

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017

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HOUSING AUTHORITY OF THE CITY OF SAN BENITO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Management's Discussion and Analysis	1
Independent Auditor's Report	11
 <u>Basic Financial Statements</u>	
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	14
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	16
D-3 Statement of Cash Flows	20
Notes to the Financial Statements	24
 <u>Combining and Individual Fund Statements</u>	
Nonmajor Enterprise Funds:	
H-6 Combining Statement of Net Position	35
H-7 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	36
H-8 Combining Statement of Cash Flows	38
 <u>Federal Section</u>	
Report on Compliance and Internal Control Over Financial Reporting Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance	42
Schedule of Findings and Questioned Costs	44
Schedule of Status of Prior Findings	46
K-1 Schedule of Expenditures of Federal Awards	47
Notes to Schedule of Expenditures of Federal Awards	48
 <u>Supplementary Information</u>	
Schedule of Funds Approved and Expended – Completed Capital Fund 501-2014	49
Independent Auditor's Report on Applying Agreed Upon Procedures	50

HOUSING AUTHORITY OF THE CITY OF SAN BENITO

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

SEPTEMBER 30, 2017

As management of the Housing Authority, we offer readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended September 30, 2017. Management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Housing Authority's financial position and identify individual fund issues or concerns.

OVERVIEW OF THE HOUSING AUTHORITY OF THE CITY OF SAN BENITO

The Housing Authority of the City of San Benito ("Housing Authority") was created in 1947 to assist the residents of our community to gain access to decent, affordable, quality housing, by achieving self-sufficiency through education and support services. The Authority is a quasi-governmental corporation, and is governed by a five-member Board of Commissioners appointed by the Mayor of the City of San Benito.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Housing Authority is a special-purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements. Comparisons to previous year financial statements are illustrated in the MD&A for referencing the activity and changes from one year to the next.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consist of financial statements that show information about the Housing Authority's most significant funds such as the Housing Authority's Low Rent fund, Section 8 fund, and other enterprise funds.

This annual report consists of three parts - MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two types of statements that present different views of the Authority:

- ▶ The Authority-wide financial statements provide information about the authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement of Cash Flows.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

SEPTEMBER 30, 2017

- ▶ The Basic financial statements also include a “Notes to Financial Statements” section that provides additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

The reminder of this overview section of management’s discussion and analysis explains the structure and contents of each of these statements.

The Authority-wide statements report information about the Authority as a whole, using accounting methods similar to those used by private sector companies. The Statements of Net Position includes all of the Authority’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position, regardless of when cash is received or paid.

- ▶ The Authority-wide statements report the Authority’s net assets and how they changed. Net position, the difference between the Authority’s assets and liabilities, are one way to measure the Authority’s financial position.

ADDITIONAL INFORMATION - COMBINING FINANCIAL STATEMENTS

The combining of financial statements provides more detailed information about the Authority’s most significant activities and not the Authority as a whole. These statements are divided into groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives.

FINANCIAL HIGHLIGHTS

- The assets of the Housing Authority of the City of San Benito exceeded its liabilities at the close of the most recent fiscal year by \$11,256,740 (net position). Of this amount, \$1,703,056 (unrestricted net position) may be used to meet the Housing Authority’s ongoing obligations to citizens and creditors.
- The business-type activities revenues decreased by \$640,198 (or 15.6%) during 2017, and were \$4,085,218 and \$3,445,020 for fiscal years 2017 and 2016, respectively.
- Total expenses of all the Authority’s programs decreased by \$437,131 (or 11.8%) during 2017. Total expenses were \$3,262,737 and \$3,699,858 for fiscal year 2017 and 2016 respectively.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

SEPTEMBER 30, 2017

AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements (see pgs 15-17) are designed to be corporate-like in that all business is consolidated into columns that provide a total for the entire Authority.

These Statements include a Statement of Net Position, which is similar to be a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Position", formerly known as Net Assets. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current". Net Position (formerly Net Assets) is reported into two broad categories.

Net Position, Invested in Capital Assets, Net of Related Debt: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Net Position, Invested in Capital Assets, and Net of Related Debt amount to \$9,250,889 at September 30, 2017.

Unrestricted Net Position: Consists of Net Assets that do not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position". The Unrestricted Net Position amounted to \$1,703,056 on September 30, 2017 an increase of \$323,971 from fiscal year ending 2016.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Change in Fund Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses such as grant revenue, investment income, and interest expense. The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the "Changes in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flow is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain resources that have been segregated for specific activities or objectives. The Housing Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Housing Authority are reported as proprietary fund types.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

SEPTEMBER 30, 2017

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting used by the private sector.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

THE AUTHORITY'S FUND

Business Type Funds

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA (Public Housing Agency) to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the properties. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 40% of household income.

Homeownership Fund – provides support to low to moderate-income families in purchasing a home. Funding is provided through the proceeds from the sale of newly constructed or remodeled homes.

Other Non-major Funds – In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues or expenses.

Capital Fund Grant – a grant program funded by the Department of Housing and Urban Development to make capital repairs, as needed, to maintain the Housing Authority's (HA) property in habitable condition. HAs have traditionally not been able to accumulate capital repair reserves. Congress has provided funds for capital improvements through this grant.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

SEPTEMBER 30, 2017

Community Housing Services Corporation Inc. (“CHSCI”) – organized and existing under the laws of the State of Texas, as an instrumentality of the Authority and represents non-HUD resources developed from a variety of activities. The Corporation was set up for the purpose of providing means of financing the costs of decent, safe multi-family dwelling units for persons of low and moderate income. The CHSCI is funded through the collection of rental income from its properties.

San Benito Housing & Development Corporation. (“SBHDC”) – The corporation was organized under the Texas Public Facility Corporation Act to act as an instrumentality of the PHA. The corporation is sponsored and created by the PHA to assist it to acquire, construct, rehabilitate, renovate, repair, equip, furnish, finance, refinance, and place in service public facilities of the PHA for public use in the public interest. It was formed solely for public and charitable purposes.

AUTHORITY-WIDE STATEMENT

Table 1 reflects the condensed Statement of Net Position for year ending September 30, 2017.

Table 1

STATEMENT OF NET POSITION

	<u>FY 2016</u>	<u>FY 2017</u>
Current and other assets	\$1,700,088	\$1,849,917
Capital assets and noncurrent assets	10,690,152	10,624,997
Total Assets	12,390,240	12,474,914
Current liabilities	99,618	103,328
Long-term liabilities	1,214,602	1,114,846
Invested in capital assets, net of related debt	9,471,779	9,250,889
Temporarily Restricted	225,156	302,795
Unrestricted	1,379,085	1,703,056
Total net position	<u>\$11,076,020</u>	<u>\$11,256,740</u>

FINANCIAL ANALYSIS

The Housing Authority’s total net position was \$11,256,740. Of this amount, \$302,056 was restricted.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

SEPTEMBER 30, 2017

As we noted earlier, the Housing Authority uses funds to help control and manage money for particular purposes. The Low-Rent Housing fund accounts for public housing and resident services. The Section 8 fund accounts for Section 8 Housing Assistance Payments (HAP) and the Section 8 Homeownership voucher program. Non-Major fund account reflects HUD Capital Grant, Community Housing Service Corp. Inc. and San Benito Housing & Development Corporation. Our analysis below focuses on the net assets and the change in net position of the primary government as a whole.

