Housing Authority of the City of San Antonio

Financial Report and Compliance Report
June 30, 2019

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Contents

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Housing Authority of the City of San Antonio (the Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Authority as of June 30, 2019, 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 Matters—Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Modernization Costs, Schedule of Development Costs and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

San Antonio, Texas
January 28, 2020

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, 2019, related to its business-type activities, as compared to the FY ended June 30, 2018. The business-type activities of the Authority include the following: Public Housing Programs, Section 8 Voucher Programs, Capital Fund Programs, Community Development Initiatives Programs, Beacon Communities and the San Antonio Housing Facility Corporation. The MD&A is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position and identify individual fund issues or concerns.

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 19 Awards of Merit for various innovative programs and initiatives from the National Association of Housing and Redevelopment Officials (NAHRO). Additionally, the Authority garnered two NAHRO National Awards of Excellence for Cyber Security Awareness and East Meadows.

- The Authority's Education Investment Foundation presented 150 R.E.A.C.H. (Rewarding Educational Achievement, Cultivating Hope) Awards to students for achieving perfect attendance and/or A-B honor roll. In addition, 54 students received college scholarships. All youth receiving awards reside in a subsidized property of the Public Housing or Housing Choice Voucher program.

- The Authority placed third and won $100,000 in the Mozilla and National Science Foundation's Smart Community Challenge for the creation of SMARTI (Solar Mesh and Reengineeered Technology Innovation), the Authority's first prototype that integrates solar energy and mesh technology to access a local network and distribute free Wi-Fi to Cassiano Homes residents.

- The Authority sold 25 single-family homes from the Blueridge Subdivision, the first of four subdivisions associated with the Authority's Westside Reinvestment Initiative. The Authority has billed this as the largest reconstruction effort on the city's westside in a decade and aspires to turn renters into homeowners and enable them to build generational wealth.

- The Authority received approval from HUD to dispose of 94 Public Housing scattered sites units located throughout the city which were determined to be unsustainable to operate and maintain as Public Housing. The Authority auctioned the properties and received approximately $2.2 million in proceeds which will be used to preserve existing affordable housing units in higher opportunity areas.

- The Authority refinanced the Burning Tree and Encanta Villa Apartments, which provided approximately $6.6 million in net proceeds, which will be used to fund capital repairs and replacements for Burning Tree, Encanta Villa, and other assets within the Beacon Communities portfolio.

- The Authority partnered with the City of San Antonio, the San Antonio Housing Trust Foundation, and the Gordon Hartman Family Foundation, to secure $1.5 million in funding to provide more than 2,000 Public Housing units in twenty-two different housing complexes with air conditioning.

- The Authority's current ratio that measures liquidity was 5.05 at June 30, 2019. 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 0.35 at June 30, 2019, demonstrating the Authority's strong long-term solvency position.

Overview of the Financial Statements

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

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

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

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

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 6,103 public housing rental units for eligible low-income families, seniors and individuals with disabilities.

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

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

Financial Analysis

General
Over time, net position may serve as a useful indicator of a government's financial position. At June 30, 2019, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $274,656,715. By far, the largest portion of net position is the Authority's investment in capital assets (e.g., land, buildings, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services and housing to its clients. Consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statements of Net Position Information

Presented below is the Authority's condensed statements of net position for FY 2019 compared to FY 2018. This information reflects the economic resources of the Authority, as well as its economic obligations at the end of the FYs shown. See notes to financial statements.

Condensed Statement of Net Position

	FY 2019	FY 2018	Increase (Decrease)	Percentage Change
Assets:				
Unrestricted current assets	$ 62,146,053	$ 62,348,569	$ (202,516)	(0.3%)
Restricted current assets	30,471,236	20,625,264	9,845,972	47.7%
Net capital assets	199,042,249	198,103,875	938,374	0.5%
Other assets	76,340,749	73,436,453	2,904,296	4.0%
Total assets	368,000,287	354,514,161	13,486,126	3.8%
Deferred outflows of resources:				
Deferred charges on refunding	611,579	725,789	(114,210)	(15.7%)
Deferred swap outflows	1,296,697	-	1,296,697	100.0%
Total deferred outflows of resources	1,908,276	725,789	1,182,487	162.9%
Liabilities:				
Current liabilities	16,795,160	18,702,840	(1,907,680)	(10.2%)
Current liabilities payable from restricted assets	1,537,215	1,354,072	183,143	13.5%
Noncurrent liabilities	76,919,473	73,807,113	3,112,360	4.2%
Total liabilities	95,251,848	93,864,025	1,387,823	1.5%
Deferred inflows of resources:				
Deferred swap inflows	-	235,388	(235,388)	100.0%
Total deferred inflows of resources	-	235,388	(235,388)	100.0%
Net position:				
Net investment in capital assets	140,106,103	134,924,476	5,181,627	3.8%
Restricted net position	17,788,081	14,086,373	3,701,708	26.3%
Unrestricted net position	116,762,531	112,129,688	4,632,843	4.1%
Total net position	$ 274,656,715	$ 261,140,537	$ 13,516,178	5.2%

Assets

The Authority's total assets at June 30, 2019 and 2018, amounted to $368 million and $354.5 million, respectively, representing an increase of 3.8%. Unrestricted current assets decreased by $0.2 million, or 0.3%. The $9.8 million, or 47.7%, increase in restricted current assets resulted primarily from the refinance of Burning Tree and Encanta Villa. Also contributing to the increase were the sale of various Scattered Sites properties and Blueridge Homes which resulted in proceeds of $2.2 million and $3.2 million, respectively. Other assets increased by $2.9 million, or 4.0%, due primarily to accrued interest on various limited partnership notes and an increase in investment in joint ventures for the SPII and O'Connor Road limited partnerships.

Liabilities

Total liabilities of the Authority were $95.3 million and $93.9 million at June 30, 2019 and 2018, respectively, an increase of 1.5%. Noncurrent liabilities increased by $3.1 million, or 4.2%, due to the refinance of the Burning Tree and Encanta Villa Apartments, which resulted in new debt of $6.8 million. The increase was partially offset by scheduled debt payments of $3.5 million and a prepayment of $1.0 million towards the Energy Performance Contract loan.

Net Position

The Authority's net position totaled $274.7 million at June 30, 2019, and is comprised of net investment in capital assets of $140.1 million; restricted net position of $17.8 million and unrestricted net position of $116.8 million. Total net position increased by $13.5 million, or 5.2%, 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.

Statements of Revenues, Expenses and Changes in Net Position Information

Presented on the following page is the statements of revenues, expenses and changes in net position information for FY 2019 compared to FY 2018. The information reflects the results of operations for the Authority and displays the sources of revenue, the nature of expenses for the year and the resulting change in net position. All revenues and expenses are accounted for on an accrual basis. See notes to financial statements.

Statement of Revenues, Expenses and Changes in Net Position

	FY 2019	FY 2018	Increase (Decrease)	Percentage Change
Operating revenues:				
Tenant	$ 30,404,190	$ 29,137,386	$ 1,266,804	4.3%
Operating grants	42,204,516	40,736,705	1,467,811	3.6%
Other revenue	6,329,242	3,881,531	2,447,711	63.1%
Total operating revenues	78,937,948	73,755,622	5,182,326	7.0%
Operating expenses:				
Administrative	29,663,467	30,813,048	(1,149,581)	(3.7%)
Tenant services	2,545,958	2,432,372	113,586	4.7%
Utilities	7,048,901	7,462,928	(414,027)	(5.5%)
Ordinary maintenance and operations	26,984,679	22,264,542	4,720,137	21.2%
Protective services	753,395	711,537	41,858	5.9%
Insurance	2,580,268	2,469,754	110,514	4.5%
Bad debts	(1,049,369)	(377,545)	(671,824)	(177.9%)
Other	1,910,327	2,209,756	(299,429)	(13.6%)
Depreciation	14,085,340	13,940,131	145,209	1.0%
Total operating expenses	84,522,966	81,926,523	2,596,443	3.2%
Operating loss	(5,585,018)	(8,170,901)	2,585,883	31.6%
Nonoperating revenues (expenses):				
Investment income	1,086,129	500,006	586,123	117.2%
Mortgage interest income	1,975,202	2,035,919	(60,717)	(3.0%)
HUD housing assistance grants	99,402,046	102,271,764	(2,869,718)	(2.8%)
Recovery of Section 8 funds	113,007	195,678	(82,671)	(42.2%)
Housing assistance payments	(98,161,528)	(93,109,076)	(5,052,452)	(5.4%)
Interest expense	(2,902,776)	(2,691,984)	(210,792)	(7.8%)
Gain (loss) on disposition/retirement of capital assets	2,426,984	(2,531,210)	4,958,194	195.9%
Insurance recoveries, net	2,222,194	-	2,222,194	100.0%
Loss on investments	(25)	(181)	156	86.2%
Refinancing and closing costs	(157,928)	-	(157,928)	(100.0%)
Trustee and swap advisor fees	(27,830)	(309,957)	282,127	91.0%
Legal fees	(665,500)	-	(665,500)	(100.0%)
Total nonoperating revenues (expenses)	5,309,975	6,360,959	(1,050,984)	(16.5%)
Decrease in net position before capital contributions	(275,043)	(1,809,942)	1,534,899	84.8%
Capital contributions	13,791,221	8,508,635	5,282,586	62.1%
Change in net position	13,516,178	6,698,693	6,817,485	101.8%
Net position at beginning of year	261,140,537	254,878,374	6,262,163	2.5%
Net position (deficit) from merged government	-	(436,530)	436,530	100.0%
Net position at end of year	$ 274,656,715	$ 261,140,537	$ 13,516,178	5.2%

