

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS

**BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2020

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Housing Authority of Travis County, Texas

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of Travis County, Texas (the Authority), as of June 30, 2020 and for the year ended, and the related notes to the financial statements. We were not engaged to audit the financial statements of SEA RAD, LP (the discretely presented component unit of the Authority). Those financial statements collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements based on our audit. We did not audit the financial statements of SEA RAD, LP, which represent one-hundred percent (100%) of the discretely presented component unit reported on the Authority-wide financial statements. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for SEA RAD, LP, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The financial statements of SEA RAD, LP were not audited in accordance with *Government Auditing Standards*.

Auditor's Responsibility - Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Housing Authority of Travis County, Texas, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in conformity 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 (MD&A) on pages 4 through 9 and the pension schedules and related notes on page 43 through 45 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of Travis County, Texas' basic financial statements. The financial data schedules on pages 47 through 50 as required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Supplementary Information - Continued

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of the 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.

Brown, Graham & Company, P.C.

Austin, Texas
March 2, 2021

**HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Management's Discussion and Analysis

Management of the Housing Authority of Travis County, Texas (the "Authority") provides this narrative overview and analysis of the Authority's financial activities and operations for the year ended June 30, 2020. This discussion and analysis is designed to assist in focusing on significant financial issues, provide an overview of the Authority's financial activity, and identify changes in the Authority's financial position. This information should be used in conjunction with the Authority's audited financial statements to obtain a full understanding of its financial position, results of operations, changes in net position, and cash flows.

This management's discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* ("GASB 34"). The Authority's basic financial statements include the financial information of its legally separate component units. The Authority presents both blended and discrete component units. Because some of the Authority's Board of Commissioners are the same as the Directors of its component units, the component units financial information is presented as blended within the Authority as required by GASB. The component units whose financial information is blended within the Authority's financial statements are the following:

- Travis County Development Corporation (TCDC)
- Travis County Facilities Corporation (TCFC)
- HATC Foundation (HATC)
- SEA RAD GP, LLC (SEA RAD GP)

In accordance with GASB 34, this Management Discussion and Analysis focuses on the activities of the primary government (the Authority).

Questions concerning the information provided in this discussion or requests for additional information should be addressed to the Authority's CEO/Executive Director.

Financial Highlights

The Authority operates a Section 8 Housing Choice Vouchers Program with 613 HUD approved tenant-based units along with 19 project-based units. The Authority through Continuum of Care Grants operates a homeless program with approximately 90 units. These units are a joint effort of the Authority and the Austin Travis County Integral Care Agency. In addition, the Authority owns and operates 49 units of affordable housing that is non-HUD funded.

Financial Highlights

- Assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,452,435. This amount, also referred to as Net Position, decreased over last year by \$46,055.
- The Authority's unrestricted cash balance as of June 30, 2020 was \$1,491,997.
- The Authority had total operating revenues of \$9,067,415 and total operating expenses of \$10,286,599 for the year ended June 30, 2020, resulting in operating loss of \$1,219,184.
- The Authority had total non-operating income of \$1,173,129 for the year ended June 30, 2020.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Overview of the Financial Reports

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

- I. Management Discussion and Analysis
- II. Basic Financial Statements
 - Authority-wide financial statements
 - Discretely presented component unit financial statements
 - Notes to the basic financial statements
- III. Supplementary Information
- IV. Uniform Guidance Section

The primary focus of the Authority's financial statements is on the financial statements of a single business-type activity that combines all programs administered by the Authority into one column entitled "Primary Government". A separate column in the financial statements shows the combined transactions of the Authority's discretely presented component units. The financial results of the discretely presented component units are not addressed in this management's discussion and analysis.

The basic financial statements in this report are those of a special purpose governmental entity engaged in a business type of activity. The following statements are included:

- Statement of Net Position – presents information about the Authority's assets, liabilities, and net position and is similar to a balance sheet. The Statement of Net Position reports all financial capital resources for the Authority. This statement is presented in the format where assets plus deferred outflows of resources, minus liabilities plus deferred inflows of resources, equals "Net Position", which is equivalent to equity in a commercial enterprise. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible to cash or expected to be used up within one year), and "noncurrent". Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving.
- Statement of Revenues, Expenses, and Changes in Net Position – reports the Authority's revenues by source and type of its expenses by category to substantiate the change in net position for the fiscal year then ended.
- Statement of Cash Flows – discloses net cash provided by, or used for operating activities, investing activities, and non-capital financial activities, and capital and related financing activities.

The following analysis of entity-wide net position, revenues, and expenses includes all assets and liabilities using the accrual method of accounting, which recognizes revenue when earned and expenses when incurred regardless of when cash was received.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Analysis of Authority-Wide Net Position (Statement of Net Position)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Variances</u>	<u>Percentage</u>
Cash and cash equivalents	\$ 1,491,997	\$ 1,180,991	\$ 311,006	26%
Restricted cash	1,831,372	1,792,260	39,112	2%
Other current assets	1,324,105	1,498,934	(174,829)	-12%
Capital assets, net	2,855,535	2,745,005	110,530	4%
Investment - noncurrent	400,000	-	400,000	100%
Net pension assets	7,414	-	7,414	100%
Deferred outflows of resources	<u>87,926</u>	<u>-</u>	<u>87,926</u>	100%
 Total assets and deferred outflows	 <u>\$ 7,998,349</u>	 <u>\$ 7,217,190</u>	 <u>\$ 781,159</u>	 11%
 Current liabilities	 \$ 905,384	 \$ 893,202	 \$ 12,182	 1%
Long-term liabilities	4,015,351	2,825,498	1,189,853	42%
Deferred inflows of resources	<u>3,916</u>	<u>-</u>	<u>3,916</u>	100%
 Total liabilities and deferred inflows	 <u>4,924,651</u>	 <u>3,718,700</u>	 <u>\$ 1,205,951</u>	 32%
 Net investment in capital assets	 1,669,228	 1,479,118	 190,110	 13%
Restricted net position	176,149	231,280	(55,131)	-24%
Unrestricted net position	<u>1,228,321</u>	<u>1,788,092</u>	<u>(559,771)</u>	-31%
Total net position	<u>3,073,698</u>	<u>3,498,490</u>	<u>(424,792)</u>	-12%
 Total liabilities, deferred inflows and net position	 <u>\$ 7,998,349</u>	 <u>\$ 7,217,190</u>	 <u>\$ 781,159</u>	 11%

Cash and cash equivalents increased by \$311,006 as compared to prior year. The increase is consistent with the Authority's operation result for the year ended June 30, 2020, and offset by the increase in pre-construction costs at SEA RAD (a RAD PBRA property previously known as Eastern Oaks) and advances from related party.

Other current assets decreased by \$174,829 from 2019 to 2020, primarily due to repayment from related parties and in conjunction with the maturity of a certificate of deposit (CD). Investment – noncurrent increased by \$400,000 is a result of setting up a new CD investment maturing in July 2021.

Deferred Outflow of Resources reported \$87,926 in fiscal year 2020, a result of reflecting the non-traditional defined benefit pension plan in accordance with GASB 68. This amount reflects items that are not yet recognized in the current period pension expenses – including employer contribution made subsequent to measurement date (December 31, 2019) through the fiscal year end (June 30, 2020), and includes changes in actuarial assumptions. See Note 10 to the basic financial statements for additional information.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Long-term liabilities increased by \$1,189,853 as compared to prior year. The increase is due to funds borrowed from a related party to fund the pre-construction and relocation expenses for SEA RAD (a RAD PBRA property previously known as Eastern Oaks) as well as funds borrowed from a related party to fund the new CD investment, construction draw and operating reserve of a limited partnership in which the Authority is the general partner.

Analysis of Authority-Wide Revenues and Expenses (Statement of Revenues, Expenses, and Changes in Net Position)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Variances</u>	<u>Percentage</u>
Operating revenues:				
Rental revenue	\$ 377,215	\$ 388,300	\$ (11,085)	-3%
Other operating receipts	82,930	1,036,224	(953,294)	-92%
Operating subsidies and grants	<u>8,607,270</u>	<u>8,087,646</u>	<u>519,624</u>	6%
Total operating revenues	<u>\$ 9,067,415</u>	<u>\$ 9,512,170</u>	<u>(444,755)</u>	-5%
Operating expenses:				
Administrative	1,602,727	1,410,615	192,112	14%
Tenant and protective services	198,445	1,439	197,006	13690%
Utilities	43,197	51,371	(8,174)	-16%
Maintenance and operations	307,277	361,790	(54,513)	-15%
General	66,925	33,555	33,370	99%
Housing assistance payments	7,928,056	7,342,694	585,362	8%
Depreciation	<u>\$ 139,972</u>	<u>103,715</u>	<u>36,257</u>	35%
Total operating expenses	<u>10,286,599</u>	<u>\$ 9,305,179</u>	<u>\$ 945,163</u>	10%
Net operating loss	(1,219,184)	206,991	(1,426,175)	-689%
Non-operating income (loss)	<u>794,392</u>	<u>(1,061,772)</u>	<u>1,856,164</u>	-175%
Change in net position	\$ (424,792)	\$ (854,781)	\$ 429,989	-50%
Beginning net assets	<u>3,498,490</u>	<u>4,353,271</u>	<u>(854,781)</u>	-20%
Ending net assets	<u>\$ 3,073,698</u>	<u>\$ 3,498,490</u>	<u>\$ (424,792)</u>	-12%

**HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Overall operating revenues decreased by \$444,755 from fiscal year ended June 30, 2020. The total operating expenses increased by \$945,163, primarily attributable to the following factors:

- a substantive increase in administrative expenses due to more salary and benefits and other administrative costs were allocated to the Authority in fiscal year 2020 compared to fiscal year 2019 when the administrative expense was more absorbed by a related party entity,
- a substantive increase in tenant and protective services that is due to relocation costs in connection with the construction of SEA RAD (a RAD PBRA property previously known as Eastern Oaks), and
- a substantive increase in housing assistance payments to maximize utilization of Housing Choice Vouchers.
- a substantive increase in non-operating income was due to setting up allowance for doubtful accounts receivable and notes receivable with related parties in the prior year as well as the increased contribution from a related party.

