

Annual Financial and Compliance Report for the Year Ended June 30th, 2023



Cascos & Associates, PC

Audit / Accounting / Tax / Consulting
765 East 7th Street
Brownsville, Texas
78520

(956) 544-7778

ccascos@CascosCPA.com



**HOUSING AUTHORITY OF
THE CITY OF MCALLEN, TEXAS**

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED JUNE 30, 2023

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
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FINANCIAL SECTION



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the City of McAllen, Texas
McAllen, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate blended presented component units of the Housing Authority of the City of McAllen, Texas (MHA) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MHA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate blended presented component units, of MHA as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MHA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MHA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MHA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MHA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MHA's basic financial statements. The accompanying combining financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on our consideration of MHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MHA'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 MHA's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cascos & Associates, PC". The signature is written in a cursive, flowing style.

Cascos & Associates, PC
Brownsville, Texas
November 15, 2023



Transforming Families, Strengthening Communities

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS

Management's Discussion and Analysis

For the Year Ended June 30, 2023

Agency Overview

The Housing Authority of the City of McAllen, Texas (MHA) was created in 1939 by the City of McAllen with a mutual promise to eliminate unsafe and unsanitary dwellings by promoting the creation of safe, decent and affordable housing. This promise sets our mission “*Transforming Families - Strengthening Community*” and drives our commitment to meet the housing needs of our community.

Through our monthly service to over 4,000 family members through Public Housing and Tenant Based Section 8 Housing programs we recognize that housing is the beginning step toward transforming families. Our resident services also provide access to social services and educational opportunities. It is through our partnerships with community stake holders that we are able to provide family self-sufficiency and mobility opportunities.

MHA provides a variety of programs through partnerships with Texas Workforce Commission, McAllen I.S.D., South Texas College, Texas Agri-Life and Frost Bank. These partnerships assist MHA in providing job skills training, financial literacy, computer skills, health and wellness, and citizenship opportunities to our residents. MHA is committed to the continuation and expansion of these types of partnerships that will advance every residents' opportunity to become self-sufficient.

MHA remains committed to exceptional performance in the Public Housing Assessment System (PHAS) and in the Section Eight Management Assessment Program. Our staff members work proactively to ensure these programs are administered professionally and are committed to delivering quality housing opportunities and services to our residents. In Fiscal Year 2022-2023, construction was completed on a 96-unit multi-family, Low Income Housing Tax Credit (LIHTC) property known as Hibiscus Village. The planning of Rental Assistance Demonstration (RAD) Phase 2 and 3 for Retama Village continues to be ongoing. MHA's overall Housing Choice Voucher utilization maintained an annual average of 99% which, translates into additional HCV Program and Administrative funding for next fiscal year.

Looking ahead, we are anticipating an exciting future for MHA. We are committed to providing quality affordable housing within the City of McAllen. We will continue to expand our current housing programs, will identify new and creative ways to address the needs of the affordable housing market of McAllen, and will remain committed to our goal of “*Transforming Families - Strengthening Community*”.

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Program Summaries

Low Rent Public Housing

MHA currently operates 89 public housing units on 2 developments throughout the City of McAllen, Texas. These units provide housing to approximately 410 individuals.

Retama Village Phase I – 64 units
Retama Village Phase II – 25 units

Both developments are represented by one resident council.

Capital Fund Program

Each year MHA receives financial support from the U.S. Department of Housing and Urban Development (HUD) through the Capital Fund Program (CFP). This program permits housing authorities to make physical improvements to public housing, develop new public housing units, and with HUD approval, use Capital Funds for debt service on private market borrowing. In Fiscal Year 2022-2023, MHA expended a total of \$237,629 in capital funds.

Capital Fund Grants expended during FY 2022- 2023

TX59R028501-18	\$ 7,942
TX59R028501-19	25,000
TX59R028501-21	87,128
TX59R028501-22	117,559
Total	<u>\$ 237,629</u>

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Housing Choice Vouchers

MHA administers the Housing Choice Voucher (HCV) program which provides 1,348 rental vouchers to approximately 4,000 individuals. In addition, MHA continues to administer 21 vouchers under HUD's HCV Veterans Affairs Supportive Vouchers (VASH). 49 project-based vouchers continue to be administered at Vine Terrace. The HCV program had an annual utilization average of 100%.

Unit Months	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Vouchers Leased	1,323	1,348	1,349	1,335	1,345	1,337	1,336	1,365	1,366	1,374	1,376	1,369
Vouchers Available	1,348	1,348	1,348	1,348	1,348	1,329	1,348	1,348	1,348	1,348	1,348	1,348
Utilization %	98%	100%	100%	99%	100%	99%	99%	101%	101%	102%	102%	102%
Annual Average	100%											

HCV Section Eight Management Assessment Program (SEMAP)

Each year MHA's HCV Program undergoes an independent performance review by the U.S. Department of Housing and Urban Development. Fourteen components of the program are scored on a 145 point scale. In Fiscal Year 2022-2023, MHA achieved a 100% score and was designated a "High Performer" Public Housing Authority (PHA) by HUD.

McAllen Housing Authority SEMAP Certification Final Score: **100% HIGH PERFORMER**

		Possible Points	Score
Indicator 1	Selection from Waiting List	15	15
Indicator 2	Reasonable Rent	20	20
Indicator 3	Determination of Adjusted Income	20	20
Indicator 4	Utility Allowance Schedule	5	5
Indicator 5	Housing Quality Standards (HQS) Quality Control	5	5
Indicator 6	HQS Enforcement	10	10
Indicator 7	Expanding Housing Opportunities	5	5
Indicator 8	Payment Standards	5	5
Indicator 9	Timely Annual Reexaminations	10	10
Indicator 10	Correct Tenant Rent Calculations	5	5
Indicator 11	Pre-Contract HQS Inspections	5	5
Indicator 12	Annual HQS Inspections	10	10
Indicator 13	Lease-Up	20	20
Indicator 14	Family Self-Sufficiency	<u>10</u>	<u>10</u>
		145	145

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS

Management's Discussion and Analysis

For the Year Ended June 30, 2023

Family Self-Sufficiency (FSS)

Under the FSS program, low-income families are provided opportunities for education, job training, homeownership, and other forms of social service assistance, while living in assisted housing, so they can obtain skills necessary to achieve self-sufficiency.

Once an eligible family is selected to participate in the program, MHA, and the head of each participating family execute a 5-year FSS Contract of Participation that specifies the rights and responsibilities of both parties and the goals and services for the family. The family works with our Resident Services Department to be connected to services to assist with completing their goals.