Operating Revenues and Expenses

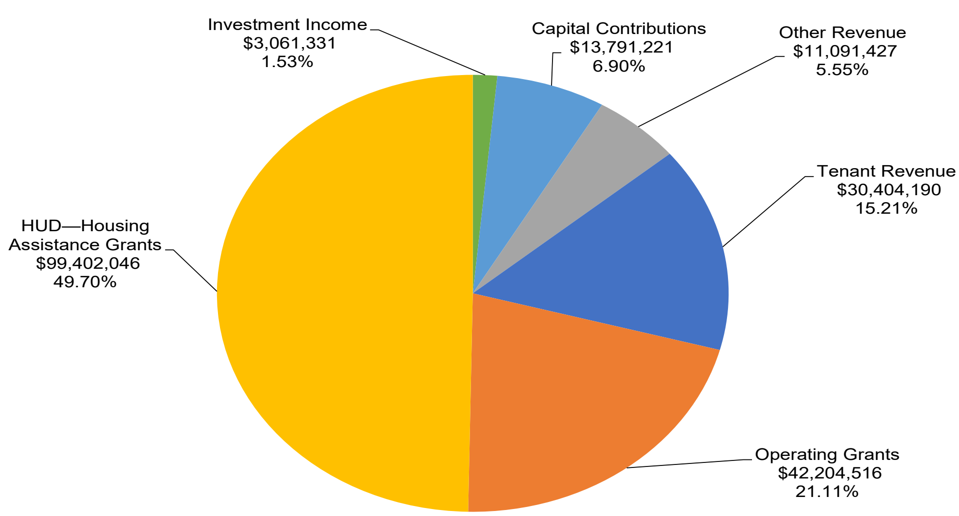
Operating revenues increased by $5.2 million, or 7.0%, over the previous year and operating expenses increased by $2.6 million, or 3.2%. The primary source of revenue, other than HUD funding, is tenant income, which increased by $1.3 million, or 4.3%, over the prior year. The $2.4 million, or 63.1%, increase in other revenue was due primarily to donations of $0.5 million and $0.2 million from the City of San Antonio and the San Antonio Housing Trust Foundation, respectively, which were used to fund a $1.5 million Public Housing air conditioning project. Also contributing to the increase in other revenue were various cash flow distributions from limited partnerships and recognition of development fee revenue associated with the Wheatley Courts redevelopment. The most significant increase in operating expenses was ordinary maintenance and operations expense which increased $4.7 million, or 21.2%, due to higher unit make ready costs, air conditioning units repair and replacement, and other contract costs. Partially offsetting this increase was a decrease of $1.1 million in administrative expense due primarily to lower consulting fees. Depreciation expense, which does not require cash expenditures, but impacts the total operating expenses, totaled $14.1 million for FY 2019.

Nonoperating Revenues, Expenses and Changes in Net Position

Total nonoperating revenues and expenses decreased by $1.1 million. Housing assistance payments increased by $5.1 million due to an increase in the number of units leased as well as an increase in the per unit assistance payment. During FY 2019, Small Area Fair Market Rents were implemented which caused a significant increase to the Authority's per unit costs. There was an increase of $5.0 million in gain (loss) on disposition/retirement of capital assets. During FY 2019, the Authority recognized a $2.4 million gain on disposition/retirement of capital assets, which resulted from a land swap transaction with the City of San Antonio and the sale of various scattered sites properties which were approved for disposition by HUD. The Authority also recognized $2.2 million of insurance recoveries during FY 2019. A large settlement of $2.4 million was received in connection with a 2016 hail claim submitted for Lincoln Heights. A portion of the settlement, $665,500, represents associated legal fees. Capital contributions, which increased by $5.3 million, were comprised of $8.6 million from HUD capital grants and $5.2 million from the Choice Neighborhoods Implementation grant, which is one of the funding sources for the Wheatley Courts redevelopment.

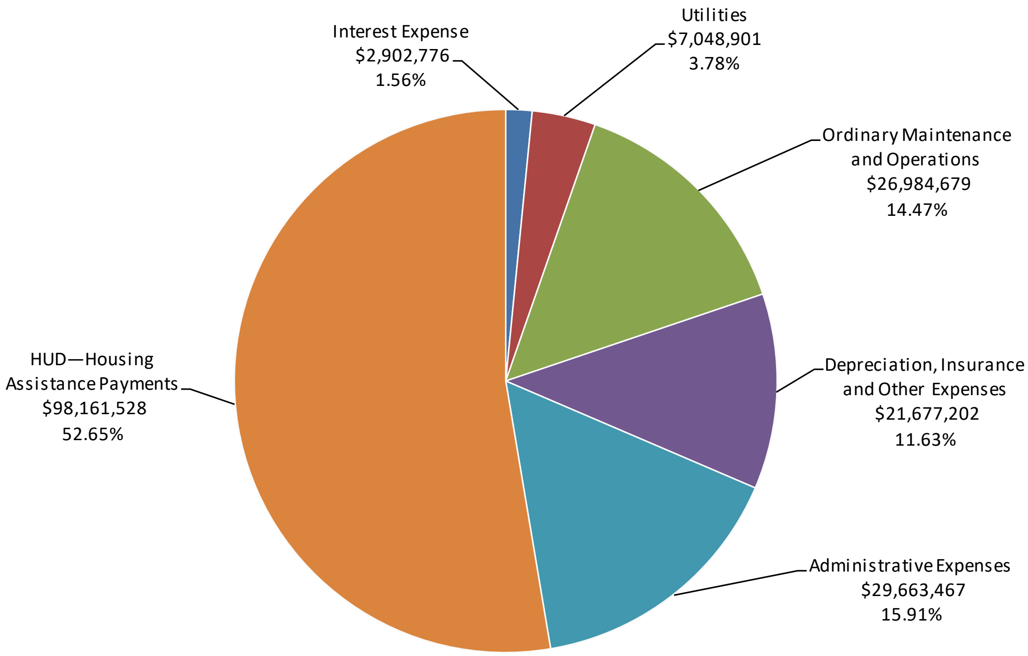
Revenue by Source—Business-Type Activities

Total Revenue—$199,954,731



Expenses by Use—Business-Type Activities

Total Expenses—$186,438,553



Capital Assets and Debt Administration

Net Capital Assets

At the end of FY 2019, the Authority had invested $199,042,249 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 2019:

Schedule of Changes in Capital Assets—FY 2019

Beginning net capital assets	$ 198,103,875
Additions and transfers in/out	20,178,718
Deletions, net	(5,155,004)
Depreciation	(14,085,340)
Ending net capital assets	$ 199,042,249

Net capital assets increased by $0.9 million in FY 2019 when compared to FY 2018. Additions and transfers totaled $20.2 million, while deletions totaled $5.2 million. Total depreciation expense for FY 2019 was $14.1 million. The majority of the additions were attributable to construction in progress. Additional information on the Authority's capital assets can be found in Note 6 of the notes to financial statements.

Long-Term Debt
At the end of FY 2019, the Authority had total long-term debt of $70.1 million. Of this amount, $20.9 million represents bonds that were issued to purchase or rehabilitate properties owned by component units of the Authority. The Authority's debt increased by $2.3 million when compared to FY 2018.

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

Economic Factors and Next Year's Budget

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

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

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

The operating budgets for the Authority's 2019-2020 FY were approved by the Board of Commissioners on June 6, 2019, and became effective July 1, 2019. The Authority's budget is balanced, with estimated revenues of $185.0 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.

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 Beacon Communities. In FY 2020, 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, 2019

Assets and Deferred Outflows of Resources

Assets:	
Current assets:	
Unrestricted assets:	
Cash and cash equivalents:	
Unrestricted	$ 43,202,226
Tenant security deposits	141,763
Accounts receivable–HUD	4,642,261
Accounts receivable–miscellaneous	3,948,239
Accounts receivable–insurance holdback	647,136
Accounts receivable–tenants	1,219,698
Allowance for doubtful accounts—tenants	(439,484)
Notes and mortgages	17,054
Accrued interest receivable	8,354
Assets held for sale	527,136
Prepaid expenses and other assets	8,231,670
Total unrestricted assets	62,146,053
Restricted assets:	
Cash and cash equivalents—modernization and development	22,078,065
Cash and cash equivalents—payment of current liabilities	1,581,776
Cash and cash equivalents—held by lender and trustee	4,057,781
Cash and cash equivalents—other	2,753,614
Total restricted assets	30,471,236
Total current assets	92,617,289
Noncurrent assets:	
Capital assets:	
Land	47,338,050
Buildings and improvements	475,437,897
Furniture and equipment—dwellings	2,514,773
Furniture and equipment—administration	4,784,929
Leasehold improvements	1,584,810
Construction in progress	20,504,454
	552,164,913
Less accumulated depreciation	(353,122,664)
Net capital assets	199,042,249
Other noncurrent assets:	
Notes and mortgages receivable	52,965,791
Accrued interest receivable	13,111,620
Other assets and developer fees receivable	3,524,349
Allowance for doubtful accounts—developer fees	(1,453,606)
Noncurrent receivable—insurance holdback	191,718
Equity in partnership investments	8,000,877
Total noncurrent assets	76,340,749
Total assets	368,000,287
Deferred outflows of resources:	
Deferred charges on refunding	611,579
Deferred swap outflows	1,296,697
Total deferred outflows of resources	1,908,276