Table 2

Change in Equity

Table 2 presents details on the change in Equity

Net Position

	<u>FY 2016</u>	<u>FY 2017</u>
Previous Year Ending Equity	\$10,542,142	\$11,076,020
Results of Operation	385,360	182,283
Prior Period Corrections/ Equity Transfers	148,518	(1,563)
Ending Equity	<u>\$11,076,020</u>	<u>\$11,256,740</u>

HOUSING AUTHORITY OF THE CITY OF SAN BENITO

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

SEPTEMBER 30, 2017

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well being.

Table 3

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN NET POSITION

	<u>FY 2016</u>	<u>FY 2017</u>
Subsidies and Grants	\$3,181,040	\$2,239,400
Capital Grants	118,545	235,893
Dwelling Rental	488,597	591,064
Other Revenue	271,341.00	326,924
Investment Income	2,254	6,838
Gain on Sale of Assets	23,441	44,901
Total Revenues	<u>4,085,218</u>	<u>3,445,020</u>
Administrative	725,096	690,639
Tenant Services	3,331	11,194
Utilities	48,487	43,319
Maintenance	330,925	384,885
General Expenses	274,535	183,209
Housing Assistance Payment	1,649,317	1,630,192
Debt Service	-	61,978
Depreciation	668,167	257,321
Total Expenses	<u>3,699,858</u>	<u>3,262,737</u>
Net Income	<u>\$385,360</u>	<u>\$182,283</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Changes reflected to Operating Subsidies and Grants are generally due to the Appropriations Law enacted by Congress annually. The San Benito Housing & Development Corporation (SBHDC) was awarded a \$4,050,000 reimbursable grant of which final payments were received in FY 2016, therefore playing a big part in the decrease of Operating Subsidies and Grants. The increase of \$102,467 in Dwelling Rental is due to the first complete operational year of SBHDC's Stone Village Apartment Homes.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On September 30, 2017 the Housing Authority had \$10,624,997 invested in a broad range of capital assets, including land, building and equipment, and construction in progress.

CAPITAL ASSETS AT YEAR-END
(NET OF ACCUMULATED DEPRECIATION)

	Business-type Activities	
	<u>FY 2016</u>	<u>FY 2017</u>
Land	\$ 305,963	\$347,395
Building and Equipment - Administrative & Dwelling	22,530,730	23,061,772
Accumulated Depreciation	(12,599,468)	(12,855,996)
Construction In Progress	452,927	71,826
Total	<u>\$ 10,690,152</u>	<u>\$10,624,997</u>

MAJOR FACTORS AFFECTING CAPITAL ASSETS

The decrease in Construction in Progress is due to the completion of three homes in the Homeownership Program and therefore, resulting in an increase in Administrative & Dwelling.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2017

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on pages 30 and 31 of the notes.

CHANGE IN CAPITAL ASSETS

	Business Type Activities	
	<u>FY 2016</u>	<u>FY 2017</u>
Beginning Balance	\$9,205,476	\$10,690,153
Additions	2,154,175	222,291
Retirements	(97,023)	(30,919)
Accumulated Depreciation	<u>(572,475)</u>	<u>(256,528)</u>
Ending Balance	<u><u>\$10,690,153</u></u>	<u><u>\$10,624,997</u></u>

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2017

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- ▶ Federal funding of the Department of Housing and Urban Department
- ▶ Local inflationary, reversionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income.
- ▶ Average unemployment rate for San Benito, Texas is 6.8% compared to 4.0% for the state and the National rate of 4.1%.
- ▶ Federal Reserve rates are at a low resulting in low Interest Earnings as provided by our Financial Institution

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the Authority’s accountability for all those interested. If you should have questions regarding the financial information, you may contact our office in writing at the following address:

Housing Authority of the City of San Benito
Attn: Yvette T Nieto
1400 N Reagan Street
San Benito, Texas 78586

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Independent Auditor's Report

To the Board of Commissioners of
Housing Authority of the City of San Benito
Texas 1400 N Reagan St
San Benito, Texas 78586

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.² Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

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of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4–14 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. The accompanying Schedule of Expenditures of Federal Awards and the financial data schedule are presented for the purpose of additional analysis as required by the U. S. Office of Management and Budget Uniform Guidance and the Uniform Reporting Standards published by HUD. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The introductory section, combining financial statements, and schedules of funds approved and expended capital funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

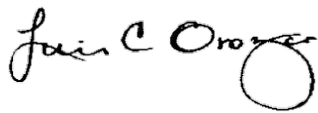
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The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 13, 2018, on our consideration of the Housing Authority of the City of San Benito'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 that testing and not to provide an opinion on internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of San Benito's internal control over financial reporting and compliance.



Luis C. Orozco
Certified Public Accountant
Pharr, TX 78577
June 13, 2017

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-Type Activities -	
	Low Rent	HCV Section 8
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 297,524	\$ 113,783
Restricted Cash	14,997	64,698
Investments Current	250,475	-
Accounts Receivable Net	9,290	600
Due from Other Governments	1,590	-
Due from Other Funds	2,029	-
Inventories	15,481	-
Prepaid Items	12,392	-
Deferred Charges	-	-
Total Current Assets	603,778	179,081
Noncurrent Assets:		
Capital Assets:		
Land Purchase and Improvements	278,447	-
Buildings	16,716,230	-
Improvements other than Buildings	800,055	-
Furniture and Equipment	361,859	16,847
Accumulated Depreciation - Capital Assets	(12,531,833)	(9,456)
Construction in Progress	40,500	-
Total Noncurrent Assets	5,665,258	7,391
Total Assets	6,269,036	186,472
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,566	791
Compensated Absences Payable	1,640	193
Tenant Security Deposits	14,997	-
Due to Other Funds	771	-
Accrued Interest Payable	30,830	-
Tenant Prepaid Rent	3,519	-
Notes Payable - Current	-	-
Total Current Liabilities	54,323	984
Noncurrent Liabilities:		
Loans Payable - Noncurrent	-	-
Other Long Term Debt Payable - Noncurrent	14,764	1,734
Total Noncurrent Liabilities	14,764	1,734
Total Liabilities	69,087	2,718
NET POSITION		
Net Investment in Capital Assets	5,389,449	7,391
Restricted for	14,997	64,698
Unrestricted	795,503	111,665
Total Net Position	\$ 6,199,949	\$ 183,754

The notes to the financial statements are an integral part of this statement.