An interest-bearing escrow account is established by MHA on behalf of the participant, where monthly deposits are made throughout the duration of the family's participation in the program. The escrow account funds are paid to the participant upon successful completion of all FSS program goals.

Fiscal Year 2022-2023 reflected favorable results for the FSS program. Participants in the program completed financial literacy classes, financial credit counseling classes, employment interview skills classes, and complete life skills classes. Overall tenant escrow funds increased by approximately 148% compared to the previous year. The increase was due to new participants enrolling in the FSS program and increases in earned income which affects participant's monthly escrow contributions.

FY 2021-2022	Total Tenant Escrow Funds	\$24,732
FY 2022-2023	Total Tenant Escrow Funds	\$61,434

ANNUAL FINANCIAL AND COMPLIANCE REPORT

In this section of the analysis, we, the managers of the Housing Authority of the City of McAllen, Texas (MHA), discuss and analyze MHA's financial performance for the year ended June 30, 2023. Please read it in conjunction with our independent auditors' report and MHA's basic financial statements.

Financial Highlights

- Investment in capital assets, net of related debt decreased by \$332 (in thousands) as compared to the previous year's end. Unrestricted net assets increased by \$657 (in thousands) as compared to the previous year. Restricted Net Assets decreased by \$27 (in thousands) as compared to the previous year.
- Total revenues for the year ended June 30, 2023, were \$11,990 (in thousands).
- Total expenses of all the MHA programs were \$11,551 (in thousands) for the year ended June 30, 2023.
- Total debt for Bonds and Notes decreased by \$205 (in thousands) when compared to the previous year.

Using This Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide information about the activities of MHA as a whole and present a long-term view of MHA's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report MHA's operations in more detail than the Primary Government statements by providing information about MHA's most significant funds. The fund financial statements tell how the services of MHA were provided to departments within MHA or to external customers and how the rent revenues covered the expenses of providing these services.

The Notes to the Financial Statements provide narrative explanations or additional data needed for full disclosure in the Primary Government statements and the fund financial statements.

The section labeled Single Audit Section contains data used by monitoring or regulatory agencies for assurance that MHA is using funds supplied in compliance with the terms of the grants.

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Financial Analysis

Primary Government Financial Statements

The financial statements of MHA included in this report are those of a special-purpose government engaged solely in business-type activities. The U.S. Department of Housing and Urban Development (HUD) requires that activities it funds be reported as business-type activities.

The analysis of MHA's overall financial condition and operations begins with the Statement of Net Position. Its primary purpose is to show whether MHA is improving or deteriorating financially as a result of the year's activities. The Statement of Net Position includes all of MHA's assets and liabilities at the end of the year while the Statement of Revenues, Expenses, and Changes in Net Position includes all the revenues and expenses generated by the Authority's operations during the year. The Statement of Cash Flows reports MHA's cash flows from operating, investing, and capital and non-capital financing activities. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. MHA's revenues are divided into those provided by outside parties who share the costs of some programs, such as the U.S. Department of Housing and Urban Development, and those provided by users of MHA's services, such as rental income. All of MHA's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report MHA's net position and the changes in it for the year. MHA's net position (the difference between assets and liabilities) provides one measure of MHA's financial health, or financial position. Over time, increases or decreases in MHA's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of MHA, however, you should consider nonfinancial factors as well, such as changes in the condition of MHA's facilities and external economic influences.

Reporting the Authority's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not MHA as a whole. Laws and contracts require MHA to establish funds to account for resources received from HUD. MHA's administration establishes additional funds to help it control and manage money for particular purposes.

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Proprietary funds – MHA reports the activities for which it charges users (whether outside customers or other units or departments of MHA) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Assets.

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of MHA's business-type activities.

Net position increased by \$353 (in thousands) as compared to the previous year's end. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints by debt covenants, enabling legislation or other legal requirements – was \$6,760 (in thousands) at year-end.

Net investment in capital assets, decreased by \$332 (in thousands) as compared to the previous year's end.

MHA's total debt for Bonds and Notes decreased during the current fiscal year by \$205 (in thousands) (Table IV).

Table I
HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NET POSITION
(in thousands)

	FY 2023	FY 2022	\$ Change	% Change
Current and other assets	\$ 9,232	\$ 8,436	\$ 795	9.4%
Capital assets, net	8,849	9,385	(536)	-5.7%
Total assets	18,081	17,821	259	1.5%
Current liabilities	800	688	112	16.3%
Other liabilities	3,048	3,253	(205)	-6.3%
Total liabilities	3,848	3,941	(93)	-2.4%
Net position:				
Net investment in capital assets	6,534	6,866	(332)	- 4.8%
Restricted	939	911	28	3.1%
Unrestricted	6,760	6,103	657	10.8%
Total net position	\$ 14,233	\$ 13,880	\$ 353	2.5%

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Table II
HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
CHANGES IN NET POSITION
(in thousands)

	FY 2023	FY 2022	\$ Change	% Change
Operating revenues:				
Tenant revenues	\$ 1,986	\$ 1,669	\$ 317	19.0%
Operating and capital grants and subsidies	9,281	7,828	1,453	18.6%
Other Revenue	723	1,534	(811)	-52.3%
Total Operating Revenues	11,990	11,031	959	8.7%
Operating expenses:				
Administrative	1,674	1,368	306	22.4%
Tenant services	149	114	35	30.7%
Utilities	142	139	3	2.2%
Maintenance	650	612	38	6.2%
Protective services	17	14	3	21.4%
General expenses	436	585	(149)	-25.5%
Dwelling unit	130	103	27	26.2%
Housing Assistance Payments	7,865	6,879	986	14.3%
Depreciation Expense	489	484	5	1.0%
Total Operating Expenses	11,552	10,298	1,254	12.2%
Operating Income (Loss)	438	733	(295)	159.8%
Nonoperating revenues (expenses):				
Interest and investment revenue	35	69	(34)	-97.1%
Total Nonoperating Revenues (Expenses)	35	69	(34)	49.3%
Income (Loss) Before Other Financing Sources (Uses)	473	802	(329)	-41.0%
Change in Net position	473	802	(329)	-41.0%
Net position – Beginning of year	13,880	13,078	802	6.1%
Prior period adjustment	(121)	-	(121)	
Net position – End of year	\$ 14,233	\$ 13,880	\$ 353	2.5%

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, MHA had a total cost of \$20,075 (in thousands) invested in capital assets. This amount, not including depreciation, represents an increase of \$73 (in thousands) from the prior year.