There were no significant policy changes made to the Authority's policies in fiscal year 2020 affecting the total tenant payment calculation. Reasonable rents are verified by performing a rent reasonableness review of the other rental properties in the surrounding area.

Capital Assets (Land, Structure, and Equipment) and Debt Administration

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Variances</u>	<u>Percentage</u>
Land	\$ 1,271,478	\$ 1,271,478	\$ -	0%
Buildings and improvements	3,468,534	3,400,559	67,975	2%
Furniture and equipment	217,798	347,677	(129,879)	-37%
Construction in progress	175,382	-	175,382	N/A
Less; accumulated depreciation	<u>(2,277,657)</u>	<u>(2,326,650)</u>	<u>48,993</u>	-2%
Capital assets, net	<u>\$ 2,855,535</u>	<u>\$ 2,693,064</u>	<u>\$ 162,471</u>	6%

During the year ended June 30, 2020, net capital assets increased by \$162,471, primarily due to on-going construction in progress at SEA RAD.

Debt Outstanding

As of June 30, 2020, the Authority had \$4,326,044 in long-term outstanding debt payable, which consisted of three mortgages and notes payable related to the funding of a new CD investment, Authority's Manor Town business activity and the conversion public housing to RAD, one promissory note to a related party for the pre-construction and relocation expenses at SEA RAD apartments, two promissory notes to a related party for funding a construction draw and the operating reserve of a limited partnership in which the Authority is the general partner. Please see Note 5 – long-term debt on page 28 - 29 and Note 8 – related party transaction, note payable on page 31 for additional information.

**HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Economic Factors

- Current federal budgets continue to fund Housing Authorities at less than their cost to administer the federal programs.
- Rising costs of utility rates and other costs may impact our budgets in future years.
- The Authority has worked very diligently in increasing the number of Section 8 Housing Choice Vouchers that are utilized. This was accomplished by using the housing assistance payment equity held by the Authority.
- Changes in property tax base.
- HUD provided additional Housing Choice Voucher (HCV) housing assistance payments and administrative fees under the Cares Act as part of the Covid-19 pandemic aid. The additional Cares Act HCV housing assistance payments funds have bridged the gap in the shortfall of rental assistance funds for calendar year 2020, and potentially increased the budget authority for the HCV program for calendar year 2021. Future funding is dependent on appropriation by Congress to the U.S. Department of HUD.
- The Authority has submitted applications for loans and grants for funds to construct 24 additional elderly units at Manor Town. These units will be in addition to the current 33 occupied elderly units at the site. These applications are still in the review process, but the Authority anticipates a successful outcome in securing the funds. When the funds are awarded, the Authority will begin the process to obtain bids for construction at the site.
- Rehabilitation and renovation of thirty (30) dwelling units at SEA RAD (a RAD PBRA property previously known as Eastern Oaks) began in June 2020. The rehabilitation is funded through promissory note agreements entered with the Texas Department of Housing and Community Affairs and Austin Housing Finance Corporation totaling \$3,000,000 in fiscal year 2021. The tenants were relocated, and it is anticipated the project will be completed in mid-year 2021.

Financial Contact

Questions concerning any of the information provided in the Management's Discussion & Analysis should be addressed to:

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CEO/Executive Director
Housing Authority of Travis County
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Suite 106-B
Austin, Texas
Phone: (512) 480-8245

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 1,491,997	\$ 106,241	\$ 1,598,238
Accounts receivable:			
Tenants, net	5,055	4,897	9,952
HUD (Note 4)	32,379	155,861	188,240
Other government (Note 4)	30,048	-	30,048
Related party (Note 8)	219,196	-	219,196
Prepaid expense	19,355	2,528	21,883
Investment - certificates of deposit (Notes 2 and 8)	<u>1,018,072</u>	<u>-</u>	<u>1,018,072</u>
Total current assets	<u>2,816,102</u>	<u>269,527</u>	<u>3,085,629</u>
Capital assets, net of accumulated depreciation (Note 3)	<u>2,855,535</u>	<u>9,452,082</u>	<u>12,307,617</u>
Noncurrent assets:			
Investment - certificates of deposit (Notes 2 and 8)	400,000	-	400,000
Restricted cash and reserves (Note 2)	1,831,372	9,905	1,841,277
Net pension assets (Note 10)	7,414	-	7,414
Other assets	<u>-</u>	<u>34,247</u>	<u>34,247</u>
Total other assets	<u>2,238,786</u>	<u>44,152</u>	<u>2,282,938</u>
Deferred outflows of resources (Note 10)	<u>87,926</u>	<u>-</u>	<u>87,926</u>
Total assets and deferred outflows	<u>\$ 7,998,349</u>	<u>\$ 9,765,761</u>	<u>\$ 17,764,110</u>

The accompanying notes are an integral part of these basic financial statements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2020

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable:			
Trade	\$ 14,602	\$ -	\$ 14,602
Other government	12,371	-	12,371
Related party (Note 8)	300,000	44,614	344,614
Accrued expenses:			
Salaries and payroll taxes	59,402	-	59,402
Compensated absences (Note 6)	23,493	-	23,493
Interest	-	118,771	118,771
Other	155	15,891	16,046
Tenant security deposits - liability	7,488	12,687	20,175
Unearned revenues:			
Advanced grants from HUD (Note 4)	66,912	-	66,912
Prepaid tenant revenues	16,293	33,860	50,153
Current maturities of long-term debt (Note 5)	404,668	7,104,749	7,509,417
Total current liabilities	905,384	7,330,572	8,235,956
Long-term liabilities:			
Accrued compensated absences (Note 6)	93,975	-	93,975
Due to Related parties (Note 8)	1,200,000	1,592,720	2,792,720
Note payable - related party (Note 8)	1,939,737	-	1,939,737
Long-term debt, net of current maturities (Note 5)	781,639	1,000,000	1,781,639
Total long-term liabilities	4,015,351	2,592,720	6,608,071
Total liabilities	4,920,735	9,923,292	14,844,027
Deferred inflows of resources (Note 10)	3,916	-	3,916

The accompanying notes are an integral part of these basic financial statements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2020

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
<u>NET POSITION</u>			
Net position:			
Net investment in capital assets	\$ 1,669,228	\$ 1,347,333	\$ 3,016,561
Restricted for (Note 7):			
Repairs escrow under PBRA program	78,700	-	78,700
Housing assistance payments	97,449	-	97,449
Unrestricted	<u>1,228,321</u>	<u>(1,504,864)</u>	<u>(276,543)</u>
Total net position	<u>3,073,698</u>	<u>(157,531)</u>	<u>2,916,167</u>
Total liabilities, deferred inflows and net position	<u>\$ 7,998,349</u>	<u>\$ 9,765,761</u>	<u>\$ 17,764,110</u>

The accompanying notes are an integral part of these basic financial statements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2020

	Primary Government	Discretely Presented Component Unit	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Rental revenue	\$ 371,502	\$ 437,667	\$ 809,169
Other tenant revenue	5,713	5,774	11,487
Operating subsidies and grants (Note 4)	8,607,270	-	8,607,270
Other revenue	82,930	-	82,930
	<u>9,067,415</u>	<u>443,441</u>	<u>9,510,856</u>
Total operating revenues			
Operating expenses:			
Administrative & asset management	1,602,727	166,475	1,769,202
Tenant and protective services	198,445	-	198,445
Utilities	43,197	27,210	70,407
Maintenance and operations	307,277	149,732	457,009
General and insurance	66,925	57,960	124,885
Housing assistance payments	7,928,056	-	7,928,056
Depreciation	139,972	362,062	502,034
	<u>10,286,599</u>	<u>763,439</u>	<u>11,050,038</u>
Total operating expenses			
Net operating loss	<u>(1,219,184)</u>	<u>(319,998)</u>	<u>(1,539,182)</u>

The accompanying notes are an integral part of these basic financial statements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION - CONTINUED
YEAR ENDED JUNE 30, 2020

	Primary Government	Discretely Presented Component Unit	Total Reporting Entity (Memorandum Only)
Non-operating income (expense):			
Gain from sale of capital assets	\$ (12,161)	\$ -	\$ (12,161)
Provision for uncollectible related party receivable	(388,727)	-	(388,727)
Interest income	18,229	154	18,383
Interest expense	(10,879)	(454,137)	(465,016)
Contributions from related party (Note 8)	1,187,930	-	1,187,930
Total non-operating income (expense)	<u>794,392</u>	<u>(453,983)</u>	<u>340,409</u>
Change in net position	<u>(424,792)</u>	<u>(773,981)</u>	<u>(1,198,773)</u>
Net position, beginning of year:			
As originally stated	3,498,490	12,581,909	16,080,399
Prior period adjustment (Note 1)	<u>-</u>	<u>(11,965,459)</u>	<u>(11,965,459)</u>
As restated	<u>3,498,490</u>	<u>616,450</u>	<u>4,114,940</u>
Net position, end of year	<u>\$ 3,073,698</u>	<u>\$ (157,531)</u>	<u>\$ 2,916,167</u>

The accompanying notes are an integral part of these basic financial statements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

	Primary Government	Discretely Presented Component Unit	Total Reporting Entity (Memorandum Only)
Cash flows from operating activities:			
Cash received:			
Rental	\$ 352,101	\$ 460,226	\$ 812,327
Operating subsidies and grants	8,723,825	-	8,723,825
Other operating receipts	72,306	4,603	76,909
Cash paid:			
Administrative	(1,949,315)	(240,970)	(2,190,285)
Tenant and protective services	(198,445)	-	(198,445)
Utilities	(43,197)	(27,210)	(70,407)
Maintenance	(307,277)	(111,941)	(419,218)
General	(75,586)	(55,148)	(130,734)
Housing assistance payments	(7,928,056)	-	(7,928,056)
Net cash flows from operating activities	<u>(1,353,644)</u>	<u>29,560</u>	<u>(1,324,084)</u>
Cash flows from investing activities:			
Net increase (decrease) in restricted cash and reserves	(39,112)	151,383	112,271
Investment withdrawal	56,252	-	56,252
Purchase of investment	(400,000)	-	(400,000)
Origination of note receivable - related party	(179,702)	-	(179,702)
Cash received for interest income	6,157	154	6,311
Net cash flows from investing activities	<u>(556,405)</u>	<u>151,537</u>	<u>(404,868)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(262,663)	(1,426,532)	(1,689,195)
Net advances from related party	1,200,000	-	1,200,000
Proceeds from long-term debt	179,702	1,287,592	1,467,294
Principal payments on long-term debt	(79,580)	-	(79,580)
Interest payments on long-term debt	(11,876)	(380,162)	(392,038)
Net cash flows from capital and related financing activities	<u>1,025,583</u>	<u>(519,102)</u>	<u>506,481</u>

