



September 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

Thursday, September 14, 2017
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
September 14, 2017 at 9:00 am

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Bill Dietz
Committee Chair

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

PUBLIC COMMENT

ACTION ITEMS IN OPEN MEETING:

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Audit Committee Meeting held on December 15, 2016.

Tab 2 Presentation, Discussion and Possible Approval of the Fiscal Year 2018 Operating Budget.

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.

Section 46.035 of the Texas Penal Code prohibits handgun licensees from carrying their handguns at government meetings such as this one. This prohibition applies to both concealed carry and open carry by handgun licensees. Handgun licensees are required by law to refrain from carrying their handguns at this meeting.

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.

TAB 1

**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
December 15, 2016 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 Bill Dietz, Audit Committee Chair, at 9:13am on December 15, 2016, 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

Bill Dietz, (Board Vice Chair), Chair
Gerry Evenwel (Board Member), Member
David Long, (President) Ad Hoc Member
Melinda Smith, (Chief Financial Officer) Ad Hoc Member

Staff Present

Betsy Aldrich, Senior Accounting Manager
Liz Bayless, Executive Vice President
Nick Lawrence, Contoller
Laura Ross, Corporate Secretary/Senior Manager, Digital Content and Publications

Special Guests

Dena Jansen, Maxwell, Locke & Ritter
Katie Van Dyk, 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 August 18, 2016.

Mr. Long made a motion to approve the minutes of the Audit Committee Meeting held on August 18, 2016. Mr. Evenwel seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 2 Presentation, Discussion and Possible Approval of the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2016.

Ms. Smith began by thanking Mr. Lawrence and Ms. Aldrich for their work on the audit. She then introduced Ms. Jansen, the Corporation's auditor with Maxwell, Locke & Ritter. Ms. Jansen thanked the Committee for engaging Maxwell, Locke & Ritter to perform the audit this year. She also thanked Ms. Smith, Mr. Lawrence and Ms. Aldrich for their preparedness, open lines of communication and availability during the audit. Ms. Jansen explained that she served as the partner on the engagement. The associates that worked on the audit were Ms. Veronica Day and Ms. Ashley Ahlgren. Mr. Jimmy Rommel served in the manager capacity. Mr. Sean Holcomb and Ms. Heather Beliveau also worked with the Corporation on tax filings.

Ms. Jansen provided an overview of the audit beginning with the Independent Auditor's report. On the second page, the report provided an unmodified, clean opinion. Ms. Jansen then turned to the Management Discussion and Analysis which provided a financial overview and comparison to 2015. She noted that there were no significant changes in the operation of the Corporation in 2016. Several debt payments had been made resulting in a reduction in total assets and liabilities.

Ms. Jansen then provided an overview of the Statement of Net Position, making specific reference to pages 11 and 12. She noted that the Corporation had \$118 million in total assets, down \$34 million from the previous year. Total liabilities equaled \$90 million, down \$34 million from the previous year. Ms. Jansen explained that this was related to the reduction in notes and bonds payable, which corresponded with the reduction in cash-related investments. The Corporation's total net position was \$28 million.

Ms. Jansen briefly discussed the Corporation's Statement of Revenues, Expenses and Change in Net Position on page 13. It showed that the total operating revenue of the Corporation was \$8.7 million. Total operating expenses equaled \$8.9 million. She explained that the loss was related to the investments being marked to market.

Ms. Jansen turned to page 14, the Statement of Cash Flows. The Corporation continued to have cash generated and provided by its operating activities. She noted that \$32 million in bond calls and maturities had been paid off, which had led to a decrease in cash for the year.