Table III
HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
CAPITAL ASSETS
(in thousands)

	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 2,480	\$ 2,480	\$ -	0.0%
Buildings and Improvements	16,176	16,398	(222)	-1.4%
Furniture and equipment - Admin	997	933	64	6.9%
Furniture, Fixtures & Machinery - Dwelling	<u>422</u>	<u>191</u>	<u>231</u>	<u>120.9%</u>
Total Capital Assets	20,075	20,002	73	0.4%
Less: Accumulated Depreciation	<u>(11,227)</u>	<u>(10,617)</u>	<u>(610)</u>	<u>5.7%</u>
Total Capital Assets, Net	\$ <u><u>8,848</u></u>	\$ <u><u>9,385</u></u>	\$ <u><u>(537)</u></u>	<u><u>-5.7%</u></u>

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Long-Term Debt

At June 30, 2023, MHA had \$2,314 (in thousands) in long-term debt obligations outstanding. This represents a decrease of \$205 (in thousands) compared to the prior year.

Table IV
HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
LONG-TERM DEBT
(in thousands)

	FYE 2023	FYE 2022	\$ Change	% Change
Bonds Payable	\$ 1,573	\$ 1,645	\$ (72)	-4.4%
Notes Payable	741	874	(133)	-15.2%
Total Long-Term Debt	\$ <u>2,314</u>	\$ <u>2,519</u>	\$ <u>(205)</u>	<u>-8.1%</u>

Contacting MHA and Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of MHA's finances and to show MHA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact MHA's business office at The Housing Authority of the City of McAllen, Texas, 1200 North 25th Street, McAllen, Texas 78501.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Primary Government</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 6,527,396
Restricted cash and cash equivalents	1,680,637
Investments	76,467
Accounts receivable, net	28,076
Accrued interest	217,580
Inventories, net	30,168
Due from other funds	117,790
Prepaid expenses	36,135
Other assets	4,259
Total current assets	<u>8,718,508</u>
Noncurrent Assets:	
Notes receivable	<u>502,466</u>
Capital assets:	
Land	2,480,386
Construction in progress	6,000
Building and improvements	13,859,417
Leasehold improvements	2,317,403
Furniture and equipment	1,412,908
Less accumulated depreciation	<u>(11,227,296)</u>
Capital assets, net	<u>8,848,818</u>
Total noncurrent assets	<u>9,351,284</u>
Deferred Outflow of Resources:	
Deferred financing costs	<u>10,624</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	131,808
Accrued liabilities	108,825
Compensated absences	11,526
Due to other funds	117,790
Unearned revenues	52,342
Tenant security deposits	97,262
Other current liabilities	1,523
Long-term debt due within one year	<u>279,131</u>
Total current liabilities	<u>800,207</u>
Noncurrent Liabilities:	
FSS escrow payable	55,604
ROSS escrow payable	5,830
Long-term debt due in more than one year	<u>2,035,379</u>
Total noncurrent liabilities	<u>2,096,813</u>
Total liabilities	<u>2,897,020</u>
Deferred Inflow of Resources:	
Deferred - Ground lease revenue	<u>950,708</u>
NET POSITION	
Net investment in capital assets	6,534,308
Restricted	595,358
Unrestricted	<u>7,103,022</u>
Total net position	<u>\$ 14,232,688</u>

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

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
STATEMENT OF OPERATING REVENUES,
OPERATING EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Primary Government</u>
OPERATING REVENUES	
Government operating grants	\$ 9,281,435
Dwelling rental	1,985,604
Service fees	102,398
Fraud recovery	17,641
Other revenue	<u>602,761</u>
Total Operating Revenues	<u>11,989,839</u>
OPERATING EXPENSES	
Administrative	1,673,762
Tenant services	148,772
Utilities	141,955
Maintenance	650,193
Protective services	16,500
General expenses	497,480
Dwelling units	69,124
Housing assistance payments	7,865,005
Depreciation expense	<u>488,527</u>
Total Operating Expenses	<u>11,551,318</u>
OPERATING INCOME	<u>438,521</u>
NON-OPERATING REVENUES	
Interest and investment revenue	<u>35,628</u>
Total Non-Operating Revenues	<u>35,628</u>
CHANGE IN NET POSITION	<u>474,149</u>
NET POSITION, BEGINNING OF YEAR	<u>13,879,810</u>
PRIOR PERIOD ADJUSTMENT	<u>(121,271)</u>
NET POSITION, END OF YEAR	<u><u>\$ 14,232,688</u></u>

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

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts of grants and contracts	\$ 9,281,435
Receipts of tenants	1,993,826
Other receipts	592,746
Payments to or on behalf of employees	(1,599,402)
Payments to suppliers for goods or services	(1,498,496)
Payment to housing assistance	(7,934,129)
Net cash provided (used) by operating activities	<u>835,980</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase/sale of capital asset	(73,815)
Escrow payable	36,702
Loan repayment	(204,060)
Net cash provided (used) by capital and related financing activities	<u>(241,173)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>35,628</u>
Net cash provided (used) by investing activities	<u>35,628</u>
Increase (decrease) in cash and cash equivalents	630,435
Cash and cash equivalents - Beginning of year	<u>7,654,065</u>
Cash and cash equivalents - End of year	<u>\$ 8,284,500</u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ 438,521
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	488,527
Changes in assets and liabilities	
(Increase) decrease in accounts receivable, net	(4,893)
(Increase) decrease in accrued interest	(15,996)
(Increase) decrease in inventories	(30,168)
(Increase) decrease in due from other funds	(61,364)
(Increase) decrease in prepaid and other assets	(9,278)
Increase (decrease) in notes receivable - noncurrent	(43,897)
(Increase) decrease in deferred costs	741
Increase (decrease) in accounts payable	(7,994)
Increase (decrease) in accrued liabilities	15,775
Increase (decrease) in unearned revenues	4,336
Increase (decrease) in due to other funds	61,364
Increase (decrease) in deferred inflow of resources	(13,133)
Increase (decrease) in tenant security deposits	13,115
Increase (decrease) in other current liabilities	324
Net cash provided (used) by operating activities	<u>\$ 835,980</u>

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

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Housing Authority of the City of McAllen, Texas (MHA) is a governmental entity created by the City of McAllen, Texas for the acquisition, development, modernization, operation, and administration of public housing programs. The primary purpose of MHA is to provide safe, decent, sanitary, and affordable housing to low income and elderly families in the City of McAllen, Texas. The housing programs are operated in accordance with the Housing and Urban Development guidelines.