The accompanying notes are an integral part of these basic financial statements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED JUNE 30, 2020

	Primary Government	Discretely Presented Component Unit	Total Reporting Entity (Memorandum Only)
Net cash flows from noncapital financing activities:			
Contributions from related party	\$ 1,187,930	\$ -	\$ 1,187,930
Advances from primary government	<u>-</u>	<u>153,917</u>	<u>153,917</u>
Net cash flows from noncapital financing activities	<u>1,187,930</u>	<u>153,917</u>	<u>1,341,847</u>
Net increase (decrease) in cash and cash equivalents	303,464	(184,088)	119,376
Cash and cash equivalents:			
Beginning of year	<u>1,188,533</u>	<u>290,329</u>	<u>1,478,862</u>
End of year	<u><u>\$ 1,491,997</u></u>	<u><u>\$ 106,241</u></u>	<u><u>\$ 1,598,238</u></u>
Reconciliation of net operating loss to net cash flows from operating activities:			
Net operating loss	\$ (1,219,184)	\$ (319,998)	\$ (1,539,182)
Adjustments to reconcile net operating loss to net cash flows from operating activities:			
Depreciation	139,972	362,062	502,034
Increase in allowance of uncollectible related party 1	(9,990)	-	(9,990)
(Increase) decrease in assets:			
Accounts receivable:			
Tenants, net	(1,928)	104	(1,824)
HUD	67,320	(17,179)	50,141
Other government	(30,048)	-	(30,048)
Related party	102,643	-	102,643
Prepaid expense	(14,880)	2,812	(12,068)
Net pension assets	(7,414)	-	(7,414)
Deferred outflow of resources	(87,926)	-	(87,926)

The accompanying notes are an integral part of these basic financial statements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED JUNE 30, 2020

	Primary Government	Discretely Presented Component Unit	Total Reporting Entity (Memorandum Only)
Increase (decrease) in liabilities:			
Accounts payable:			
Trade	\$ (11,546)	\$ (27,820)	\$ (39,366)
Other government	12,371	-	12,371
Related party	(316,996)	21,900	(295,096)
Accrued expenses:			
Salaries and payroll taxes	(23,403)	(46,675)	(70,078)
Compensated absences	6,219	-	6,219
Other	(5,862)	15,891	10,029
Tenant security deposit liability	(634)	4,603	3,969
Advanced grants from HUD	66,912	-	66,912
Unearned revenue	(23,186)	33,860	10,674
Deferred outflow of resources	3,916	-	3,916
Net cash flows from operating activities	\$ <u>(1,353,644)</u>	\$ <u>29,560</u>	\$ <u>(1,324,084)</u>
Supplemental schedule of noncash investing and financing activities:			
Disposal of capital assets - basis	\$ <u>201,126</u>	\$ <u>-</u>	\$ <u>201,126</u>
Disposal of capital assets - accumulated depreciation	\$ <u>188,965</u>	\$ <u>-</u>	\$ <u>188,965</u>
Interest income re-invested	\$ <u>12,072</u>	\$ <u>-</u>	\$ <u>12,072</u>
Origination of notes receivable - related party through note payable - related party	\$ <u>199,035</u>	\$ <u>-</u>	\$ <u>199,035</u>
Increase in allowance of uncollectible notes receivable - related party	\$ <u>378,737</u>	\$ <u>-</u>	\$ <u>378,737</u>

The accompanying notes are an integral part of these basic financial statements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The Housing Authority of Travis County, Texas (HATC) is a public body corporate and politic of the State of Texas (the State) created by the County of Travis (the County). HATC is responsible for operating certain low-rent housing programs in the County under programs administered by the U.S. Department of Housing and Urban Development (HUD). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

HATC administers a Section 8 Housing Choice Vouchers program consisting of six hundred thirteen (613) tenant-based units and nineteen (19) project-based units. HATC also owns eight (8) duplexes at Carson Creek and thirty-three (33) units of senior affordable housing in its Manor Apartments project. HATC also owns and manages the thirty (30) unit SEA RAD apartments (previously known as Eastern Oaks) that receives HUD subsidy under the HUD Section 8 Project Based Rental Assistance (PBRA) program.

HATC is governed by a board of five members who serve two-year terms. The governing board is essentially autonomous but responsible to HUD. A Chief Executive Officer is appointed by the HATC's board of commissioners to manage the day-to-day operations of HATC.

The Primary Government consists of the Housing Authority of Travis County, Texas, and its blended component units (together, the Authority). A component unit is a legally separate entity for which the primary government is financially accountable. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, the primary government is financially accountable for a legally separate entity in the following circumstances:

- a. The primary government appoints a voting majority of the legally separate entity's governing body **and** (1) it is able to impose its will on that entity or (2) there is a potential for that entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
- b. The legally separate entity is fiscally dependent on and there is a potential for that entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether that legally separate entity has (1) a separate elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Using the criterion described above, the Authority is not a component unit of another local government.

Blended component units:

Blended component units, although legally separate entities are, in substance, part of the Authority's operations; therefore, financial statements of the blended component units are combined with the financial statements of the primary government and reflected in the "Primary Government" column on the accompanying basic financial statements. Under the criteria for a component unit described above, the following legally separate entities are considered the blended component units of HATC.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Blended component units - continued:

Travis County Facility Corporation (TCFC)

TCFC was formed pursuant to Chapter 303 of the Texas Local Government Code to finance or provide public facilities. Corporations formed under this law are deemed public corporations and instrumentalities authorized to issue bonds on behalf of the sponsor for purposes of Section 103 of the Internal Revenue Code (IRC). IRC 103 exempts interest from state and local bonds from U.S. federal income tax. Under Texas Local Government Code Chapter 303.072, bonds issued are only payable from revenues derived from public facilities or sponsor obligations. Bonds issued under this chapter are not an obligation or a pledge of the faith and credit of the state, a sponsor or other political subdivision of the state or agency of the state.

Travis County Development Corporation (TCDC)

TCDC is a non-governmental entity organized as a Texas nonprofit corporation and has been issued an IRS Tax-Exempt Letter of Determination dated March 30, 2004 designating it as tax-exempt under IRC section 501(c)(3). TCDC was formed to provide decent and affordable housing for lower income residents within Travis County, acquire improved and unimproved real property and engage local industries in supporting the affordable housing needs of lower income residents.

HATC Foundation (The Foundation)

The Foundation is a nonprofit corporation operating under Section 501(c)(3) of the Internal Revenue Code. Corporations under this code section operate exclusively for charitable, educational, religious, or scientific purposes. The purpose of the Foundation is to provide decent, safe and sanitary housing at affordable prices for low and moderate-income residents of the County, to preserve and develop affordable housing and vibrant communities which enhance the quality of life for all, and to take other actions to benefit, perform the functions of, or to carry out the purpose of HATC.

SEA RAD GP, LLC (SEA RAD GP)

SEA RAD GP was organized on September 26, 2016, as a Texas limited liability company in which HATC is its sole member, to be the general partner of SEA RAD, LP (SEA RAD Partnership).

The accounting transactions of the above blended component units have been recorded and reported similar to those of a special purpose government involved in only business-type activities. There are no separate financial statements issued for TCFC, TCDC and SEA RAD GP.

Discretely presented component units:

SEA RAD, LP (SEA RAD Partnership)

SEA RAD GP with its sole member being HATC, is the general partner of SEA RAD Partnership with 0.005% ownership interest. SEA RAD GP has made certain guarantees on behalf of SEA RAD Partnership. As a result, SEA RAD Partnership is a discretely presented component unit of the Authority.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Discretely presented component units - continued:

SEA RAD Partnership was originally formed as a Texas Limited Partnership on October 11, 2016, to construct and operate a rental housing project under the name of SEA RAD Oaks (SEA Oaks), in connection with the conversion of seventy-five (75) Public Housing units to Project Based Rental Assistance through HUD's Rental Assistance Demonstration Program, and tax credits under Section 42. Operating profits, losses and tax credits are allocated in accordance with the Limited Partnership Agreement dated October 11, 2016.

Discrete presentation:

SEA RAD Partnership has a December 31, 2019 year end and is included under the "Discretely Presented Component Units" column on the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

SEA RAD Partnership is a private for-profit entity that reports under Financial Accounting Standards Board standards. As such, certain expense recognition criteria and presentation features are different from GASB expense recognition criteria and presentation features. No modifications have been made to the SEA RAD Partnership's financial information in the Authority's financial reporting for these differences.

Separately audited financial statements for the SEA RAD Partnership can be obtained by writing the CEO/Executive Director of the Authority.

Prior period adjustment for demerging of prior discretely presented component units:

Strategic Housing Finance Corporation (SHFC)

SHFC was formed under the Texas Housing Finance Corporation Act of Texas Local Government Code - Chapter 394. Corporations created under Chapter 394 are public instrumentalities performing essential government functions.

Because the board members of SHFC (the SHFC's Board) and the board members of HATC (the HATC's Board) are appointed by the County Commissioners of Travis County, HATC cannot appoint voting majority of the SHFC's Board per the current requirement under GASB Statement No. 14.

Though the majority of the HATC Board members also serve on the SHFC Board, HATC and SHFC hold separate meetings and develop separate budgets. In addition, SHFC's Bylaw, as amended, does not require HATC to approve or modify SHFC's budget, to set the rates or charges for SHFC and to approve debt or bond issuance by SHFC. As a result, SHFC is fiscally independent per the current requirement under GASB Statement No. 14, as amended by GASB Statements No. 39 and 61.

