



T E X A S
State Affordable Housing Corporation

August 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, August 14, 2019
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
August 14, 2019 at 9:00 am**

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

**Valerie Cardenas
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 13, 2018. |
| Tab 2 | Presentation, Discussion and Possible Approval of the Audit Committee Guidelines. |
| Tab 3 | Presentation, Discussion and Possible Approval of the Fiscal Year 2020 Operating Budget. |
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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 Rebecca DeLeon, ADA Responsible Employee, at 512-220-1174 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**

**To be held at the offices of
Texas State Affordable Housing Corporation
2200 East Martin Luther King Jr. Blvd
Austin, Texas 78702
December 13, 2018 at 9:00 am**

Summary of Minutes

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

The Audit Committee of the Texas State Affordable Housing Corporation (the “Corporation”) was called to order by Jerry Romero, Audit Committee Chair, at 9:05 am on December 13, 2018, at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd., Austin TX 78702. Roll Call was taken and four members were present.

Committee Members Present

Jerry Romero, (Board Vice Chair), Chair
Lori Cobos, (Board Member), Member
David Long, (President), Ad Hoc Member
Melinda Smith, (Chief Financial Officer), Ad Hoc Member

Staff Present

Betsy Aldrich, Senior Accounting Manager
Cynthia Gonzalez, Senior Office & Loan Servicing Manager
Nick Lawrence, Controller
Lacy Brown, Corporate Secretary, Executive Assistant
Janie Taylor, Executive Vice President

Special Guests

Aaron Greg, Greenberg Traurig, LLP
Jimmy Romell, Maxwell Locke and Ritter LLP
Veronica Day, Maxwell Locke and Ritter LLP

Public Comment

None was given.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Audit Committee Meeting held on August 13, 2018.

Ms. Cobos made a motion to approve the minutes of the Board Meeting held on August 13, 2018. Mr. Long seconded the motion. A vote was taken and the motion passed unanimously.

See page 5 in the official transcript.

Tab 2 Presentation, Discussion and Possible Approval of the Audit Committee Guidelines.

Presented by Melinda Smith

Mr. Long made a motion to recommend approval to the Board for the Audit Committee Guidelines. Ms. Cobos seconded the motion. A vote was taken and the motion passed unanimously.

See page 8 in the official transcript.

Tab 2 Presentation, Discussion and Possible Approval of the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2018.

Presented by Melinda Smith and Jimmy Romell

Ms. Smith made a motion to recommend approval to the Board for the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2018. Ms. Cobos seconded the motion. A vote was taken and the motion passed unanimously.

See page 21 in the official transcript.

Adjournment

Mr. Romero adjourned the meeting at 9.27 a.m.

Respectfully submitted by _____
Rebecca DeLeon, Corporate Secretary

Tab 2

TEXAS STATE AFFORDABLE HOUSING CORPORATION AUDIT COMMITTEE GUIDELINES

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 budgeting process, 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, regulations, contracts, agreements, and grants 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 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 and approve the Corporation's proposed fiscal year operating budget and any amendments thereto for submission to the Board of Directors for approval.
3. Review and approve the audited financial statements and any amendments thereto for submission to the Board of Directors for approval. The review

should include discussion with management and independent auditors of significant issues regarding accounting and auditing principles, practices and judgments.

4. In consultation with 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.
5. 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 approve the appointment of auditors, review their independence, qualifications and performance and 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 with 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, Statement on Auditing Standards No. 114 and No. 115, OMB Uniform Guidance, 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.

Tab 3

Texas State Affordable Housing Corporation
Operating Budget
Fiscal Year 2020

	2019 Budget	2019 Actual	2020 Budget
Revenues			
Servicing Fees	\$ 128,000	\$ 137,697	\$ 126,000
Single Family Programs	9,550,000	7,720,612	6,179,000
Multifamily Programs	764,000	585,298	749,000
Lending Programs	2,720,000	2,683,740	666,000
ACT/THIF Programs	200,000	351,686	150,000
Grants, Donations & Other Awards	720,000	842,300	1,115,000
Federal & State Grants	151,000	83,693	5,787,000
Tenant Rent Income	513,000	527,415	561,000
Investment Income	1,140,000	2,047,613	2,260,000
	<u>\$ 15,886,000</u>	<u>\$ 14,980,054</u>	<u>\$ 17,593,000</u>
Expenditures			
Salaries & Payroll Related Expenses	\$ 2,935,000	\$ 2,802,307	\$ 3,059,000
Program and Corporate Expenditures	10,491,000	6,229,852	11,482,000
Foundation Fund/Rebuild Texas Grants	950,000	648,000	1,024,000
Professional Services	451,000	392,468	517,000
Principal & Interest on Notes Payable	159,000	644,343	649,000
Marketing	152,000	126,811	162,000
Insurance	120,000	150,943	156,000
Travel & Meals	125,000	104,040	140,000
Furniture, Equipment, & Software	31,000	19,176	83,000
Building Maintenance	72,000	42,388	68,000
Professional Dues, Conferences & Training	43,000	25,809	41,000
Bank Fees & Charges	20,000	15,117	15,000
Sponsorships	20,000	18,350	20,000
Communication	15,000	15,245	15,000
Printing & Office Supplies	4,000	7,521	9,000
Publications, Subscriptions & Other	18,000	20,492	24,000
Freight, Delivery, Postage	9,000	11,874	10,000
	<u>\$ 15,615,000</u>	<u>\$ 11,274,736</u>	<u>\$ 17,474,000</u>
	<u>\$ 271,000</u>	<u>\$ 3,705,318</u>	<u>\$ 119,000</u>