The governing body of MHA is the Board of Commissioners which consists of five members appointed by the Mayor of the City of McAllen, Texas who have decision making authority. The Board of Commissioners appoints an Executive Director to administer the daily affairs of MHA. MHA is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. There are two component units included within MHA's reporting entity.

B. THE COMPONENT UNITS

MCALLEN HOUSING FACILITY CORPORATION

The McAllen Housing Facility Corporation (MHFC), a blended component unit of MHA, was created and organized by action of MHA under the provisions of Chapter 303, Texas Local Government Code, for the purpose of providing a means of financing the costs of residential ownership and development that will provide decent, safe and sanitary housing for persons of low and moderate income at prices they can afford.

MHFC is the sole member of Retama Village GP, LLC, a Texas limited liability company, which is the general partner of Retama Village, Ltd., a Texas limited partnership. Retama Village GP, LLC possesses an interest of .01% and the responsibility for the day to day operations. Brownstone Affordable Housing, Ltd., a Texas limited partnership, is the Class B limited partner owning a .01% interest and is the guarantor of this project. MMA Financial Affordable Housing Fund VII, L.P. is the investor possessing 99.98% interest in this project. BFIM Special Limited Partner, Inc., a Florida corporation, is the special limited partner. Retama Village, Ltd. was organized to acquire, develop and operate 138 residential units for rental to low-income tenants in McAllen, Texas.

MHFC is the sole member of Retama Village Phase II GP, LLC, a Texas limited liability company, which is the general partner of Retama Village Phase II, Ltd., a Texas limited partnership. Retama Village Phase II GP, LLC possesses an interest of .01 % and the responsibility for the day to day operations. PNC Multifamily Capital Institutional Fund VLI Limited Partnership, a Massachusetts limited partnership, is the investor possessing 99.99% interest in this project. Columbia Housing SLP Corporation, an Oregon corporation, is the special limited partner. Retama Village Phase II, Ltd. was organized to acquire, develop and operate 25 residential units for rental to low-income tenants in McAllen, Texas.

MHFC is the sole member of The Villas at Beaumont GP, LLC, a Texas limited liability company, which develops and operates 36 residential units for rental to elderly low-income tenants in McAllen, Texas. Accordingly, the financial statements of the Villas at Beaumont GP, LLC are consolidated into the financial statements of the McAllen Housing Facility Corporation.

**HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B. THE COMPONENT UNITS

MCALLEN HOUSING FACILITY CORPORATION

MHFC is the sole member of La Vista Housing Associates GP, LLC, a Texas limited liability company, which is the general partner of the La Vista Housing Associates, Ltd., a Texas limited partnership. La Vista Housing Associates, GP, LLC possesses an interest of .005% and the responsibility for the day to day operations. Madhouse Development Services, Inc. is the Class B limited partner and possesses a .005% interest. PNC Multifamily Capital Institutional Fund XXXVI Limited Partnership, a Texas limited partnership, is the investor limited partner possessing a 99.99% interest. Columbia Housing SLP Corporation is the special limited partner. La Vista Housing Association, Ltd. was organized to acquire, rehabilitate and operate a 48-unit apartment project known as La Vista Apartments.

MCALLEN HOUSING DEVELOPMENT CORPORATION

In February 2015, McAllen Housing Development Corporation (MHDC), a blended component unit of MHA, is sponsored and created by MHA, under the Public Facility Corporation Act with the broadest possible powers to assist it to acquire, construct, rehabilitate, renovate, repair, equip, furnish, finance, refinance, and place on service public facilities of MHA. MHDC is non-federally funded, and via a contribution from MHFC, the McAllen Housing Development Corporation purchased a 20-unit multi-family development - Hibiscus Apartments.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made.

The financial statements of MHA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the governmental accounting policies are described below.

D. ADOPTED GASB STATEMENTS

MHA adopted GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The implementation of this statement did not have a significance impact on MHA.

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, MHA considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. INTERFUND ACTIVITY

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Interfund activity has been eliminated in the government wide statement of activities.

G. LONG-TERM DEBT

Long-term debt is reported as noncurrent liabilities in the statement of net position.

H. ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. FAIR VALUE MEASUREMENTS

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is as follows:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liability (for example interest rates, volatilities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs - Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2023 is as follows:

	Fair Value	Quoted Priced in Active Markets for Identical Assets/Liabilities (Level 1)	Signigicant Other Obervable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2023</u>				
Equity Securities	\$ 76,467	\$ 76,467	\$ -	\$ -
Total	<u>\$ 76,467</u>	<u>\$ 76,467</u>	<u>\$ -</u>	<u>\$ -</u>

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

J. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resource, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. MHA has \$10,624 in deferred financing costs. This amount is deferred and recognized as outflows of resources the appropriated future period when the outflow occurs.

K. ACCRUED COMPENSATED ABSENCES AND ACCRUED SICK LEAVE

It is MHA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. Vacation pay is accumulated by regular full-time employees and part-time regular employees who work a minimum of 20 hours per week as follow:

1-5 Years - 10 Workdays per Year
6+ Years - 15 Workdays per Year

It is MHA's policy that employees vacation time must be used within each fiscal year, or the days will be forfeited. If an employee cannot take vacation days within the fiscal year due to no fault of their own, it will be carried over into the start of the next fiscal year but must be used within the first six months.

Sick leave credits are earned at 6.67 hours per month for regular full-time employees and part-time regular employees who work a minimum of 20 hours per week. Sick leave may be accumulated up to a maximum period of 90 days. However, unused sick leave is not convertible into cash, nor may it be used for any purpose other than sick leave. If employment is terminated for any reason, an employee will not receive pay for any accumulated unused sick leave.

L. ACCOUNTS RECEIVABLE

MHA believes that sufficient detail of accounts receivable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation; therefore, no disclosure is provided which disaggregates those balances.

M. CAPITAL ASSETS

Capital assets include land, buildings, furniture and equipment. Capital assets are defined by MHA as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of MHA and the component units are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements 7-30 Years
Motor Vehicles 5-7 Years
Office Furniture and Equipment 2-5 Years

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items.

O. NET POSITION

Net Position, the difference between assets and liabilities, are classified into three parts: (1) *invested in capital assets, net of related debt*, which is the balance of fixed assets less accumulated depreciation, net of outstanding debt; (2) *restricted*, which are net assets subject to constraints externally imposed by funding agencies, creditors, or enabling legislation; and (3) *unrestricted*, which are net assets that do not conform to the previous two classifications. Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted are available.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

At least ninety days before June 30, the annual operating budget is adopted by the Board of Commissioners for the following year. The budget is legally adopted through the passage of a resolution. The budget's final approval rests with the Housing and Urban Development Authority when it reviews the prior year's final operations and the subsequent year's budget information.

