compensated absences	1,379,442
Accrued contingencies	547,593
Accounts payable—HUD PHA projects	150,509
Tenant security deposits	1,502,844
Unearned revenue—tenants	321,307
Unearned revenue—ground leases and other	1,720,516
Current portion of long-term debt	2,162,409
Line of credit	539,663
Other current liabilities	503,155
Accrued liabilities	17,156
Total unrestricted current liabilities	14,528,969
Current liabilities payable from restricted assets:	
Long-term debt—current portion	1,064,146
Accrued interest payable	2,200
Family Self-Sufficiency (FSS) escrow	48,600
Total current liabilities payable from restricted assets	1,114,946
Total current liabilities	15,643,915
Noncurrent liabilities:	
Long-term debt, less unamortized discount	62,282,818
FSS escrow payable	2,084,390
Accrued compensated absences	116,976
Interest rate swap liabilities	210,250
Unearned revenue—ground leases and other	7,173,619
Other noncurrent liabilities	40,371
Total noncurrent liabilities	71,908,424
Total liabilities	87,552,339
Net position:	
Net investment in capital assets	130,740,548
Restricted net position	21,186,276
Unrestricted net position	102,951,550
Total net position	254,878,374
Total liabilities and net position	$ 342,430,713

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Housing Authority of the City of San Antonio

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

Operating revenues:	
Charges for services:	
Net tenant rental revenue	$ 28,658,841
Tenant revenue—other	1,031,230
HUD operating grants and housing assistance payments	40,321,210
Other government grants	622,665
Other revenue	4,680,619
Total operating revenues	75,314,565
Operating expenses:	
Administrative	30,166,136
Tenant services	3,230,037
Utilities	6,804,072
Ordinary maintenance and operations	21,700,606
Protective services	790,918
Insurance	2,144,643
Bad debts	1,567,988
Other	1,103,634
Depreciation	14,550,627
Total operating expenses	82,058,661
Operating loss	(6,744,096)
Nonoperating revenues (expenses):	
Investment income—unrestricted	82,342
Investment income—restricted	53,068
Mortgage interest income	1,903,253
HUD Housing Assistance Grants	76,224,071
Recovery of Section 8 funds	169,451
Housing assistance payments	(89,416,345)
Interest expense	(2,503,085)
Gain on disposition/retirement of capital assets	1,962,677
Insurance recoveries, net of impairment losses	6,180,133
Gain on investments	259
Amortization and trustee expense	(478,407)
Total nonoperating revenues (expenses)	(5,822,583)
Decrease in net position before capital contributions and special item	(12,566,679)
Capital contributions	9,029,487
Special item	600,000
Change in net position	(2,937,192)
Net position at beginning of year	257,815,566
Net position at end of year	$ 254,878,374

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from operating activities:	
Cash received from tenants	$ 73,713,425
Cash received from developers	284,079
Cash payments to suppliers for goods and services	(38,897,057)
Cash payments to employees	(28,441,348)
Net cash provided by operating activities	6,659,099
Cash flows from noncapital financing activities:	
HUD Housing Assistance Grants	76,224,071
Housing assistance payments	(89,416,345)
Recovery of Section 8 funds	166,993
Legal settlement	600,000
Net cash used in noncapital financing activities	(12,425,281)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(11,183,390)
Refinancing and closing costs	(330,374)
Trustee fees	(16,122)
Proceeds from insurance on capital assets	6,075,134
Proceeds from capital grants	9,029,487
Receipt of prepaid ground lease	137,000
Principal payments on mortgage and notes payable	(3,275,231)
Proceeds from acquisition of debt	10,000,000
Retirement of bonds payable	(4,610,000)
Interest paid on long-term debt and line of credit	(2,538,511)
Line of credit drawdowns	678,697
Line of credit principal payments	(1,346,651)
Homeownership and FSS escrow	758,503
Proceeds from sale of capital assets	2,575,888
Net cash provided by capital and related financing activities	5,954,430
Cash flows from investing activities:	
Collections on notes receivable	1,521,558
Issuance of notes receivable	(4,145,069)
Investment income received	131,950
Sale/maturity of investment securities	23,818,270
Purchases of investment securities	(8,798,812)
Interest on notes and mortgages receivable	14,270
Net cash provided by investing activities	12,542,167
Net increase in cash and cash equivalents	12,730,415
Cash and cash equivalents at beginning of year	49,357,184
Cash and cash equivalents at end of year	$ 62,087,599
Noncash capital and related financing activities:	
Capital assets impairment netted with insurance proceeds recorded as nonoperating revenue	$ 1,945,899
Unpaid interest capitalized into long-term debt	$ 14,469

Housing Authority of the City of San Antonio

Statement of Cash Flows (Continued)
Year Ended June 30, 2017

Reconciliation to statement of net position:		
Unrestricted cash and cash equivalents	$	38,285,008
Tenant security deposits		81,405
Restricted cash and cash equivalents—modernization and development		10,284,023
Restricted cash and cash equivalents—payment of current liabilities		1,242,769
Restricted cash and cash equivalents—held by lender and trustee		6,007,174
Restricted cash and cash equivalents—other		6,187,220
	$	62,087,599

Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(6,744,096)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		14,550,627
Earned revenue/amortization of unearned revenue—ground lease and other		(1,141,987)
Net changes in assets and liabilities:		
Tenants receivable, net		18,409
HUD receivable		(873,177)
Miscellaneous receivables		360,947
Other assets and developer fees		164,158
Allowance for doubtful accounts—other		286,247
Prepaid expenses and other		(164,432)
Accounts payable		(76,524)
Accrued wages and payroll taxes		225,495
Accrued compensated absences		62,846
Accrued contingencies		31,915
Tenant security deposits		22,458
Unearned revenue—tenants		159,307
Other current liabilities		(70,196)
Accrued liabilities		(152,898)
Net cash provided by operating activities	$	6,659,099

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Net Position—Proprietary Funds
June 30, 2017

	San Antonio Housing Authority	San Antonio Housing Facility Corporation	Sendero I PFC	Nonmajor Funds	Interfund Eliminations	Combined Total
Assets and Deferred Outflows of Resources						
Current assets:						
Cash and cash equivalents:						
Unrestricted	$ 24,317,027	$ 6,671,080	$ 1,285,371	$ 6,011,530	$ -	$ 38,285,008
Tenant security deposits	-	5,145	-	76,260	-	81,405
Accounts receivable–HUD	2,484,987	-	-	-	-	2,484,987
Accounts receivable–miscellaneous	1,019,378	710,568	94,880	450,088	(97,803)	2,177,111
Accounts receivable–insurance holdback	874,481	271,836	-	904,581	-	2,050,898
Accounts receivable–tenants	529,337	51,317	1,779	237,393	-	819,826
Allowance for doubtful accounts—tenants	(189,889)	(12,635)	(427)	(58,554)	-	(261,505)
Notes and mortgages	-	-	-	18,322	(3,686)	14,636
Accrued interest receivable	-	-	-	5,410	(2,476)	2,934
Interprogram receivable	2,000,213	552,701	2,688	134,532	(2,690,134)	-
Investments—unrestricted	-	-	-	801,189	-	801,189
Prepaid expenses and other assets	7,213,630	-	-	-	-	7,213,630
	38,249,164	8,250,012	1,384,291	8,580,751	(2,794,099)	53,670,119
Restricted assets:						
Cash and cash equivalents—modernization and development	4,019,260	3,806,632	-	2,458,131	-	10,284,023
Cash and cash equivalents—payment of current liabilities	1,242,769	-	-	-	-	1,242,769
Cash and cash equivalents—held by lender and trustee	-	1,057,274	236,493	4,713,407	-	6,007,174
Cash and cash equivalents—other	6,065,328	13,811	-	108,081	-	6,187,220
Investments	6,007,163	-	-	-	-	6,007,163
Accrued interest	13,136	-	-	-	-	13,136
Total restricted assets	17,347,656	4,877,717	236,493	7,279,619	-	29,741,485
Total current assets	55,596,820	13,127,729	1,620,784	15,860,370	(2,794,099)	83,411,604
Noncurrent assets:						
Capital assets:						
Land	17,392,398	9,386,321	145,280	17,908,623	-	44,832,622
Buildings and improvements	359,010,067	28,349,039	11,327,877	48,096,888	-	446,783,871
Furniture and equipment—dwellings	2,271,312	5,465	168,154	73,794	-	2,518,725
Furniture and equipment—administration	4,504,846	794,315	10,904	276,216	-	5,586,281
Leasehold improvements	1,065,875	-	-	22,490	-	1,088,365
Construction in progress	15,365,791	692,313	-	473,378	-	16,531,482
	399,610,289	39,227,453	11,652,215	66,851,389	-	517,341,346
Less accumulated depreciation	(278,233,370)	(21,785,404)	(4,241,184)	(24,074,960)	-	(328,334,918)
Net capital assets	121,376,919	17,442,049	7,411,031	42,776,429	-	189,006,428
Other noncurrent assets:						
Notes and mortgages receivable	29,976,208	17,619,425	-	6,118,559	(4,954,913)	48,759,279
Accrued interest receivable	4,748,028	876,195	-	5,920,957	-	11,545,180
Other assets and developer fees receivable	-	1,886,231	-	2,451,937	-	4,338,168
Allowance for doubtful accounts—developer fees	-	(942,837)	-	(1,982,674)	-	(2,925,511)
Equity in partnership investments	-	6,888,818	-	356,498	-	7,245,316
Total noncurrent assets	156,101,155	43,769,881	7,411,031	55,641,706	(4,954,913)	257,968,860
Total assets	211,697,975	56,897,610	9,031,815	71,502,076	(7,749,012)	341,380,464
Deferred outflows of resources:						
Deferred charges on refunding	-	-	480,342	359,657	-	839,999
Deferred swap outflow	-	116,962	-	93,288	-	210,250
Total deferred outflows of resources	-	116,962	480,342	452,945	-	1,050,249
Total assets and deferred outflows of resources	$ 211,697,975	$ 57,014,572	$ 9,512,157	$ 71,955,021	$ (7,749,012)	$ 342,430,713

See notes to financial statements.