San Benito Housing & Development	Nonmajor Enterprise Funds	Total Enterprise Funds
\$ 49,384	\$ 175,787	\$ 636,478
-	5,000	84,695
401,557	-	652,032
8,855	-	18,745
-	-	1,590
739	32	2,800
2,181	2,300	19,962
-	-	12,392
229,844	191,379	421,223
692,560	374,498	1,849,917
-	68,948	347,395
4,935,842	178,162	21,830,234
-	-	800,055
50,331	2,446	431,483
(310,559)	(4,148)	(12,855,996)
-	31,326	71,826
4,675,614	276,734	10,624,997
5,368,174	651,232	12,474,914
274	4,626	8,257
-	6	1,839
12,886	1,200	29,083
1,163	866	2,800
-	-	30,830
3,304	-	6,823
23,696	-	23,696
41,323	6,698	103,328
1,098,298	-	1,098,298
-	50	16,548
1,098,298	50	1,114,846
1,139,621	6,748	1,218,174
3,577,315	276,734	9,250,889
-	223,100	302,795
651,238	144,650	1,703,056
\$ 4,228,553	\$ 644,484	\$ 11,256,740

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities -	
	Low Rent	HCV Section 8
<hr/>		
OPERATING REVENUES:		
Investment Earnings	\$ 2,882	\$ 700
Tenant Revenue	343,525	-
Other Revenue	119,236	199,411
Total Operating Revenues	<u>465,643</u>	<u>200,111</u>
OPERATING EXPENSES:		
Administrative Expenses		
Personnel Services - Salaries and Wages	268,195	68,464
Personnel Services - Employee Benefits	78,611	23,146
Purchased Professional & Technical Services	32,326	42,499
Purchased Property Services	20,512	2,396
Other Operating Costs	21,604	3,281
Supplies	5,299	3,323
Total Administrative Expenses	<u>426,547</u>	<u>143,109</u>
Tenant Services		
Personnel Services - Salaries and Wages	-	-
Personnel Services - Employee Benefits	-	-
Other Operating Costs	5,225	-
Total Tenant Services	<u>5,225</u>	<u>-</u>
Utility Expenses		
Purchased Property Services	35,335	-
Ordinary Maintenance and Operation		
Personnel Services - Salaries and Wages	686	-
Personnel Services - Employee Benefits	48,434	-
Purchased Property Services	295,198	-
Supplies	-	-
Total Ordinary Maintenance and Operation	<u>344,318</u>	<u>-</u>
Protective Services		
Other Operating Costs	1,897	427
General Expenses		
Personnel Services - Employee Benefits	9,866	3,172
Purchased Property Services	33,948	-
Other Operating Costs	103,949	9,814
Total General Expenses	<u>147,763</u>	<u>12,986</u>
HAP Expenditures		
Other Operating Costs	-	1,630,192
Depreciation	82,429	-
Debt Service	-	-
Total Operating Expenses	<u>1,043,514</u>	<u>1,786,714</u>
Operating Income (Loss)	<u>(577,871)</u>	<u>(1,586,603)</u>
NONOPERATING REVENUES (EXPENSES):		
Gain in Sale of Property	-	-

The notes to the financial statements are an integral part of this statement.

San Benito Housing & Development	Nonmajor Enterprise Funds	Total Enterprise Funds
\$ 2,562	\$ 694	\$ 6,838
237,282	10,257	591,064
6,235	2,042	326,924
246,079	12,993	924,826
(463)	16,881	353,077
341	5,420	107,518
5,527	2,924	83,276
4,928	360	28,196
54,950	29,128	108,963
834	153	9,609
66,117	54,866	690,639
-	4,477	4,477
-	1,492	1,492
-	-	5,225
-	5,969	11,194
7,480	504	43,319
-	-	686
-	915	49,349
22,065	16,587	333,850
-	1,000	1,000
22,065	18,502	384,885
-	-	2,324
-	578	13,616
(74)	307	34,181
17,462	1,863	133,088
17,388	2,748	180,885
-	-	1,630,192
173,190	1,702	257,321
61,978	-	61,978
348,218	84,291	3,262,737
(102,139)	(71,298)	(2,337,911)
-	49,293	49,293

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities -	
	Low Rent	HCV Section 8
Grants	551,566	1,687,834
Other Nonoperating Expenses	(3)	-
Total Nonoperating Revenue (Expenses)	551,563	1,687,834
Income (Loss) Before Transfers	(26,308)	101,231
Nonoperating Transfers In	47,741	-
Transfers Out (Use)	-	-
Change in Net Position	21,433	101,231
Total Net Position - October 1 (Beginning)	6,060,880	82,572
Prior Period Adjustment/Equity Transfers	117,636	(49)
Total Net Position September 30 (Ending)	\$ 6,199,949	\$ 183,754

The notes to the financial statements are an integral part of this statement.

San Benito Housing & Development	Nonmajor Enterprise Funds	Total Enterprise Funds
-	235,893	2,475,293
-	(4,389)	(4,392)
-	280,797	2,520,194
(102,139)	209,499	182,283
-	-	47,741
-	(47,741)	(47,741)
(102,139)	161,758	182,283
4,329,952	602,616	11,076,020
740	(119,890)	(1,563)
\$ 4,228,553	\$ 644,484	\$ 11,256,740

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities	
	Low Rent	HCV Section 8
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 465,643	\$ 700
Cash Received from Assessments - Other Funds	-	199,411
Cash Payments to Employees for Services	(431,772)	(134,090)
Cash Payments for Suppliers	(512,665)	-
Cash Payments for Other Operating Expenses	-	(13,413)
Cash Payments for HAP	-	(1,630,192)
Net Cash Provided by (Used for) Operating Activities	(478,794)	(1,577,584)
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer In	47,741	-
Increase (Decrease) on Grants	551,565	1,687,834
Increase [decrease] on long term debt	-	(1,637)
Operating Transfer Out	-	-
Net Cash Provided by Non-Capital Financing Activities	599,306	1,686,197
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(157,236)	-
Capital Contributed by Other Funds	-	-
Capital Transfer	117,636	-
Principal Paid on Capital Debt	-	-
Increase [Decrease] On Other Current Receipts	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(39,600)	-
<u>Cash Flows from Investing Activities:</u>		
Purchase of Investment Securities	(250,475)	-
Proceeds from Sale & Maturities of Securities	-	-
Net Cash Provided by (Used for) Investing Activities	(250,475)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(169,563)	108,613
Cash and Cash Equivalents at Beginning of the Year	482,085	69,868
Cash and Cash Equivalents at the End of the Year	\$ 312,522	\$ 178,481
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss)	\$ (577,871)	\$ (1,586,603)
Adjustments to Reconcile Operating Income To Net Cash Provided by (Used For) Operating Activities:		
Depreciation	81,635	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (Increase) in Receivables	(7,494)	9,029
Decrease (Increase) in Inventories	28,058	-
Decrease (Increase) in Prepaid Expenses	2	-

The notes to the financial statements are an integral part of this statement.