The Footnotes to the Financial Statements began on page 16 and contained no significant changes from last year. She pointed out that page 22 discussed GASB 72, fair value measurement and application, which was implemented this year. This did not have a significant impact on the financial statements; it was only a disclosure item. Pages 24 and 25 held the expanded disclosure which required that an entity categorize investments into level 1, level 2, and level 3, dependent upon how they were acquired. She noted that the definitions of each category were provided by the Corporation's investment advisor, Ms. Linda Patterson. Page 38 showed activity of the bonds during the year. Page 42, Subsequent Events, covered any significant events occurring after the end of the fiscal year. The only thing listed this year was the redemption of the 2006C mortgage revenue bonds totaling \$3.3 million. Following the Footnotes was the Auditor's report under Government Auditing Standards. The auditor was required to look at internal controls over financial reporting. Page 2 stated that the auditor did not identify any control deficiencies that were considered material weaknesses. Tests also disclosed no instances of non-compliance. Following this report was a breakout of revenue and expenses by activity.

Ms. Jansen briefly spoke about the additional required communication that stated in writing there were no significant changes in accounting policies or practices outside of the application of GASB 72. The auditing team didn't have any disagreements or have any difficulties with

management. There were no misstatements identified during the audit so there were no audit adjustments. Attached to the communication was the management representation letter to the auditor that stated everything management provided was true, accurate and complete. The Auditor wasn't aware of any consultations with other accountants that the board needed to be aware of.

It was emphasized that though the Corporation had experienced a loss, it was entirely attributable to the decrease in fair value of the investments (marking the investments to market). Ms. Smith spoke briefly about the Corporation's paying off of bonds as the optional redemption dates came up and retaining Mortgage-backed securities (MBS) as an investment tool. No new bonds were issued in 2016 so the main activity had been paying down the bonds. That led to the decrease in restricted cash and assets.

Mr. Evenwel made a motion to approve the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2016. Mr. Dietz seconded the motion. A vote was taken on the motion and it passed unanimously.

Adjournment

Mr. Dietz adjourned the meeting at 9:29 am.

Respectfully submitted by _____
Laura Ross, Corporate Secretary

TAB 2

Texas State Affordable Housing Corporation
Proposed Operating Budget
Fiscal Year 2018

	2017	2017	2018	
	Budget	Actual	Budget	Ref.
Revenues				
Servicing Revenue, Net of Subservicer Fees	\$ 154,000	156,580	138,000	A-1
Single Family Program Revenue	3,399,000	6,034,536	10,022,000	A-2
Multifamily Program Revenue	419,000	488,921	483,000	A-3
Lending Program Revenue	252,000	1,801,249	2,102,000	A-4
ACT Program Revenue	368,000	116,376	160,500	A-5
Grants, Donations & Other Awards	660,500	542,497	652,000	A-6
Federal & State Grants	214,500	392,585	169,000	A-6
Tenant Rent Income	402,000	482,898	490,000	A-7
Investment Revenue	300,000	1,192,308	1,040,000	A-8
	<u>\$ 6,169,000</u>	<u>11,207,950</u>	<u>15,256,500</u>	
Expenditures				
Salaries & Payroll Related Expenditures	\$ 2,567,000	2,448,347	2,712,000	B-1
Program Expenditures	2,159,000	10,745,778	8,952,000	B-2
Professional Services	352,000	327,356	379,000	B-3
Foundation Fund Grants	302,000	302,500	319,000	
Principal & Interest on Notes Payable	154,000	154,111	1,277,000	B-4
Marketing	119,000	113,122	155,000	B-5
Insurance	114,000	113,827	113,000	B-6
Travel & Meals	112,000	83,421	107,000	B-7
Furniture, Equipment, & Software	40,000	25,120	32,000	B-8
Building Maintenance	45,000	35,908	39,000	B-9
Professional Dues, Conferences & Training	27,500	27,478	27,000	B-10
Bank Fees & Charges	23,500	38,606	45,000	
Sponsorships	20,000	11,550	20,000	B-5
Communication	17,000	16,865	17,000	B-11
Printing & Office Supplies	12,000	3,242	7,000	
Publications, Subscriptions & Office Expenditures	8,500	9,119	8,500	
Freight, Delivery & Postage	5,500	6,410	6,000	
	<u>\$ 6,078,000</u>	<u>14,462,760</u>	<u>14,215,500</u>	
	<u>\$ 91,000</u>	<u>(3,254,810)</u>	<u>1,041,000</u>	