As a result, SHFC is not a component unit of HATC in accordance with GASB Statement No. 14, as amended by GASB Statements No. 39 and 61.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Prior period adjustment for demerging of prior discretely presented component units - continued:

SHFC is managed by the management of HATC under the provisions of an inter-local agreement which stresses a "contractual" relationship between the two entities. Under the provisions of the above mentioned inter-local agreement between HATC and SHFC, 1) the SHFC is not an instrumentality of HATC; 2) HATC had no rights to the SHFC's assets and 3) HATC's management of SHFC was performed as a "contracted service".

Management also considered whether it would be misleading not to include SHFC within the financial statements of HATC. SHFC through its wholly owned limited liabilities companies is primarily involved with for-profit partnerships. Each limited liability company is formed to be either a general partner of the respective partnership or the Ground Lease lessor of the respective partnership that is going to apply or has applied for and received allocations of Low-Income Housing Tax Credits (LIHTC) through Texas Department of Housing and Community Affairs (TDHCA), pursuant to Internal Revenue Code Section 42. It would not be misleading to exclude SHFC as a discretely presented component unit of the Authority. Instead, it will distort the presentation of the Authority's financial statements by including SHFC as a component unit.

Based on above conditions and in conjunction with consultation with GASB technical managers, management concluded that SHFC is not a component unit of HATC.

As of and for the year ended June 30, 2019, SHFC and its discretely presented component unit, Austin Colorado Creek Apartments, LP (ACC), were included in the Authority's financial statements as the discretely presented component unit with net position totaling \$11,965,459 and change in net position totaling \$3,099,084. As a result of the above evaluation, SHFC and ACC demerged from the Authority's financial statements as of and for the year ended June 30, 2020.

Basis of accounting:

The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Authority applies all relevant GASB standards. The accounts of the Authority are organized as a proprietary fund which uses the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with proprietary fund activities are included on the statement of net position.

Proprietary fund net position is segregated into three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of accounting - continued:

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The restricted assets are subject to constraints externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or externally imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted net position. The Authority's positive value of unrestricted net position may be used to meet ongoing obligations.

Government-wide financial statements:

The Authority's financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34) as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplemental Information.

The statement of net position, statement of revenues, expenses and change in net position, and statement of cash flows are government-wide financial statements. They report information on all of the Authority's proprietary fund activities with the interfund activities eliminated.

The Authority considers its proprietary fund as one major fund. The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses include revenues and expenses related to the continuing operations of the proprietary fund. Operating revenues are operating subsidies and grants received from HUD and charges to residents for dwelling rentals. Operating subsidies from HUD are recorded when received and are accounted for as revenue. Operating expenses are the costs of providing housing assistance payments and include administrative expenses, utilities, and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the basic financial statements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund types and major funds:

The Authority maintains its accounting records by program/project. The Authority has only a proprietary fund type and the Authority reports the following as one major enterprise fund:

Project-Based Rental Assistance Program (PBRA Program) under the Rental Assistance Demonstration (RAD) has allowed the Authority to convert its units under Low Rent Public Housing program to project-based Section 8 contracts. PBRA Program allows tenants to live in an affordable, decent, safe and sanitary rental housing unit and pay rent based upon their income, through the provision of housing assistance payments to participating owners on behalf of eligible tenants.

Section 8 Housing Choice Vouchers (HCV Program) provides housing assistance payments to qualified low-income persons through the tenant-based vouchers issued by the Authority in accordance with the Annual Contribution Contract with HUD. The Authority also enters into housing assistance payment contracts with local private housing providers who agree to accept the tenant-based vouchers issued by the Authority. In addition, the Authority earns administrative from HUD for facilitating and managing the HCV Program. The program provides payments covering the difference between the maximum rent on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

Mainstream Vouchers (MSV Program) assists non-elderly persons with disabilities. Aside from serving a special population, MSV Program is administered using the same rules as HCV Program.

Continuum of Care Program (COC Program) is designed to promote community-wide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, and State and local governments to quickly re-house homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.

Business Activities consist of certain non-federal housing projects owned by the Authority as well as provides certain management and development services to other programs, projects and/or affiliate entities.

Blended Component Units are intended to diversify and to provide more affordable housing solutions for the purpose of the Authority.

Revenue recognition:

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue recognition - continued:

On January 30, 2008, HUD issued PIH Notice 2008-9 which requires that housing assistance payments (HAP) under HCV Program for proprietary fund reporting to be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule (FDS) as restricted. Any unused administrative fees (AF) should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both AF and HAP revenues continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The HCV Program is no longer a cost reimbursement grant; therefore, the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting. Any investment income earned on these funds is reflected in the net position account on which the investment income was earned. That is, investment income earned on HAP cash balances is credited to the HAP restricted net position account and investment income earned on administrative fee cash balances is credited to the unrestricted net position account.

The Authority enters into standard leases with its residents for a period not to exceed one year and recognizes rental and related income at the beginning of the month. Tenant accounts receivable represent amounts owed by residents and prepaid tenant rents represent amounts paid in advance by residents as a result of these transactions. Other income is recorded as it is earned. Payroll and administrative expenses are allocated to programs based on estimated time spent for related program activities. Other maintenance and operating expenses are charged to program activities based on specific identification.

Deferred outflows and deferred inflows of resources:

Deferred outflows of resources are consumptions of net assets (the difference between the Authority's assets and its liabilities) by the Authority that is applicable to a future reporting period. Deferred inflows of resources are acquisitions of net assets by the Authority that is applicable to a future reporting period. As of June 30, 2020, the Authority reported \$87,926 of deferred outflows of resources and \$3,916 of deferred inflows of resources pertaining to its pension plan as discussed in more details in Note 10.

Estimates:

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the basic financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

For the purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable:

Rents are due from tenants on the first day of each month. As a result, tenants' accounts receivable balances primarily consist of rents past due and vacated tenants. Also included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order.

The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled, but earned as of year-end.

Allowance for doubtful accounts:

The allowance for doubtful accounts is estimated and recorded based on the Authority's historical bad debt experience and management's judgment. Collection losses on accounts receivable are charged against the allowance for doubtful accounts. Management evaluates the collectability of outstanding receivables on a regular basis and establishes an allowance for doubtful accounts based on its assessment of outstanding accounts.

Notes receivable:

The Authority has utilized development funds in accordance with HUD guidelines to assist in the construction and redevelopment of numerous public housing developments through the issuance of mortgage notes. When preparing financial statements in accordance with GAAP, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property, the property's ability to generate positive cash flow, and current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectable amounts during an accounting period.

Capital assets:

Investments in capital assets are stated at cost; donated capital assets are stated at their fair value on the date of donation. Capital assets are depreciated using the straight-line method over their estimated useful lives of 15-40 years for building and improvements, 50 years for water, sewer and gas system, and 3-10 years for furniture and equipment.

Repairs and maintenance are charged to costs and expenses as incurred. Renewals and betterments which cost more than \$1,500 which add significantly to the utility or useful lives of the capital assets are capitalized. Upon retirement or disposition of capital assets, related gains or losses are reflected as nonoperating income or expense on statement of revenues, expenses and change in net position.

Budget information:

The Authority adopts annual operating budgets for its proprietary fund programs which receive federal funding. The Authority prepares its annual budgets on a basis of accounting which is materially consistent with GAAP. Budgets are also prepared for capital projects activities. Budgets are submitted by the Authority and approved by the Board of Commissioners.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inter-program receivables and payables:

Inter-program receivables and payables are all classified as either current assets or current liabilities, and are the result of the use of a concentrated account depository as the common paymaster for most of the programs of the Authority. Cash settlements are made monthly. All inter-program balances are reconciled, and inter-program receivables and payables have been eliminated in the preparation of the basic financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Restricted cash:

Restricted cash represents amounts held under the terms of various agreements or HUD guideline by which the Authority is required to set aside specified amounts for future specific purposes. These restricted deposits are not available for operating purposes. As of June 30, 2020, the Authority's restricted cash consists of the following:

Restricted cash - replacement reserve and repairs escrow	\$ 1,643,095
Housing assistance payment - HCV Program	24,465
Unspent HCV CARES Act Funding	90,828
Housing assistance payment - Main Stream Program	<u>72,984</u>
 Total restricted cash	 <u><u>\$ 1,831,372</u></u>

Risks:

Interest rate risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority typically limits its investments to ones with maturities of 12 months or less.

Custodial credit risk: This is the risk that in the event of a bank or other financial institution failure, the Authority's deposits and investments may not be returned to it. The Authority's deposits are fully covered by the FDIC insurance or the pledged securities. The Texas Public Funds Investment Act (Texas Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Authority to adopt, implement, and publicize an investment policy. The Authority is in compliance with the requirements of the Act and with local policies as of June 30, 2020. All of the Authority's cash and cash equivalents, restricted cash and investments as of June 30, 2020, were recorded at cost which approximates fair value.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS – CONTINUED

Credit risk: The funds of the Authority must be deposited and invested under the terms of a depository agreement. The depository bank places approved pledged securities for safekeeping and trust with the Authority's agent bank in an amount sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2020, the carrying amount of the Authority's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$4,741,441 and the bank balance was \$4,804,140, and the entire balance was covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

NOTE 3 - CAPITAL ASSETS

As set forth in contract documents by and between the Authority and HUD, the Authority shall not pledge as collateral, convey or encumber certain capital assets without prior approval from HUD. Changes in the Authority's capital assets and accumulated depreciation for the year ended June 30, 2020, are as follows:

	Balance as of June 30, 2019	Additions	Dispositions	Balance as of June 30, 2020
Land	\$ 1,271,478	\$ -	\$ -	\$ 1,271,478
Buildings and improvements	3,400,559	97,811	(29,836)	3,468,534
Furniture and equipment	347,677	41,411	(171,290)	217,798
Construction in progress	51,941	123,441	-	175,382
Total capital assets	5,071,655	262,663	(201,126)	5,133,192
Less: accumulated depreciation	(2,326,650)	(139,972)	188,965	(2,277,657)
Net capital assets	\$ 2,745,005	\$ 122,691	\$ (12,161)	\$ 2,855,535

NOTE 4 – OPERATING SUBSIDIES AND GRANTS

The Authority's operating subsidies and grants consists of the following for the year ended June 30, 2020:

PBRA Program	\$ 112,021
COC Program	887,072
MSV Program	73,508
HCV CARES Act Funding	27,270
HCV Program	6,488,568
HCV Program - Port-In passthrough	1,018,831
Total operating subsidies and grants	\$ 8,607,270

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 4 – OPERATING SUBSIDIES AND GRANTS – CONTINUED

During the year ended June 30, 2020, the Authority received supplemental funding from the Cares Act legislation to aid in preventing, preparing, and responding to the COVID-19 virus.