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

- **MCALLEN HOUSING AUTHORITY**

The funds of MHA 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 MHA's agent bank in an amount sufficient to protect MHA's 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.

MHA maintains cash accounts at financial institutions that are insured by the Federal Deposit Insurance Company (FDIC). At times, balances deposited with financial institutions have exceeded FDIC coverage; however, the deposits are secured by approved securities pledged as collateral.

- **MCALLEN HOUSING FACILITY CORPORATION (MHFC)**

The funds of the MHFC 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 MHA's agent bank in an amount sufficient to protect the MHFC's 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 FDIC insurance.

The MHFC maintains cash accounts at financial institutions that are insured by the Federal Deposit Insurance Company (FDIC). At times, balances deposited with financial institutions have exceeded FDIC coverage; however, the deposits are secured by approved securities pledged as collateral.

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

III. DETAILED NOTES – (CONTINUED)

A. DEPOSITS AND INVESTMENTS

• **MCALLEN HOUSING DEVELOPMENT CORPORATION (MHDC)**

The MHDC maintains cash accounts at financial institutions that are insured by the Federal Deposit Insurance Company (FDIC). At times, balances deposited with financial institutions have exceeded FDIC coverage; however, the deposits are secured by approved securities pledged as collateral.

MHA reports investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Under the provisions of GASB Statement No. 31, governmental entities should report investments at fair value on the statement of net position. Investment income should include unrealized gains and losses (representing the change in market value) and be reported as revenue in the operating statement. Additionally, investments may be reported at amortized cost if the remaining maturity at time of purchase is one year or less, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

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

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. MHA's only investment at year end was a certificate of deposit mentioned above.

Custodial Risk for Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, MHA 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 MHA's name.

Concentration of Credit Risk – The investment of MHA contains no limitations on the amount that can be invested in any one issuer beyond stipulated by the Public Funds Investment Act. The certificate of deposit mentioned above, represents 100% of MHA's total investments.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that MHA manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

B. RESTRICTED CASH AND CASH EQUIVALENTS

MCALLEN HOUSING AUTHORITY

At June 30, 2023, MHA had restricted cash and cash equivalents under the Low Rent Housing program of \$5,830 related to the ROSS program and \$985,000 for the Hibiscus prepaid leasehold. Under the Section 8 Housing Choice Voucher Program, \$26,199 is restricted for the Section 8 program, \$55,604 is restricted for escrow related to the FSS program, \$10,232 is restricted to the FSS escrow forfeitures and \$100,673 is restricted to the Emergency Housing Voucher and the Homeowner Assistance programs.

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

III. DETAILED NOTES – (CONTINUED)

B. RESTRICTED CASH AND CASH EQUIVALENTS

MCALLEN HOUSING FACILITY CORPORATION

At June 30, 2023, the McAllen Housing Facility Corporation had restricted cash and cash equivalents of \$483,835 of which \$372,743 is restricted for capital improvements to financed properties and tenant security deposits of \$83,998 and \$27,094 in donations for scholarships.

MCALLEN HOUSING DEVELOPMENT CORPORATION

At June 30, 2023, the McAllen Housing Development Corporation had restricted cash and cash equivalents of \$13,264 restricted for tenant security deposits.

C. CAPITAL ASSETS

Capital asset activity for MHA for the year ended June 30, 2023, was as follows:

	Beginning Balance <u>7/1/2022</u>	<u>Changes During Year</u>		Ending Balance <u>6/30/2023</u>
		<u>Additions</u>	<u>Adjustments</u>	
Low Rent				
Capital assets not being depreciated:				
Land	\$ 1,249,342	\$ -	\$ -	\$ 1,249,342
Construction in progress	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total capital assets not being depreciated	<u>1,249,342</u>	<u>6,000</u>	<u>-</u>	<u>1,255,342</u>
Capital assets being depreciated:				
Building and improvements	711,291	-	-	711,291
Leasehold improvements	999,262	-	-	999,262
Furniture & equipment - admin	515,879	57,725	(1)	573,603
Furniture & equipment - dwelling	<u>5,226</u>	<u>-</u>	<u>-</u>	<u>5,226</u>
Total capital assets being depreciated	<u>2,231,658</u>	<u>57,725</u>	<u>(1)</u>	<u>2,289,382</u>
Less accumulated depreciation	<u>(1,310,445)</u>	<u>(66,385)</u>	<u>-</u>	<u>(1,376,830)</u>
Low Rent Capital Assets, Net	<u>\$ 2,170,555</u>	<u>\$ (2,660)</u>	<u>\$ (1)</u>	<u>\$ 2,167,894</u>
Section 8				
Capital assets being depreciated:				
Furniture & equipment - admin	<u>\$ 158,326</u>	<u>\$ -</u>	<u>\$ 819</u>	<u>\$ 159,145</u>
Total capital assets being depreciated	<u>158,326</u>	<u>-</u>	<u>819</u>	<u>159,145</u>
Less accumulated depreciation	<u>(109,995)</u>	<u>(22,380)</u>	<u>-</u>	<u>(132,375)</u>
Section 8 Capital Assets, Net	<u>\$ 48,331</u>	<u>\$ (22,380)</u>	<u>\$ 819</u>	<u>\$ 26,770</u>