	San Antonio Housing Authority	San Antonio Housing Facility Corporation	Sendero I PFC	Nonmajor Funds	Interfund Eliminations	Combined Total
Liabilities and Net Position						
Liabilities:						
Current liabilities:						
Accounts payable	$ 3,307,585	$ 582,221	$ 24,954	$ 614,435	$ (97,803)	$ 4,431,392
Accrued wages and payroll taxes	1,252,983	-	-	-	-	1,252,983
Accrued compensated absences	1,379,442	-	-	-	-	1,379,442
Accrued contingencies	547,593	-	-	-	-	547,593
Accounts payable—HUD PHA projects	150,509	-	-	-	-	150,509
Tenant security deposits	870,674	211,617	59,759	360,794	-	1,502,844
Unearned revenue—tenants	142,083	51,172	3,642	124,410	-	321,307
Unearned revenue—ground leases and other	767,450	165,557	-	787,509	-	1,720,516
Current portion of long-term debt	1,848,874	159,357	-	157,864	(3,686)	2,162,409
Line of credit	-	539,663	-	-	-	539,663
Other current liabilities	437,047	1,228	-	64,880	-	503,155
Accrued liabilities	985	2,809	10,804	2,558	-	17,156
Interprogram liability	689,921	337,282	-	1,662,931	(2,690,134)	-
Total unrestricted current liabilities	11,395,146	2,050,906	99,159	3,775,381	(2,791,623)	14,528,969
Current liabilities payable from restricted assets:						
Long-term debt—current portion	-	367,147	262,628	434,371	-	1,064,146
Accrued interest payable	-	4,676	-	92,005	(94,481)	2,200
FSS escrow	48,600	-	-	-	-	48,600
Total current liabilities payable from restricted assets	48,600	371,823	262,628	526,376	(94,481)	1,114,946
Total current liabilities	11,443,746	2,422,729	361,787	4,301,757	(2,886,104)	15,643,915
Noncurrent liabilities:						
Long-term debt, less unamortized discount	16,891,773	15,750,474	8,936,906	25,566,573	(4,862,908)	62,282,818
FSS escrow payable	2,084,390	-	-	-	-	2,084,390
Accrued compensated absences	116,976	-	-	-	-	116,976
Interest rate swap liability	-	116,962	-	93,288	-	210,250
Unearned revenue—ground leases and other	-	6,751,698	-	421,921	-	7,173,619
Other noncurrent liabilities	-	-	-	40,371	-	40,371
Total noncurrent liabilities	19,093,139	22,619,134	8,936,906	26,122,153	(4,862,908)	71,908,424
Total liabilities	30,536,885	25,041,863	9,298,693	30,423,910	(7,749,012)	87,552,339
Net position:						
Net investment in capital assets	102,636,271	5,624,418	(1,308,161)	23,788,020	-	130,740,548
Restricted net position	15,059,411	1,068,886	236,493	4,821,486	-	21,186,276
Unrestricted net position	63,465,408	25,279,405	1,285,132	12,921,605	-	102,951,550
Total net position	181,161,090	31,972,709	213,464	41,531,111	-	254,878,374
Total liabilities and net position	$ 211,697,975	$ 57,014,572	$ 9,512,157	$ 71,955,021	$ (7,749,012)	$ 342,430,713

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Housing Authority of the City of San Antonio

Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds
Year Ended June 30, 2017

	San Antonio Housing Authority	San Antonio Housing Facility Corporation	Sendero I PFC	Nonmajor Funds	Interfund Eliminations	Combined Total
Operating revenues:						
Charges for services:						
Net tenant rental revenue	$ 10,520,566	$ 7,015,142	$ 2,043,205	$ 9,079,928	$ -	$ 28,658,841
Tenant revenue—other	391,189	91,137	173,840	375,064	-	1,031,230
HUD operating grants and housing assistance payments	38,453,481	-	-	1,867,729	-	40,321,210
Other government grants	622,666	49,295	-	63,866	(113,162)	622,665
Other revenue	2,203,803	1,582,664	29,028	1,571,933	(706,809)	4,680,619
Total operating revenues	52,191,705	8,738,238	2,246,073	12,958,520	(819,971)	75,314,565
Operating expenses:						
Administrative	23,275,290	2,775,936	315,661	4,506,058	(706,809)	30,166,136
Tenant services	3,049,874	1,590	-	178,573	-	3,230,037
Utilities	4,971,399	492,417	180,628	1,159,628	-	6,804,072
Ordinary maintenance and operations	14,969,405	2,361,833	371,551	3,997,817	-	21,700,606
Protective services	587,329	34,976	3,429	165,184	-	790,918
Insurance	1,342,866	282,949	44,202	474,626	-	2,144,643
Bad debts	820,802	306,191	4,128	436,867	-	1,567,988
Other	1,216,796	-	-	-	(113,162)	1,103,634
Depreciation	12,181,890	555,344	316,525	1,496,868	-	14,550,627
Total operating expenses	62,415,651	6,811,236	1,236,124	12,415,621	(819,971)	82,058,661
Operating income (loss)	(10,223,946)	1,927,002	1,009,949	542,899	-	(6,744,096)
Nonoperating revenues (expenses):						
Investment income—unrestricted	54,839	9,457	439	17,607	-	82,342
Investment income—restricted	33,186	2,683	1,905	15,294	-	53,068
Mortgage interest income	790,537	609,025	-	689,763	(186,072)	1,903,253
HUD Housing Assistance Grants	76,224,071	-	-	-	-	76,224,071
Recovery of Section 8 funds	169,451	-	-	-	-	169,451
Housing assistance payments	(89,416,345)	-	-	-	-	(89,416,345)
Interest expense	(809,506)	(531,588)	(407,547)	(940,516)	186,072	(2,503,085)
Gain on disposition/retirement of capital assets	1,140,485	9,484	-	812,708	-	1,962,677
Insurance recoveries, net of impairment losses	2,278,482	834,758	-	3,066,893	-	6,180,133
Gain on investments	189	-	-	70	-	259
Amortization and trustee expense	(2,640)	(131,791)	(79,399)	(264,577)	-	(478,407)
Total nonoperating revenues (expenses)	(9,537,251)	802,028	(484,602)	3,397,242	-	(5,822,583)
Increase (decrease) in net position before capital contributions, special item and transfers	(19,761,197)	2,729,030	525,347	3,940,141	-	(12,566,679)
Capital contributions	9,029,487	-	-	-	-	9,029,487
Special item	600,000	-	-	-	-	600,000
Transfers to (from) primary government	(3,331,372)	2,649,997	-	681,375	-	-
Change in net position	(13,463,082)	5,379,027	525,347	4,621,516	-	(2,937,192)
Net position at beginning of year	194,624,172	26,593,682	(311,883)	36,909,595	-	257,815,566
Net position at end of year	$ 181,161,090	$ 31,972,709	$ 213,464	$ 41,531,111	$ -	$ 254,878,374

Housing Authority of the City of San Antonio

Statement of Cash Flows—Proprietary Funds
Year Ended June 30, 2017

	San Antonio Housing Authority	San Antonio Housing Facility Corporation	Sendero I PFC	Nonmajor Funds	Interfund Eliminations	Total
Cash flows from operating activities:						
Cash received from tenants	$ 59,253,152	$ 8,717,786	$ 2,229,419	$ 12,157,298	$ (8,644,230)	$ 73,713,425
Cash received from developers	-	159,008	-	125,071	-	284,079
Cash payments to suppliers for goods and services	(31,033,359)	(5,132,197)	(892,215)	(10,483,516)	8,644,230	(38,897,057)
Cash payments to employees	(25,703,299)	(748,419)	-	(1,989,630)	-	(28,441,348)
Net cash provided by (used in) operating activities	2,516,494	2,996,178	1,337,204	(190,777)	-	6,659,099
Cash flows from noncapital financing activities:						
HUD Housing Assistance Grants	76,224,071	-	-	-	-	76,224,071
Housing assistance payments	(89,416,345)	-	-	-	-	(89,416,345)
Recovery of Section 8 funds	166,993	-	-	-	-	166,993
Legal settlement	600,000	-	-	-	-	600,000
Net cash used in noncapital financing activities	(12,425,281)	-	-	-	-	(12,425,281)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(9,683,267)	(766,515)	-	(733,608)	-	(11,183,390)
Refinancing and closing costs	-	(127,269)	-	(203,105)		(330,374)
Trustee fees	-	(4,522)	(5,500)	(6,100)	-	(16,122)
Proceeds from insurance on capital assets	1,579,303	829,325	-	3,666,506	-	6,075,134
Proceeds from capital grants	9,029,487	-	-	-	-	9,029,487
Receipt of prepaid ground lease	-	137,000	-	-	-	137,000
Principal payments on mortgage and notes payable	(1,705,815)	(572,737)	(251,432)	(759,257)	14,010	(3,275,231)
Proceeds from acquisition of debt	-	4,000,000	-	6,000,000	-	10,000,000
Retirement of bonds payable	-	-	-	(4,610,000)	-	(4,610,000)
Interest paid on long-term debt and line of credit	(809,506)	(522,276)	(407,547)	(799,182)	-	(2,538,511)
Line of credit drawdowns	-	678,697	-	-	-	678,697
Line of credit principal payments	-	(1,346,651)	-	-	-	(1,346,651)
Homeownership and FSS escrows	758,503	-	-	-	-	758,503
Transfers to (from) primary government	(4,392,073)	3,710,698	-	681,375	-	-
Proceeds from sale of capital assets	1,448,170	9,515	-	1,118,203	-	2,575,888
Net cash provided by (used in) capital and related financing activities	(3,775,198)	6,025,265	(664,479)	4,354,832	14,010	5,954,430
Cash flows from investing activities:						
Collections on notes receivable	1,504,225	10,503	-	20,840	(14,010)	1,521,558
Issuance of notes receivable	-	(4,145,069)	-	-	-	(4,145,069)
Investment income received	86,464	12,372	2,344	30,770	-	131,950
Sale/maturity of investment securities	20,516,194	-	-	3,302,076	-	23,818,270
Purchases of investment securities	(7,999,201)	-	-	(799,611)	-	(8,798,812)
Interest on notes and mortgages receivable	-	-	-	14,270	-	14,270
Net cash provided by (used in) investing activities	14,107,682	(4,122,194)	2,344	2,568,345	(14,010)	12,542,167
Net increase in cash and cash equivalents	423,697	4,899,249	675,069	6,732,400	-	12,730,415
Cash and cash equivalents at beginning of year	35,220,687	6,654,693	846,795	6,635,009	-	49,357,184
Cash and cash equivalents at end of year	$ 35,644,384	$ 11,553,942	$ 1,521,864	$ 13,367,409	$ -	$ 62,087,599
Noncash capital and related financing activities:						
Capital assets impairment netted with insurance proceeds recorded as nonoperating revenue	$ 175,302	$ 266,403	$ -	$ 1,504,194	$ -	$ 1,945,899
Noncash transfers of notes receivables to the Authority from San Antonio Housing Facility	$ 1,060,701	$ (1,060,701)	$ -	$ -	$ -	$ -
Unpaid interest capitalized into long-term debt	$ 10,112	$ 9,266	$ -	$ 173,458	$ (178,367)	$ 14,469