As of June 30, 2020, the Authority has accounts receivable from HUD totaling \$32,379 and from other housing authorities for portability payments totaling \$30,048. As of June 30, 2020, unspent HCV CARES Act funds totaling \$66,912 are reported as unearned revenues on the accompanying statement of net position.

NOTE 5 – LONG-TERM DEBT

The Authority's long-term debt at June 30, 2020, consists of the following:

	<u>Balance as of</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of</u> <u>June 30, 2020</u>
Mortgage note payable to Wells Fargo in the amount of \$1,229,000. The note bears an interest rate of 4.70% with monthly interest and principal of \$5,500 starting February of 2005. The note matures on January 30, 2035 and is secured by the land and buildings of Manor Town Apartments.	\$ 714,274	\$ -	\$ (70,947)	\$ 643,327
Note payable to the Texas Dept. of Housing and Community Affairs in the amount of \$346,720. The note is interest free and has monthly principal installments of \$722 starting February 1, 2005. The note matures on January 1, 2045 and is secured by land and buildings of Manor Town Apartments.	221,613	-	(8,633)	212,980

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 5 – LONG-TERM DEBT – CONTINUED

	<u>Balance as of</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of</u> <u>June 30, 2020</u>
Mortgage due to Federal Home Loan Bank in the amount of \$330,000. No repayment as long as the Authority remains in compliance with mortgage terms. The mortgage matures on April 11, 2021, bears no interest and is secured by land and buildings of Manor Town Apartments.	\$ 330,000	\$ -	\$ -	\$ 330,000
Total long-term debt	\$ 1,265,887	\$ -	\$ (79,580)	1,186,307
Less: current maturities long-term debt				(404,668)
Long-term debt, net of current maturities				\$ 781,639

Debt service over the next five years and in five year increments thereafter is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 404,668	\$ 31,272	\$ 435,940
2022	45,064	29,604	74,668
2023	46,812	27,856	74,668
2024	48,644	26,024	74,668
2025	50,564	24,104	74,668
2026-2030	285,004	88,335	373,339
2031-2035	222,590	20,441	243,031
2036-2040	43,340	-	43,340
2041-2045	39,621	-	39,621
Total	\$ 1,186,307	\$ 247,636	\$ 1,433,943

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 6 – ACCRUED COMPENSATED ABSENCES

Compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's personnel policy. Vacation and sick leave start accruing the date of employment, but vests upon completion of the probationary period of ninety (90) days.

A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place. As of June 30, 2020, accrued compensated absences amounts to \$117,468.

NOTE 7 - RESTRICTED NET POSITION

As of June 30, 2020, the Authority's restricted net position consists of \$78,700 set aside for repairs for the PBRA Program as required by HUD and \$97,449 for HAP for the HCV Program and MSV Program.

NOTE 8 – RELATED PARTY TRANSACTIONS

Related party contributions:

The Authority at times receives contributions from SHFC to help with either ongoing development projects or operating deficits. During the year ended June 30, 2020, the Authority received contributions in the amount of \$1,187,930 from SHFC.

Development fee receivable:

The Authority is entitled to receive a development fee totaling \$1,103,002 from the SEA RAD Partnership, in connection with the development of SEA Oaks, payable from the available proceeds of the capital contributions as defined by the SEA RAD Partnership Agreement. Any unpaid development fee (Deferred Development Fee) bears an annual interest rate of 5% and is payable from cash flow as defined in the SEA RAD Partnership Agreement. SEA RAD GP is required to make a special additional capital contribution to pay off the outstanding balance of the Deferred Development Fee. As of June 30, 2020, Deferred Development Fee receivable totals \$843,002. Due to the uncertainty of collection, management has provided for an allowance for uncollectable amounts totaling \$843,002.

Notes receivable:

On August 1, 2017, the Authority entered into a Promissory Note with SEA RAD Partnership in the amount of \$1,000,000. The note bears interest at 3.00% per annum, matures on August 1, 2047 and is secured by real property. Due to the uncertainty of collection, management has provided for an allowance for uncollectable amounts totaling \$1,000,000.

During the year ended June 30, 2020, the Authority entered into two unsecured Promissory Notes with SEA RAD Partnership totaling \$378,737. The notes bear interest at approximately 1% per annum, with one maturing in November 2021 and the other one payable from the net cash flow available of SEA RAD Partnership. Due to the uncertainty of collection, management has provided for an allowance for uncollectable amounts totaling \$378,737, which is included in provision for uncollectible related party receivable on the accompanying statement of revenues, expenses and change in net position.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 8 – RELATED PARTY TRANSACTIONS – CONTINUED

Note payable:

The Authority entered into a promissory note with SHFC in the original amount of \$1,561,000. The proceeds were used to set up a replacement reserve account (see Note 2) for the Authority's RAD conversion. The loan which bears no interest, except in the event of default, is due on September 30, 2046 and is secured by real property. There is no change in the note payable amount during the year ended June 30, 2020.

During the year ended June 30, 2020, the Authority entered into two unsecured promissory notes with SHFC totaling \$378,737. The notes bear interest at approximately 1% per annum, with one maturing in November 2021 and the other one payable from the net cash flow available of SEA RAD Partnership.

Property management fee:

The Authority and SEA RAD Partnership entered into a management agreement to manage the rental operations of SEA Oaks Apartments. The management agent certification allows the Authority to charge a monthly fee equal to 5% of gross collections as defined in the management agent certification. The Authority earned management fees in the amount of \$24,724 the year ended June 30, 2020, which are included in other revenue on the accompanying statement of revenues, expenses and change in net position. As of June 30, 2020, the Authority has a receivable from SEA RAD Partnership in the amount of \$36,542. Management has provided for an allowance for uncollectable amounts totaling \$36,542.

Incentive management fee:

The Authority is entitled to receive a non-cumulative incentive management fee (IMF) from the SEA RAD Partnership, payable from cash flow as defined by the SEA RAD Partnership Agreement. The Authority did not earn any IMF during the year ended June 30, 2020.

Guaranty:

The Authority through TCFC has agreed to establish a pledge account of \$1,000,000 for the benefit of the SEA RAD Partnership in the form of a certificate of deposit. The certificate of deposit amount totaled \$1,018,072 at June 30, 2020. Such amount may be reduced to \$102,000 upon meeting certain conditions as defined by the SEA RAD Partnership Agreement.

Related party receivable:

The Authority uses a concentrated account depository as the common paymaster for most of the programs of the Authority as well as SHFC and SEA RAD Partnership. Cash settlements are made monthly with SHFC and are made upon available cash flow with SEA RAD Partnership. At June 30, 2020, the Authority has receivables from SHFC and SEA RAD Partnership totaling \$219,196.

Related party payable:

The Authority, at times, requests advances with SHFC to help with ongoing development projects. During the year ended June 30, 2020, the Authority received \$1,200,000 from SHFC, of which, \$800,000 is to be used for the pre-construction and relocation expenses at SEA RAD apartments and \$400,000 is used for set up a new certificate of deposit investment. At June 30, 2020, the Authority has a payable to SHFC totaling \$1,500,000.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 9 - CONDENSED INFORMATION FOR THE BLENDED COMPONENT UNITS

Assets:

Current assets	\$ 1,090,169
Capital assets, net of accumulated depreciation	<u>7,279</u>
Total assets	<u>1,097,448</u>

Liabilities:

Current liabilities	\$ 1,010,886
Noncurrent liabilities	<u>387,456</u>
Total liabilities	<u>1,398,342</u>

Net position:

Net investment in capital assets	7,279
Unrestricted	<u>(308,173)</u>
Total net position	<u>\$ (300,894)</u>

Operating revenues:

Other revenue	\$ <u>33,319</u>
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Operating expenses:

Administrative	165,358
Tenant and protective services	22,614
General	3,277
Depreciation	<u>2,478</u>
Total operating expenses	<u>193,727</u>

Net operating loss	(160,408)
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Non-operating expense	<u>(367,360)</u>
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Change in net position	(527,768)
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Net position, beginning of year	<u>226,874</u>
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Net position, end of year	<u>\$ (300,894)</u>
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HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLAN

Plan description:

The Authority provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement system (TCDRS) effective July 2018.

The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 700 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034, or may be obtained from the TCDRS website at <http://www.tcdrs.org/pages/publications>. The plan provisions are adopted by the governing body of the Authority, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 5 years of service but must leave their accumulated deposits in the plan to receive any District-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the Authority.

Benefits provided:

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

Contributions:

The Authority has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the Authority based on the covered payroll of employee members.

Employees for the Authority were required to contribute 4% of their annual gross earnings during the year. The contribution rate for the Authority was 6.9% during the year. The Authority's contributions to TDCRS for the year ended June 30, 2020 were \$106,570.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLAN - CONTINUED

Pension liability:

At June 30, 2020, the Authority reported an asset of \$7,414 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension asset was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. The following schedule shows the changes in the net pension liability for the year ended December 31, 2019, which is the most recent actuarial valuation available:

Changes in Net Position Liability/(Asset)			
Changes in Net Position Liability/(Asset)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of December 31, 2018	\$ 62,815	\$ 66,315	\$ (3,500)
Changes for the year:			
Service cost	122,843	-	122,843
Interest on total pension liability	15,038	-	15,038
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	34,032	-	34,032
Effect of assumption changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(185)	185
Member contributions	-	58,778	(58,778)
Net investment income	-	10,728	(10,728)
Employer contributions	-	101,002	(101,002)
Other	-	5,504	(5,504)
Net changes	171,913	175,827	(3,914)
Balance as of December 31, 2019	\$ 234,728	\$ 242,142	\$ (7,414)

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCERS financial report.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLAN - CONTINUED

Actuarial assumptions:

The actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

Valuation timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	
Recognition of economic/ demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset valuation method:	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.
Salary increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group.
Investment rate of return	8.10% (Gross of administrative expenses)
Cost-of-living adjustments	Cost-of-Living Adjustments for Housing Authority of Travis County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLAN - CONTINUED

Actuarial assumptions - continued:

Mortality

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth	0.00%

Replacement of terminated members New employees are assumed to replace any terminated members and have similar entry ages.