See notes to financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities:	
Current liabilities:	
Unrestricted current liabilities:	
Accounts payable	$ 6,271,024
Construction payable	2,050,294
Accrued wages and payroll taxes	1,164,431
Accrued compensated absences	1,262,629
Accrued contingencies	223,198
Accounts payable—HUD PHA projects	176,321
Tenant security deposits	1,472,726
Unearned revenue—tenants	375,208
Unearned revenue—ground leases and other	706,037
Current portion of long-term debt	2,436,323
Other current liabilities	159,291
Accrued interest payable	76,573
Accrued liabilities	421,105
Total unrestricted current liabilities	16,795,160
Current liabilities payable from restricted assets:	
Long-term debt—current portion	1,295,383
Accrued interest payable	65,019
Family Self-Sufficiency (FSS) escrow	176,813
Total current liabilities payable from restricted assets	1,537,215
Total current liabilities	18,332,375
Noncurrent liabilities:	
Long-term debt, less unamortized discount	66,355,754
FSS escrow payable	2,045,530
Accrued compensated absences	194,983
Unearned revenue—ground leases and other	6,986,138
Interest rate swap liabilities	1,296,697
Other noncurrent liabilities	40,371
Total noncurrent liabilities	76,919,473
Total liabilities	95,251,848
Net position:	
Net investment in capital assets	140,106,103
Restricted net position	17,788,081
Unrestricted net position	116,762,531
Total net position	$ 274,656,715

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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, 2019

Operating revenues:	
Net tenant rental revenue	$ 29,220,401
Tenant revenue—other	1,183,789
HUD operating grants and housing assistance payments	42,125,472
Other government grants	79,044
Other revenue	6,329,242
Total operating revenues	78,937,948
Operating expenses:	
Administrative	29,663,467
Tenant services	2,545,958
Utilities	7,048,901
Ordinary maintenance and operations	26,984,679
Protective services	753,395
Insurance	2,580,268
Bad debts	(1,049,369)
Other	1,910,327
Depreciation	14,085,340
Total operating expenses	84,522,966
Operating loss	(5,585,018)
Nonoperating revenues (expenses):	
Investment income—unrestricted	794,735
Investment income—restricted	291,394
Mortgage interest income	1,975,202
HUD housing assistance grants	99,402,046
Recovery of Section 8 funds	113,007
Housing assistance payments	(98,161,528)
Interest expense	(2,902,776)
Gain on disposition/retirement of capital assets	2,426,984
Insurance recoveries, net	2,222,194
Loss on investments	(25)
Refinancing and closing costs	(157,928)
Trustee and swap advisor fees	(27,830)
Legal fees	(665,500)
Total nonoperating revenues (expenses)	5,309,975
Decrease in net position before capital contributions	(275,043)
Capital contributions	13,791,221
Change in net position	13,516,178
Net position at beginning of year	261,140,537
Net position at end of year	$ 274,656,715

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Cash Flows
Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from tenants and other revenue	$ 73,980,284
Cash received from developers	736,900
Cash payments to suppliers for goods and services	(39,660,732)
Cash payments to employees	(32,879,364)
Net cash provided by operating activities	2,177,088
Cash flows from noncapital financing activities:	
HUD housing assistance grants	99,402,046
Recovery of Section 8 funds	113,007
Housing assistance payments	(98,161,528)
Net cash provided by noncapital financing activities	1,353,525
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(19,192,607)
Trustee and swap advisor fees	(27,830)
Proceeds from insurance on capital assets	2,498,044
Proceeds from capital grants	13,791,221
Receipt of prepaid ground lease	450,000
Principal payments on mortgage and notes payable	(4,493,917)
Net proceeds from acquisition of debt	6,642,072
Interest paid on long-term debt and line of credit	(2,760,545)
Line of credit drawdowns	948,498
Line of credit principal payments	(1,019,114)
Homeownership and FSS escrow	(221,648)
Proceeds from sale of capital assets	5,351,741
Net cash provided by capital and related financing activities	1,965,915
Cash flows from investing activities:	
Collections on notes receivable	3,463,784
Issuance of notes receivable	(3,470,078)
Investment income received	1,088,336
Maturity of investment securities	11,600,000
Interest on notes and mortgages receivable	12,075
Return of equity/investor income from joint ventures	52,933
Net cash provided by investing activities	12,747,050
Net increase in cash and cash equivalents	18,243,578
Cash and cash equivalents at beginning of year	55,571,647
Cash and cash equivalents at end of year	$ 73,815,225
Noncash capital and related financing activities:	
Net change in payable for the acquisition of capital assets	$ (1,257,774)
Unpaid interest capitalized into long-term debt	$ 4,444

(Continued)

Housing Authority of the City of San Antonio

Statement of Cash Flows
Year Ended June 30, 2019

Reconciliation to statement of net position:	
Unrestricted cash and cash equivalents	$ 43,202,226
Tenant security deposits	141,763
Restricted cash and cash equivalents—modernization and development	22,078,065
Restricted cash and cash equivalents—payment of current liabilities	1,581,776
Restricted cash and cash equivalents—held by lender and trustee	4,057,781
Restricted cash and cash equivalents—other	2,753,614
	$ 73,815,225
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (5,585,018)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	14,085,340
Earned revenue/amortization of unearned revenue—ground lease and other	(502,261)
Bad debt recovery	247
Net changes in assets and liabilities:	
Assets held for sale	(111,325)
Tenants receivable, net	(236,868)
HUD receivable	(882,126)
Miscellaneous receivables	(2,481,522)
Other assets and developer fees	(338,656)
Allowance for doubtful accounts—other	(788,678)
Prepaid expenses and other	(453,088)
Accounts payable	(544,535)
Accrued wages and payroll taxes	(29,206)
Accrued compensated absences	(39,692)
Accrued interest payable	(24,838)
Accrued contingencies	28,526
Tenant security deposits	(5,347)
Unearned revenue—tenants	(49,467)
Other current liabilities	(202,491)
Accrued liabilities	338,093
Net cash provided by operating activities	$ 2,177,088

See notes to financial statements.

Housing Authority of the City of San Antonio

Statement of Plan Net Position—Fiduciary Fund
December 31, 2018

Assets:	
Investments:	
Mutual funds—equity	$ 25,781,705
Mutual funds–fixed income	15,188,706
Total investments	40,970,411
Cash and cash equivalents	1,049,941
Receivables:	
Employee contributions	32,408
Employer contributions	70,942
Accrued investment income	34,294
Total receivables	137,644
Total assets	42,157,996
Liabilities:	
Accrued investment manager expenses	40,468
Net position restricted for pension	$ 42,117,528

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, 2018

Additions:	
Contributions:	
Employee	$ 863,453
Employer	1,893,946
Total contributions	2,757,399
Investment income (expenses):	
Interest and dividends	939,135
Net depreciation in fair value of investments	(1,621,481)
Investment manager expenses	(84,879)
Net investment loss	(767,225)
Total additions	1,990,174
Deductions:	
Benefits paid to participants	(3,874,291)
Administrative expenses	(280,271)
Total deductions	(4,154,562)
Net decrease in fiduciary net position	(2,164,388)
Net position restricted for pension at beginning of year	44,281,916
Net position restricted for pension at end of year	$ 42,117,528

See notes to financial statements.

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Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Vera Cruz Redevelopment Partnership, Ltd. (Vera Cruz)
Vera Cruz (a Texas limited partnership) is an investment of SAHDC (as general partner). Vera Cruz was formed on October 31, 1991, to acquire, own, develop, improve and lease the 29-unit Villa de San Alfonso Senior Citizens Apartments to low-income tenants and is operated in a manner to qualify for federal low-income housing tax credits. In October 2009, SAHFAC acquired a 99% 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% interest in the partnership. SAHDC acquired an additional 24% interest in June 2011. The partnership is now a wholly owned entity of an Authority affiliate.

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)
June 30, 2019

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	San Antonio Homeownership Opportunities Corporation	Las Varas PFC
Assets:					
Current assets	$ 11,355,592	$ 1,340,337	$ 236,238	$ 19,765	$ 501,359
Restricted current assets	12,658,472	136,716	-	100,000	-
Net capital assets	19,473,454	3,006,369	254,222	54,552	12,977,912
Other assets	32,277,599	4,741,823	6,504	185,162	899,081
Total assets	75,765,117	9,225,245	496,964	359,479	14,378,352
Deferred outflows of resources:					
Deferred charges on refunding	-	-	-	-	-
Deferred swap outflow	1,064,334	-	-	-	-
Total deferred outflows of resources	1,064,334	-	-	-	-
Liabilities:					
Unrestricted current liabilities	2,168,844	430,097	610	5,578	154,246
Liabilities payable from restricted assets	179,943	78,800	-	-	-
Long-term debt	26,593,870	4,104,727	-	-	1,466,667
Other long-term liabilities	7,933,479	-	-	-	116,993
Total liabilities	36,876,136	4,613,624	610	5,578	1,737,906
Net position (deficit):					
Net investment (deficit) in capital assets	3,145,224	2,082,778	254,222	54,552	12,977,913
Restricted	2,105,432	136,717	-	100,000	-
Unrestricted (deficit)	34,702,659	2,392,126	242,132	199,349	(337,467)
Total net position (deficit)	$ 39,953,315	$ 4,611,621	$ 496,354	$ 353,901	$ 12,640,446