San Benito Housing & Development	Nonmajor Enterprise Funds	Total Enterprise Funds
\$ 246,079	\$ 42,374	\$ 754,796
-	-	199,411
(66,117)	(29,187)	(661,166)
(46,933)	-	(559,598)
(68,147)	(53,402)	(134,962)
-	-	(1,630,192)
64,882	(40,215)	(2,031,711)
-	-	47,741
-	235,893	2,475,292
-	-	(1,637)
-	(166,939)	(166,939)
-	68,954	2,354,457
-	(199,045)	(356,281)
1,163	-	1,163
-	164,216	281,852
(23,062)	(75,053)	(98,115)
-	44,904	44,904
(21,899)	(64,978)	(126,477)
(401,557)	-	(652,032)
-	50,102	50,102
(401,557)	50,102	(601,930)
(358,574)	13,863	(405,661)
407,957	166,924	1,126,834
\$ 49,383	\$ 180,787	\$ 721,173
\$ (102,139)	\$ (71,298)	\$ (2,337,911)
173,190	1,702	256,527
(3,789)	23,522	21,268
(2,149)	-	25,909
-	-	2

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities	
	Low Rent	HCV Section 8
Increase (Decrease) in Accounts Payable	(2,354)	172
Increase (Decrease) in Payroll Deductions	(6)	(182)
Increase (Decrease) in Tenant Security Payable	(1,660)	-
Increase (Decrease) in Tenant Prepaid Rent	1,918	-
Increase (Decrease) in Other Current Liabilities	(1,022)	-
Net Cash Provided by (Used for)		
Operating Activities	<u>\$ (478,794)</u>	<u>\$ (1,577,584)</u>

The notes to the financial statements are an integral part of this statement.

San Benito Housing & Development	Nonmajor Enterprise Funds	Total Enterprise Funds
(277)	5,281	2,822
(46)	50	(184)
(1,546)	1,200	(2,006)
1,819	-	3,737
(181)	(672)	(1,875)
<u>\$ 64,882</u>	<u>\$ (40,215)</u>	<u>\$ (2,031,711)</u>

**HOUSING AUTHORITY OF THE CITY OF SAN BENITO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing Authority of the City of San Benito ("SBHA") was established in 1947 under applicable federal laws that established the Department of Housing and Urban Development ("HUD") for providing safe, decent, sanitary and affordable housing to low-income and elderly citizens of the City of San Benito.

The governing body of the SBHA is the Board of Commissioners ("Board"), which consists of five members appointed by the Mayor of the City of San Benito. The Board has decision-making authority and appoints an Executive Director to administer the daily affairs of the SBHA.

The reporting entity includes the financial statements of the funds required-to be accounted for and those activities and functions that are related to the SBHA and are controlled by or depend upon the SBHA's governing body. The SBHA is not included in any other governmental "reporting entity" as defined by GASB, Statement No. 14, "The Financial Reporting Entity".

The Community Housing Services Corporation, Inc. is a blended component unit, presented as a nonmajor fund, because the governing body is composed of the same five members as the SBHA Board; thereby exercising oversight responsibility, controlling daily operations and managing the organization.

Financial statements for the component unit may be obtained from the administrative office at 1400 North Reagan, San Benito, Texas 78586.

Description of a Public Housing Authority

Funding for public housing authorities is received from HUD and from participants in public housing programs. The SBHA has 571 units in management; 209 units in owned housing and 362 units in choice program vouchers.

Basis of Presentation

The SBHA prepares its financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") for local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the SBHA are described below.

The accounts of the SBHA are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, retained earnings, revenues and expenses.

The SBHA accounts for its operations as enterprise funds. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The SBHA reports the following major funds:

The Low Rent Housing Assistance Program Low-income tenants pay monthly rents, which are determined by their need for assistance. HUD pays the annual debt service contributions directly to a fiscal or paying agent under the terms of the annual contribution contract ("ACC"). HUD also pays operating subsidies to the housing authority to enable the authority to maintain the character of the neighborhood while provide adequate services and maintaining adequate reserves.

Section 8 Housing Assistance Payments Program ('Section 8') provides rental supplements to the owners of existing private housing who rent to qualifying individuals. The SBHA processes all applicants for Section 8, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an ACC, HUD reimburses the SBHA for the rental supplements and the administrative costs of managing the program, up to a per unit limit established in the ACC. The SBHA administers a Section 8 Homeownership Voucher assistance program, which provides low-income and moderate-income families purchasing a home with mortgage payment assistance.

San Benito Housing & Development Corporation, Inc. ('SBHDC') was organized under the Texas Public Facility Corporation Act to act as an instrumentality of the PHA. The corporation is sponsored and created by the PHA to assist it to acquire, construct, rehabilitate, renovate, repair, equip, furnish, finance, refinance, and place in service public facilities of the PHA for public use in the public interest. It was formed solely for public and charitable purposes.

Additionally, SBHA reports the following non-major funds:

Homeownership provides supportive services to low-income and moderate-income families purchasing a home through the assistance of the City of San Benito First Home Buyer's Program and the Section 8 Homeownership Voucher assistance program.

Capital Grants are granted by HUD to account for major capital improvements, maintenance and repairs, training and administrative expenses.

Community Housing Services Corporation, Inc. ('CHSCI') was organized and exists under the laws of Texas as an instrumentality of the SBHA. CHSCI was set up for providing a means of financing the costs of decent, safe and sanitary multifamily dwelling units for persons of low and moderate income. CHSCI is funded through the collection of rental income from its properties.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position, which is the result of deducting all the liabilities from all the assets. Total net position is segregated into three components: 1) invested in capital assets, net of related debt, 2) restricted assets, and 3) unrestricted assets. Operating statements for this fund present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The SBHA uses the full accrual basis of accounting. Under the full accrual basis of accounting, the SBHA's financial statements have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. All other revenues are recognized when cash is received.

As permitted, the SBHA has elected to apply only the applicable FASB Statements and Interpretations issued before November 30, 1989 in accounting and reporting practices for its operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budget

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the low-rent housing program and for the programs under the housing assistance payment program. All annual appropriations lapse at fiscal year-end. Project-length budgets are adopted for comprehensive improvement assistance programs and for development projects. Budgets are amended as required.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

All deposits of the SBHA are made in board-designated official depositories and are secured as required by HUD regulations. The SBHA may designate as an official depository any bank or savings and loan association whose principal office is in Texas. Also, the SBHA may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit.

Section 401(e) of the federal ACC authorizes the SBHA to invest excess funds in instruments issued by or guaranteed by the federal government. The SBHA practices this policy for all invested funds, regardless of source. Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. Money market investments that have a maturity at the time of purchase of one year or less are carried at amortized costs.