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

III. DETAILED NOTES – (CONTINUED)

C. CAPITAL ASSETS

	Beginning Balance <u>7/1/2022</u>	Changes During Year		Ending Balance <u>6/30/2023</u>
		<u>Additions</u>	<u>Adjustments</u>	
McAllen Housing Facility Corporation (MHFC)				
Capital assets not being depreciated:				
Land	\$ 702,544	\$ -	\$ -	\$ 702,544
Total capital assets not being depreciated	<u>702,544</u>	<u>-</u>	<u>-</u>	<u>702,544</u>
Capital assets being depreciated:				
Building and improvements	9,377,639	-	-	9,377,639
Leasehold improvements	135,658	-	-	135,658
Furniture & equipment - admin	99,059	-	-	99,059
Furniture & equipment - dwelling	380,911	-	-	380,911
Total capital assets being depreciated	<u>9,993,267</u>	<u>-</u>	<u>-</u>	<u>9,993,267</u>
Less accumulated depreciation	<u>(4,792,890)</u>	<u>(306,762)</u>	<u>(121,271)</u>	<u>(5,220,923)</u>
MHFC Capital Assets, Net	\$ <u>5,902,921</u>	\$ <u>(306,762)</u>	\$ <u>(121,271)</u>	\$ <u>5,474,888</u>
McAllen Housing Development Corp (MHDC)				
Capital assets not being depreciated:				
Land	\$ 528,500	\$ -	\$ -	\$ 528,500
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>528,500</u>	<u>-</u>	<u>-</u>	<u>528,500</u>
Capital assets being depreciated:				
Building and improvements	3,770,487	-	-	3,770,487
Leasehold improvements	1,182,483	-	-	1,182,483
Furniture & equipment - dwelling	185,692	9,272	-	194,964
Total capital assets being depreciated	<u>5,138,662</u>	<u>9,272</u>	<u>-</u>	<u>5,147,934</u>
Less accumulated depreciation	<u>(4,404,168)</u>	<u>(93,000)</u>	<u>-</u>	<u>(4,497,168)</u>
MHDC Capital Assets, Net	\$ <u>1,262,994</u>	\$ <u>(83,728)</u>	\$ <u>-</u>	\$ <u>1,179,266</u>
Summary Total				
Capital assets not being depreciated:				
Land	\$ 2,480,386	\$ -	\$ -	\$ 2,480,386
Construction in progress	-	6,000	-	6,000
Total capital assets not being depreciated	<u>2,480,386</u>	<u>6,000</u>	<u>-</u>	<u>2,486,386</u>
Capital assets being depreciated:				
Building and improvements	13,859,417	-	-	13,859,417
Leasehold improvements	2,317,403	-	-	2,317,403
Furniture & equipment - admin	773,264	57,725	818	831,807
Furniture & equipment - dwelling	571,829	9,272	-	581,101
Total capital assets being depreciated	<u>17,521,913</u>	<u>66,997</u>	<u>818</u>	<u>17,589,728</u>
Less accumulated depreciation	<u>(10,617,498)</u>	<u>(488,527)</u>	<u>(121,271)</u>	<u>(11,227,296)</u>
Total Capital Assets, Net	\$ <u>9,384,801</u>	\$ <u>(415,530)</u>	\$ <u>(120,453)</u>	\$ <u>8,848,818</u>

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

III. DETAILED NOTES – (CONTINUED)

D. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2023, consisted of the following:

<u>Bonds & Notes</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Interest Current Year</u>	<u>Balance 7/01/2022</u>	<u>Principal Issued</u>	<u>Retired</u>	<u>Balance 6/30/2023</u>	<u>Due Within One Year</u>
McAllen Housing Facility Corporation Multifamily Housing Revenue Refunding Bonds Series 2012	4.95%	\$ 2,172,000	\$ 80,919	\$ 1,644,807	\$ -	\$ (71,766)	\$ 1,573,041	\$ 75,229
McAllen Housing Facility Corporation Note Payable	6.56%	2,000,000	35,597	614,519	-	(175,516)	439,003	187,481
Villas at Beaumont, GP, LLC Note Payable (1st Lien)	10.50%	250,000	1,002	674	-	(674)	-	-
Villas at Beaumont, GP, LLC Note Payable (2nd Lien) to MHFC	8.00%	300,000	8,884	258,570	-	(258,570)	-	-
Villas at Beaumont, GP, LLC Unsecured Promissory Note	3.50%	311,784	6,284	-	311,784	(9,318)	302,466	16,421
Totals			\$ 132,686	\$ 2,518,570	\$ 311,784	\$ (515,844)	\$ 2,314,510	\$ 279,131

DESCRIPTION OF DEBT

McAllen Housing Facility Corporation Multifamily Housing Revenue Refunding Bonds Series 2012

On November 1, 2012, MHFC Multifamily Housing Revenue Refunding Bonds, Series 2012 were issued in the amount of \$2,172,000 to refund the MHFC Multifamily Housing Revenue Bonds, Series 2002. The bonds bear interest at 4.95% and are due in monthly installments of principal and interest totaling \$12,724 through November 20, 2037. The bonds are payable pursuant to a debt agreement with Frost Bank. The principal amount outstanding at June 30, 2023 was \$1,573,041.

McAllen Housing Facility Corporation Note Payable

On September 9, 2010, the McAllen Housing Facility Corporation borrowed \$2,000,000 from Frost National Bank: to assist in the purchase of a residential rental project named Orchid Place Apartments. The note is payable in monthly installments of \$17,593, including interest at 6.56%, and is secured by real property. The note matures on September 10, 2025. The principal amount outstanding at June 30, 2023 was \$439,003.

Villas at Beaumont, GP, LLC Notes Payable

On August 1, 2011, Villas at Beaumont, GP, LLC borrowed \$250,000 from Brownstone Affordable Housing, Ltd. to finance construction costs of the Villas at Beaumont elderly apartment complex. The note is payable in monthly installments of \$2,287, including interest at a rate of 10.5%, and is secured by real property. The note was paid off as of June 30, 2023.

On September 1, 2011, Villas at Beaumont, GP, LLC borrowed \$300,000 from McAllen Housing Facility Corporation to finance construction costs of Villas at Beaumont elderly apartment complex. The note is payable in monthly installments of \$2,201, including interest at a rate of 8.0%, and is secured by real property. The note matures on August 1, 2041. The note was replaced by an unsecured promissory note in November 2022.

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

III. DETAILED NOTES – (CONTINUED)

D. LONG TERM DEBT

On December 1, 2022, Villas at Beaumont, GP, LLC borrowed \$311,784 from McAllen Housing Facility Corporation to restructure the existing outstanding construction loan balance plus new funds to finance operation expenditures of Villas at Beaumont elderly apartment complex. The note is payable in monthly installments of \$2,229, including interest at a rate of 3.5%, and is secured by real property. The note matures on November 1, 2037. The principal amount outstanding at June 30, 2023 was \$302,466.

DEBT SERVICE REQUIREMENTS

Total debt service requirements for the MHA's debt at June 30, 2023, were as follows:

Year Ending June 30,	General Obligations		Total
	Principal	Interest	Requirements
2024	\$ 279,131	\$ 111,429	\$ 390,560
2025	296,706	93,838	390,544
2026	152,115	79,009	231,124
2027	105,897	73,535	179,432
2028	110,882	68,549	179,431
2029-2033	641,695	255,463	897,158
2034-2037	728,084	83,317	811,401
	\$ 2,314,510	\$ 765,140	\$ 3,079,650

E. DEFINED CONTRIBUTION PLAN

The Housing-Renewal and Local Agency Retirement Plan: MHA sponsors a defined contribution plan (the plan) that covers regular full-time and part-time employees. Temporary employees are not eligible to participate in the plan. Employees may participate in the plan on the first day of the month after attaining age 18 and completing one full year of continuous and uninterrupted employment with MHA. Employees are not required to make any contributions to the plan unless the employee elects to make a voluntary employee contribution. The employer is required to make a contribution of 13% of the basic employee compensation. Employees are vested at a rate of 20% for each full year of continuous employment. MHA's contributions for the year ended June 30, 2023, were \$171,145.