Housing Authority of the City of San Antonio

Statement of Cash Flows—Proprietary Funds (Continued)
Year Ended June 30, 2017

	San Antonio Housing Authority	San Antonio Housing Facility Corporation	Sendero I PFC	Nonmajor Funds	Interfund Eliminations	Total
Reconciliation to statement of net position:						
Unrestricted cash and cash equivalents	$ 24,317,027	$ 6,671,080	$ 1,285,371	$ 6,011,530	$ -	$ 38,285,008
Tenant security deposits	-	5,145	-	76,260	-	81,405
Restricted cash and cash equivalents—modernization and development	4,019,260	3,806,632	-	2,458,131	-	10,284,023
Restricted cash and cash equivalents—payment of current liabilities	1,242,769	-	-	-	-	1,242,769
Restricted cash and cash equivalents—held by lender and trustee	-	1,057,274	236,493	4,713,407	-	6,007,174
Restricted cash and cash equivalents—other	6,065,328	13,811	-	108,081	-	6,187,220
	$ 35,644,384	$ 11,553,942	$ 1,521,864	$ 13,367,409	$ -	$ 62,087,599
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ (10,223,946)	$ 1,927,002	$ 1,009,949	$ 542,899	$ -	$ (6,744,096)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	12,181,890	555,344	316,525	1,496,868	-	14,550,627
Earned revenue/amortization of unearned revenue—ground lease and other	-	(164,750)	-	(977,237)	-	(1,141,987)
Net changes in assets and liabilities:						
Tenants receivable, net	(40,271)	38,130	154	20,396	-	18,409
HUD receivable	(873,177)	-	-	-	-	(873,177)
Miscellaneous receivables	762,149	(380,914)	(10,972)	(9,316)	-	360,947
Interprogram receivables	7,010,367	582,320	(2,688)	197,680	(7,787,679)	-
Other assets and developer fees	-	76,812	-	87,346	-	164,158
Allowance for doubtful accounts—other	-	187,648	-	98,599	-	286,247
Prepaid expenses	(164,443)	-	11	-	-	(164,432)
Accounts payable	(323,061)	314,876	23,289	(91,628)	-	(76,524)
Accrued wages and payroll taxes	326,995	(23,857)	-	(77,643)	-	225,495
Accrued compensated absences	62,846	-	-	-	-	62,846
Accrued contingencies	31,915	-	-	-	-	31,915
Tenant security deposits	(9,402)	14,486	2,236	15,138	-	22,458
Unearned revenue—tenant	202,380	(27,531)	(5,384)	(10,158)	-	159,307
Intercompany payable	(6,175,244)	(98,653)	(3,773)	(1,510,009)	7,787,679	-
Other current liabilities	(114,642)	326	-	44,120	-	(70,196)
Accrued liabilities	(137,862)	(5,061)	7,857	(17,832)	-	(152,898)
Net cash provided by (used in) operating activities	$ 2,516,494	$ 2,996,178	$ 1,337,204	$ (190,777)	$ -	$ 6,659,099

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Plan Net Position—Fiduciary Fund
December 31, 2016

	Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust
Assets:	
Investments:	
Common stock	$ 13,502,991
Mutual funds–equity	12,941,351
Mutual funds–fixed income	10,687,463
Total investments	37,131,805
Cash and cash equivalents	1,681,920
Receivables:	
Employee contributions	34,773
Employer contribution	76,500
Accrued investment income	33,362
Total receivables	144,635
Total assets	38,958,360
Liabilities:	
Accrued investment manager expenses	34,938
Net position restricted for pension benefits	$ 38,923,422

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Changes in Plan Net Position—Fiduciary Fund
Year Ended December 31, 2016

	Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust
Additions to fiduciary net position:	
Contributions:	
Employee	$ 868,859
Employer	1,854,743
Total contributions	2,723,602
Investment income (expenses):	
Interest and dividends	745,578
Net appreciation in fair value of investments	1,783,134
Investment manager expenses	(151,550)
Net investment income	2,377,162
Total additions	5,100,764
Deductions from net position:	
Benefits paid to participants	(5,002,438)
Administrative expenses	(215,159)
Total deductions	(5,217,597)
Net decrease in fiduciary net position	(116,833)
Net position restricted for pension:	
Fiduciary net position at beginning of year	39,040,255
Fiduciary net position at end of year	$ 38,923,422

See notes to financial statements.

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Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended component units, although legally separate entities are, in substance, part of the Authority's operations. Thus, blended component units are appropriately presented as funds of the primary government. Each blended component unit has a June 30 year-end, with the exception of the Housing Authority of the City of San Antonio Employees' Money Purchase Pension Plan and Trust (the Plan), which has a December 31 year-end. The governing boards of the following component units are the same as the primary government's governing board. Additionally, management of the primary government has operational responsibility for the component units; therefore, making them blended component units.

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

Blended Component Units—Enterprise Funds
The following component units are combined with the data of the Authority's not-for-profit activities.

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

The Plan is included as a component unit since the primary government has fiduciary responsibility for the Plan and the Plan serves only the Authority's employees or retirees.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Related Organizations—Other
The Authority's Board appoints members to the board of directors of the San Antonio Housing Opportunity Corporation. However, the Authority's accountability for this entity does not extend beyond making appointments to its board of directors and the coordination and approval of strategic plans.

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

Public Housing
The Authority manages and maintains 6,097 public housing rental units for eligible low-income families, seniors and people with disabilities. The rental units are located in 36 developments for families, 36 developments for seniors and disabled persons and a number of scattered site single-family homes throughout the City of San Antonio.

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Community Initiatives

Resident and Opportunity Supportive Services Program

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

Multifamily Housing Service Coordinators Grant

The Multifamily Housing Service Coordinators Grant is a program established to link elderly, especially frail and disabled, or disabled nonelderly assisted housing and neighborhood residents to supportive services in the general community; to prevent premature and unnecessary institutionalization and to assess individual service needs, determine eligibility for public services, and make resource allocation decisions which enable residents to stay longer in the community.

Jobs Plus Grant

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

Communities Putting Prevention to Work Grant

The Communities Putting Prevention to Work Grant is an initiative designed to make healthy living easier by promoting environmental changes at the local level. The program focuses on the most common and costly of all health problems in the United States—obesity and tobacco.

B. Basic Financial Statements—Fund Financial Statements

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

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

Measurement Focus and Basis of Accounting

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

D. Deposits and Investments

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

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

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

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

Purchases and sales of investments in the Plan are recorded on a trade-date basis and, accordingly, the related receivable and payable for any unsettled trades are recorded. At December 31, 2016, there were no unsettled trades.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Interprogram Receivables and Payables

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

F. Accounts Receivable

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

G. Notes and Mortgages Receivable

The majority of notes and mortgages receivable are due from tax credit partnerships in which the Authority serves as the general partner. The Authority evaluates the collectibility of the notes and mortgages receivable by reading the various tax credit partnerships' financial statements and determining projections for future cash flows. It has been the Authority's experience that once the tax credits expire, the limited partners will withdraw from the partnership and the Authority will become the sole owner. If a note payable remains outstanding at the time a partnership becomes wholly owned by the Authority, the amounts are still paid from the partnership to the Authority until they are fully paid. The Authority also has the ability to modify the terms of the notes once the Authority becomes the sole owner of the entire partnership. Thus, all amounts due under notes and mortgages receivable are considered collectible, and no allowance was recorded at June 30, 2017. A schedule of notes and mortgages receivable is provided in Note 3 to the financial statements.

H. Other Assets and Developer Fees Receivable

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Restricted Assets

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

J. Capital Assets

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

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

K. Impairment of Long-Lived Assets

The Authority reviews events or circumstances affecting its capital assets that may indicate a significant, unexpected decline in service utility of a capital asset may have occurred. These events or circumstances affecting its capital assets, once identified by the Authority, are tested to determine if the related capital assets are impaired. Accordingly, for assets determined to be impaired, as having a significant and unexpected decline in service utility, the Authority uses various methods to measure the impairment based on the type of impairment. For the year ended June 30, 2017, the Authority recorded an impairment loss of $1,945,899 related to physical damage from a hail storm using the restoration cost approach, under which the amount of the impairment is derived from the estimated costs to restore the service utility of the capital asset.

L. Compensated Absences

Paid Time Off (PTO)

The PTO policy is included in the Authority's Personnel Procedures Handbook. Under the current policy, PTO accrues for regular full-time employees upon employment, at a rate of 15 to 25 days annually, depending upon years of service, but cannot be used prior to six months of service. Employees must complete one year of service in order to be paid PTO upon termination. Effective December 20, 2014, the maximum PTO hours an employee can carry increased from 360 hours to 440 hours. Up to 360 hours of vacation leave under the old policy was converted into PTO. Vacation leave in excess of 360 hours, but less than 520 hours, was placed into an annual leave legacy account and must be used prior to PTO leave. Sick leave under the prior policy was placed into a sick leave legacy account and must be used prior to PTO. Employees must be employed 10 continuous years in order to receive payment for legacy sick leave upon termination.

Note 1. Summary of Significant Accounting Policies (Continued)

As of June 30, 2017, the current portion of accrued compensated absences, totaling $1,379,442, was comprised of PTO of $1,364,170 and legacy sick leave of $15,272. The long-term portion of accrued compensated absences was comprised of legacy sick leave of $116,976.

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

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

N. Capital Contributions

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

O. Net Position

Net position is classified into three components:

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

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

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

P. Use of Estimates

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

Q. Restricted and Unrestricted Resources

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

Note 1. Summary of Significant Accounting Policies (Continued)

R. Equity in Partnership Investments

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

S. Deferred Outflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category, which are deferred charges on refunding and a deferred swap outflow. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the re-acquisition price. Each deferred charge is amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred swap outflow is recognized in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Authority recognizes the fair value of the swap agreement as either an asset or liability on its statement of net position with the offsetting gain or loss as either a deferred inflow or outflow of resources, if deemed an effective hedge. The Authority has applied the synthetic instrument method to determine its swap agreement constitutes an effective cash flow hedge.