During the fiscal year and at year-end, all cash was held in the form of interest bearing accounts. For purposes of the statement of cash flows, cash and cash equivalents include all demand deposits and short-term investments with maturity dates within ninety days of the date initially acquired.

Interprogram Receivables and Payables

During the normal course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interprogram due from" or "interprogram due to" on the balance sheet. Reimbursements between funds are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund being reimbursed.

Encumbrances

The SBHA does not utilize an encumbrance system of accounting to record goods or purchased services ordered.

Due from Federal Agencies

The amount due from federal agencies as of September 30, 2017, if any, consists of operating subsidy payments earned as of fiscal year-end but not received as of that date.

Inventory

Inventories are recorded at the lower of cost or net realizable value using First-In, First-Out ("FIFO") method. The SBHA's inventory consists mostly of expendable supplies that are recorded as an expense as it is consumed or sold.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

Fixed assets are defined by the SBHA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life more than one year. Such assets are capitalized in the funds used to acquire or construct them. Everything purchased or developed fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Buildings, building improvements, nondeleting structures and equipment of the SBHA is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Buildings Improvements	15
Non-dwelling Structures	30
Equipment	5-10

Unearned Revenue

Unearned revenue consists of contingencies in the Homeownership fund and rental payments made by tenants in advance of their due date.

Intergovernmental payables

Intergovernmental payables consist of funds advanced to the SBHA during the fiscal year that were not earned. HUD will recapture these funds in the following fiscal year.

Long-term Debt

Long-term liabilities expected to be financed from enterprise funds are accounted for in those funds.

Operating Revenues

Subsidies received from HUD or other grantor agencies for operating purposes, are recorded as operating revenues. Those that are received for capital purposes are recorded as a capital contribution.

Net Position

Net Position is classified into three parts: as invested in capital assets-net of related debt, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed (as by creditors, grantors, contributors, or laws or regulations of other governments), or imposed by law.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

On or before September 30, the Board adopts the operating budget. The budget is legally adopted through the passage of a resolution. The budget's final approval rests with HUD, when it reviews the prior year's final operations

and the subsequent year's budget information. Annual operating budgets are prepared on a basis consistent with generally accepted accounting principles ("GAAP").

Low Rent - budgets for the grant revenue program is approved for the length of the individual grants and effective budgetary control is achieved through the program's reimbursement procedures.

Capital Project Funds - budgets for capital project funds are approved for the length of the individual projects. Appropriations are authorized at the fund expenditure category level, and effective budgetary control is achieved through the project's reporting requirements.

3. DETAILED NOTES ON ALL FUNDS

Assets

Deposits and investments

The funds of the SBHA must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with counterparty's trust department in the SBHA's name in an amount sufficient to protect the SBHA funds on a day-to-day basis during the period of the contract held by the respective banks in the name of the depository bank. 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.

Depository: First Community Bank

- a. The combined carrying amount of the Housing Authority's deposits as of September 30, 2017, amounted to \$1,373,205.
- b. The combined bank balances of cash at First Community Bank as of September 30, 2017, amounted to \$1,373,205.
- c. Total amount of FDIC coverage at the time of the combined balances was \$250,000 for demand accounts.

The amounts of bond and/or the market value of securities pledged on the date of the combined balance were \$1,315,690.

Policies and Legal Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the SBHA complies with this law, it has no custodial risk for deposits.

Foreign Currency Risk for Deposits - The SBHA limits the risk that changes in exchange rates will adversely affect the fair value of a deposit. At year-end, the SBHA was not exposed to foreign currency risk.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the SBHA to adopt, implement, and publicize an investment policy. The policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio

3. DETAILED NOTES ON ALL FUNDS

investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The Statutes authorize the SBHA to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) Mutual Funds, (8) Investment pools,' (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the SBHA to. have independent auditors perform test procedures related to investment practices as provided by the Act. The SBHA is not in compliance with all the requirements of the Act and with local policies.

The SBHA's temporary investments at September 30, 2017, are shown below:

Investment Type	Fair Value	Weighted Average Rating
TexPool	\$ 652,032	AAA

Additional policies and contractual provisions governing deposits and investments for the SBHA are specified below:

Credit Risk - In accordance with state law, investments in mutual funds and investment pools must be Tatted at least AAA or have an equivalent rating, commercial paper must be rated at least A-1, P-1 or have an equivalent rating, and obligations of states, agencies, counties, and cities must be at least A or its equivalent. As of September 30, 2017, the SBHA had investments in money market funds and certificates of deposit in its depository bank and was therefore not subject to credit risk.

Custodial Risk for Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the SBHA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by third parties were fully collateralized and held in the SBHA's name.

Concentration of Credit Risk - The investment portfolio is diversified in terms of investment instruments and maturity scheduling to reduce risk of loss resulting from over concentration of assets in specific class of investments, specific maturity or specific issuer. As of September 30, 2017, the SBHA had 100% of its investments in Money Market accounts that were fully covered by eligible pledged securities.

Interest Rate Risk - In accordance with state law, the SBHA does not purchase any investments greater than five (5) years for its operating funds.

Foreign Currency Risk for Investments – The SBHA limits the risk that changes in exchange rates will adversely affects the fair value of an investment. At year-end, the SBHA was not exposed to foreign currency risk.

3. DETAILED NOTES ON ALL FUNDS

Capital Assets

	Balance 10/01/16	Additions	Retirements	Adjustments	Balance 09/30/17
Low Rent					
Capital assets not being depreciated:					
Land	278,447				278,447
Construction in progress	236,144			(195,644)	40,500
Total capital assets not being depreciated	514,591	-		(195,644)	318,947
Capital assets being depreciated:					
Buildings & improvements	17,132,487	383,798			17,516,285
Furniture & equipment	392,778		(30,919)		361,859
Total capital assets being depreciated	17,525,265	383,798	(30,919)		17,878,144
Less accumulated depreciation	(12,450,198)	(81,635)			(12,531,833)
Total Capital Assets, Net	5,589,658	302,163	(30,919)	(195,644)	5,665,258
Section 8					
Capital assets being depreciated:					
Furniture & equipment	16,847				16,847
Total capital assets being depreciated	16,847				16,847
Less accumulated depreciation	(9,456)				(9,456)
Total Capital Assets, Net	26,303	-			26,303
Capital Projects					
Capital assets being depreciated:					
Buildings & improvements	-	393,798		(393,798)	-
Furniture & equipment	-	-			-
Total capital assets being depreciated	-				-
Less accumulated depreciation	-	-			-
Total Capital Assets, Net	-	-			-