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)
June 30, 2019

	Springhill/ Courtland Heights PFC	Woodhill PFC	Refugio Street PFC	Sendero I PFC	Vera Cruz Redevelopment Partnership, Ltd.
Assets:					
Current assets	$ 1,075,387	$ 3,496,800	$ 267,423	$ 2,246,452	$ 205,953
Restricted current assets	340,131	764,168	-	300,141	-
Net capital assets	7,033,708	15,227,942	-	6,947,800	715,316
Other assets	-	-	8,971,990	-	-
Total assets	8,449,226	19,488,910	9,239,413	9,494,393	921,269
Deferred outflows of resources:					
Deferred charges on refunding	-	107,396	-	332,545	-
Deferred swap outflow	232,363	-	-	-	-
Total deferred outflows of resources	232,363	107,396	-	332,545	-
Liabilities:					
Unrestricted current liabilities	829,543	371,830	2,113	209,398	26,090
Liabilities payable from restricted assets	-	311,750	-	316,592	4,770
Long-term debt	5,416,639	6,989,950	-	8,377,068	961,167
Other long-term liabilities	272,734	-	-	-	-
Total liabilities	6,518,916	7,673,530	2,113	8,903,058	992,027
Net position (deficit):					
Net investment (deficit) in capital assets	1,444,893	8,054,268	-	(1,382,237)	266,464
Restricted	340,131	743,538	-	269,064	-
Unrestricted (deficit)	377,649	3,124,970	9,237,300	2,037,053	(337,222)
Total net position (deficit)	$ 2,162,673	$ 11,922,776	$ 9,237,300	$ 923,880	$ (70,758)

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Net Position (Deficit)
June 30, 2019

	Homestead Redevelopment Partnership, Ltd.	Converse Ranch, LLC	Converse Ranch II, LLC	Sunshine Plaza Apartments, Inc.	Pecan Hill Apartments, Inc.	Education Investment Foundation, Inc.
Assets:						
Current assets	$ 482,922	$ 1,033,439	$ 58,943	$ 1,165,657	$ 1,010,620	$ 1,219
Restricted current assets	40,399	470,211	289,715	-	-	-
Net capital assets	692,671	6,436,661	6,098,455	1,271,093	1,197,182	9,912
Other assets	-	-	-	-	19,995	-
Total assets	1,215,992	7,940,311	6,447,113	2,436,750	2,227,797	11,131
Deferred outflows of resources:						
Deferred charges on refunding	-	171,638	-	-	-	-
Deferred swap outflow	-	-	2,857	-	-	-
Total deferred outflows of resources	-	171,638	2,857	-	-	-
Liabilities:						
Unrestricted current liabilities	144,109	222,383	641,374	92,001	82,016	359,449
Liabilities payable from restricted assets	78,800	-	13,312	-	-	-
Long-term debt	3,366,011	6,690,374	4,748,665	-	-	-
Other long-term liabilities	-	-	2,857	-	-	-
Total liabilities	3,588,920	6,912,757	5,406,208	92,001	82,016	359,449
Net position (deficit):						
Net investment (deficit) in capital assets	538,696	(189,881)	1,183,159	1,271,093	1,197,182	9,912
Restricted	40,399	470,211	276,403	-	-	-
Unrestricted (deficit)	(2,952,023)	918,862	(415,800)	1,073,656	948,599	(358,230)
Total net position (deficit)	$ (2,372,928)	$ 1,199,192	$ 1,043,762	$ 2,344,749	$ 2,145,781	$ (348,318)

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2019

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	San Antonio Homeownership Opportunities Corporation	Las Varas PFC
Operating revenues (expenses):					
Net tenant rental revenue	$ 7,394,800	$ 1,646,777	$ -	$ -	$ -
Tenant revenue—other	247,793	200,171	-	-	-
HUD operating grants and housing assistance payments	-	-	-	-	-
Other government grants	25,013	-	-	-	-
Other revenue	2,549,461	116,818	82,500	101,750	915,089
Operating expenses	(6,955,281)	(1,829,236)	(8,446)	(29,955)	(35,140)
Depreciation expense	(516,306)	(302,620)	-	(485)	-
Total operating revenues (expenses)	2,745,480	(168,090)	74,054	71,310	879,949
Nonoperating revenues (expenses):					
Investment income	308,610	20,940	1,703	1,251	358
Mortgage interest income	559,334	287,882	635	11,559	-
Interest expense	(956,003)	(255,314)	-	-	-
Financing and trustee fees	(170,259)	(5,873)	-	-	-
Other	(137,253)	-	-	(2,124)	4,980
Total nonoperating revenues (expenses)	(395,571)	47,635	2,338	10,686	5,338
Transfers in (out)	2,934,652	820,693	(76,702)	35,908	(45,446)
Change in net position	5,284,561	700,238	(310)	117,904	839,841
Net position (deficit) at beginning of year	34,668,754	3,911,383	496,664	235,997	11,800,605
Net position (deficit) at end of year	$ 39,953,315	$ 4,611,621	$ 496,354	$ 353,901	$ 12,640,446

Condensed Statements of Cash Flows
Year Ended June 30, 2019

	San Antonio Housing Facility Corporation	San Antonio Housing Development Corporation	San Antonio Housing Finance Corporation	San Antonio Homeownership Opportunities Corporation	Las Varas PFC
Net cash provided by (used in):					
Operating activities	$ 2,543,005	$ (632,930)	$ 74,078	$ 24,156	$ 439,493
Capital and related financing activities	6,701,934	691,981	(80,208)	45,446	(45,446)
Investing activities	2,204,960	68,172	6,213	30,551	358
Net increase (decrease) in cash and cash equivalents	11,449,899	127,223	83	100,153	394,405
Cash and cash equivalents at beginning of year	11,944,567	1,198,381	68,326	2	29
Cash and cash equivalents at end of year	$ 23,394,466	$ 1,325,604	$ 68,409	$ 100,155	$ 394,434

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2019

	Springhill/ Courtland Heights PFC	Woodhill PFC	Refugio Street PFC	Sendero I PFC	Vera Cruz Redevelopment Partnership, Ltd.
Operating revenues (expenses):					
Net tenant rental revenue	$ 2,291,767	$ 4,240,330	$ -	$ 1,821,359	$ 175,868
Tenant revenue—other	66,375	120,838	-	123,684	3,387
HUD operating grants and housing assistance payments	1,120,387	-	-	-	-
Other government grants	-	-	-	-	-
Other revenue	45,161	111,448	-	26,210	39,658
Operating expenses	(2,475,533)	(3,255,042)	(11,035)	(1,078,798)	(193,661)
Depreciation expense	(346,055)	(903,683)	-	(329,864)	(45,391)
Total operating revenues (expenses)	702,102	313,891	(11,035)	562,591	(20,139)
Nonoperating revenues (expenses):					
Investment income	6,066	62,990	1,390	42,483	3,150
Mortgage interest income	-	-	437,540	-	-
Interest expense	(224,173)	(289,418)	-	(457,570)	(10,120)
Financing and trustee fees	(3,500)	(6,500)	-	(5,500)	-
Other	76,360	(25)	-	-	-
Total nonoperating revenues (expenses)	(145,247)	(232,953)	438,930	(420,587)	(6,970)
Transfers in (out)	-	-	-	-	-
Change in net position	556,855	80,938	427,895	142,004	(27,109)
Net position (deficit) at beginning of year	1,605,818	11,841,838	8,809,405	781,876	(43,649)
Net position (deficit) at end of year	$ 2,162,673	$ 11,922,776	$ 9,237,300	$ 923,880	$ (70,758)

Condensed Statements of Cash Flows
Year Ended June 30, 2019

	Springhill/ Courtland Heights PFC	Woodhill PFC	Refugio Street PFC	Sendero I PFC	Vera Cruz Redevelopment Partnership, Ltd.
Net cash provided by (used in):					
Operating activities	$ 464,491	$ 1,106,345	$ (9,663)	$ 1,082,542	$ 47,658
Capital and related financing activities	(37,541)	(1,808,514)	-	(673,066)	(4,510)
Investing activities	6,066	62,965	276,277	1,043,039	3,150
Net increase (decrease) in cash and cash equivalents	433,016	(639,204)	266,614	1,452,515	46,298
Cash and cash equivalents at beginning of year	525,024	3,886,935	69	1,064,262	159,555
Cash and cash equivalents at end of year	$ 958,040	$ 3,247,731	$ 266,683	$ 2,516,777	$ 205,853

Note 1. Summary of Significant Accounting Policies (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2019

	Homestead Redevelopment Partnership, Ltd.	Converse Ranch, LLC	Converse Ranch II, LLC	Sunshine Plaza Apartments, Inc.	Pecan Hill Apartments, Inc.	Education Investment Foundation, Inc.
Operating revenues (expenses):						
Net tenant rental revenue	$ 1,032,464	$ 967,178	$ 847,816	$ 276,999	$ 306,003	$ -
Tenant revenue—other	176,124	-	6,767	1,326	23,252	-
HUD operating grants and housing assistance payments	-	-	-	464,705	556,797	-
Other government grants	-	-	25,013	-	-	-
Other revenue	15,230	51,681	(35,948)	1,679	527	272,416
Operating expenses	(1,030,143)	(619,370)	(439,201)	(552,728)	(623,214)	(211,063)
Depreciation expense	(166,477)	(216,851)	(204,140)	(79,821)	(71,514)	(3,210)
Total operating revenues (expenses)	27,198	182,638	200,307	112,160	191,851	58,143
Nonoperating revenues (expenses):						
Investment income	7,764	13,159	5,518	19,392	15,047	756
Mortgage interest income	-	-	-	-	-	-
Interest expense	(208,496)	(204,439)	(163,091)	-	-	-
Financing and trustee fees	-	-	-	-	-	-
Other	-	-	-	3,210	-	-
Total nonoperating revenues (expenses)	(200,732)	(191,280)	(157,573)	22,602	15,047	756
Transfers in (out)	-	(12,796)	-	-	-	-
Change in net position	(173,534)	(21,438)	42,734	134,762	206,898	58,899
Net position (deficit) at beginning of year	(2,199,394)	1,220,630	1,001,028	2,209,987	1,938,883	(407,217)
Net position (deficit) at end of year	$ (2,372,928)	$ 1,199,192	$ 1,043,762	$ 2,344,749	$ 2,145,781	$ (348,318)

Condensed Statements of Cash Flows
Year Ended June 30, 2019

	Homestead Redevelopment Partnership, Ltd.	Converse Ranch, LLC	Converse Ranch II, LLC	Sunshine Plaza Apartments, Inc.	Pecan Hill Apartments, Inc.	Education Investment Foundation, Inc.
Net cash provided by (used in):						
Operating activities	$ 141,327	$ 361,758	$ 453,422	$ 168,001	$ 260,324	$ 363
Capital and related financing activities	(51,553)	(331,292)	(311,064)	(105,626)	(17,656)	-
Investing activities	7,764	817,433	5,518	822,321	15,047	756
Net increase (decrease) in cash and cash equivalents	97,538	847,899	147,876	884,696	257,714	1,119
Cash and cash equivalents at beginning of year	416,986	523,216	181,285	273,006	742,546	100
Cash and cash equivalents at end of year	$ 514,524	$ 1,371,115	$ 329,161	$ 1,157,702	$ 1,000,260	$ 1,219

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Plan is included as a component unit since the primary government has fiduciary responsibility for the Plan and the Plan serves only the Authority's employees or retirees. The Plan's fiscal year-end is December 31, 2018.