As of June 30, 2017, the Authority's deferred outflows of resources were comprised of the following:

Deferred charges on refunding:	
Sendero I PFC	$ 480,342
Nonmajor funds (Converse Ranch I, LLC)	184,431
Nonmajor funds (Woodhill Apartments PFC)	175,226
Total deferred charges on refunding	839,999
Deferred swap outflows:	
San Antonio Housing Facility Corporation (Converse Ranch II, LLC)	54,770
San Antonio Housing Facility Corporation (Castle Point Apartments)	62,192
Nonmajor funds (Springhill/Courtland Heights PFC)	93,288
Total deferred swap outflows	210,250
Total deferred outflows of resources	$ 1,050,249

Note 1. Summary of Significant Accounting Policies (Continued)

T. Unearned Revenue

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

Note 2. Cash, Cash Equivalents and Investments

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

Cash, cash equivalents and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Unrestricted:	
Cash and cash equivalents	$ 38,285,008
Tenant security deposits	81,405
Investments	801,189
Restricted:	
Cash and cash equivalents—modernization and development	10,284,023
Cash and cash equivalents—payment of current liabilities	1,242,769
Cash and cash equivalents—held by lender and trustee	6,007,174
Cash and cash equivalents—other	6,187,220
Investments	6,007,163
Total cash, cash equivalents, and investments	$ 68,895,951

Cash, cash equivalents and investments as of June 30, 2017, consist of the following:

Petty cash	$ 1,675
Deposits with financial institutions	56,078,750
Short-term investments—United States Treasury notes	6,808,352
Funds held by lender and trustee	6,007,174
Total cash, cash equivalents and investments	$ 68,895,951

Investments Authorized by the Authority

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

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

Investments Authorized by Debt Agreements
Investments of debt proceeds held by bond trustees are governed by the provisions of debt agreements of the Authority. The investment types authorized by the Authority's debt agreements include direct obligations of the federal government, including United States Treasury bills, notes and bonds; bonds, debentures, participation certificates or notes of the Government National Mortgage Association (GNMA); bonds, debentures, participation certificates or notes of certain government-sponsored agencies; direct and general obligation of any state of the United States of America or any municipality or political subdivision of such state; corporate obligations; negotiable or nonnegotiable CDs, time deposits or other similar banking arrangements with national or state chartered banks; certain types of mutual funds or money market funds; certain types of repurchase agreements; certain types of commercial paper of finance companies; certain types of investment agreements and certain types of tax-exempt obligations. The maximum maturity, maximum portfolio percentage and maximum investment in any one issuer are not limited, except for authorized types of commercial paper of finance companies and certain investment contracts, which are limited to a maximum maturity of 270 days. None of the specified limits have been exceeded, and the Authority held no unauthorized investments.

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

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

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

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

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

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

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

The Authority has investments in money market funds held with their bond trustee of $3,688,639 that are recorded at amortized cost and has the following investments and other items requiring recurring fair value measurements as of June 30, 2017:

- **Debt securities**—United States Treasury securities of $6,808,352 are valued using quoted market prices (Level 2 inputs).

- **Investment derivative instruments**—Interest rate swaps resulted in a total negative fair value of $210,250 and were valued using a market approach that considers benchmark interest rates (Level 2 inputs).

Investment Risks

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

Interest Rate Risk

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

Investment	Maturity Date	Carrying Amount
United States Treasury notes—short term	July 31, 2017; August 31, 2017; October 31, 2017	$ 6,808,352
Held by bond trustee:		
BlackRock Liquidity Funds FedFund Institutional Shares—money market fund	N/A	3,180,250
PNC Bank—money market fund	N/A	364,323
Huntington National Bank—money market fund	N/A	144,066
Total investments		$ 10,496,991

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

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

Investment	Fair Value at Year-End	Investment Minimum Rating
United States Treasury notes—short term	$ 6,808,352	N/A
Funds held by bond trustee:		
BlackRock Liquidity Funds FedFund Institutional Shares—money market fund	3,180,250	Aaa-mf
PNC Bank—money market fund	364,323	Unrated
Huntington National Bank—money market fund	144,066	Unrated
Total investments	$ 10,496,991	

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

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

As of June 30, 2017, the Authority's deposits were fully collateralized by the Authority's depository with United States government agency securities held by its safekeeping agent, the Federal Reserve Bank, in the name of the Authority.

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

Investment Custodial Credit Risk
As of June 30, 2017, the investments included in the following table were registered in the name of the lender (counterparty) that holds the investments, and all other investments of the Authority were held by the third-party broker-dealers in the Authority's name.

Investment	Fair Value at Year-End
Funds held by lender and trustee:	
PNC Bank—money market fund	$ 364,323
Huntington National Bank—money market fund	144,066
Total investments held in lender's (counterparty) name	$ 508,389

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

As of December 31, 2016, the Plan's portfolio was comprised of the following:

Description	Fair Value
Equity–common stock	$ 13,502,991
Mutual funds–equity	12,941,351
Mutual funds–fixed income	10,687,463
Total investments	$ 37,131,805

Investment Risks
In accordance with GASB Statement No. 40, the following disclosures address credit risk, concentration of credit risk and interest rate risk at December 31, 2016. The Plan does not hold any foreign securities; therefore, there is no foreign currency risk.

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

Presented below is the actual rating for each investment type as of December 31, 2016:

Investment Type	Fair Value	Not Rated
Legg Mason BW Absolute Return	$ 3,698,074	$ 3,698,074
Metropolitan West Total Return Bond Fund	6,989,389	6,989,389
Total fixed income investments	$ 10,687,463	$ 10,687,463

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

Concentration of Credit Risk
The Plan is required to disclose investments in any one issuer that represent 5 percent or more of the total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The Plan's investment policy limits the investment in securities of any one company to 15 percent of the total fund, and no more than 30 percent of the total fund should be invested in any one industry.

At December 31, 2016, there were no investments in any one issuer that represent 5 percent or more of total Plan investments. Additionally, the Plan did not invest more than 15 percent of the investment portfolio in one company or more than 30 percent in one industry.

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

Presented below are the investments affected by interest rate risk and their applicable weighted-average maturities as of December 31, 2016:

Investment Type	Fair Value	Percentage of Total	Weighted-Average Duration (Years)
Legg Mason BW Absolute Return	$ 3,698,074	34.6%	8.80
Metropolitan West Total Return Bond Fund	6,989,389	65.4%	7.16
Total fixed income investments	$ 10,687,463	100.0%	7.98

Fair Value Measurement
Plan investments at fair value as of December 31, 2016, using fair value measurements are as follows:

	Total Fair Value	Level 1	Level 2	Level 3
Equity—common stock	$ 13,502,991	$ 11,504,534	$ 1,998,457	$ -
Mutual funds—equity	12,941,351	12,941,351	-	-
Mutual funds—fixed income	10,687,463	10,687,463	-	-
	$ 37,131,805	$ 35,133,348	$ 1,998,457	$ -

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

Note 3. Notes and Mortgages Receivable

The following summarizes the notes and mortgages receivable and the related accrued interest receivable as of June 30, 2017:

	Due Within One Year	Due After One Year	Total
The Authority			
A. Refugio Street, LP	$ -	$ 104,228	$ 104,228
B. HUD Section 32 Homeownership Program	-	79,338	79,338
C. San Juan Square II, Ltd.	-	2,413,806	2,413,806
D. ARDC San Marcos, Ltd.	-	1,096,876	1,096,876
E. ARDC Sutton, Ltd.	-	6,298,149	6,298,149
F. Durango Midrise, LP	-	15,487,302	15,487,302
G. ARDC Sutton II, Ltd.	-	2,246,763	2,246,763
H. San Juan III, Ltd.	-	4,438,839	4,438,839
SAHFAC			
I. Wheatley Family I, LP	-	16,609,939	16,609,939
SAHDC			
J. O'Connor Road, LP	-	1,452,042	1,452,042
K. SPII LP	-	1,125,332	1,125,332
San Antonio Homeownership Opportunities Corporation			
L. Real estate sales notes	5,962	173,904	179,866
M. Secondary lien notes	-	12,823	12,823
N. Home sales notes	8,674	42,845	51,519
Refugio Street PFC			
O. Refugio Street, LP	-	8,627,416	8,627,416
Las Varas PFC			
P. Second lien notes	-	94,857	94,857
Total	$ 14,636	$ 60,304,459	$ 60,319,095

Note 4. Other Assets and Developer Fees

At June 30, 2017, other assets and developer fees receivable totaled $4,338,168. This amount is made up of developer fees receivable totaling $3,911,483 and other noncurrent receivables of $426,685. Additionally, an allowance for doubtful accounts totaling $2,925,511 is recorded for developer fees receivable.

Note 5. Equity in Partnership Investments

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

The general partners include SAHFAC, SAHDC, LVPFC and RSPFC. The general partners have ownership interests ranging from 0.0045 percent to 0.01 percent.

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

Limited Partnership	General Partner (GP)	GP % of Ownership	Balance at July 1, 2016	Cash Contributions From GP	Cash Distributions to GP	GP's Share of Profit (Loss)	Balance at June 30, 2017
ARDC Sutton, Ltd.	SAHFAC	0.005%	$ 1,499,709	$ -	$ -	$ (44)	$ 1,499,665
Midcrowne Senior Pavilion, LP	SAHFAC	0.01%	3,263,988	-	-	(66)	3,263,922
The Alhambra Apartments, Ltd.	SAHFAC	0.01%	660,635	-	-	(43)	660,592
San Juan Square, Ltd.	SAHFAC	0.01%	1,464,719	-	-	(80)	1,464,639
O'Connor Road, LP	SAHDC	0.01%	211,591	-	-	(21)	211,570
SP II, LP	SAHDC	0.01%	144,949	-	-	(21)	144,928
ARDC Military, Ltd.*	LVPFC	0.01%	-	-	-	-	-
ARDC Salado, Ltd.*	LVPFC	0.01%	-	-	-	-	-
ARDC San Marcos, Ltd.*	LVPFC	0.005%	-	-	-	-	-
Costa Almadena, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Costa Mirada, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Durango Midrise, LP*	LVPFC	0.01%	-	-	-	-	-
Enclave Gardens, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Primrose SA IV Housing, LP*	LVPFC	0.01%	-	-	-	-	-
The Mirabella, Ltd.*	LVPFC	0.01%	-	-	-	-	-
TX Pleasanton Housing, LP*	LVPFC	0.01%	-	-	-	-	-
Refugio Street, LP*	RSPFC	0.01%	-	-	-	-	-
ARDC Sutton II, Ltd.*	SAHFAC	0.005%	-	-	-	-	-
Clark 05 Housing, LP*	SAHFAC	0.01%	-	-	-	-	-
Costa Valencia, Ltd.*	SAHFAC	0.01%	-	-	-	-	-
New Braunfels 2 Housing, LP*	SAHFAC	0.005%	-	-	-	-	-
San Juan III, Ltd.*	SAHFAC	0.01%	-	-	-	-	-
San Juan Square II, Ltd.*	SAHFAC	0.0045%	-	-	-	-	-
Wheatley Family I, LP*	SAHFAC	0.01%	-	-	-	-	-
Wheatley Senior, LP*	SAHFAC	0.01%	-	-	-	-	-
			$ 7,245,591	$ -	$ -	$ (275)	$ 7,245,316

*For all partnerships marked with an asterisk, the general partner was not required to make a capital contribution at inception. Additionally, as the general partners are not required to fund capital deficits and these entities have cumulative loss positions as of June 30, 2017, the general partners have not recorded the related deficit capital positions of these partnerships, as they exceed the general partners' contributed capital.