Disability Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

Family composition For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

Service retirement Varies depending upon age and sex.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLAN - CONTINUED

Actuarial assumptions - continued:

Other terminations of employment The rates of assumed future termination from active participation in the plan for reasons other than death, disability or retirement vary by length of service, entry-age group (age at hire) and sex. No termination after eligibility for retirement is assumed.

Withdrawals Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates vary depending upon years of service. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

Long-term expected rate of return and asset allocation:

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2017 for the period from January 1, 2013 – December 31, 2016.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed Markets	7.00%	5.20%
International Equities - Emerging Markets	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
	<u>100.00%</u>	

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLAN - CONTINUED

Discount rate:

The discount rate used to measure the total pension liability was 8.10% for both the discount rate and the long-term expected rate of return, net of investment expense. The municipal bond rate does not apply. There was no change in the discount rate used since the previous year. This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:

The following presents the Authority's proportionate share of the net pension liability (assets) calculated using the discount rate of 8.1% as well as what the Authority's proportionate share of the net pension liability (assets) would be if it were calculated using a discount rate that is one percentage point lower (7.1%) or one percentage point higher (9.1%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total pension liability	\$ 271,360	\$ 234,728	\$ 204,451
Fiduciary net position	<u>242,142</u>	<u>242,142</u>	<u>242,142</u>
Net pension liability/(asset)	\$ <u>29,218</u>	\$ <u>(7,414)</u>	\$ <u>(37,691)</u>

Deferred outflows and inflows of resources related to pensions:

At June 30, 2020, the Authority reported deferred outflows and inflows of resources for the TCDRS pension plan on the financial statements as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience (net of current year amortization)	\$ 29,778	\$ 3,916
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings (net of current year amortization)	2,095	-
Contributions subsequent to the measurement date	<u>56,053</u>	<u>-</u>
Total	\$ <u>87,926</u>	\$ <u>3,916</u>

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 10 - RETIREMENT PLAN - CONTINUED

Deferred outflows and inflows of resources related to pensions - continued:

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2021	\$ 4,313
2022	4,313
2023	4,311
2024	3,934
2025	3,694
Thereafter	<u>7,392</u>
	<u>\$ 27,957</u>

Pension expense, included in personnel costs, reported on the Authority's financial statements for the year ended June 30, 2020, consisted of the following components:

	<u>Pension Expense</u>
Service cost	\$ 122,843
Interest on pension liability	15,038
Effect of plan changes	-
Administrative expenses	185
Member contributions	(58,778)
Expected investment return net of investment expenses	(11,928)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	3,694
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	619
Other	<u>(5,504)</u>
Total pension expense	<u>\$ 66,169</u>

The Authority did not account for its TCDRS pension plan in accordance with the GASB Statement No. 68 until the fiscal year 2020. The reduction of pension expense for the fiscal year 2019 in the amount \$51,021 is recorded on the accompanying statement of revenues, expenses and change in net position in fiscal year 2020.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 11 – OPERATING LEASES

During the year ended June 30, 2020, the Authority entered into three (3) separate lease agreements with Town North Nissan for the use of three (3) vehicles. Each lease is for a thirty-six (36) month period, expiring on August 31, 2022.

In June 2018, the Authority entered into a sixty-three (63) month office lease agreement with Travis County Facilities Management Department expiring on September 30, 2023. SHFC leases approximately seventeen percent (17%) of the office space from the Authority based on the square footage and the monthly rent payment was allocated proportionally to SHFC accordingly.

At June 30, 2020, future minimum lease payments under the non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2021	\$ 166,360
2022	173,684
2023	169,019
2024	<u>42,113</u>
Total	<u>\$ 551,176</u>

Lease expense under these operating leases for the year ended June 30, 2020 totaled \$156,638 and is included as administrative expenses on the accompanying statement of revenues, expenses and changes in net position.

NOTE 12 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Concentration of market:

The Authority's operations are concentrated in the heavily regulated public housing real estate market. The Authority's operations are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an Act of Congress or administrative changes mandated by HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Concentration of revenue:

The Authority receives approximately eighty-four percent (84%) of its revenue from HUD from its PBRA Program, HCV Program, MSV Program, COC Program and HCV CARES Act Funding by HUD. The Authority is also required to meet certain physical conditions standards and inspection requirements, and financial reporting standards as required by HUD.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 13 - RISK MANAGEMENT

The Authority is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs, and there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require payments to HUD. As of June 30, 2020, the Authority estimates that no material liabilities will result from such audits.

NOTE 15 – MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management of the Authority has evaluated the effects of events that have occurred subsequent to the year ended June 30, 2020, and through March 2, 2021, which is the date the Authority's basic financial statements were available to be issued.

- Subsequent to the year ended June 30, 2020, HUD approved the Authority's request to change its fiscal year end from June 30, to December 31, effective July 1, 2020.
- The Authority entered into a noninterest-bearing promissory note agreement with TDHCA under the Tax Credit Assistance Program – Repayment Funds in August 2020, in the amount of \$2,000,000, to renovate SEA RAD apartments, secured by a Deed of Trust. The principal amount is due on September 1, 2052. The Authority also entered into Land Use Restriction Agreement with TDHCA as a condition of this promissory note.
- The Authority entered into a noninterest-bearing promissory note agreement with Austin Housing Finance Corporation (AHFC) under the Rental Housing Development Assistance Program in September 2020, in the amount of \$1,000,000, to renovate SEA RAD apartments, secured by a subordinate Deed of Trust. The principal amount is due on the later of (i) ninety-nine (99) years following date of a Certificate of Occupancy by the City of Austin for SEA RAD apartments or, (ii) August 31, 2119.
- On September 9, 2020, TCFC, a blended component unit of HATC, has entered into the following agreements with Tech Ridge ATX, LP (Tech Ridge Partnership):
 - o A seventy-five (75) year ground lease agreement with one-time advanced rent payment of \$7,678,000. In addition, TCFC is to receive an annual administrative rent of \$25,000 and a monthly based rent of \$20,833 commencing on a date specified in the ground lease agreement.
 - o A construction contract agreement to be the general contractor of a multifamily project owned by the Tech Ridge Partnership. Simultaneously, TCFC entered into a master sub-contract agreement with an unrelated party for the same construction amount.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2020

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 122,843	\$ 62,767	N/A	N/A	N/A
Interest (on the total pension liability)	15,038	5,084	N/A	N/A	N/A
Effect of plan changes	-	-	N/A	N/A	N/A
Effect of assumption changes or inputs	-	-	N/A	N/A	N/A
Effect of economic/demographic gains or losses	34,032	(5,036)	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	-	-	N/A	N/A	N/A
Net Change in Total Pension Liability	171,913	62,815	N/A	N/A	N/A
Total Pension Liability - Beginning	62,815	-	N/A	N/A	N/A
Total Pension Liability - Ending (a)	<u>\$ 234,728</u>	<u>\$ 62,815</u>	N/A	N/A	N/A
Plan Fiduciary Net Position					
Employer contributions	\$ 101,001	\$ 40,295	N/A	N/A	N/A
Member contributions	58,778	23,461	N/A	N/A	N/A
Net investment income	10,728	712	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	-	-	N/A	N/A	N/A
Administrative expense	(184)	(52)	N/A	N/A	N/A
Other	5,504	1,899	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	175,827	66,315	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	66,315	-	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	<u>\$ 242,142</u>	<u>\$ 66,315</u>	N/A	N/A	N/A
Net Pension Liability - Ending (a) - (b)	<u>\$ (7,414)</u>	<u>\$ (3,500)</u>	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>103.16%</u>	<u>105.57%</u>	N/A	N/A	N/A
Covered Employee Payroll	<u>\$ 1,469,447</u>	<u>\$ 586,537</u>	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	<u>-0.50%</u>	<u>-0.60%</u>	N/A	N/A	N/A

Note: Only five years of data is presented in accordance with GASB 68, Paragraph 138, which states "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement."

See independent auditor's report.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
SCHEDULE OF DISTRICT CONTRIBUTIONS – TEXAS COUNTY AND
DISTRICT RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 106,570	\$ 100,951	\$ 40,295	\$ -	\$ -
Contributions in relation to actuarially determined contribution	(106,570)	100,101	40,295	-	-
Contribution deficiency (excess)	\$ -	\$ 201,052	\$ 80,590	\$ -	\$ -
Covered employee payroll	\$ 1,554,695	\$ 1,469,447	\$ 586,537	\$ -	\$ -
Contributions as a percentage of covered employee payroll	6.85%	-6.81%	-6.87%	0.00%	0.00%

Note: Only five years of data is presented in accordance with GASB 68, Paragraph 138, which states "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement."