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Various component units of the Authority serve as general partner for 20 other limited partnerships that are listed in the schedule to Note 5. For those partnerships, the general partner was not required to make a capital contribution at inception.

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

Public Housing
The Authority manages and maintains 6,103 public housing rental units for eligible low-income families, seniors and people with disabilities. The rental units are located in 37 developments for families, 36 developments for seniors and disabled persons and a number of scattered site single-family homes throughout the City of San Antonio.

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

B. Basic Financial Statements—Fund Financial Statements

All activities of the Authority are reported as business-type activities (enterprise fund), 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 interprogram 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2018, there were no unsettled trades.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Interprogram Receivables and Payables

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

F. Accounts Receivable

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

G. Notes and Mortgages Receivable

The majority of notes and mortgages receivable are due from tax credit partnerships in which the Authority serves as the general partner. The Authority evaluates the collectibility of the notes and mortgages receivable by reading the various tax credit partnerships' financial statements and determining projections for future cash flows. It has been the Authority's experience that once the tax credits expire, the limited partners will withdraw from the partnership and the Authority will become the sole owner. If a note payable remains outstanding at the time a partnership becomes wholly owned by the Authority, the amounts are still paid from the partnership to the Authority until they are fully paid. The Authority also has the ability to modify the terms of the notes once the Authority becomes the sole owner of the entire partnership. Thus, all amounts due under notes and mortgages receivable are considered collectible, and no allowance was recorded at June 30, 2019. 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

On January 28, 2019, the Authority amended its capitalization policy and adopted new thresholds to determine an asset's eligibility for capitalization and applied it prospectively. Based on the amendment, furniture, equipment and machinery that exceed $5,000 and buildings and improvements, which are purchased or constructed, that exceed $50,000, and have useful lives of more than one year are capitalized at cost or estimated cost if historical cost is not available. Donated capital assets are recorded at the acquisition value at the time of donation. The cost of site and building improvements that add value to the asset or materially extend the asset's life are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation on all exhaustible capital assets of the Authority is charged as an expense with accumulated depreciation being reported on the statement of net position. Depreciation is generally recorded on the straight-line basis over the estimated life of the assets. The estimated useful lives are as follows:

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

K. Compensated Absences

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

As of June 30, 2019, the current portion of accrued compensated absences was comprised of PTO totaling $1,262,629 and the long-term portion of accrued compensated absences was comprised of PTO totaling $194,983.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Capital Contributions

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

N. Net Position

Net position is classified into three components:

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

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

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

O. Use of Estimates

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

P. Restricted and Unrestricted Resources

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

Q. Equity in Partnership Investments

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

Note 1. Summary of Significant Accounting Policies (Continued)

R. Deferred Outflows 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 deferred swap outflows. 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 outflows are recognized in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Authority recognizes the fair value of the swap agreements 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 agreements constitute effective cash flow hedges.

As of June 30, 2019, the Authority's deferred outflows of resources were comprised of the following:

Deferred charges on refunding:	
Sendero I PFC	$ 332,545
Converse Ranch I, LLC	171,638
Woodhill Apartments PFC	107,396
Total deferred charges on refunding	611,579
Deferred swap outflows:	
Converse Ranch II, LLC	2,857
San Antonio Housing Facility Corporation (Castle Point Apartments)	154,909
Springhill/Courtland Heights PFC	232,363
San Antonio Housing Facility Corporation (Monterrey Park and La Providencia)	386,317
San Antonio Housing Facility Corporation (Burning Tree and Encanta Villa)	520,251
Total deferred swap outflows	1,296,697
Total deferred outflows of resources	$ 1,908,276

S. Unearned Revenue

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

Note 2. Cash, Cash Equivalents and Investments

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

Cash, cash equivalents and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Unrestricted:	
Cash and cash equivalents	$ 43,202,226
Tenant security deposits	141,763
Restricted:	
Cash and cash equivalents—modernization and development	22,078,065
Cash and cash equivalents—payment of current liabilities	1,581,776
Cash and cash equivalents—held by lender and trustee	4,057,781
Cash and cash equivalents—other	2,753,614
Total cash, cash equivalents and investments	$ 73,815,225

Cash, cash equivalents and investments as of June 30, 2019, consist of the following:

Petty cash	$ 1,150
Deposits with financial institutions	69,756,294
Funds held by lender and trustee	4,057,781
Total cash, cash equivalents and investments	$ 73,815,225

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% and is limited to a maximum investment of 50% in any one issuer. None of the specified limits have been exceeded. In addition, the Authority does not hold any unauthorized investments.

Investments Authorized by Debt Agreements

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

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

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

Investments Held by Lenders

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

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

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

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

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

Fair Value Classification

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

The Authority has investments in money market funds held with its bond trustee of $1,324,530 that are recorded at amortized cost and has the following investments and other items requiring recurring fair value measurements as of June 30, 2019:

- **Investment derivative instruments**—Interest rate swaps resulted in a total negative fair value of $1,296,697 and were valued using a market approach that considers benchmark interest rates (Level 2 inputs).

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

Investment Risks

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

Interest Rate Risk

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

Investment	Maturity Dates	Amortized Cost
Held by bond trustee:		
BlackRock Liquidity Funds FedFund Institutional		
Shares—money market fund	N/A	$ 1,324,530
Total investments		$ 1,324,530

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	Amortized Cost	Investment Minimum Rating	Moody's Rating
Funds held by bond trustee:			
BlackRock Liquidity Funds FedFund Institutional Shares—			
money market fund	$ 1,324,530	Aaa-mf	Aaa-mf
Total investments	$ 1,324,530		

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% or more of the total Authority's investments. The Authority does not place a limit on concentration of credit risk.

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

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an owner or a holder will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority's investment policy requires collateralization of 100% 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, 2019, the Authority's deposits were fully collateralized by the Authority's depository with United States government agency securities held by its safekeeping agent, the Federal Reserve Bank, in the name of the Authority.

As of June 30, 2019, all the Authority's investments held by the bank trustees and lenders were held by the same broker-dealer (counterparty) that was used by the Authority to buy the securities.

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

As of December 31, 2018, the Plan's portfolio was comprised of the following:

Description	Fair Value
Mutual funds–equity	$ 25,781,705
Mutual funds–fixed income	15,188,706
Total investments	$ 40,970,411

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, 2018. The Plan does not hold any foreign securities; therefore, there is no foreign currency risk.

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

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

Presented below is the actual rating for each investment type as of December 31, 2018:

Investment Type	Fair Value	Not Rated
Brandywine Global–Global Unconstrained Bond Fund Class I	$ 4,909,791	$ 4,909,791
Metropolitan West Total Return Bond Fund	8,336,947	8,336,947
FPA New Income Inc. #78	1,941,968	1,941,968
Total fixed income investments	$ 15,188,706	$ 15,188,706

Concentration of Credit Risk

The Plan is required to disclose investments in any one issuer that represent 5% 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% of the total fund, and no more than 30% of the total fund should be invested in any one industry. At December 31, 2018, there were no investments in any one issuer that represent 5% or more of total Plan investments. Additionally, the Plan did not invest more than 15% of the investment portfolio in one company or more than 30% 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, 2018:

Investment Type	Fair Value	Percentage of Total	Weighted-Average Duration (Years)
Brandywine Global–Global Unconstrained Bond Fund Class I	$ 4,909,791	32.3%	8.40
Metropolitan West Total Return Bond Fund	8,336,947	54.9%	7.55
FPA New Income Inc. #78	1,941,968	12.8%	2.45
Total fixed income investments	$ 15,188,706	100.0%	6.13

Fair Value Measurement

Plan investments at fair value as of December 31, 2018, using fair value measurements are as follows:

	Total Fair Value	Level 1	Level 2	Level 3
Mutual funds—equity	$ 25,781,705	$ 25,781,705	$ -	$ -
Mutual funds—fixed income	15,188,706	15,188,706	-	-
	$ 40,970,411	$ 40,970,411	$ -	$ -

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

Investments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active exchange markets for those securities.