Note 6. Capital Assets

The Authority's Capital Assets

Capital asset activity for the year ended June 30, 2017, for the business-type activities was as follows:

	Balance at July 1, 2016	Additions	Deletions	Transfers/ Reclass	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	$ 45,179,933	$ -	$ (347,311)	$ -	$ 44,832,622
Construction in progress	7,659,843	10,737,834	(214,435)	(1,651,760)	16,531,482
Total capital assets not being depreciated	52,839,776	10,737,834	(561,746)	(1,651,760)	61,364,104
Capital assets being depreciated:					
Buildings and improvements	449,307,278	635,175	(4,683,691)	1,525,109	446,783,871
Furniture and equipment:					
Dwellings	2,511,135	7,590	-	-	2,518,725
Administration	5,924,074	24,930	(445,751)	83,028	5,586,281
Leasehold improvements	1,044,742	-	-	43,623	1,088,365
Total capital assets being depreciated	458,787,229	667,695	(5,129,442)	1,651,760	455,977,242
Less accumulated depreciation:					
Buildings and improvements	(308,502,333)	(13,985,310)	2,710,262	-	(319,777,381)
Furniture and equipment:					
Dwellings	(2,142,324)	(277,900)	-	-	(2,420,224)
Administration	(5,435,972)	(203,193)	445,518	-	(5,193,647)
Leasehold improvements	(859,442)	(84,224)	-	-	(943,666)
Total accumulated depreciation	(316,940,071)	(14,550,627)	3,155,780	-	(328,334,918)
Total capital assets being depreciated, net	141,847,158	(13,882,932)	(1,973,662)	1,651,760	127,642,324
Business-type activities capital assets, net	$ 194,686,934	$ (3,145,098)	$ (2,535,408)	$ -	$ 189,006,428

Depreciation expense for the current year totaled $14,550,627.

Note 7. Unearned Revenue

Ground Lease Agreements

Unearned revenue is generally comprised of various ground leases in which funds were provided for the purchase of land parcels which, in turn, were leased to project developments for periods ranging from 10 to 99 years. The Authority recognized the funds received for the prepaid leases as unearned revenue and will amortize the prepayments over the initial periods on a straight-line basis. As of June 30, 2017, prepaid ground leases totaled $8,126,685, of which $953,066 is classified as current unearned revenue. The remaining amount is reported as noncurrent unearned revenue. The book value of the land related to the prepaid ground leases totaled $17,027,212 as of June 30, 2017.

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

Note 7. Unearned Revenue (Continued)

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

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

Unearned Revenue
Current unearned revenue consists of prepaid tenant rent of $321,307 and HUD Housing Choice Vouchers and Public Housing Operating Subsidy grant revenue of $767,450.

Note 8. Bonds and Notes Payable

A. The Authority's Bonds and Notes Payable

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

	Original Amount of Bonds	Debt Service Requirement	Debt Outstanding
Sendero I PFC	$ 10,000,000	125%	$ 9,199,534
Woodhill Apartments PFC	9,000,000	125%	7,835,374

Note 8. Bonds and Notes Payable (Continued)

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

Program	Issue	Original Amount	Due Within One Year	Due After One Year	Balance Outstanding at June 30, 2017
SAHDC					
SAHDC entered into a mortgage loan with Column Guaranteed (now Walker & Dunlop) in the amount of $1,060,000. The mortgage loan is dated January 21, 2005 (FNMA Commitment No. 999919), bears interest at 5.960% and matures February 1, 2035. Monthly installments of $6,328 are payable beginning March 1, 2005. Secured by a deed of trust for Bella Claire Apartments.	Mortgage note	$ 1,060,000	$ 27,438	$ 798,735	$ 826,173
SAHFAC					
SAHFAC entered into mortgage loans and housing revenues	Mortgage note	3,430,000	88,784	2,584,586	2,673,370
notes. Loans bear interest ranging from 5.960% to 6.980%;	Mortgage note	1,390,000	35,980	1,047,397	1,083,377
maturing in 2017 through 2035; secured by deeds of trust.	Mortgage note	2,200,000	103,393	1,354,235	1,457,628
The Housing Revenue Notes—Series 1996 bear interest at 80.000% of the prime rate. The interest rate was 3.400% at year-end; however, the floor rate is set at 3.500%.	Housing Revenue Notes—Series 19	1,240,000	30,998	-	30,998
SAHFAC issued $5,600,000 of Multifamily Housing Revenue Bonds (Converse Ranch II Apartments Project)—Series 2014; bearing interest at a rate of 67.800% of the Wall Street Journal LIBOR plus 1.380% per annum. At closing, an interest rate swap contract was executed which fixed the rate at 3.250%. The note matures September 30, 2024, and is secured by a deed of trust, security agreement and assignment of rents and leases.	Revenue Bonds—Series 2014	5,600,000	155,670	5,076,582	5,232,252
SAHFAC entered into a mortgage loan with Frost Bank in the amount of $4,000,000. The mortgage loan is dated December 6, 2016, and bears interest at a rate of 67.800% of the Wall Street Journal LIBOR plus 1.460% per annum. At closing, an interest rate swap contract was executed which fixed the rate at 3.090%. The note matures December 6, 2026, and is secured by a deed of trust, security agreement and assignment of rents and leases.	Mortgage note	4,000,000	107,992	3,837,369	3,945,361
SAHFAC entered into a loan with the City of San Antonio in the amount of $900,000. The loan is a 30-year deferred, noninterest bearing, forgivable note; and matures September 30, 2039. The note is secured by deed of trust for real property improvements at the Sutton Oaks Apartments. Loan forbearance is subject to SAHFAC's compliance with the terms and conditions outlined in the loan agreement.	Sutton NSP note	900,000	-	900,000	900,000
		18,760,000	522,817	14,800,169	15,322,986
Section 8 Project Based					
On December 6, 2016, Springhill/Courtland Heights PFC retired its Series 1999-A Bonds through a refinance with Frost Bank in the amount of $6,000,000. The mortgage loan bears interest at a rate of 67.800% of LIBOR plus 1.460% per annum. At closing, an interest rate swap contract was executed which fixed the rate at 3.090%. The note matures December 6, 2026, and is secured by a deed of trust, security agreement and assignment of rents and leases.	Mortgage note	6,000,000	161,989	5,756,053	5,918,042
Converse Ranch, LLC					
On May 1, 2013, Converse Ranch, LLC refinanced its mortgage loan with Greystone Servicing Corporation, Inc. in the amount of $7,443,700; interest rate of 2.980%; payable in monthly installments of $26,562; maturing June 1, 2053.	Mortgage note	7,443,700	110,673	6,921,852	7,032,525

Note 8. Bonds and Notes Payable (Continued)

Program	Issue	Original Amount	Due Within One Year	Due After One Year	Balance Outstanding at June 30, 2017
Other Affordable Housing					
Sendero I PFC issued $10,000,000 of Sendero I PFC Multifamily Housing Revenue Refunding Bonds—Series 2013; bearing interest at a rate of 4.305%; maturing January 1, 2024; and secured by a deed of trust, a security agreement and assignment of rents and leases. Principal and interest payments totaling $54,915 are payable monthly.	Revenue Bonds—Series 2013	$ 10,000,000	$ 262,628	$ 8,936,906	$ 9,199,534
Woodhill PFC issued $9,000,000 of Woodhill PFC Multifamily Housing Revenue Refunding Bonds—Series 2012; bearing interest at a rate of 3.400%; maturing September 1, 2022; and secured by a deed of trust, a security agreement and assignment of rents and leases. Principal and interest payments totaling $44,852 are payable monthly.	Revenue Bonds—Series 2012	9,000,000	272,382	7,562,992	7,835,374
Capital Fund Financing Program (CFFP)					
$27,828,627 CFFP loan agreement dated November 9, 2006, with Fannie Mae for the accelerated renovation and rehabilitation of eight public housing developments. The 4.850% loan is secured with pledged Capital Grant Funds and is paid directly by HUD in monthly payments of $182,721 beginning April 1, 2007; maturing December 1, 2026. On June 14, 2012, Fannie Mae assigned its interest in the loan and the loan agreement to Deutsche Bank National Trust Company.	CFFP loan	27,828,627	1,483,010	13,822,519	15,305,529
Vera Cruz Redevelopment Partnership, Ltd.					
The San Antonio Housing Trust Foundation made a loan in November 1993 in the amount of $350,000 to the partnership. The loan bears interest at 1.000%, and principal and interest are due monthly, determined by available cash flow. The loan matures on November 28, 2023, and is secured by land, buildings and improvements. Accrued interest has been add to the outstanding balance.	Loan	350,000	-	440,007	440,007
Homestead Redevelopment Partnership, Ltd.					
The Texas Department of Housing and Community Affairs made a loan in the amount of $500,000 to the partnership. Monthly installments of principal and interest in the amount of $2,109 began on May 1, 1996. The loan bears interest at 3.000%, compounded annually.	Loan	500,000	19,754	174,331	194,085
Energy Performance Contract Loan					
The Authority entered into an Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. to finance the implementation of the HUD Energy Performance Contract. The contract rate is 3.260% per annum and monthly principal and interest payments are to be made starting August 14, 2016. The monthly payments fluctuate and average $25,183 over the term of the contract, which ends June 14, 2031.	Loan	3,637,964	365,864	3,069,254	3,435,118
		$ 84,580,291	$ 3,226,555	$ 62,282,818	$ 65,509,373

