



December Audit Committee Meeting

To be held at the offices of
Texas State Affordable Housing Corporation
2200 East Martin Luther King Jr. Blvd.
Austin, TX 78702

Wednesday, December 14, 2011
9:00 a.m.

**AUDIT COMMITTEE MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
To be held at the offices of
Texas State Affordable Housing Corporation
2200 East Martin Luther King Jr. Blvd
Austin, Texas 78702
December 14, 2011 at 9:00 am**

**CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM**

**Jo Van Hovel
Chair**

The Audit Committee of Texas State Affordable Housing Corporation will meet to consider and possibly act on the following:

PUBLIC COMMENT

ACTION ITEMS IN OPEN MEETING:

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| Tab 1 | Presentation, Discussion and Possible Approval of Minutes of the Audit Committee Meeting held on September 14, 2011. |
| Tab 2 | Presentation, Discussion and Possible Approval of the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2011. |
| Tab 3 | Presentation, Discussion and Possible Approval of the Audit Committee Guidelines. |

CLOSED MEETING

Consultation with legal counsel on legal matters – Texas Government Code § 551.071
Deliberation regarding purchase, exchange, lease, or value of real property – Texas Government Code § 551.072
Deliberation regarding prospective gift or donation to the state or Texas State Affordable Housing Corporation – Texas Government Code § 551.073
Personnel Matters – Texas Government Code § 551.074
Implementation of security personnel or devices – Texas Government Code § 551.076
Other matters authorized under the Texas Government Code

OPEN MEETING

Action in Open Meeting on Items Discussed in Closed Meeting

ADJOURN

Individuals who require auxiliary aids or services for this meeting should contact Laura Ross, ADA Responsible Employee, at 512-477-3560 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that the appropriate arrangements can be made.

Texas State Affordable Housing Corporation reserves the right to recess this meeting (without adjourning) and convene at a later stated time, if and to the extent allowed by law. If Texas State Affordable Housing Corporation adjourns this meeting and reconvenes at a later time, the later meeting will be held in the same location as this meeting. Texas State Affordable Housing Corporation also reserves the right to proceed into a closed meeting during the meeting in accordance with the Open Meetings Act, Chapter 551 of the Texas Government Code. If permitted by the Open Meetings Act, Chapter 551 of the Texas Government Code, any item on this Agenda to be discussed in open meeting may also be discussed by the Board (and any other authorized persons) in closed meeting.

**AUDIT COMMITTEE MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the offices of
Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Blvd.
Austin, TX 78702
September 14, 2011 at 9:00 am**

Summary of Minutes

**Call to Order, Roll Call
Certification of Quorum**

The Audit Committee Meeting of the Texas State Affordable Housing Corporation (the “Corporation”) was called to order by Jo Van Hovel, Audit Committee Chair, at 9:25 am on September 14, 2011, at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd, Austin, TX 78702. Roll Call certified that a quorum was present.

Committee Members Present

Jo Van Hovel, (Vice Chair) Chair
Jerry Romero, (Board Member) Alternate Member
David Long, (President) Ad Hoc Member
Melinda Smith, (Chief Financial Officer) Ad Hoc Member

Committee Members Absent

William H. Dietz, Jr., (Board Member) Member

Staff Present

Liz Bayless, Executive Vice President
Nick Lawrence, Controller
Betsy Lau, Accountant
Laura Ross, Corporate Secretary
Cynthia Gonzales, Office Manager and Assistant Corporate Secretary

Special Guests

Bill Gehrig, Greenberg Traurig
Chris Spelbring, Morgan Keegan
Pam Stein, Greenberg Traurig

Public Comment

There was no public comment.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Audit Committee Meeting held on December 17, 2010.

Mr. Long made a motion to approve the minutes of the Audit Committee Meeting held on December 17, 2010. Mr. Romero seconded the motion. Ms. Van Hovel called for public comment and none was given. A vote was taken on the motion and it passed unanimously.

Tab 2 Presentation, Discussion and Possible Approval of the Fiscal Year 2012 Operating Budget.

Ms. Smith presented the 2012 Operating Budget to the Audit Committee for consideration. She noted that \$128,000 had been budgeted in excess of revenues over expenditures.

Discussion followed on the topic of how current market conditions might affect the budget, specifically the New Issuance Bond Program (NIBP). Mr. Long briefly spoke of the sale of securities under the program that would close on September 21st. A conservative estimate of what the sale would bring to the Corporation had been incorporated into the budget. It was noted that NIBP was set to expire in December. Discussions followed regarding a possible extension of the program.

Ms. Van Hovel expressed her approval of the budget and Mr. Romero complemented staff on maximizing resources to cover all the programs and functions of the corporation.

Mr. Romero made a motion to approve the Fiscal Year 2012 Operating Budget. Ms. Van Hovel seconded the motion. Ms. Van Hovel called for public comment and none was given. A vote was taken on the motion and it passed unanimously.