3. DETAILED NOTES ON ALL FUNDS

Capital Assets

	Balance 10/01/16	Additions	Retirements	Adjustments	Balance 09/30/17
Home Ownership Fund					
Capital assets not being depreciated:					
Construction in progress	196,234	31,326		(196,234)	31,326
Capital assets not being depreciated:	196,234	31,326			31,326
Capital assets being depreciated:					
Furniture & equipment	2,446				2,446
Total capital assets being depreciated	2,446				2,446
Less accumulated depreciation	(2,446)				(2,446)
Total Capital Assets, Net	196,234	31,326	-	-	31,326
Community Housing Services Corp					
Capital assets not being depreciated:					
Land	27,516	41,432	-	-	68,948
Construction in Progress	20,549			(20,549)	-
Capital assets not being depreciated:	48,065	41,432			68,948
Capital assets being depreciated:					
Buildings & improvements	-	178,162	-	-	178,162
Total capital assets being depreciated	-	178,162			178,162
Less accumulated depreciation	-	(1,702)	-	-	(1,702)
Total Capital Assets, Net	48,065	217,892	-	(20,549)	245,408
San Benito Housing & Development Corp					
Capital assets being depreciated:					
Buildings & improvements	4,935,842				4,935,842
Furniture & equipment	50,331				50,331
Total capital assets being depreciated	4,986,173	-			4,986,173
Less accumulated depreciation	(137,369)	(173,190)			(310,559)
Total Capital Assets, Net	4,848,804	(173,190)			4,675,614
Summary Total					
Capital assets not being depreciated:					
Land	305,963	41,432			347,395
Construction in progress	452,927	31,326		(412,427)	71,826
Total capital assets not being depreciated	758,890	72,758		(412,427)	419,221
Capital assets being depreciated:					
Buildings & improvements	22,068,329	561,960			22,630,289
Furniture & equipment	462,402	-	(30,919)		431,483
Total capital assets being depreciated	22,530,731	561,960	(30,919)		23,061,772
Less accumulated depreciation	(12,599,468)	(256,528)			(12,855,996)
Total Capital Assets, Net	10,690,153	378,190	(30,919)	(412,427)	10,624,997

Liabilities

Pension Plan

The SBHA participates in a defined contribution plan administered by HART (Housing Agency Retirement Trust) through the end of the fiscal year. The plan covers permanent full-time employees working thirty-two or more hours weekly. Employees are vested in the plan 100% after one year of employment.

SBHA contributes ten percent and plan members are required to contribute three percent of annual covered payroll. The SBHA's contribution for the years ended September 30, 2017, 2016 and 2015 were \$48,148, \$52,364, and \$52,187, respectively.

3. DETAILED NOTES ON ALL FUNDS

The Housing Authority Retirement Trust is a defined contribution retirement plan covering essentially all employees of participating employers. Participating employers are all public housing authorities. The Trust is a multiple employer plan, meaning that each employer adopts its own plan agreement and can choose to adopt several different provisions.

The Trust is funded by employer contributions and in some cases, employee contributions. The rates of contributions are determined by the various joinder agreements of the participating employers. Terminated or retiring participants are entitled to certain benefits including the full amount of their contributions to the Trust as well as earnings on their contributions. In addition to the amount of their contribution, each participant is entitled to the portion of the employer's contributions in which he or she has a vested interest. Vesting provisions are determined in accordance with the participating employer's joinder agreement. If a participating employee shall be determined to be totally and permanently disabled, or if an active participating employee should die prior to retirement, or if a vested participant who is no longer actively employed attains normal retirement age as specified in the employer's joinder agreement, then the employee or their designated beneficiary shall be entitled to the full value of the participant's account.

Benefits are payable in the form of lump sum or scheduled payments, depending upon the election of the participant. Forfeitures are first used to pay applicable administrative expenses for the sponsoring employer. Any remaining amounts are then refunded to the sponsoring employer at the end of each calendar year.

If the Trust is terminated or contributions under the Trust are discontinued, the participating employee are entitled to benefits accrued to the date of such termination or discontinuance to the extent funded and/or to the amounts credited to the employees' accounts.

The trustees amended the plan effective as of January 1, 1998 to provide for a loan fund. The loan fund is elective for each participating employer. The minimum loan amount is \$1,000 with the maximum amount being the lesser of 50% of the participants vested account balance or \$50,000. Repayments are made over a period of 12 to 60 months. The interest rate charge is New York prime plus 1%. There is an initial loan application fee of \$75 which is taken from the participant's account. Upon termination of employment any loan balance becomes immediately due and payable. If the loan is not repaid prior to termination, it is treated as a taxable plan distribution unless other arrangements are made with the employer for repayment. Not all participating employers have adopted the loan provisions.

There is no liability of the plan for the participating agencies. Employees are entitled only to their own account balances in accordance with the terms of the specific agency's joinder agreement. Most participating agencies do not make any contributions to the plan as this plan is a supplement to public defined benefit pension plans.

CHANGES IN LONG TERM LIABILITIES

On August 22, 2014, the San Benito Housing and Development Corporation borrowed \$1,500,000 from First Community Bank: to assist with a 20% in the construction of 50 units under the CDBG Program and all part of an apartment complex known as Stone Village Apartments located on San Benito, Cameron County, Texas. After all the funds were drawn from the Line of Credit, a 4-year Term Note was established in the amount of \$1,150,000 at 5.5%, payable on a 25-year amortization. The note is payable in monthly installments of \$7,063, including interest at 5.5%, and is secured by real property. The note matures on October 22, 2019. The principal amount outstanding at September 30, 2017 was \$1,121,994.

The following summarizes long-term debt activity for the year ended September 30, 2017:

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Housing Development Corporation						
Line of Credit		1,143,374	-	(21,380)	1,121,994	23,696
Fiscal Year	Principal	Interest	Total			
2018	23,696	61,060	84,756			
2019	25,032	59,724	84,756			
2020	1,073,266	58,312	1,131,578			
	<u>1,121,994</u>	<u>179,096</u>	<u>1,301,090</u>			

4. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by granter agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the granter cannot be determined now although the government expects such amounts, if any, to be immaterial.

5. RISK MANAGEMENT

The SBHA is exposed to various uncertainties for losses related to intentional and unintentional tort; theft of damage to and destruction of real and personal property, errors and omissions; catastrophes, medical and dental claims by employees; employee illnesses and injuries and pollution claims for which tube SBHA carries commercial insurance coverage. There have been no significant reductions in insurance coverage from tube previous year. No negotiated settlements or jury awards have exceeded policy limits in the last three fiscal years.

6. LITIGATION

The SBHA attorney and management has represented that there is no pending litigation involving the SBHA.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 13, 2017 which is the date the financial statements were available to be issued.

8. PRIOR PERIOD ADJUSTMENT/ EQUITY TRANSFERS

The following table illustrates the effects of the prior period adjustments and equity transfers on the statement of net position and fund balance at September 30, 2017.