F. TRANSFERS

MHA recorded transfers of \$237,629 for its Capital Fund Program for public housing allowed capital expenses and other allowed expenses.

G. RELATED-PARTY TRANSACTIONS

MCALLEN HOUSING FACILITY CORPORATION

On September 1, 2011, MHFC (the sole member) entered into a loan agreement with the Villas at Beaumont GP LLC, in the amount of \$300,000. The finance was secured by a subordinate deed of the property. During construction, interest accrued at 8% and was paid at construction completion. Commencing with the fifth day of the first calendar month following the funding of the loan (September 2011) the loan is payable in monthly installments of \$2,201, including interest at 8%, until the maturity date fifteen years later, at which time, all remaining unpaid principal and interest is due. The note was replaced by an unsecured promissory note in November 2022.

On December 1, 2022, MHFC (the sole member) entered into a loan agreement with the Villas at Beaumont GP LLC, in the amount of \$311,784. The finance is an unsecured promissory note. The loan is payable in monthly installments of \$2,229, including interest at 3.5%, until the maturity date fifteen years later, at which time, all remaining unpaid principal and interest is due. The loan balance as of June 30, 2023, was \$302,466.

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

III. DETAILED NOTES – (CONTINUED)

G. RELATED-PARTY TRANSACTIONS

The Inter-program eliminations during and as of June 30, 2023, was as follow:

	Inter-program Eliminations	
	Revenues	Expenses
Housing Choice Vouchers	\$ 42,000	\$ -
McAllen Facility Corp.	15,169	42,000
McAllen Development Corp.	-	15,169
Total	<u>\$ 57,169</u>	<u>\$ 57,169</u>

H. COMPENSATED ABSENCES

As of June 30, 2023, the accrued leave balance was \$11,526.

Balance 7/1/2022	Earned	Taken	Balance 6/30/2023
<u>\$ 11,177</u>	<u>\$ 11,526</u>	<u>\$ (11,177)</u>	<u>\$ 11,526</u>

I. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor 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 grantor, cannot be determined at this time although MHA expects such amounts, if any, to be immaterial.

In the normal course of business, MHA is subject to certain contingent liabilities and un-asserted claims. These contingencies are evaluated in light of asserted claims being probable and estimable. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued.

J. SUBSEQUENT EVENTS

MHA has evaluated subsequent events through November 15, 2023, the date which the financial statements were available to be issued. The McAllen Housing Facility Corporation (MHFC) acquired a 99.99% partnership interest in the La Vista Housing Associates, LTD (LTD) on July 31, 2023. MHFC also continues to be the sole member of La Vista Housing Associates GP LLC, which holds a .01% partnership interest in La Vista Housing Associates, LTD. The LTD's single asset is a 48-unit apartment complex known as La Vista Apartments, financed through a tax credit program, which was at the end of its compliance period. Management's plan is to reposition La Vista Apartments under another tax credit program within three years.

K. RISK MANAGEMENT

MHA is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; workers compensation losses; errors and omissions; and natural disasters. MHA covers these risks through the purchase of commercial insurance. Settlement amounts have not exceeded insurance coverage.

L. CONCENTRATIONS

A significant portion of the revenues of MHA are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon MHA's continued compliance with grant provisions and the continuance of the grant programs by the United States Governmental agency.

**HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

III. DETAILED NOTES – (CONTINUED)

M. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$121,271 was recorded in 2023 for accumulated depreciation related to Villas at Beaumont which was understated, the net effect of the adjustment was a decrease to beginning net position.

End of Notes.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
SUPPLEMENTARY SCHEDULE
COMBINING BALANCE SHEET - PROGRAMS
JUNE 30, 2023

	Low Rent Housing	Section 8 Voucher	McAllen Facility Corp.	McAllen Development Corp.	Capital Fund Program	Total Programs
ASSETS						
Current assets						
Cash and cash equivalents	\$ 510,651	\$ 1,864,343	\$ 2,103,052	\$ 2,049,337	\$ 13	\$ 6,527,396
Restricted cash and cash equivalents	990,830	192,708	483,835	13,264	-	1,680,637
Investments	76,467	-	-	-	-	76,467
Accounts receivable, net	19,432	120	6,784	1,740	-	28,076
Accrued interest	-	-	217,580	-	-	217,580
Inventories, net	-	-	30,168	-	-	30,168
Due from other funds	17,152	100,638	-	-	-	117,790
Prepaid expenses	7,372	3,239	17,955	7,569	-	36,135
Other assets	-	-	4,259	-	-	4,259
Total current assets	<u>1,621,904</u>	<u>2,161,048</u>	<u>2,863,633</u>	<u>2,071,910</u>	<u>13</u>	<u>8,718,508</u>
Noncurrent assets						
Notes receivable	-	-	502,466	-	-	502,466
Capital assets						
Land	1,249,342	-	702,544	528,500	-	2,480,386
Construction in progress	6,000	-	-	-	-	6,000
Building and improvements	711,291	-	9,377,639	3,770,487	-	13,859,417
Leasehold improvements	999,262	-	135,658	1,182,483	-	2,317,403
Furniture and equipment	578,829	159,145	479,970	194,964	-	1,412,908
Less accumulated depreciation	(1,376,830)	(132,375)	(5,220,923)	(4,497,168)	-	(11,227,296)
Total capital assets	<u>2,167,894</u>	<u>26,770</u>	<u>5,474,888</u>	<u>1,179,266</u>	<u>-</u>	<u>8,848,818</u>
Total noncurrent assets	<u>2,167,894</u>	<u>26,770</u>	<u>5,977,354</u>	<u>1,179,266</u>	<u>-</u>	<u>9,351,284</u>
Deferred outflow of resources						
Deferred financing costs	-	-	10,624	-	-	10,624
Total Assets and Deferred Outflow of Resources	<u>3,789,798</u>	<u>2,187,818</u>	<u>8,851,611</u>	<u>3,251,176</u>	<u>13</u>	<u>18,080,416</u>
LIABILITIES						
Current liabilities						
Accounts payable	64,458	22,118	34,426	10,806	-	131,808
Accrued liabilities	41,366	18,000	5,397	44,062	-	108,825
Compensated absences	1,747	2,220	5,436	2,123	-	11,526
Due to other funds	-	111,013	3,625	3,152	-	117,790
Unearned revenues	-	52,342	-	-	-	52,342
Tenant security deposits	-	-	83,998	13,264	-	97,262
Other current liabilities	-	-	1,523	-	-	1,523
Long-term debt due within one year	-	-	279,131	-	-	279,131
Total current liabilities	<u>107,571</u>	<u>205,693</u>	<u>413,536</u>	<u>73,407</u>	<u>-</u>	<u>800,207</u>
Noncurrent liabilities						
FSS escrow payable	-	55,604	-	-	-	55,604
ROSS escrow payable	5,830	-	-	-	-	5,830
Long-term debt due in more than one year	-	-	2,035,379	-	-	2,035,379
Total noncurrent liabilities	<u>5,830</u>	<u>55,604</u>	<u>2,035,379</u>	<u>-</u>	<u>-</u>	<u>2,096,813</u>
Total liabilities	<u>113,401</u>	<u>261,297</u>	<u>2,448,915</u>	<u>73,407</u>	<u>-</u>	<u>2,897,020</u>
Deferred inflow of resources						
Deferred - Ground lease revenue	950,708	-	-	-	-	950,708
NET POSITION						
Net investment in capital assets	2,167,894	26,770	3,160,378	1,179,266	-	6,534,308
Restricted	110,759	84,762	399,837	-	-	595,358
Unrestricted	447,036	1,814,989	2,842,481	1,998,503	13	7,103,022
Total net position	<u>\$ 2,725,689</u>	<u>\$ 1,926,521</u>	<u>\$ 6,402,696</u>	<u>\$ 3,177,769</u>	<u>\$ 13</u>	<u>\$ 14,232,688</u>