Note 3. Notes and Mortgages Receivable

The following summarizes the notes and mortgages receivable and the related accrued interest receivable as of June 30, 2019:

	Due Within One Year	Due After One Year	Total
The Authority			
A. HUD Section 32 Homeownership Program	$ -	$ 18,847	$ 18,847
B. San Juan Square II, Ltd.	-	2,484,858	2,484,858
C. ARDC San Marcos, Ltd.	-	1,392	1,392
D. ARDC Sutton, Ltd.	-	6,491,447	6,491,447
E. Durango Midrise, LP	-	16,372,801	16,372,801
F. ARDC Sutton II, Ltd.	-	1,982,036	1,982,036
G. San Juan III, Ltd.	-	4,533,646	4,533,646
H. Wheatley Family I, LP	-	1,001,951	1,001,951
I. Wheatley Senior, LP	-	138,598	138,598
SAHFAC			
J. Wheatley Family I, LP	-	10,839,218	10,839,218
K. Wheatley Family II, LP	-	3,656,562	3,656,562
L. Wheatley Senior, LP	-	6,223,619	6,223,619
SAHDC			
M. O'Connor Road, LP	-	1,709,053	1,709,053
N. SPII LP	-	1,361,651	1,361,651
San Antonio Homeownership Opportunities Corporation			
O. Real estate sales notes	7,614	158,228	165,842
P. Secondary lien notes	-	2,221	2,221
Q. Home sales notes	9,440	24,713	34,153
Refugio Street PFC			
R. Refugio Street, LP	-	8,971,991	8,971,991
Las Varas PFC			
S. Second lien notes	-	104,579	104,579
Total	$ 17,054	$ 66,077,411	$ 66,094,465

Note 4. Other Assets and Developer Fees Receivable

At June 30, 2019, other assets and developer fees receivable totaled $3,524,349. This amount is made up of developer fees receivable totaling $3,230,585 and other noncurrent receivables of $293,764. Additionally, an allowance for doubtful accounts totaling $1,453,606 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% to 0.0100%.

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, 2018	Cash Contributions From GP	Cash Distributions to GP	GP's Share of Profit (Loss)	Balance at June 30, 2019
ARDC Sutton, Ltd.	SAHFAC	0.005%	$ 1,499,613	$ -	$ -	$ (48)	$ 1,499,565
Midcrowne Senior Pavilion, LP	SAHFAC	0.01%	3,263,891	-	-	(22)	3,263,869
The Alhambra Apartments, Ltd.	SAHFAC	0.01%	660,575	-	(53,033)	(12)	607,530
San Juan Square, Ltd.	SAHFAC	0.01%	1,464,573	-	-	(67)	1,464,506
O'Connor Road, LP	SAHDC	0.01%	211,546	160,136	-	(19)	371,663
SP II, LP	SAHDC	0.01%	144,905	648,758	-	(19)	793,644
ARDC Military, Ltd.*	LVPFC	0.01%	-	-	-	-	-
ARDC Salado, Ltd.*	LVPFC	0.01%	-	-	-	-	-
ARDC San Marcos, Ltd.*	LVPFC	0.005%	-	-	-	-	-
Costa Almadena, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Costa Mirada, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Durango Midrise, LP*	LVPFC	0.01%	-	-	-	-	-
Enclave Gardens, Ltd.*	LVPFC	0.01%	-	-	-	-	-
Primrose SA IV Housing, LP*	LVPFC	0.01%	-	-	-	-	-
The Mirabella, Ltd.*	LVPFC	0.01%	-	-	-	-	-
TX Pleasanton Housing, LP*	LVPFC	0.01%	-	-	-	-	-
Refugio Street, LP*	RSPFC	0.01%	-	-	-	-	-
ARDC Sutton II, Ltd.*	SAHFAC	0.005%	-	-	-	-	-
Clark 05 Housing, LP*	SAHFAC	0.01%	-	-	-	-	-
Costa Valencia, Ltd.*	SAHFAC	0.01%	-	-	-	-	-
New Braunfels 2 Housing, LP*	SAHFAC	0.005%	-	-	-	-	-
San Juan III, Ltd.*	SAHFAC	0.01%	-	-	-	-	-
San Juan Square II, Ltd.*	SAHFAC	0.0045%	-	-	-	-	-
Wheatley Family I, LP*	SAHFAC	0.01%	-	-	-	-	-
Wheatley Family II, LP*	SAHFAC	0.01%	-	100	-	-	100
Wheatley Senior, LP*	SAHFAC	0.01%	-	-	-	-	-
			$ 7,245,103	$ 808,994	$ (53,033)	$ (187)	$ 8,000,877

*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, 2019, 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, 2019, for the business-type activities was as follows:

	Balance at July 1, 2018	Additions	Deletions	Transfers/ Reclass	Balance at June 30, 2019
Capital assets not being depreciated:					
Land	$ 45,621,567	$ 2,357,972	$ (901,829)	$ 260,340	$ 47,338,050
Construction in progress	30,755,394	15,908,005	(4,136,920)	(22,022,025)	20,504,454
Total capital assets not being depreciated	76,376,961	18,265,977	(5,038,749)	(21,761,685)	67,842,504
Capital assets being depreciated:					
Buildings and improvements	453,412,294	1,544,809	(1,249,287)	21,730,081	475,437,897
Furniture and equipment:					
Dwellings	2,518,725	-	(3,952)	-	2,514,773
Administration	5,056,214	48,424	(351,313)	31,604	4,784,929
Leasehold improvements	1,265,302	319,508	-	-	1,584,810
Total capital assets being depreciated	462,252,535	1,912,741	(1,604,552)	21,761,685	484,322,409
Less accumulated depreciation:					
Buildings and improvements	(332,441,400)	(13,825,483)	1,133,033	-	(345,133,850)
Furniture and equipment:					
Dwellings	(2,494,335)	(8,107)	3,951	-	(2,498,491)
Administration	(4,598,959)	(168,434)	351,313	-	(4,416,080)
Leasehold improvements	(990,927)	(83,316)	-	-	(1,074,243)
Total accumulated depreciation	(340,525,621)	(14,085,340)	1,488,297	-	(353,122,664)
Total capital assets being depreciated, net	121,726,914	(12,172,599)	(116,255)	21,761,685	131,199,745
Business-type activities capital assets, net	$ 198,103,875	$ 6,093,378	$ (5,155,004)	$ -	$ 199,042,249

Depreciation expense for the current year totaled $14,085,340.

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, 2019, prepaid ground leases totaled $7,239,448, of which $253,310 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 $17,477,212 as of June 30, 2019.

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 12 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 $10,892,196 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 $375,208, HUD Housing Choice Vouchers grant revenue of $441,282, and rooftop lease revenue of $11,445.

Note 8. Bonds and Notes Payable

A. The Authority's Bonds and Notes Payable

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

	Original Amount of Bonds	Debt Service Requirement	Debt Outstanding
Sendero I PFC	$ 10,000,000	125%	$ 8,662,583
Woodhill Apartments PFC	9,000,000	125%	7,281,070

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, 2019
SAHDC					
Mortgage loan for Bella Claire payable to Walker & Dunlop. Term is 30 years, with final maturity February 1, 2035. The interest rate is 5.96%, with monthly principal and interest payments of $6,328. The loan is secured by a deed of trust on the property.	Mortgage note	$ 1,060,000	$ 30,902	$ 738,715	$ 769,617
SAHFAC					
Mortgage loan for Towering Oaks payable to Walker & Dunlop. Term is 30 years, with final maturity February 1, 2035. The interest rate is 5.96%, with monthly principal and interest payments of $20,746. The loan is secured by a deed of trust on the property.	Mortgage note	3,430,000	99,994	2,390,369	2,490,363
Mortgage loan for Churchill Estates payable to Walker & Dunlop. Term is 30 years, with final maturity February 1, 2035. The interest rate is 5.96%, with monthly principal and interest payments of $8,298. The loan is secured by a deed of trust on the property.	Mortgage note	1,390,000	40,522	968,692	1,009,214
Multifamily Housing Revenue Bonds, Series 2014, issued for Converse Ranch II. Term is 10 years, with final maturity September 30, 2024. The interest rate is fixed by a swap contract at 3.25%, with monthly principal and interest payments averaging $27,215. The loan is secured by a deed of trust on the property.	Revenue Bonds—Series 2014	5,600,000	166,631	4,748,666	4,915,297
Mortgage loan for Castle Point payable to Frost Bank. Term is 10 years, with final maturity December 6, 2026. The interest rate is fixed by a swap contract at 3.865%, with monthly principal and interest payments averaging $21,043. The loan is secured by a deed of trust on the property.	Mortgage note	4,000,000	114,784	3,611,093	3,725,877
Mortgage loan for Monterrey Park and La Providencia payable to Frost Bank. Term is 10 years, with final maturity December 19, 2027. The interest rate is fixed by a swap contract at 4.102%, with monthly principal and interest payments averaging $37,137. The loan is secured by deeds of trust on the properties.	Mortgage note	6,800,000	184,804	6,336,955	6,521,759
Mortgage loan for Burning Tree and Encanta Villa payable to Frost Bank. Term is 10 years, with final maturity December 10, 2028. The interest rate is fixed by a swap contract at 3.935%, with monthly principal and interest payments averaging $35,864. The loan is secured by deeds of trust on the properties.	Mortgage note	6,800,000	164,546	6,554,880	6,719,426
Mortgage loans for Claremont and Warren House payable to the Texas Department of Housing and Community Affairs. Both loans have a term of 30 years, with final maturities August 1, 2028. The loans are non-interest bearing, with monthly principal payments of $531 and $729, respectively.	Mortgage note	191,200	6,373	52,049	58,422
The loans are secured by deeds of trust on the properties.	Mortgage note	262,500	8,750	69,999	78,749
Neighborhood Stabilization Program loan for Sutton Oaks payable to the City of San Antonio. Term is 30 years, with final maturity September 30, 2039. The loan is non-interest bearing. Principal payments will be deferred for 30 years until the maturity date and thereafter are forgiven if SAHFAC remains in compliance with all terms and conditions set forth in the loan documents. The note is secured by a subordinate deed of trust on the property.	Sutton NSP note	900,000	-	900,000	900,000
		29,373,700	786,404	25,632,703	26,419,107
Section 8 Project Based					
Mortgage loan issued by Springhill/Courtland Heights Public Facility Corporation payable to Frost Bank. Term is 10 years, with final maturity December 6, 2026. The interest rate is fixed by a swap contract at 3.865%, with monthly principal and interest payments averaging $31,515. The loan is secured by deeds of trust on Cottage Creek I, II, and Courtland Heights.	Mortgage note	6,000,000	172,176	5,416,639	5,588,815