	Low Rent	Section 8	San Benito Housing & Development	Home Ownership	Capital Fund	Community Housing Services	Total
Prior Period Adjustments	(1,562)	(49)	740	(692)	-	-	(1,563)
Total Prior Period Adjustments	(1,562)	(49)	740	(692)	-	-	(1,563)
Equity Transfers	119,198	-	-	(210,446)	(119,198)	210,446	-
Total Equity Transfers	119,198	-	-	(210,446)	(119,198)	210,446	-
Total Prior Period Adjustments & Equity Transfers	117,636	(49)	740	(211,138)	(119,198)	210,446	(1,563)

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 SEPTEMBER 30, 2017

	713	715	716	Total
	Home Ownership	Capital Fund	Community Housing Services	Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 152,574	\$ -	\$ 23,213	\$ 175,787
Restricted Cash	-	-	5,000	5,000
Due from Other Funds	32	-	-	32
Inventories	-	-	2,300	2,300
Deferred Charges	191,379	-	-	191,379
Total Current Assets	343,985	-	30,513	374,498
Noncurrent Assets:				
Capital Assets:				
Land Purchase and Improvements	-	-	68,948	68,948
Buildings	-	-	178,162	178,162
Furniture and Equipment	2,446	-	-	2,446
Accumulated Depreciation - Capital Assets	(2,446)	-	(1,702)	(4,148)
Construction in Progress	31,326	-	-	31,326
Total Noncurrent Assets	31,326	-	245,408	276,734
Total Assets	375,311	-	275,921	651,232
LIABILITIES				
Current Liabilities:				
Accounts Payable	826	-	3,800	4,626
Compensated Absences Payable	6	-	-	6
Tenant Security Deposits	-	-	1,200	1,200
Due to Other Funds	866	-	-	866
Total Current Liabilities	1,698	-	5,000	6,698
Noncurrent Liabilities:				
Other Long Term Debt Payable - Noncurrent	50	-	-	50
Total Noncurrent Liabilities	50	-	-	50
Total Liabilities	1,748	-	5,000	6,748
NET POSITION				
Net Investment in Capital Assets	31,326	-	245,408	276,734
Restricted for	218,100	-	5,000	223,100
Unrestricted	124,137	-	20,513	144,650
Total Net Position	\$ 373,563	\$ -	\$ 270,921	\$ 644,484

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	713 Home Ownership	715 Capital Fund	716 Community Housing Services	Total Nonmajor Enterprise Funds
OPERATING REVENUES:				
Investment Earnings	\$ 626	\$ -	\$ 68	\$ 694
Tenant Revenue	-	-	10,257	10,257
Other Revenue	92	-	1,950	2,042
Total Operating Revenues	718	-	12,275	12,993
OPERATING EXPENSES:				
Administrative Expenses				
Personnel Services - Salaries and Wages	878	16,003	-	16,881
Personnel Services - Employee Benefits	329	5,091	-	5,420
Purchased Professional & Technical Services	2,050	-	874	2,924
Purchased Property Services	-	-	360	360
Other Operating Costs	979	28,149	-	29,128
Supplies	32	-	121	153
Total Administrative Expenses	4,268	49,243	1,355	54,866
Tenant Services				
Personnel Services - Salaries and Wages	-	4,477	-	4,477
Personnel Services - Employee Benefits	-	1,492	-	1,492
Total Tenant Services	-	5,969	-	5,969
Utility Expenses				
Purchased Property Services	504	-	-	504
Ordinary Maintenance and Operation				
Personnel Services - Employee Benefits	146	769	-	915
Purchased Property Services	1,704	11,973	2,910	16,587
Supplies	-	1,000	-	1,000
Total Ordinary Maintenance and Operation	1,850	13,742	2,910	18,502
General Expenses				
Personnel Services - Employee Benefits	578	-	-	578
Purchased Property Services	307	-	-	307
Other Operating Costs	1,863	-	-	1,863
Total General Expenses	2,748	-	-	2,748
HAP Expenditures				
ENTER OBJECT CODE DESCRIPTION IN DATA FILE	-	-	1,702	1,702
Total Operating Expenses	9,370	68,954	5,967	84,291
Operating Income (Loss)	(8,652)	(68,954)	6,308	(71,298)
NONOPERATING REVENUES (EXPENSES):				
Gain in Sale of Property	49,293	-	-	49,293
Grants	-	235,893	-	235,893
Other Nonoperating Expenses	(4,389)	-	-	(4,389)
Total Nonoperating Revenue (Expenses)	44,904	235,893	-	280,797
Income Before Transfers	36,252	166,939	6,308	209,499
Transfers Out (Use)	-	(47,741)	-	(47,741)

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	713 Home Ownership	715 Capital Fund	716 Community Housing Services	Total Nonmajor Enterprise Funds
Change in Net Position	36,252	119,198	6,308	161,758
Total Net Position - October 1 (Beginning)	548,449	-	54,167	602,616
Prior Period Adjustment	(211,138)	(119,198)	210,446	(119,890)
Total Net Position - September 30 (Ending)	<u>\$ 373,563</u>	<u>\$ -</u>	<u>\$ 270,921</u>	<u>\$ 644,484</u>

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	713 Home Ownership	715 Capital Fund	716 Community Housing Services	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 25,099	\$ -	\$ 17,275	\$ 42,374
Cash Payments to Employees for Services	-	(27,832)	(1,355)	(29,187)
Cash Payments for Other Operating Expenses	(9,370)	(41,122)	(2,910)	(53,402)
Net Cash Provided by (Used for) Operating Activities	15,729	(68,954)	13,010	(40,215)
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Grants	-	235,893	-	235,893
Operating Transfer Out	-	(166,939)	-	(166,939)
Net Cash Provided by Non-Capital Financing Activities	-	68,954	-	68,954
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Capital Assets	-	-	(199,045)	(199,045)
Capital Transfers	(46,230)	-	210,446	164,216
Principal Paid on Capital Debt	(75,053)	-	-	(75,053)
Other Capital Receipts	44,904	-	-	44,904
Net Cash Provided by (Used for) Capital and Related Financing Activities	(76,379)	-	11,401	(64,978)
<u>Cash Flows from Investing Activities:</u>				
Proceeds from Sale & Maturities of Securities	50,102	-	-	50,102
Net Increase (Decrease) in Cash and Cash Equivalents	(10,548)	-	24,411	13,863
Cash and Cash Equivalents at the Beginning of the Year	163,122	-	3,802	166,924
Cash and Cash Equivalents at the End of the Year	\$ 152,574	\$ -	\$ 28,213	\$ 180,787
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating Income (Loss)	\$ (8,652)	\$ (68,954)	\$ 6,308	\$ (71,298)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	-	-	1,702	1,702
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (Increase) in Receivables	23,522	-	-	23,522
Increase (Decrease) in Accounts Payable	1,481	-	3,800	5,281
Increase (Decrease) in Compensated Absences	50	-	-	50
Increase (Decrease) in Tenant Security Payable	-	-	1,200	1,200
Increase (Decrease) in Other Current Liabilities	(672)	-	-	(672)

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF SAN BENITO
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	713 Home Ownership	715 Capital Fund	716 Community Housing Services	Total Nonmajor Enterprise Funds
Net Cash Provided by (Used for) Operating Activities	<u>\$ 15,729</u>	<u>\$ (68,954)</u>	<u>\$ 13,010</u>	<u>\$ (40,215)</u>

The notes to the financial statements are an integral part of this statement.