Note 8. Bonds and Notes Payable (Continued)

The following table provides the annual principal and interest requirements of the Authority and its component units as of June 30, 2017, for long-term debt outstanding:

	Principal	Interest	Total
Years ending June 30:			
2018	$ 3,226,555	$ 2,489,986	$ 5,716,541
2019	4,597,723	2,327,307	6,925,030
2020	3,399,054	2,164,356	5,563,410
2021	3,486,013	2,014,185	5,500,198
2022	3,463,143	1,864,772	5,327,915
2023-2027	37,169,283	4,755,790	41,925,073
2028-2032	3,290,418	1,423,051	4,713,469
2033-2037	1,924,857	757,013	2,681,870
2038-2042	1,966,023	527,670	2,493,693
2043-2047	1,237,076	356,618	1,593,694
2048-2052	1,435,576	158,118	1,593,694
2053	313,652	5,086	318,738
	$ 65,509,373	$ 18,843,952	$ 84,353,325

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Due Within One Year
Mortgages, bonds and notes	$ 63,380,136	$ 10,014,468	$ 7,885,231	$ 65,509,373	$ 3,226,555
Compensated absences	1,433,572	1,581,654	1,518,808	1,496,418	1,379,442
	$ 64,813,708	$ 11,596,122	$ 9,404,039	$ 67,005,791	$ 4,605,997

Note 9. Derivative Financial Instrument

Interest Rate Swaps

Converse Ranch II, LLC

Objective and terms—On October 23, 2014, the mortgage on Converse Ranch II was refinanced with Frost Bank. In conjunction with the sale of $5,600,000 in tax-exempt bonds issued by SAHFAC, Converse Ranch II entered into an interest rate swap agreement to reduce volatility related to variable rate interest debt. The agreement fixed the interest rate paid by Converse Ranch II until November 1, 2024, at 3.25 percent.

Fair value—As of June 30, 2017, the interest rate swap had a negative fair value of $54,770 and has been recorded as an increase in the interest rate swap liability and the related deferred swap outflow. The fair value was estimated using a proprietary valuation model developed by a counterparty.

Note 9. Derivative Financial Instrument (Continued)

Credit risk—The Authority was not exposed to credit risk on its outstanding interest rate swap at June 30, 2017, because the interest rate swap had a negative fair value. However, should interest rates change and the interest rate swap becomes positive, the Authority would be exposed to credit risk in the amount of the interest rate swap's fair value. The interest rate swap's counterparty has guaranteed all payments and is rated A+ by Standard & Poor's. The interest rate swap agreement provides no collateral by the counterparty.

Interest rate risk—The interest rate swap decreases the Authority's exposure to interest rate risk.

Basis risk—The interest rate swap does not expose the Authority to basis risk because the interest rate on the bonds and the swap are the same, equal to a rate of 67.8 percent of one-month LIBOR plus 1.38 percent per annum.

Termination risk—The interest rate swap was issued pursuant to the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate the interest rate swap if the other party fails to perform under the terms of the contract. Also, if at the time of termination the interest rate swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. As of June 30, 2017, the interest rate swap had a negative fair value of $54,770.

Swap payments and associated debt—Floating rate bond and related interest rate swap payments are effective October 23, 2014. Debt associated with the interest rate swap and the notional amount of the swap at June 30, 2017, totaled $5,232,252.

San Antonio Housing Facility Corporation (SAHFAC)

Objective and terms—On December 6, 2016, the mortgage on Castle Point Apartments was refinanced with Frost Bank. In conjunction with SAHFAC's issuance of a $4,000,000 promissory note, SAHFAC entered into an interest rate swap agreement to reduce volatility related to variable rate interest debt. The agreement fixed the interest rate paid by SAHFAC until December 6, 2026, at 3.09 percent.

Fair value—As of June 30, 2017, the interest rate swap had a negative fair value of $62,192 and has been recorded as an increase in the interest rate swap liability and the related deferred swap outflow. The fair value was estimated using a proprietary valuation model developed by a counterparty.

Credit risk—The Authority was not exposed to credit risk on its outstanding interest rate swap at June 30, 2017, because the interest rate swap had a negative fair value. However, should interest rates change and the interest rate swap becomes positive, the Authority would be exposed to credit risk in the amount of the interest rate swap's fair value. The interest rate swap's counterparty has guaranteed all payments and is rated A+ by Standard & Poor's. The interest rate swap agreement provides no collateral by the counterparty.

Interest rate risk—The interest rate swap decreases the Authority's exposure to interest rate risk.

Basis risk—The interest rate swap does not expose the Authority to basis risk because the interest rate on the bonds and the swap are the same, equal to a rate of 67.8 percent of one-month LIBOR plus 1.46 percent per annum.

Note 9. Derivative Financial Instrument (Continued)

Termination risk—The interest rate swap was issued pursuant to ISDA Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate the interest rate swap if the other party fails to perform under the terms of the contract. Also, if at the time of termination the interest rate swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. As of June 30, 2017, the interest rate swap had a negative fair value of $62,192.

Swap payments and associated debt—Floating rate bond and related interest rate swap payments are effective December 6, 2016. Debt associated with the interest rate swap and the notional amount of the swap at June 30, 2017, totaled $3,945,361.

Springhill/Courtland Heights Public Facility Corporation (PFC)

Objective and terms—On December 6, 2016, Springhill/Courtland Heights PFC retired its Series 1999-A Bonds through a refinance with Frost Bank in the amount of $6,000,000. In conjunction with the refinance, Springhill/Courtland Heights PFC entered into an interest rate swap agreement to reduce volatility related to variable rate interest debt. The agreement fixed the interest rate paid by Springhill/Courtland Heights PFC until December 6, 2026, at 3.09 percent.

Fair value—As of June 30, 2017, the interest rate swap had a negative fair value of $93,288 and has been recorded as an increase in the interest rate swap liability and the related deferred swap outflow. The fair value was estimated using a proprietary valuation model developed by a counterparty.

Credit risk—The Authority was not exposed to credit risk on its outstanding interest rate swap at June 30, 2017, because the interest rate swap had a negative fair value. However, should interest rates change and the interest rate swap becomes positive, the Authority would be exposed to credit risk in the amount of the interest rate swap's fair value. The interest rate swap's counterparty has guaranteed all payments and is rated A+ by Standard & Poor's. The interest rate swap agreement provides no collateral by the counterparty.

Interest rate risk—The interest rate swap decreases the Authority's exposure to interest rate risk.

Basis risk—The interest rate swap does not expose the Authority to basis risk because the interest rate on the bonds and the swap are the same, equal to a rate of 67.8 percent of one-month LIBOR plus 1.46 percent per annum.

Termination risk—The interest rate swap was issued pursuant to ISDA Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate the interest rate swap if the other party fails to perform under the terms of the contract. Also, if at the time of termination the interest rate swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. As of June 30, 2017, the interest rate swap had a negative fair value of $93,288.

Swap payments and associated debt—Floating rate bond and related interest rate swap payments are effective December 6, 2016. Debt associated with the interest rate swap and the notional amount of the swap at June 30, 2017, totaled $5,918,042.

Note 10. Line of Credit

SAHFAC has a revolving line of credit with Frost Bank for $3,000,000, which may be used for short-term borrowing needs. The line of credit bears interest at the applicable prime rate, as listed in *The Wall Street Journal*, plus 0.25 percent. As of June 30, 2017, the all-in rate was 4.50 percent. The line of credit was renewed October 14, 2014, and has a term of three years. As of June 30, 2017, $539,663 was borrowed against the line of credit.

Note 11. Conduit Debt

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

As of June 30, 2017, there were 17 series of tax-exempt revenue bonds outstanding with an aggregate principal amount payable of $196,944,458.

Note 12. Defined Contribution Plan

A. Plan Description

The Plan provides pension benefits for all regular full-time employees through a defined contribution plan, established in 1948 and was last amended in 2016. The Plan constitutes a “public retirement system” within the meaning of Section 810.001 of the Texas Government Code and a “governmental plan” within the meaning of Code Section 414(d) and ERISA Section 3(32). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All regular full-time employees are eligible to participate after one year of service. At December 31, 2016, there were 560 participants. Each eligible participant must contribute 5.0 percent and may elect to contribute up to 100.0 percent of eligible compensation, up to the maximum dollar limitation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The employer’s contribution for each employee is 11.0 percent of compensation, excluding bonuses, commissions, overtime, contingent compensation or benefits plus 5.7 percent of such employee’s compensation for the Plan year that exceeds the social security taxable wage base in effect at the beginning of the year. The employer’s required contribution of $1,854,743 and the employees’ required contributions of $868,859 were made to the Plan during the Plan year ended December 31, 2016. Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of continuous service. A participant is fully vested after five years of credited service. Plan provisions and contributing requirements are established and may be amended by the Authority’s Board.

B. Plan Amendments

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

Note 12. Defined Contribution Plan (Continued)

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

C. Forfeitures

Participant forfeitures of nonvested balances will be used to reduce future employer contributions. During the Plan year ended December 31, 2016, employer contributions were reduced by $58,494 from forfeited nonvested accounts. There were no unallocated forfeitures at December 31, 2016.

D. Plan Termination

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

E. Tax Status

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

F. Risks and Uncertainties

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

Note 13. Risk Management

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

Workers’ Compensation Program

On July 1, 2013, the Authority established a fully insured program to cover its risks of loss related to employee injuries. Under this program, the workers’ compensation account provides coverage from the first dollar per occurrence and contains no limit in the annual aggregate. All component units participate in the program and make payments to the workers’ compensation account based on the number of employees.

Note 13. Risk Management (Continued)

On July 1, 2014, the Authority changed its third-party administrator from Texas Municipal League (TML) to Texas Mutual Insurance Company. Claims that were in existence prior to July 1, 2014, are administered by TML.