Note 8. Bonds and Notes Payable (Continued)

Program	Issue	Original Amount	Due Within One Year	Due After One Year	Balance Outstanding at June 30, 2019
Converse Ranch, LLC					
Mortgage loan for Converse Ranch I payable to Walker & Dunlop. Term is 40 years, with final maturity June 1, 2053. The interest rate is 2.98%, with monthly principal and interest payments of $26,562. The loan is secured by a deed of trust on the property.	Mortgage note	$ 7,443,700	$ 117,752	$ 6,680,428	$ 6,798,180
Other Affordable Housing					
Multifamily Housing Revenue Bonds, Series 2013, issued for Sendero I PFC. Term is 10 years, with final maturity January 1, 2024. The interest rate is 4.305%, with monthly principal and interest payments of $54,915. The loan is secured by a deed of trust on the Legacy at Crown Meadows Apartments.	Revenue Bonds—Series 2013	10,000,000	285,515	8,377,068	8,662,583
Multifamily Housing Revenue Bonds, Series 2012, issued for Woodhill PFC. Term is 10 years, with final maturity September 1, 2022. The interest rate is 3.40%, with monthly principal and interest payments of $44,852. The loan is secured by a deed of trust on the Woodhill Apartments.	Revenue Bonds—Series 2012	9,000,000	291,120	6,989,950	7,281,070
Capital Fund Financing Program (CFFP)					
CFFP loan agreement dated November 9, 2006, with Fannie Mae for the accelerated renovation and rehabilitation of eight public housing developments. Term is 20 years, with final maturity December 1, 2026. The interest rate is 4.85%, with monthly principal and interest payments of $182,721. The loan is secured with pledged Capital Grant Funds. 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	1,633,751	10,632,211	12,265,962
Vera Cruz Redevelopment Partnership, Ltd.					
Mortgage loan payable to San Antonio Housing Trust Foundation. Term is 30 years, with final maturity November 28, 2023. The interest rate is 1.00%, with principal and interest due monthly, as determined by available cash flow. The loan is secured by a subordinate deed of trust on the Villa de San Alfonso Apartments. Accrued interest has been added to the outstanding balance.	Loan	350,000	-	448,851	448,851
Homestead Redevelopment Partnership, Ltd.					
Mortgage loan payable to Texas Department of Housing and Community Affairs. Term is 30 years, with final maturity April 1, 2026. The interest rate is 3.00%, compounded annually, with monthly principal and interest payments of $2,109. The loan is secured by a deed of trust on the Homestead Apartments.	Loan	500,000	20,968	133,007	153,975
Energy Performance Contract Loan					
Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. to finance the implementation of the HUD Energy Performance Contract. The interest rate is 3.26%, with monthly principal and interest payments averaging $31,485. The EPC term ends May 31, 2024.	Loan	3,637,964	393,118	1,306,182	1,699,300
		$ 95,193,991	$ 3,731,706	$ 66,355,754	$ 70,087,460

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, 2019, for long-term debt outstanding:

	Principal	Interest	Total
Years ending June 30:			
2020	$ 3,731,706	$ 2,738,825	$ 6,470,531
2021	3,911,715	2,570,831	6,482,546
2022	4,002,470	2,399,998	6,402,468
2023	10,116,371	2,066,866	12,183,237
2024	11,447,712	1,737,961	13,185,673
2025-2029	28,534,117	4,289,931	32,824,048
2030-2034	2,597,736	1,102,107	3,699,843
2035-2039	1,218,292	621,117	1,839,409
2040-2044	2,034,216	459,478	2,493,694
2045-2049	1,316,211	277,483	1,593,694
2050-2053	1,176,914	71,478	1,248,392
	$ 70,087,460	$ 18,336,075	$ 88,423,535

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
Mortgages, bonds and notes	$ 67,776,936	$ 6,804,444	$ 4,493,920	$ 70,087,460	$ 3,731,706
Compensated absences	1,497,304	1,569,482	1,609,174	1,457,612	1,262,629
	$ 69,274,240	$ 8,373,926	$ 6,103,094	$ 71,545,072	$ 4,994,335

Note 9. Derivative Financial Instrument

Interest Rate Swaps

The Authority has five interest rate swap agreements (swaps) with one counterparty as of June 30, 2019. The objective of the agreements was to attain a synthetic fixed interest rate at a cost that was expected to be less than rates associated with fixed-rate debt. The swap agreement terms state the Authority is to make monthly fixed interest rate payments at a specified rate on a notional principal amount and in exchange receive monthly payments based upon a specified percentage of the one-month London InterBank Offered Rate (LIBOR) plus a spread.

The swaps have an aggregate negative fair value of $1,296,697 at June 30, 2019. The fair value was estimated using a proprietary valuation model developed by a counterparty. The swaps have been determined to constitute an effective hedge at June 30, 2019, by using the synthetic instrument method. The aggregate fair value is classified as an interest rate swap liability and a deferred outflow of resources.

Note 9. Derivative Financial Instrument (Continued)

The following contains the terms, fair values and credit ratings issued by Standard & Poor's of the swaps as of June 30, 2019:

Related Debt Issuance	Current Notional Amount	Effective Date of Swap	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
Converse Ranch II, LLC	$ 4,915,297	10/23/2014	3.250%	67.8% of 1-month LIBOR plus 1.380%	$ (2,857)	11/01/2024	A-
SAHFAC (Castle Point)	3,725,877	12/06/2016	3.865%	82.4% of 1-month LIBOR plus 1.774%	(154,909)	12/06/2026	A-
Springhill/Courtland Heights PFC	5,588,815	12/06/2016	3.865%	82.4% of 1-month LIBOR plus 1.774%	(232,363)	12/06/2026	A-
SAHFAC (Monterrey Park and La Providencia)	6,521,759	12/19/2017	4.102%	82.4% of 1-month LIBOR plus 1.799%	(386,317)	12/19/2027	A-
SAHFAC (Burning Tree and Encanta Villa)	6,719,426	12/10/2018	3.935%	80.7% of 1-month LIBOR plus 1.480%	(520,251)	12/10/2028	A-
Totals	$ 27,471,174				$ (1,296,697)		

Credit Risk

The Authority was not exposed to credit risk on its outstanding swaps at June 30, 2019, because the swaps had a negative fair value. However, should interest rates change and the swaps become positive, the Authority would be exposed to credit risk in the amount of the swaps' fair value. Fair value is only a factor upon termination. The swaps' counterparty has guaranteed all payments and is rated A- by Standard & Poor's. The swap agreements provide no collateral by the counterparty.

Interest Rate Risk

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

Basis Risk

The swaps do not expose the Authority to basis risk because the interest rates on the loans and the swaps are the same, equal to the variable rates specified in the table above.

Termination Risk

The swaps were issued pursuant to the International Swap Dealers Association Master Agreements, which include standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate an interest rate swap if the other party fails to perform under the terms of the contract. Also, if at the time of termination the 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, 2019, the swaps had an aggregate negative fair value of $1,296,697.

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%. As of June 30, 2019, the all-in rate was 5.75%. The line of credit was renewed October 14, 2017, and has a term of three years. As of June 30, 2019, there were no borrowings against the line of credit.

Note 10. Line of Credit (Continued)

Line of credit activity for the year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019
Line of credit	$ 70,616	$ 948,498	$ 1,019,114	$ -

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, 2019, there were 17 series of tax-exempt revenue bonds outstanding with an aggregate principal amount payable of $195,355,235.

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, 2018, there were 519 participants. Each eligible participant must contribute 5.0% and may elect to contribute up to 100.0% of eligible compensation, up to the maximum dollar limitation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The employer's contribution for each employee is 7.0% to 11.0% of compensation, excluding bonuses, commissions, overtime, contingent compensation or benefits plus 5.7% 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 $1,893,946 and the employees' required contributions of $863,453 were made to the Plan during the Plan year ended December 31, 2018. 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, 2018, employer contributions were reduced by $16,722 from forfeited nonvested accounts. There were no unallocated forfeitures at December 31, 2018.

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% vested in their employer contributions.

E. Tax Status

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

F. Risks and Uncertainties

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

Note 13. Risk Management

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

Health and Dental Insurance Plan

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

Note 13. Risk Management (Continued)

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 $223,198 is based on the requirements of GASB Statement No. 10, as amended by GASB Statement No. 30. The liability includes provisions for medical, dental and prescription drug claim reserves for incurred, but not paid, and incurred, but not reported, claims. No allowance was made for the expense of processing run-out claims, since it is assumed any expense related to run-out claims processing would be included as current administration expenses.

A reconciliation of changes in the liability for health and dental plan expenses for fiscal year 2018 and fiscal year 2019 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:				
2018	$ 520,709	$ 2,378,388	$ 2,704,425	$ 194,672
2019	194,672	3,661,853	3,633,327	223,198

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 78% of the Authority's revenue in the current year. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies; therefore, to the extent the Authority has not complied with rules and regulations governing the grants, if any, refunds of any money received may be required. Management believes there are no significant contingent liabilities relating to compliance with grant rules and regulations.

B. Construction Contracts

The Authority entered into construction contracts for the rehabilitation of various low-income and multi-family housing projects that were in progress as of year-end. The unexpended balance of construction contracts is $16,816,674 at June 30, 2019.