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
Pharr, TX 78577
lcocpa@lcocpa.com

Independent Auditor's Report

To the Board of Commissioners of the
Housing Authority of the City of San Benito
P.O. Box 1900
San Benito, TX 78586

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 Housing Authority of the City of San Benito, which comprise the business-type activities, each major fund, the aggregate remaining fund information, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 13, 2018.

Internal Control over Financial Reporting

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

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

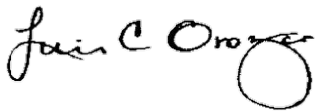
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Compliance and Other Matters

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

Purpose of this Report

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



Luis C. Orozco
Certified Public Accountant
Pharr, TX 78577
June 13, 2017

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
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Independent Auditor's Report

To the Board of Commissioners of
Housing Authority of the City of San Benito
Texas 1400 N Reagan St
San Benito, Texas 78586

Report on Compliance for Each Major HUD Program

We have audited the Housing Authority of the City of San Benito's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on each of the Housing Authority of the City of San Benito's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended September 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of San Benito's major HUD programs based on our audit of the 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 Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of San Benito'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 HUD program. However, our audit does not provide a legal determination of the Housing Authority of the City of San Benito's compliance.

Opinion on Each Major HUD Program

In our opinion, the Housing Authority of the City of San Benito complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended September 30, 2017.

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Report on Internal Control over Compliance

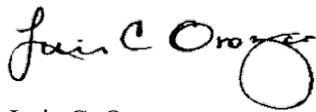
Management is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, 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 Housing 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 compliance requirement of a HUD 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 compliance requirement of a HUD 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 compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

Purpose of This Report

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



Luis C. Orozco
Certified Public Accountant
Pharr, TX 78577
June 13, 2017

THE HOUSING AUTHORITY OF THE CITY OF SAN BENITO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. Summary of the Auditor's Results:

- a The type of report issued on the financial statements of THE HOUSING AUTHORITY OF THE CITY OF SAN BENITO was:
Unmodified opinion.
- b Significant deficiencies in internal control disclosed by the audit of the financial statements:
None.
- c Significant deficiencies identified as material weakness:
None
- d Noncompliance material to the Financial Statements:
None
- e Significant deficiencies in internal control over major programs disclosed by the audit and whether any such conditions were material weaknesses:
None
- f Significant deficiencies in internal control over major programs disclosed by the audit which are material weaknesses:
None
- g The type of report the auditor issued on compliance for major programs:
Unmodified opinion.
- h A statement as to whether the audit disclosed any audit findings and questioned costs for Federal awards which the auditor is required to report under Section 510(a), OMB Uniform Guidance:
None
- i The dollar threshold used to distinguish between Type A and Type B programs.
\$750,000
- j A statement as to whether the auditee qualified as a low-risk auditee:
The Housing Authority was not classified as low-risk auditee under the context of OMB Uniform Guidance
- k Major Federal Programs:
1. CFDA No. 14.871 Section 8 Housing Choice Vouchers

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.h Above.

None

THE HOUSING AUTHORITY OF CITY OF SAN BENITO
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(Prepared by the Local Government's Administration)

None

THE HOUSING AUTHORITY OF CITY OF SAN BENITO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(Prepared by the SBHA's Management)

2016-001

Criteria: The nine-month due date for filing with the FAC (Federal Audit Clearing House) was not met and the entity did not submit the required audit to the FAC for either of the prior two audit periods as specified in 2CFR Section 200.512.

Condition: Last submission of the audit reporting package to the Federal Audit Clearing House was for FYE 09/30/09.

Effect of Condition: The Housing Authority of the City of San Benito does not qualify as a low-risk auditee for compliance testing purposes.

Identification of whether the audit was a repeat finding: The audit finding was not a repeat finding from prior years.

Cause: Management was unaware of requirement to submit audit report to the Federal Audit Clearinghouse annually within the nine-month deadline.

Recommendation: Management should implement controls to ensure the audit is submitted annually within the specified time frame as stated in 2 CFR Section 200.512.

Views of responsible officials and planned corrective actions: The Housing Authority agree with this finding. Controls will be adopted and implemented to ensure the audit report is submitted annually to the FAC. Please refer to corrective action plan on page 48.

Status: Corrected for during FYE 2017.

Housing Authority of the City of San Benito
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures(\$)</i>
U.S. Department of Housing and Urban Development			
Public and Indian Housing	14.850	FW-4042	551,566
Section 8 Housing Choice Vouchers	14.871	TX-59-V-007-017	1,687,834
Public Housing Capital Fund	14.872	TX-59-P025-501	<u>235,893</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,475,293</u></u>

The accompanying notes are an integral part of this schedule

THE HOUSING AUTHORITY OF CITY OF SAN BENITO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2017

- The Housing Authority uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes. Federal and state financial assistance generally is accounted for in a Special Revenue Fund because it is restricted for specific purposes.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus called the modified accrual basis of accounting. Nearly all Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Usually Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When Federal grant funds are received before related expenditures are made, they are recorded as deferred revenues.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Uniform Guidance Compliance Statement.
- The Housing Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The Housing Authority of the City of San Benito
Capital Fund Program
Closing Statement - Modernization Costs
September 30, 2017

	Project Number: <u>TX59P02550114</u>
Funds Approved	228,326
Funds Advanced	<u>228,326</u>
Excess of funds Approved	<u><u>-</u></u>
Funds Advanced	228,326
Funds Expended	<u>228,326</u>
Excess of Funds Advanced	<u><u>-</u></u>

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

To the Board Members of
The Housing Authority of the City of San Benito
1400 N Reagan Street
San Benito, TX 78586

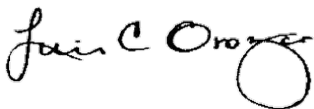
We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of San Benito and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. The Housing Authority of the City of San Benito is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents.

We were engaged to perform an audit in accordance with the *Consolidated Audit Guide for Audits of HUD Programs* by the Housing Authority of the City of San Benito as of and for the year ended September 30, 2017, and have issued our reports thereon dated June 13, 2018. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated June 13, 2018, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by the *Consolidated Audit Guide for Audits of HUD Programs*, which includes the auditor's reports, is available in its entirety from the Housing Authority of the City of San Benito. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of the Housing Authority of the City of San Benito and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.



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