See independent auditor's report.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19.2 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.00%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014
Changes in assumptions and methods reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
FINANCIAL DATA SCHEDULE
JUNE 30, 2020

Line No./Line Description	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	14.195 Section 8 Housing Assistance Payments Program Special Allocations	14.267 Continuum of Care Program	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$4,657	\$0	\$49,530	\$1,756	\$93,157	\$72,097	\$1,354,959	\$0	\$1,576,156	\$0	\$1,576,156
113 Cash - Other Restricted	\$24,465	\$72,984	\$1,643,095	\$0	\$9,905	\$0	\$0	\$90,828	\$1,841,277	\$0	\$1,841,277
114 Cash - Tenant Security Deposits	\$0	\$0	\$4,008	\$0	\$13,084	\$0	\$4,990	\$0	\$22,082	\$0	\$22,082
100 Total Cash	\$29,122	\$72,984	\$1,696,633	\$1,756	\$116,146	\$72,097	\$1,359,949	\$90,828	\$3,439,515	\$0	\$3,439,515
121 Accounts Receivable - PHA Projects	\$30,048	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,048	\$0	\$30,048
122 Accounts Receivable - HUD Other Projects	\$23,975	\$0	\$8,404	\$0	\$155,861	\$0	\$0	\$0	\$188,240	\$0	\$188,240
125 Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$230,775	\$0	\$230,775	-\$11,579	\$219,196
126 Accounts Receivable - Tenants	\$0	\$0	\$3,054	\$0	\$4,897	\$0	\$6,749	\$0	\$14,700	\$0	\$14,700
126.1 Allowance for Doubtful Accounts -Tenants	\$0	\$0	-\$1,923	\$0	\$0	\$0	-\$2,825	\$0	-\$4,748	\$0	-\$4,748
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$54,023	\$0	\$9,535	\$0	\$160,758	\$0	\$234,699	\$0	\$459,015	-\$11,579	\$447,436
131 Investments - Unrestricted	\$0	\$0	\$0	\$0	\$0	\$1,018,072	\$400,000	\$0	\$1,418,072	\$0	\$1,418,072
142 Prepaid Expenses and Other Assets	\$0	\$0	\$0	\$0	\$2,528	\$0	\$19,355	\$0	\$21,883	\$0	\$21,883
144 Inter Program Due From	\$0	\$0	\$0	\$0	\$0	\$0	\$762,755	\$0	\$762,755	-\$762,755	\$0
145 Assets Held for Sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
150 Total Current Assets	\$83,145	\$72,984	\$1,706,168	\$1,756	\$279,432	\$1,090,169	\$2,776,758	\$90,828	\$6,101,240	-\$774,334	\$5,326,906
161 Land	\$0	\$0	\$221,791	\$0	\$0	\$0	\$1,049,687	\$0	\$1,271,478	\$0	\$1,271,478
162 Buildings	\$0	\$0	\$716,742	\$0	\$9,176,565	\$0	\$2,309,284	\$0	\$12,202,591	\$0	\$12,202,591
163 Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$25,313	\$0	\$687,419	\$0	\$14,999	\$0	\$727,731	\$0	\$727,731
164 Furniture, Equipment & Machinery - Administration	\$2,500	\$0	\$103,446	\$0	\$0	\$12,392	\$59,148	\$0	\$177,486	\$0	\$177,486
165 Leasehold Improvements	\$0	\$0	\$407,900	\$0	\$138,958	\$0	\$34,608	\$0	\$581,466	\$0	\$581,466
166 Accumulated Depreciation	-\$2,500	\$0	-\$1,137,438	\$0	-\$550,860	-\$5,113	-\$1,132,606	\$0	-\$2,828,517	\$0	-\$2,828,517
167 Construction in Progress	\$0	\$0	\$166,182	\$0	\$0	\$0	\$9,200	\$0	\$175,382	\$0	\$175,382
168 Infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$503,936	\$0	\$9,452,082	\$7,279	\$2,344,320	\$0	\$12,307,617	\$0	\$12,307,617
174 Other Assets	\$0	\$0	\$0	\$0	\$34,247	\$0	\$7,414	\$0	\$41,661	\$0	\$41,661
180 Total Non-Current Assets	\$0	\$0	\$503,936	\$0	\$9,486,329	\$7,279	\$2,351,734	\$0	\$12,349,278	\$0	\$12,349,278
200 Deferred Outflow of Resources	\$0	\$0	\$0	\$0	\$0	\$0	\$87,926	\$0	\$87,926	\$0	\$87,926
290 Total Assets and Deferred Outflow of Resources	\$83,145	\$72,984	\$2,210,104	\$1,756	\$9,765,761	\$1,097,448	\$5,216,418	\$90,828	\$18,538,444	-\$774,334	\$17,764,110

See independent auditor's report.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
JUNE 30, 2020

Line No./Line Description	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	14.195 Section 8 Housing Assistance Payments Program Special Allocations	14.267 Continuum of Care Program	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$1,384	\$0	\$2,931	\$0	\$0	\$0	\$7,970	\$2,317	\$14,602	\$0	\$14,602
321 Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$4,137	\$1,601	\$0	\$4,441	\$27,624	\$21,599	\$59,402	\$0	\$59,402
322 Accrued Compensated Absences - Current Portion	\$8,092	\$0	\$2,323	\$0	\$0	\$2,180	\$10,898	\$0	\$23,493	\$0	\$23,493
325 Accrued Interest Payable	\$0	\$0	\$0	\$0	\$118,771	\$0	\$0	\$0	\$118,771	\$0	\$118,771
331 Accounts Payable - HUD PHA Programs	\$12,371	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,371	\$0	\$12,371
341 Tenant Security Deposits	\$0	\$0	\$2,498	\$0	\$12,687	\$0	\$4,990	\$0	\$20,175	\$0	\$20,175
342 Unearned Revenue	\$0	\$0	\$14,882	\$0	\$33,860	\$0	\$1,411	\$66,912	\$117,065	\$0	\$117,065
343 Current Portion of Long-term Debt - Capital Projects/Mortgage	\$0	\$0	\$0	\$0	\$7,104,749	\$0	\$404,668	\$0	\$7,509,417	\$0	\$7,509,417
345 Other Current Liabilities	\$0	\$0	\$8,996	\$0	\$44,614	\$300,000	\$2,583	\$0	\$356,193	-\$11,579	\$344,614
346 Accrued Liabilities - Other	\$0	\$0	\$0	\$155	\$15,891	\$0	\$0	\$0	\$16,046	\$0	\$16,046
347 Inter Program - Due To	\$0	\$1,957	\$19,086	\$0	\$0	\$704,265	\$37,447	\$0	\$762,755	-\$762,755	\$0
310 Total Current Liabilities	\$21,847	\$1,957	\$54,853	\$1,756	\$7,330,572	\$1,010,886	\$497,591	\$90,828	\$9,010,290	-\$774,334	\$8,235,956
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Re	\$0	\$0	\$0	\$0	\$1,000,000	\$0	\$781,639	\$0	\$1,781,639	\$0	\$1,781,639
353 Non-current Liabilities - Other	\$0	\$0	\$1,561,000	\$0	\$1,592,720	\$378,737	\$1,200,000	\$0	\$4,732,457	\$0	\$4,732,457
354 Accrued Compensated Absences - Non Current	\$32,367	\$0	\$9,293	\$0	\$0	\$8,719	\$43,596	\$0	\$93,975	\$0	\$93,975
350 Total Non-Current Liabilities	\$32,367	\$0	\$1,570,293	\$0	\$2,592,720	\$387,456	\$2,025,235	\$0	\$6,608,071	\$0	\$6,608,071
300 Total Liabilities	\$54,214	\$1,957	\$1,625,146	\$1,756	\$9,923,292	\$1,398,342	\$2,522,826	\$90,828	\$15,618,361	-\$774,334	\$14,844,027
400 Deferred Inflow of Resources	\$0	\$0	\$0	\$0	\$0	\$0	\$3,916	\$0	\$3,916	\$0	\$3,916
508.4 Net Investment in Capital Assets	\$0	\$0	\$503,936	\$0	\$1,347,333	\$7,279	\$1,158,013	\$0	\$3,016,561	\$0	\$3,016,561
511.4 Restricted Net Position	\$24,465	\$72,984	\$78,700	\$0	\$0	\$0	\$0	\$0	\$176,149	\$0	\$176,149
512.4 Unrestricted Net Position	\$4,466	-\$1,957	\$2,322	\$0	-\$1,504,864	-\$308,173	\$1,531,663	\$0	-\$276,543	\$0	-\$276,543
513 Total Equity - Net Assets / Position	\$28,931	\$71,027	\$584,958	\$0	-\$157,531	-\$300,894	\$2,689,676	\$0	\$2,916,167	\$0	\$2,916,167
600 Total Liabilities, Deferred Inflows of Resources and Equity - Ne	\$83,145	\$72,984	\$2,210,104	\$1,756	\$9,765,761	\$1,097,448	\$5,216,418	\$90,828	\$18,538,444	-\$774,334	\$17,764,110

See independent auditor's report.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
YEAR ENDED JUNE 30, 2020