The actuarially determined claims liability of $26,884 at June 30, 2017, for claims prior to July 1, 2013, included in accrued liabilities, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

The liability includes provisions for the following:

- Case reserves on open claims
- Expected ultimate value of future development on reported claims
- Expected ultimate value of claims not yet reported
- Expected ultimate value of reopened claims
- Allocated and unallocated loss adjustment expenses
- Reserve for catastrophic losses

The claims liability reported as accrued contingencies in the accompanying financial statements is based on a discounted rate of 3 percent in anticipation of the investment income potential. Changes in the accrued liabilities amount in fiscal year 2016 and fiscal year 2017 were as follows:

	Liability at Beginning of Fiscal Year	Claims and Changes in Estimates in Current Year	Claim Payments	Balance at Fiscal Year-End
Years ended June 30:				
2016	$ 18,900	$ 67,205	$ 67,398	$ 18,707
2017	18,707	97,213	89,036	26,884

Health and Dental Insurance Plan

On August 2, 2007, the Board approved a self-funded health insurance plan and contract with Humana as the third-party administrator for health and dental insurance. The plan went into effect January 1, 2008.

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

The actuarially determined claims liability of $520,709 is based on the requirements of GASB Statement No. 10, as amended by GASB Statement No. 30. The liability includes provisions for medical, dental and prescription drug claim reserves for incurred, but not paid, and incurred, but not reported, claims. No allowance was made for the expense of processing run-out claims, since it is assumed any expense related to run-out claims processing would be included as current administration expenses.

Note 13. Risk Management (Continued)

A reconciliation of changes in the liability for health and dental plan expenses for fiscal year 2016 and fiscal year 2017 were as follows:

	Liability at Beginning of Fiscal Year	Claims and Changes in Estimates in Current Year	Claim Payments	Balance at Fiscal Year-End
Years ended June 30:				
2016	$ 405,826	$ 5,199,650	$ 5,108,505	$ 496,971
2017	496,971	4,664,209	4,640,471	520,709

Note 14. Commitments and Contingencies

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

A. Grants

The Authority receives significant financial assistance from federal, state and local agencies in the form of grants and operating subsidies. HUD provided approximately 80 percent of the Authority's operating revenue in the current year. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies; therefore, to the extent the Authority has not complied with rules and regulations governing the grants, if any, refunds of any money received may be required. Management believes there are no significant contingent liabilities relating to compliance with grant rules and regulations.

B. Construction Contracts

The Authority entered into construction contracts for the rehabilitation of various low-income and multi-family housing projects that were in progress as of year-end. The unexpended balance of construction contracts is $15,707,023 at June 30, 2017.

C. Environmental Remediation

The Authority's revitalization activities for its developments are subject to extensive and evolving environmental laws and regulations. For the year ended June 30, 2017, the Authority has expended $70,917 related to environmental remediation efforts. The annual level of future remediation expenditures is difficult to estimate due to the many uncertainties relating to conditions of individual sites, as well as uncertainties about the status of environmental laws and regulations and developments in remedial technology. Future information and developments will require the Authority to continually reassess the expected impact of these environmental matters.

Note 14. Commitments and Contingencies (Continued)

D. Pending Litigation

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

E. Guarantees

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

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

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

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

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

Note 15. Related-Party Transactions

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

- Management fees of $47,114 were paid to SAHDC by a component unit—Sunshine Plaza Apartments, Inc.

- Of the total notes receivable outstanding, $59,900,961 is due from various partnerships, which are related parties of the Authority. During the fiscal year, the Authority received payments in the amount of $1,501,125.

Note 16. Special Item

In 2017, the Authority settled and received lawsuit proceeds of $600,000 related to a construction defect that occurred during the rehabilitation of a public housing property. The settlement proceeds, considered by management to be unusual in nature and infrequent in occurrence, were recognized as a special item on the statement of revenues, expenses and changes in net position. These settlement proceeds contain no restrictions on their use.

Note 17. Subsequent Events

On December 19, 2017, SAHFAC (a component unit of the Authority) issued a promissory note to Frost Bank in the amount of $6,800,000 to refinance the existing debt on the Monterrey Park Apartments of $1,457,628 as of June 30, 2017, and to finance capital repairs and improvements to Monterrey Park Apartments and La Providencia Apartments. The note bears interest at 67.8 percent of the monthly *The Wall Street Journal* LIBOR offered rate plus 1.48 percent and is secured by a Deed of Trust and Security Agreement. The promissory note matures on December 19, 2027, and requires monthly payments of principal based on a 25-year amortization schedule. At closing, SAHFAC, also executed a swap agreement with Frost Bank, which fixed the interest rate at 3.32 percent. The swap agreement is for the full term of the loan and matures on December 19, 2027. However, the borrower has the option of canceling the swap at the end of five years without penalty.

Compliance Section

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Housing Authority of the City of San Antonio (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 22, 2018.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2017-001, 2017-002 and 2017-003 that we consider to be significant deficiencies.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Responses to Findings
The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

San Antonio, Texas
February 22, 2018

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program
We have audited the Housing Authority of the City of San Antonio's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

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

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

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

RSM US LLP

San Antonio, Texas
February 22, 2018

Housing Authority of the City of San Antonio

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I—Summary of Auditor's Results

1. Financial Statements

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

2. Federal Awards

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

Identification of major programs:

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

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

Section II—Financial Statement Findings

2017-001: Information Technology (IT) Controls

Finding: IT Controls (Significant Deficiency)

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

Condition: During our review of the Authority's IT processes, we noted certain critical IT controls relating to IT policies, user access controls, transaction audit logs, unbalanced journal entries and application security patches that have a direct impact on significant financial applications did not exist or were not properly maintained.

Cause: The Authority does not have formal written IT policies and procedures adopted and approved by the Authority's Board that adequately address the deficiencies noted above.

Context: The deficiencies noted above were identified as we were obtaining an understanding of the Authority's IT controls and as a result of our testing of IT controls during fieldwork.

Effect: The issues noted increase the risk of inappropriate access, loss of data and undetected or untimely detection of errors and fraud in the financial statements of the Authority.

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

Management response: Management concurs with this finding. Please see correct action plan.

2017-002: Capital Asset Impairment

Finding: Capital Asset Impairment (Significant Deficiency)

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

Condition: During our testing of the impairment loss recorded in the Authority's general ledger, we noted the Authority's calculation of the impairment was computed using the ratio of total replacement costs of the impaired asset over the replacement costs of the damages and applying that to the partial carrying value of the impaired asset. In review of the Authority's calculation, we noted that instead of applying the ratio to the partial carrying value, the Authority should have used the full carrying value of the impaired asset.

Cause: The Authority did not properly apply the requirements of GASB Statement No. 42.

Context: Deficiency was identified during testing of the Authority's capital assets.

Effect: The error resulted in corrected and uncorrected audit adjustments included in the Report to the Board of Commissioners provided to management and the Authority's Board.

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

Management response: Management concurs with this finding. Please see corrective action plan.

2017-003: Bank Reconciliation

Finding: Bank Reconciliation (Significant Deficiency)

Criteria: The Authority should have adequate controls over cash, including the timely performance of a complete cash reconciliation process.

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

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

Cause: The Authority maintains over 80 bank accounts and over 95 related general ledger cash accounts. Given the volume of transactions processed by the Authority, the number of banks, entities, and general ledger accounts involved makes the reconciliation of bank accounts on a monthly basis a complex and challenging task for management. The Authority's cash reconciliation process is not being completed timely.

Context: During our audit, we selected and obtained reconciliations for 35 of the Authority's bank accounts and related general ledger accounts to perform certain audit procedures over those accounts.

Effect: The potential impact on not timely completing bank reconciliations is that errors may not be detected and corrected in a timely manner.

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

Management response: Management concurs with this finding. Please see corrective action plan.

Section III—Federal Award Findings and Questioned Costs

None

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Housing Authority of the City of San Antonio

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Finding 2016-001—Eligibility

Federal Program: Housing Voucher Cluster Program
CFDA Numbers: 14.871/14.879
Federal Award Number: FW-4045DV
United States Department of Housing and Urban Development
Type of Finding: Noncompliance/Significant Deficiency

Condition: During our testing of 25 eligibility files, we noted 1 instance where a tenant's eligible income for determining their HAP payment was overstated, as they did not properly receive a disability deduction to eligible income. This error caused the tenant's HAP payments to be lower than they were eligible for.

Recommendation: We recommend a review of eligibility determination to ensure all factors are being accurately considered.

Current Status: The Authority has taken the corrective action recommended.

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Housing Authority of the City of San Antonio

Corrective Action Plan
Year Ended June 30, 2017

Finding 2017-001: Information Technology (IT) Controls

Planned Corrective Actions: To date the Authority has rectified many of the controls mentioned in the recommendation. Due to security and the sensitive nature regarding internal IT controls, the detailed Corrective Action Plan will be communicated with management and governance.

Responsible Official: Jo Ana Alvarado, Director of Innovative Technology

Completion Date: Ongoing

Finding 2017-002: Capital Asset Impairment

Planned Corrective Actions: If a catastrophic event similar to the April 2016 hail storm occurs, staff will provide the calculation and proposed entry to the auditors to ensure that future events are recorded in accordance with GASB 42.

Responsible Official: Diana Fiedler, Director of Finance & Accounting

Completion Date: Dependent on if a catastrophic event should occur, but within the fiscal year of said event.

Finding 2017-003: Timely Resolution of Identified Reconciling Items in the Bank Reconciliation Process

Planned Corrective Actions: The bank reconciliation that resulted in Finding 2017-003 is currently being completed in a timely manner. The timely resolution of reconciling items identified during the bank reconciliation process requires time and attention from multiple departments in order to resolve. Until the position responsible for this duty is hired and trained, this reconciliation has been reassigned. Finance & Accounting staff will work with Property Management administration to ensure the timely resolution of identified reconciling items.

Responsible Officials: Diana Fiedler, Director of Finance & Accounting
Brandee Perez, Director of Federal Housing Programs

Completion Date: To commence in January 2018 and ongoing thereafter.