Note 14. Commitments and Contingencies (Continued)

C. Environmental Remediation

The Authority's revitalization activities for its developments are subject to extensive and evolving environmental laws and regulations. For the year ended June 30, 2019, the Authority has expended $68,493 related to environmental remediation efforts. The annual level of future remediation expenditures is difficult to estimate due to the many uncertainties relating to conditions of individual sites, as well as uncertainties about the status of environmental laws and regulations and developments in remedial technology. Future information and developments will require the Authority to continually reassess the expected impact of these environmental matters.

D. Pending Litigation

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

E. Guarantees

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

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

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

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

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

Note 15. Related-Party Transactions

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

- Management fees of $51,690 were paid to SAHDC by a component unit—Sunshine Plaza Apartments, Inc.

- Of the total notes receivable outstanding, $65,768,823 is due from various partnerships, which are related parties of the Authority. During the fiscal year, the Authority received payments in the amount of $3,417,165.

Note 16. Recently Issued Accounting Pronouncements

The following pronouncements will become effective in future reporting periods. The Authority's management has not determined their impact:

GASB Statement No. 87, *Leases*, will be effective for the Authority beginning with its year ending June 30, 2021. This statement addresses the information needs of financial users by improving financial and accounting reporting for leases by governments.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the Authority beginning with its year ending June 30, 2022. This statement provides a single method of reporting conduit debt obligation by issuers and eliminates diversity in practice associated with (1) commitment extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures.

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Supplementary Information

Housing Authority of the City of San Antonio

Schedule of Modernization Costs
Year Ended June 30, 2019

HUD Project Number	Approved Funds	Expended Funds	Disbursed Funds	Approved Funds Available to Expend	Expended Funds Available to be to be Disbursed
TX 59P006501-10	$ 9,744,572	$ 9,744,572	$ 9,744,572	$ -	$ -
TX 59P006501-11	8,151,333	8,151,333	8,151,333	-	-
TX 59P006501-12	7,410,330	7,410,330	7,410,330	-	-
TX 59P006501-13	7,192,132	7,192,132	7,192,132	-	-
TX 59P006501-14	7,294,109	7,294,109	7,294,109	-	-
TX 59P006501-15	7,539,807	7,539,807	7,539,807	-	-
TX 59P006501-16	7,805,380	7,805,380	7,805,380	-	-
TX 59P006501-17	7,973,378	7,973,378	7,973,378	-	-
TX 59P006501-18	12,332,100	5,761,344	3,364,197	6,570,756	2,397,147
TX 59P006501-19	12,929,611	-	-	12,929,611	-
TX 59E006501-11	250,000	250,000	250,000	-	-
TX 59E006501-15	250,000	250,000	250,000	-	-
	$ 88,872,752	$ 69,372,385	$ 66,975,238	$ 19,500,367	$ 2,397,147

Housing Authority of the City of San Antonio

Schedule of Development Costs
Year Ended June 30, 2019

	HUD Project Number TX6J006CNG112
Administration	$ 1,691,592
Critical community improvements	3,038,000
Fees and costs	4,682,156
Dwelling structures	8,702,670
Site improvements	5,108,834
Relocation costs	243,761
Supportive services	3,662,265
Evaluation	275,845
Total development costs	27,405,123
HUD funds disbursed	25,397,659
Total development costs in excess of HUD funds disbursed	$ 2,007,464

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Compliance Section

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RSM US LLP

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Housing Authority of the City of San Antonio (the Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 28, 2020.

Internal Control Over Financial Reporting

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

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

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

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

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

RSM US LLP

San Antonio, Texas
January 28, 2020

RSM

RSM US LLP

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 a 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 the Authority's major federal programs for the year ended June 30, 2019. 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 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 on the Authority's compliance.

Opinion on the Major Federal Program
In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters
The results of auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs, as Item 2019-001 that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
January 28, 2020

Housing Authority of the City of San Antonio

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I—Summary of Auditor's Results

1. Financial Statements

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

2. Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified?	X	Yes	______	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
14.889	Choice Neighborhoods Implementation Grant
14.871, 14.879	Housing Voucher Cluster

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

(Continued)

Section II—Financial Statement Findings

A. Internal Control Findings

No matters to report.

B. Compliance Findings

No matters to report.

Section III—Federal Award Findings and Questioned Costs

A. Internal Control Findings

Finding 2019-001

CFDA Number and Name: 14.889; Hope VI (Choice Neighborhoods) Grant.

Federal Award Number and Year: TX6J006CNG112; through September 2019.

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

Type of Finding: Noncompliance and Significant Deficiency.

Criteria: As required by the compliance supplement as of August 2019, for Hope VI, Part III Section G, the Authority must provide a 5% overall match. Generally, this match is from third parties to provide cash match or some other in-kind contribution.

Condition: During testing the matching requirements, we noted the Authority has controls in place to calculate the required match at the beginning of the project and to ensure contractually by third-party promises to contribute are equal to or greater than the required matching requirement. However, we noted the Authority does not have adequate controls in place to ensure actual contributions made by all third parties were fulfilled or that values assigned to promised contributions satisfied the required matching amount.

Cause: The cause of the noncompliance was due to the Authority not having adequate controls to monitor third-party matching requirements.

Possible asserted affect: Promised contributions by third parties that were used by the entity to meet the matching requirement can potentially not have been made or assigned unreasonable values and have gone unaccounted for by the Authority; thus, increasing the risk of noncompliance.

Questioned costs: None.

Information for proper perspective: Hope VI (Choice Neighborhoods) Grant requires a 5% matching contribution to be in compliance. We noted the Authority did calculate that they meet the respective requirement as of the end of the grant period.

Repeat finding: No.

Recommendations: We recommend management implement policies and procedures to ensure matching contributions promised by third parties are fulfilled and assigned reasonable values.

Management response: Management concurs with finding. See also corrective action plan.

B. Compliance Findings

No matters to report.

Housing Authority of the City of San Antonio

Corrective Action Plan
Year Ended June 30, 2019

Finding 2019-1

Planned Corrective Actions: Management will request, review, and retain supporting documentation from third parties for all matching contributions that have been fulfilled.

Responsible Official: Aiyana Longoria, Director of Internal Audit

Completion Date: June 30, 2020

Housing Authority of the City of San Antonio

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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	$ 6,381,909
Total HOPE VI Cluster			6,381,909
Section 8 Project-Based Cluster:			
Section 8 Moderate Rehabilitation	14.856	FW-4045K	1,766,391
Section 8 New Construction/Subs Rehab:			
Villa de Valencia	14.182	TX59E000020	307,621
Reagan West	14.182	TX59E000018	47,105
Total Section 8 New Construction/Subs Rehab			354,726
Total Section 8 Project-Based Cluster			2,121,117
Housing Voucher Cluster:			
Section 8 Veterans Affairs Supportive Housing—VASH	14.871		2,820,398
Section 8 Mainstream Program	14.879	FW-4045DV	653,186
Total Housing Voucher Cluster			3,473,584
Moving to Work (MTW) Demonstration Program:			
MTW—Low Rent Public Housing Authority Owned Housing	14.881	FW-1247	24,320,545
MTW—Section 8 Housing Choice Voucher Program	14.881	FW-4045V	102,428,145
MTW—2015 Capital Fund Program	14.881	TX59P006501-15	69,658
MTW—2016 Capital Fund Program	14.881	TX59P006501-16	555,732
MTW—2017 Capital Fund Program	14.881	TX59P006501-17	4,063,259
MTW—2018 Capital Fund Program	14.881	TX59P006501-18	5,628,735
Total MTW Demonstration Program			137,066,074
Family Self-Sufficiency Program:			
2017 HCV/PH Combined FSS Grant	14.896	TX006FSS17TX0306	483,447
2018 HCV/PH Combined FSS Grant	14.896	TX006FSS18TX2673	367,287
Total Family Self-Sufficiency Program			850,734
Resident Opportunity and Supportive Services (ROSS)—Service Coordinator Grant:			
2015 ROSS—Service Coordinator	14.870	TX006RPS098A015	191,802
Total ROSS—Service Coordinator Grant			191,802
Job-Plus Pilot Initiative	14.895	TX006FJP000815	693,051

(Continued)

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
Direct Programs (continued)			
Special Needs Assistance Program (SNAP):			
SNAP	14.267	TX0233L6J001709	$ 842,022
Total SNAP			842,022
Total United States Department of Housing and Urban Development			151,620,293
Pass-Through Programs			
United States Department of Health and Human Services:			
Alamo Community College District:			
Alamo College HPOG Grant	93.093	90FX0048-05-00	79,044
Total United States Department of Health and Human Services			79,044
Total Federal Financial Assistance			$ 151,699,337

See notes to schedule of expenditures of federal awards.

Housing Authority of the City of San Antonio

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Note 1. Basis of presentation

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

Note 2. Summary of Significant Accounting Policies

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

Subrecipients: There were no subrecipients in the current year.

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

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

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

A reconciliation of the SEFA to the statement of revenues, expenses and changes in net position for the year ended June 30, 2019, is as follows:

Total federal financial assistance per SEFA		$ 151,699,337
A. Federal assistance per statement of revenues, expenses and changes in net position:		
HUD operating grants and housing assistance payments	$ 42,125,472	
Other government grants	79,044	
HUD housing assistance grants	99,402,046	
Capital contributions	13,791,221	
B. Less grant revenue for multifamily properties separately reported to REAC:		
a. Sunshine Plaza—HUD Project No. 115-94026	(464,705)	
b. Pecan Hill—HUD Project No. 115-94027	(556,797)	
c. Springhill I PFC—HUD Grant No. TX59E000035	(600,958)	
d. Springhill II PFC—HUD Grant No. TX59E000036	(519,429)	
C. Less FY 2019 Capital Fund Financing Program principal payments	(1,556,557)	
		$ 151,699,337

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