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
SUPPLEMENTARY SCHEDULE
COMBINING INCOME STATEMENT - PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2023

	Low Rent Housing	Section 8 Voucher	McAllen Facility Corp.	McAllen Development Corp.	Capital Fund Program	Total Programs
OPERATING REVENUES						
Government operating grants	\$ 365,281	\$ 8,678,525	\$ -	\$ -	\$ 237,629	\$ 9,281,435
Dwelling rental	-	-	1,414,128	571,476	-	1,985,604
Service fees	-	5,176	97,222	-	-	102,398
Fraud recovery	-	17,641	-	-	-	17,641
Other revenue	74,188	150,089	(87,955)	466,439	-	602,761
Total Operating Revenues	439,469	8,851,431	1,423,395	1,037,915	237,629	11,989,839
OPERATING EXPENSES						
Administrative	353,398	825,208	328,165	166,991	-	1,673,762
Tenant services	658	18,729	127,483	1,902	-	148,772
Utilities	49,227	5,894	65,058	21,776	-	141,955
Maintenance	72,621	4,691	353,661	219,220	-	650,193
Protective services	2,425	-	9,325	4,750	-	16,500
General expenses	53,669	69,752	279,428	94,631	-	497,480
Dwelling units	69,124	-	-	-	-	69,124
Housing assistance payments	3,798	7,861,207	-	-	-	7,865,005
Depreciation expense	66,384	22,380	306,763	93,000	-	488,527
Total Operating Expenses	671,304	8,807,861	1,469,883	602,270	-	11,551,318
OPERATING INCOME (LOSS)	(231,835)	43,570	(46,488)	435,645	237,629	438,521
NONOPERATING REVENUES						
Interest and investment revenue	953	1,700	32,967	-	8	35,628
Total Nonoperating Revenues	953	1,700	32,967	-	8	35,628
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(230,882)	45,270	(13,521)	435,645	237,637	474,149
Transfers in	237,629	-	-	-	-	237,629
Transfers out (use)	-	-	-	-	(237,629)	(237,629)
CHANGES IN NET POSITION	6,747	45,270	(13,521)	435,645	8	474,149
NET POSITION, BEGINNING OF YEAR	2,718,942	1,881,251	6,537,488	2,742,124	5	13,879,810
PRIOR PERIOD ADJUSTMENT	-	-	(121,271)	-	-	(121,271)
NET POSITION, BEGINNING OF YEAR (RESTATED)	2,718,942	1,881,251	6,416,217	2,742,124	5	13,758,539
NET POSITION, END OF YEAR	\$ 2,725,689	\$ 1,926,521	\$ 6,402,696	\$ 3,177,769	\$ 13	\$ 14,232,688

SINGLE AUDIT SECTION



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Housing Authority of the City of McAllen, Texas
McAllen, 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 business-type activities, the aggregate blended presented component units, of the Housing Authority of the City of McAllen, Texas (MHA), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MHA's basic financial statements, and have issued our report thereon dated November 15, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MHA'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in blue ink that reads "Cascos & Associates, PC". The signature is written in a cursive, flowing style.

Cascos & Associates, PC
Brownsville, Texas
November 15, 2023



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

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

To the Board of Commissioners
Housing Authority of the City of McAllen, Texas
McAllen, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of the City of McAllen, Texas (MHA) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of MHA's major federal programs for the year ended June 30, 2023. MHA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MHA 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MHA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MHA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MHA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MHA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MHA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MHA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MHA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MHA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Cascos & Associates, PC
Brownsville, Texas
November 15, 2023

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE/	Federal Assistance Listing Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<i>Direct Programs:</i>		
Low Rent Public Housing	14.850	\$ 312,119
Housing Choice Vouchers	14.871	8,678,525
Public Housing Capital Fund Program	14.872	237,629
Public Housing Family Self-Sufficiency Program	14.896	53,162
Total U.S. Department of Housing and Urban Development		<u>9,281,435</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 9,281,435</u></u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Housing Authority of the City of McAllen (MHA) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this Schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Programs*.

2. SUBRECIPIENTS

MHA did not provide any federal awards to subrecipients during the year.

3. LOANS

MHA did not have any loans or loan guarantee programs outstanding at June 30, 2023.

4. INDIRECT COST RATE

MHA has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**HOUSING AUTHORITY OF THE CITY OF MCALLEN, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

I. Summary of the Auditors' Results:

Financial Statements:

Type of auditors' report issued in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None noted
Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Internal control over Major Programs:	
Material weakness(es) identified?	None noted
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted
Identification of major programs:	
<u>Assistance Listing Numbers:</u>	<u>Name of Federal Program or Cluster:</u>
14.871	Housing Choice Vouchers
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs.

None reported.