Line No./Line Description	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.267 Continuum of Care Program	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$0	\$0	\$46,744	\$0	\$437,667	\$0	\$324,758	\$0	\$809,169	\$0	\$809,169
70400 Tenant Revenue - Other	\$0	\$0	\$1,034	\$0	\$5,774	\$0	\$4,679	\$0	\$11,487	\$0	\$11,487
70500 Total Tenant Revenue	\$0	\$0	\$47,778	\$0	\$443,441	\$0	\$329,437	\$0	\$820,656	\$0	\$820,656
70600 HUD PHA Operating Grants	\$6,488,568	\$73,508	\$112,021	\$887,072	\$0	\$0	\$0	\$27,270	\$7,588,439	\$0	\$7,588,439
70750 Other Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$51,149	\$0	\$51,149	-\$26,426	\$24,723
71100 Investment Income - Unrestricted	\$681	\$0	\$3,327	\$0	\$154	\$12,072	\$2,149	\$0	\$18,383	\$0	\$18,383
71400 Fraud Recovery	\$4,087	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,087	\$0	\$4,087
71500 Other Revenue	\$1,033,212	\$0	\$0	\$0	\$0	\$33,319	\$6,420	\$0	\$1,072,951	\$0	\$1,072,951
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	-\$9,542	\$0	\$0	\$0	-\$2,619	\$0	-\$12,161	\$0	-\$12,161
70000 Total Revenue	\$7,526,548	\$73,508	\$153,584	\$887,072	\$443,595	\$45,391	\$386,536	\$27,270	\$9,543,504	-\$26,426	\$9,517,078
91100 Administrative Salaries	\$286,153	\$0	\$42,401	\$69,154	\$24,920	\$106,748	\$487,110	\$22,367	\$1,038,853	\$0	\$1,038,853
91200 Auditing Fees	\$13,830	\$0	\$3,688	\$3,223	\$17,000	\$0	\$12,451	\$0	\$50,192	\$0	\$50,192
91300 Management Fee	\$0	\$0	\$8,996	\$0	\$21,900	\$0	\$17,430	\$0	\$48,326	-\$26,426	\$21,900
91500 Employee Benefit contributions - Administrative	\$87,461	\$0	\$10,836	\$0	\$9,903	\$26,166	\$3,016	\$2,290	\$139,672	\$0	\$139,672
91600 Office Expenses	\$107,705	\$1,957	\$12,619	\$21,115	\$78,078	\$31,862	\$229,915	\$0	\$483,251	\$0	\$483,251
91700 Legal Expense	\$0	\$0	\$304	\$0	\$6,362	\$0	\$702	\$0	\$7,368	\$0	\$7,368
91800 Travel	\$1,817	\$0	\$250	\$0	\$468	\$582	\$17,005	\$0	\$20,122	\$0	\$20,122
91900 Other	\$0	\$0	\$0	\$0	\$1,149	\$0	\$0	\$0	\$1,149	\$0	\$1,149
91000 Total Operating - Administrative	\$496,966	\$1,957	\$79,094	\$93,492	\$159,780	\$165,358	\$767,629	\$24,657	\$1,788,933	-\$26,426	\$1,762,507
92000 Asset Management Fee	\$0	\$0	\$0	\$0	\$6,695	\$0	\$0	\$0	\$6,695	\$0	\$6,695
92400 Tenant Services - Other	\$0	\$0	\$160,425	\$0	\$0	\$22,614	\$0	\$2,613	\$185,652	\$0	\$185,652
92500 Total Tenant Services	\$0	\$0	\$160,425	\$0	\$0	\$22,614	\$0	\$2,613	\$185,652	\$0	\$185,652
93100 Water	\$0	\$0	\$13,391	\$0	\$16,614	\$0	\$14,616	\$0	\$44,621	\$0	\$44,621
93200 Electricity	\$0	\$0	\$9,009	\$0	\$8,026	\$0	\$5,277	\$0	\$22,312	\$0	\$22,312
93300 Gas	\$0	\$0	\$807	\$0	\$2,570	\$0	\$97	\$0	\$3,474	\$0	\$3,474
93000 Total Utilities	\$0	\$0	\$23,207	\$0	\$27,210	\$0	\$19,990	\$0	\$70,407	\$0	\$70,407
94100 Ordinary Maintenance and Operations - Labor	\$0	\$0	\$47,045	\$0	\$27,253	\$0	\$82,389	\$0	\$156,687	\$0	\$156,687
94200 Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$5,071	\$0	\$29,532	\$0	\$18,076	\$0	\$52,679	\$0	\$52,679
94300 Ordinary Maintenance and Operations Contracts	\$0	\$0	\$30,018	\$0	\$82,217	\$0	\$88,145	\$0	\$200,380	\$0	\$200,380
94500 Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$13,393	\$0	\$10,730	\$0	\$23,140	\$0	\$47,263	\$0	\$47,263
94000 Total Maintenance	\$0	\$0	\$95,527	\$0	\$149,732	\$0	\$211,750	\$0	\$457,009	\$0	\$457,009
95200 Protective Services - Other Contract Costs	\$0	\$0	\$12,793	\$0	\$0	\$0	\$0	\$0	\$12,793	\$0	\$12,793
95000 Total Protective Services	\$0	\$0	\$12,793	\$0	\$0	\$0	\$0	\$0	\$12,793	\$0	\$12,793

See independent auditor's report.

HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
YEAR ENDED JUNE 30, 2020

Line No./Line Description	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.267 Continuu m of Care Program	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
96110 Property Insurance	\$0	\$0	\$3,293	\$0	\$35,130	\$0	\$6,670	\$0	\$45,093	\$0	\$45,093
96120 Liability Insurance	\$4,307	\$0	\$596	\$0	\$0	\$169	\$2,257	\$0	\$7,329	\$0	\$7,329
96130 Workmen's Compensation	\$2,152	\$0	\$1,887	\$0	\$603	\$209	\$3,781	\$0	\$8,632	\$0	\$8,632
96100 Total insurance Premiums	\$6,459	\$0	\$5,776	\$0	\$35,733	\$378	\$12,708	\$0	\$61,054	\$0	\$61,054
96200 Other General Expenses	\$12,726	\$0	\$0	\$0	\$0	\$0	\$14,259	\$0	\$26,985	\$0	\$26,985
96210 Compensated Absences	\$0	\$0	\$0	\$0	\$0	\$2,899	\$9,029	\$0	\$11,928	\$0	\$11,928
96400 Bad debt - Tenant Rents	\$0	\$0	\$0	\$0	\$22,227	\$0	\$2,691	\$0	\$24,918	\$0	\$24,918
96600 Bad debt - Other	\$0	\$0	\$0	\$0	\$0	\$378,737	\$9,990	\$0	\$388,727	\$0	\$388,727
96000 Total Other General Expenses	\$12,726	\$0	\$0	\$0	\$22,227	\$381,636	\$35,969	\$0	\$452,558	\$0	\$452,558
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0	\$0	\$0	\$451,415	\$0	\$10,879	\$0	\$462,294	\$0	\$462,294
96730 Amortization of Bond Issue Costs	\$0	\$0	\$0	\$0	\$2,722	\$0	\$0	\$0	\$2,722	\$0	\$2,722
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$454,137	\$0	\$10,879	\$0	\$465,016	\$0	\$465,016
96900 Total Operating Expenses	\$516,151	\$1,957	\$376,822	\$93,492	\$855,514	\$569,986	\$1,058,925	\$27,270	\$3,500,117	-\$26,426	\$3,473,691
97000 Excess of Operating Revenue over Operating Expenses	\$7,010,397	\$71,551	-\$223,238	\$793,580	-\$411,919	-\$524,595	-\$672,389	\$0	\$6,043,387	\$0	\$6,043,387
97300 Housing Assistance Payments	\$6,115,121	\$524	\$0	\$793,580	\$0	\$0	\$0	\$0	\$6,909,225	\$0	\$6,909,225
97350 HAP Portability-In	\$1,018,831	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,018,831	\$0	\$1,018,831
97400 Depreciation Expense	\$0	\$0	\$32,966	\$0	\$362,062	\$2,478	\$104,528	\$0	\$502,034	\$0	\$502,034
90000 Total Expenses	\$7,650,103	\$2,481	\$409,788	\$887,072	\$1,217,576	\$572,464	\$1,163,453	\$27,270	\$11,930,207	-\$26,426	\$11,903,781
10010 Operating Transfer In	\$0	\$0	\$310,692	\$0	\$0	\$0	\$141,842	\$0	\$452,534	-\$452,534	\$0
10020 Operating transfer Out	\$0	\$0	\$0	\$0	\$0	\$0	-\$452,534	\$0	-\$452,534	\$452,534	\$0
10030 Operating Transfers from/to Primary Government	\$0	\$0	\$0	\$0	\$0	\$0	\$1,187,930	\$0	\$1,187,930	\$0	\$1,187,930
10040 Operating Transfers from/to Component Unit	\$0	\$0	\$0	\$0	\$0	-\$695	\$695	\$0	\$0	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$310,692	\$0	\$0	-\$695	\$877,933	\$0	\$1,187,930	\$0	\$1,187,930
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$123,555	\$71,027	\$54,488	\$0	-\$773,981	-\$527,768	\$101,016	\$0	-\$1,198,773	\$0	-\$1,198,773
Memo Section:											
11030 Beginning Equity	\$152,486	\$0	\$530,470	\$0	\$12,581,909	\$226,874	\$2,588,660	\$0	\$16,080,399		\$16,080,399
11040 Prior Period Adjustments, Equity Transfers and Correction of					-\$11,965,459		\$0		-\$11,965,459		-\$11,965,459

See independent auditor's report.

GOVERNMENT AUDIT INFORMATION



BROWN, GRAHAM & COMPANY
PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S 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***

To the Board of Commissioners
Housing Authority of Travis County, Texas
Austin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of Travis County, Texas (the Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority of Travis County, Texas' basic financial statements and have issued our report thereon dated March 2, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's basic 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 over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we have reported to management of the Authority in a separate letter dated March 2, 2021.

Purpose of this Report

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

Brown, Graham & Company, P.C.

Austin, Texas
March 2, 2021

SINGLE AUDIT INFORMATION



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Commissioners
Housing Authority of Travis County, Texas
Austin, Texas

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Travis County, Texas' (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2020. 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of Travis County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective 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 the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Brown, Graham & Company, P.C.

Austin, Texas
March 2, 2021



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**INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the Board of Commissioners
Housing Authority of Travis County, Texas
Austin, Texas

We have audited the basic financial statements of the Housing Authority of Travis County, Texas as of and for the year ended June 30, 2020, and have issued a report dated March 2, 2021, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Brown, Graham & Company, P.C.

Austin, Texas
March 2, 2021

**HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Program	CFDA Number	Federal Award Expenditures
Housing Choice Voucher	14.871	6,488,568
Housing Choice Voucher - Port-In passthrough	14.871	1,018,831
HCV CARES Act Funding	14.871	27,270
Mainstream Voucher	14.879	<u>73,508</u>
 Total Housing Choice Voucher Cluster		 7,608,177
 Section 8 Housing Assistance Payments Program_Special Allocations	 14.195	 \$ 112,021
 Continuum of Care Program	 14.267	 <u>887,072</u>
		 <u>\$ 8,607,270</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of Travis County, Texas (the Authority) for the year ended June 30, 2020. There were no subrecipients of these federal awards. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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.

Summary of Significant Accounting Policies

The Authority did not make an election to use the ten percent de minimis cost rate as allowed for in the Uniform Guidance.

**HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Yes No

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified? X

Significant deficiencies identified that are not considered to be
material weaknesses? X

Noncompliance material to financial statements noted? X

Federal Awards:

Internal control over major programs:

Material weaknesses identified? X

Significant deficiencies identified that are not considered to be
material weaknesses? X

Type of auditor's report issued on compliance with major programs

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.156(a)? X

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Voucher
14.871	HCV CARES Act Funding
14.879	Mainstream Voucher

Dollar threshold used to distinguish between type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? X

**SECTION II - FINDINGS RELATED TO THE FINANCIAL
STATEMENTS WHICH ARE REQUIRED TO BE
REPORTED IN ACCORDANCE WITH GENERALLY
ACCEPTED *GOVERNMENT AUDITING STANDARDS***

Prior year X

Current year X

**HOUSING AUTHORITY OF TRAVIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2020**

	<u>Yes</u>	<u>No</u>
SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS		
Prior year		X
Current year		X