Housing Authority of the City of San Antonio

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Direct Programs			
United States Department of Housing and Urban Development:			
HOPE VI Cluster:			
Choice Neighborhoods Implementation Grant	14.889	TX6J006CNG112	$ 5,405,151
Total HOPE VI Cluster			5,405,151
Section 8 Project-Based Cluster:			
Section 8 Moderate Rehabilitation	14.856	FW-4045K	1,726,252
Section 8 New Construction/Subs Rehab:			
Villa de Valencia	14.182	TX59E000020	331,089
Reagan West	14.182	TX59E000018	50,120
Total Section 8 New Construction/Subs Rehab			381,209
Total Section 8 Project-Based Cluster			2,107,461
Housing Voucher Cluster:			
Section 8 Veterans Affairs Supportive Housing—VASH	14.871		2,585,437
DHAP-IKE to HCV Temporary Vouchers	14.871		125,170
Section 8 Mainstream Program	14.879	FW-4045DV	765,804
Total Housing Voucher Cluster			3,476,411
Moving to Work (MTW) Demonstration Program:			
MTW—Low Rent Public Housing Authority Owned Housing	14.881	FW-1247	21,329,624
MTW—Section 8 Housing Choice Voucher Program	14.881	FW-4045V	79,092,752
MTW—2013 Capital Fund Program	14.881	TX59P006501-13	213,873
MTW—2014 Capital Fund Program	14.881	TX59P006501-14	2,975,098
MTW—2015 Capital Fund Program	14.881	TX59P006501-15	3,248,505
MTW—2016 Capital Fund Program	14.881	TX59P006501-16	2,740,390
2015 Replacement Housing Factor—1st Increment	14.881	TX59R006501-15	321,414
2015 Replacement Housing Factor—2nd Increment	14.881	TX59R006502-15	80,032
2016 Replacement Housing Factor—2nd Increment	14.881	TX59R006502-16	80,606
Total MTW Demonstration Program			110,082,294
Family Self-Sufficiency Program:			
2014 Family Self-Sufficiency Program	14.896	TX006FSH643A014	177,743
2015 Family Self-Sufficiency Program	14.896	TX006FSH550A015	399,160
2016 Family Self-Sufficiency Program	14.896	TX006FSH643A016	446,248
Total Family Self-Sufficiency Program			1,023,151
Resident Opportunity and Supportive Services (ROSS)—Service Coordinator Grant:			
2012 ROSS—Service Coordinator	14.870	TX006RPS098A012	50,501
2015 ROSS—Service Coordinator	14.870	TX006RPS098A015	150,865
Total ROSS—Service Coordinator Grant			201,366
Job-Plus Pilot Initiative	14.895	TX006FJP000815	489,468

Housing Authority of the City of San Antonio

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Direct Programs (Continued)			
Special Needs Assistance Program (SNAP):			
SNAP	14.267	TX0252L6J001501	$ 98,399
SNAP	14.267	TX0233L6J001507	811,950
SNAP	14.267	TX0233L6J001602	11,388
Total SNAP			921,737
Total United States Department of Housing and Urban Development			123,707,039
United States Department of Justice:			
Byrne Criminal Justice Innovation Program—BCJI	16.817		19,450
Total United States Department of Justice			19,450
Pass-Through Programs			
United States Department of Housing and Urban Development:			
City of San Antonio:			
Community Development Block Grant	14.218		556,737
Total United States Department of Housing and Urban Development			556,737
United States Department of Health and Human Services:			
Alamo Community College District:			
Alamo College HPOG Grant	93.093		46,478
Total United States Department of Health and Human Services			46,478
Total Federal Financial Assistance			$ 124,329,704

See notes to schedule of expenditures of federal awards.

Note 1. Basis of presentation

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

Note 2. Summary of Significant Accounting Policies

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

Subrecipients: There were no subrecipients in the current year.

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

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

Capital Fund Financing Program (CFFP): Under CFFP, the Authority borrows private capital to make improvements and pledges a portion of its future annual capital funds to make debt service payments on its loan. Since the proceeds from the loan are generated through the pledge and use of capital funds, HUD considers CFFP proceeds to be capital funds. Expenditures, as shown on the SEFA, represent the current-year expenditures of CFFP loan proceeds.

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

Note 2. Summary of Significant Accounting Policies (Continued)

A reconciliation of the SEFA to the statement of revenues, expenses and changes in net position for the year ended June 30, 2017, is as follows:

Total Federal Financial Assistance per SEFA		$ 124,329,704
A. Federal Assistance per statement of revenues, expenses and changes in net position:		
HUD operating grants and housing assistance payments	$ 40,321,210	
Other government grants	622,665	
HUD Housing Assistance Grants	76,224,071	
Capital contributions	9,029,487	
B. Less grant revenue for multifamily properties separately reported to REAC:		
a. Sunshine Plaza—HUD Project No. 115-94026	(402,087)	
b. Pecan Hill—HUD Project No. 115-94027	(323,462)	
c. Springhill I PFC—HUD Grant No. TX59E000035	(602,755)	
d. Springhill II PFC—HUD Grant No. TX59E000036	(539,425)	
		$ 124,329,704

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Supplementary Information

Housing Authority of the City of San Antonio

Schedule of Modernization Costs
Inception to June 30, 2017

Project No. TX 59P006501-10—2010 Capital Fund Program
Project No. TX 59P006501-11—2011 Capital Fund Program
Project No. TX 59P006501-12—2012 Capital Fund Program
Project No. TX 59P006501-13—2013 Capital Fund Program
Project No. TX 59P006501-14—2014 Capital Fund Program
Project No. TX 59P006501-15—2015 Capital Fund Program
Project No. TX 59P006501-16—2016 Capital Fund Program
Project No. TX 59E006501-11—2011 Capital Fund Program-Safety and Security Lincoln Heights
Project No. TX 59E006501-15—2015 Capital Fund Program-Safety and Security Cassiano
Project No. TX 59R006502-05—2005 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006502-06—2006 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006502-08—2008 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006502-09—2009 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006504-09—2009 Capital Fund Program-RHF Additional Funding
Project No. TX 59R006501-10—2010 Capital Fund Program-RHF 1st Increment
Project No. TX 59R006502-10—2010 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006501-11—2011 Capital Fund Program-RHF 1st Increment
Project No. TX 59R006502-11—2011 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006501-12—2012 Capital Fund Program-RHF 1st Increment
Project No. TX 59R006502-12—2012 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006501-13—2013 Capital Fund Program-RHF 1st Increment
Project No. TX 59R006502-13—2013 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006501-14—2014 Capital Fund Program-RHF 1st Increment
Project No. TX 59R006502-14—2014 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006501-15—2015 Capital Fund Program-RHF 1st Increment
Project No. TX 59R006502-15—2015 Capital Fund Program-RHF 2nd Increment
Project No. TX 59R006502-16—2016 Capital Fund Program-RHF 2nd Increment

	CFP 2010	CFP 2011	CFP 2012	CFP 2013	CFP 2014	CFP 2015	CFP 2016	CFP Safety and Security Lincoln	CFP Safety and Security Cassiano	CFP RHF 2nd Inc. 2005	CFP RHF 2nd Inc. 2006	CFP RHF 2nd Inc. 2008	CFP RHF 2nd Inc. 2009
Funds approved	$ 9,744,572	$ 8,151,333	$ 7,410,330	$ 7,192,132	$ 7,294,109	$ 7,539,807	$ 7,805,380	$ 250,000	$ 250,000	$ 1,727,302	$ 2,608,481	$ 2,593,345	$ 1,408,098
Funds expended	9,744,572	8,151,333	7,410,330	7,192,132	7,283,409	4,939,188	2,740,390	250,000	250,000	1,727,302	2,608,481	2,593,345	1,408,098
Excess of funds approved	$ -	$ -	$ -	$ -	$ 10,700	$ 2,600,619	$ 5,064,990	$ -	$ -	$ -	$ -	$ -	$ -
Funds advanced	$ 9,744,572	$ 8,151,333	$ 7,410,330	$ 7,192,132	$ 6,662,036	$ 4,661,136	$ 2,655,704	$ 250,000	$ 250,000	$ 1,727,302	$ 2,608,481	$ 2,593,345	$ 1,408,098
Funds expended	9,744,572	8,151,333	7,410,330	7,192,132	7,283,409	4,939,188	2,740,390	250,000	250,000	1,727,302	2,608,481	2,593,345	1,408,098
Deficit of funds advanced	$ -	$ -	-	$ -	$ (621,373)	$ (278,052)	$ (84,686)	$ -	$ -	$ -	$ -	$ -	$ -

CFP RHF Add Funding 2009	CFP RHF 1st Inc. 2010	CFP RHF 2nd Inc. 2010	CFP RHF 1st Inc. 2011	CFP RHF 2nd Inc. 2011	CFP RHF 1st Inc. 2012	CFP RHF 2nd Inc. 2012	CFP RHF 1st Inc. 2013	CFP RHF 2nd Inc. 2013	CFP RHF 1st Inc. 2014	CFP RHF 2nd Inc. 2014	CFP RHF 1st Inc. 2015	CFP RHF 2nd Inc. 2015	CFP RHF 2nd Inc. 2016	Total
$ 1,119,306	$ 360,291	$ 1,810,724	$ 661,479	$ 425,726	$ 520,769	$ 76,939	$ 549,153	$ 84,890	$ 530,328	$ 79,058	$ 321,414	$ 80,032	$ 80,606	$ 70,675,604
1,119,306	360,291	1,810,724	661,479	425,726	520,769	76,939	549,153	84,890	530,328	79,058	321,414	80,032	80,606	62,999,294
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,676,310
$ 1,119,306	$ 360,291	$ 1,810,724	$ 661,479	$ 425,726	$ 520,769	$ 76,939	$ 549,153	$ 84,890	$ 530,328	$ 79,058	$ 321,414	$ 80,032	$ 80,606	$ 62,015,184
1,119,306	360,291	1,810,724	661,479	425,726	520,769	76,939	549,153	84,890	530,328	79,058	321,414	80,032	80,606	62,999,294
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (984,110)

Housing Authority of the City of San Antonio

Schedule of Development Costs
Inception to June 30, 2017

Project No. TX6J006CNG112—Wheatley Implementation Grant
Project No. TX6JPH006CNP110—Wheatley Courts Neighborhood Planning Grant

	Wheatley Implementation	Wheatley Courts Neighborhood Planning	Total
Classification:			
Administration	$ 1,334,698	$ 178,800	$ 1,513,498
Critical community improvements	802,449	-	802,449
Fees and costs	4,584,870	39,000	4,623,870
Dwelling structures	3,781,725	-	3,781,725
Site improvements	3,529,346	-	3,529,346
Management improvements	-	26,580	26,580
Relocation costs	225,761	-	225,761
Supportive services	2,351,608	-	2,351,608
Evaluation	169,759	-	169,759
Total cost—Public Housing	16,780,216	244,380	17,024,596
Total cost	16,780,216	244,380	17,024,596
Sources of funds:			
Funds reimbursed from HUD	15,677,671	244,380	15,922,051
Total sources of funds	15,677,671	244,380	15,922,051
Deficit of funds advanced	$ (1,102,545)	$ -	$ (1,102,545)

RSM