Tab 3 Presentation, Discussion and Possible Approval of Selection of Independent Financial Auditors

Ms. Smith referred the Committee to the staff write-up found in the Committee Packet and explained what the Auditor's duties would be. Ms. Smith informed the Committee that a notice of the RFP had been published in the Texas Register and on the website. Ms. Smith informed the Committee that responses had been received from Brown, Graham & Company; Martinez Rosario & Company; Mikeska Monahan & Peckham; and Padgett Stratemann & Company. The responses were scored and summarized by staff and Ms. Smith stated that it was their recommendation to hire Mikeska, Monahan & Peckham as the Corporation's independent auditor for fiscal years 2011, 2012 and 2013.

Discussion followed about the proposals that were received.

Mr. Romero made a motion to approve the selection of Mikeska, Monahan and Peckham as the Corporation's Independent Financial Auditor. Ms. Van Hovel seconded the motion. Ms. Van Hovel called for public comment and none was given. A vote was taken on the motion and it passed unanimously.

Following the vote, Ms. Smith thanked the participating staff for their hard work and the Committee seconded her thanks.

Open Meeting

There was no further discussion or comments in Open Meeting.

Adjournment

Mr. Romero made a motion to adjourn the meeting. The Audit Committee Meeting officially adjourned at 9:40 a.m.

Respectfully submitted by _____
Laura Ross, Corporate Secretary

Tab 2

Presentation, Discussion and Possible Approval of the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2011.

The Audit will be provided at the Board Meeting

TEXAS STATE AFFORDABLE HOUSING CORPORATION
AUDIT COMMITTEE GUIDELINES
(Submitted for Approval December 14, 2011)

These guidelines are intended to define the purposes, membership and responsibilities of the Audit Committee of the Texas State Affordable Housing Corporation (“the Corporation”).

I. PURPOSES

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee’s primary duties and responsibilities are to:

1. Monitor the integrity of the Corporation’s financial reporting process and systems of internal controls regarding finance, accounting, legal and ethics compliance.
2. Monitor the independence and performance of the Corporation’s independent financial auditors who shall report directly to the Audit Committee.
3. Facilitate communication among the independent auditors, management, the CFO and the Board of Directors.
4. Monitor compliance by the Corporation and its directors, officers and employees with applicable laws and the Corporation’s code of ethics and conflict of interest policies.
5. Establish procedures for the receipt, retention and treatment of financial matters complaints and the confidential anonymous submission by employees regarding questionable accounting, fraud or abuse.
6. Report on its activities to the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the independent auditors as well as anyone at the Corporation. The Audit Committee has the ability to retain, at the Corporation’s expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. However, it is not the duty or responsibility of the Audit Committee or its members to conduct auditing or accounting review or procedures, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information and (ii) the accuracy of

the financial and other information provided to the Audit Committee by such persons or organizations.

II. COMPOSITON AND MEETINGS

The Audit Committee shall be comprised of four members, as determined by the Board of Directors, two of whom shall be directors of the Corporation. Any other board member will be eligible to serve as an alternate member of the Audit Committee and will serve if one of the other member Board directors is absent from the meeting. The Corporation's President and Chief Financial Officer will serve as Ad Hoc members of the Committee. The two member board directors shall be free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Audit Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Audit Committee shall have accounting or related financial management expertise.

Audit Committee members shall be appointed on recommendation by the full Board of Directors. If a Chair of the Audit Committee is not designated or present, the members of the Audit Committee may designate a Chair by majority vote of the Audit Committee.

A quorum for a meeting of the Audit Committee shall consist of at least three committee members, two of which must be Board members.

Audit Committee members will be reimbursed for travel and other actual and reasonable expenses incurred in the conduct of official Audit Committee business. No member of the Audit Committee may accept any additional consulting, advisory or other compensatory fee from the Corporation or other organization.

The Audit Committee shall meet a minimum of two times annually or more frequently if circumstances dictate.

III. RESPONSIBILITIES AND DUTIES

To carry out its purposes, the Audit Committee shall have the following duties and responsibilities:

Review Procedures

1. Review and assess the adequacy of these guidelines at least annually and submit any proposed changes to the Board of Directors for approval.
2. Review the audited financial statements with management, prior to distribution. Review should include discussion with management and

independent auditors of significant issues regarding accounting and auditing principles, practices and judgments.

3. In consultation with the management, the CFO and independent auditors, consider the integrity of the company's financial reporting processes and controls. Discuss significant financial and non-financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditors together with management's responses.
4. Consider and approve, if appropriate, major changes to the Corporation's accounting principles as suggested by the independent auditors, management or CFO and any items required to be communicated by the independent auditors in accordance with Statement on Auditing Standards No. 115.

Independent Auditors

1. The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee shall review the independence, qualifications and performance of the auditors and annually appoint the independent auditors or approve any discharge of auditors when circumstances warrant.
2. On an annual basis, the Audit Committee should review and discuss with the independent auditors all significant relationships they have the Corporation that could impair the auditors' independence.
3. Prior to releasing the audit report, discuss the results of the audit with the independent auditors. Discuss certain matters required to be communicated to the Audit Committee in accordance with Statement on Auditing Standards No. 114 and No. 115, OMB Circular A-133, and any other standards required by applicable federal or state law or regulation.
4. Review with the independent auditor any management letter provided by the auditor and the Corporation's response to that letter.

While the Audit Committee has the responsibilities and powers set forth in these guidelines, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.