Housing Authority of the City of Arlington, Texas
A Component Unit of the City of Arlington, Texas

Financial Statements with Supplementary Information and Compliance Reports
September 30, 2017 and 2016

SFC
Answers.

Housing Authority of the City of Arlington, Texas

Contents

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Arlington, Texas (Authority) as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Sutton Frost Cary LLP
Certified Public Accountants and Consultants
600 Six Flags Drive, Suite 600 Arlington, Texas 76011
www.sfcllp.com
Phone 817.649.8083
Fax 817.649.3202

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 to 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The financial data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion the schedule of expenditures of federal awards and financial data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the Authority's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 12, 2018

As management of the Housing Authority of the City of Arlington, Texas (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

Mission and Organizational Structure

The mission of the Authority is to advocate for and pursue affordable housing opportunities for low-income persons in Arlington by:

- Establishing partnerships with public or private community service providers;
- Effectively communicating with internal and external constituencies;
- Attracting and retaining knowledgeable staff and board members by supporting professional development and personal opportunities;
- Maintaining and improving fiscal accountability and operational efficiency.

The Authority is governed by a five-member Board of Commissioners appointed by the Mayor. The Authority operates as an independent metropolitan public housing authority and is affiliated with the City of Arlington through an Interlocal Cooperative Agreement. The Authority employs thirty-four (34) City of Arlington employees.

Financial Highlights

The liabilities of the Authority were less than its assets at the close of the fiscal year 2017 resulting in net position of $4,139,777.

The Authority's cash balance (including restricted and unrestricted) at September 30, 2017 was $2,845,206 representing an decrease of $612,194 from September 30, 2016.

The Authority had revenues of $27,022,169 from the U.S. Department of Housing and Urban Development (HUD) operating grants and $159,518 from other revenue sources for the year ended September 30, 2017 compared to $28,210,792 and $134,513, respectively, for the year ended September 30, 2016.

Management's Discussion and Analysis

Management's discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements and notes to financial statements included in this report were prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to governmental entities in the U.S. for proprietary fund types.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows.

The statements of net position present information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses and changes in net position present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The statements of cash flows report the cash flows from operating, investing, capital and related financing activities.

The basic financial statements report on the Authority's activities. The activities are primarily supported by the U.S. Department of Housing and Urban Development's (HUD) subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations.

The basic financial statements can be found on pages 9 through 13 in this report.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found in this report after the basic financial statements.

Supplementary Information

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule of expenditures of federal awards can be found on page 45 of this report.

The Authority as a Whole

Assets, Liabilities, and Net Position Comparison

	2017	2016	Increase (Decrease)
Assets:			
Current assets	$ 4,616,895	$ 4,992,541	$ (375,646)
Noncurrent assets	249,077	261,668	(12,591)
Total assets	$ 4,865,972	$ 5,254,209	$ (388,237)
Liabilities:			
Current liabilities	$ 413,798	$ 343,962	$ 69,836
Long-term liabilities	312,397	384,461	(72,064)
Total liabilities	726,195	728,423	(2,228)
Net position:			
Unrestricted	3,591,586	3,594,484	(2,898)
Restricted	299,114	669,634	(370,520)
Net investment in capital assets	249,077	261,668	(12,591)
Total net position	4,139,777	4,525,786	(386,009)
Total liabilities and net position	$ 4,865,972	$ 5,254,209	$ (388,237)

Total assets decreased by $388,237 from 2016 to 2017 and liabilities decreased by $2,228, resulting in a decrease in net position of $386,009. Cash decreased by $612,194, accounts receivable increased by $139,175, and assets held for sale increased by $94,526 during FY17. Investments remained unchanged. The increase in liabilities is due to an increase in accounts payable and other current liabilities. Overall, the Authority's net worth is $388,237 less than it was in the prior year.

Revenues, Expenses and Change in Net Position

	2017	2016	Increase (Decrease)
Revenue:			
HUD operating grants	$ 27,022,169	$ 28,210,792	$ (1,188,623)
Other revenue	159,518	134,513	25,005
Total revenue	27,181,687	28,345,305	(1,163,618)
Expenses:			
Administrative expenses	2,737,225	2,657,942	79,283
Housing assistance payments	24,817,880	24,782,467	35,413
Depreciation	12,591	27,984	(15,393)
Total expenses	27,567,696	27,468,393	99,303
Net increase (decrease) in net	$ (386,009)	$ 876,912	$ (1,262,921)

Total revenue decreased from 2016 to 2017 by $1,163,618 due mostly to the decrease in housing assistance payment (HAP) and administrative fee revenues from the HUD Housing Choice Voucher program. Total expenses increased from 2016 to 2017 by $99,303. For 2017, expenses exceeded revenues by $386,009, a reduction of $1,262,921 from 2016.

Program Highlights

During fiscal year 2017, the Authority served an average of 3,650 families each month through its rental assistance and homeless programs. The Authority is a HUD designated high performing agency for the 15th consecutive year, and utilized 100% of the funds allocated for the year. There were nine Family Self Sufficiency (FSS) participants who graduated from the FSS program, which served a total of 142 clients during the year.

Factors Affecting FY18 Budget

Funding for CY2018 is expected to be announced in January 2018. Housing Assistance Payment (HAP) funding for the Authority will continue to be based on Voucher Management System (VMS)-reported information. The Authority expects to serve approximately 3,400 families each month in 2018 under the HCV program, while utilizing nearly 100% of available HAP funding. The Authority’s FY18 administrative budget is based on a 78% pro-ration factor for units leased, and includes City Council-approved staff raises ranging from 5.2% to 7.9%, the reclassification of up to three (3) Housing Specialist positions, and capital asset improvements to the agency’s operating system, front lobby area, and vehicles. Funding for the Authority’s homeless programs is expected to increase by 13% due to increased funding under the Rapid Rehousing program, as well as new funding for the Nurse Family Partnership and Shelter Plus Care Tenant Based programs.

Looking Ahead

The Authority will continue to maximize utilization of its HAP and administrative funding in pursuit of providing affordable housing opportunities for qualified individuals and families in Arlington. In the upcoming fiscal year, the Authority will begin administering the Amy Young Barrier Removal Program, a housing rehabilitation program that makes accessibility modifications to homes occupied by person with physical disabilities. In FY17, the Authority executed a contract under the Neighborhood Stabilization Program (NSP) for the construction of the final two (2) single family homes. The sale of these two homes to eligible first-time homebuyers is expected to be finalized the second quarter of 2018. The Authority will continually seek ways to improve current services, provide additional services, and work with community partners towards meeting the housing needs of low-income individuals and families.

Housing Authority of the City of Arlington, Texas
Statements of Net Position
September 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash-unrestricted	$ 2,234,856	$ 2,506,938
Investments	1,267,295	1,267,913
Accounts receivable-HUD	57,356	21,052
Accounts receivable-other, net	219,571	116,700
Accrued investment receivable	725	172
Assets held for sale	214,526	120,000
Prepaid expenses	12,216	9,304
	4,006,545	4,042,079
Cash-restricted	610,350	950,462
Total current assets	4,616,895	4,992,541
Capital assets, net	249,077	261,668
Total assets	$ 4,865,972	$ 5,254,209

See notes to basic financial statements.

Housing Authority of the City of Arlington, Texas
Statements of Net Position
September 30, 2017 and 2016

	2017	2016
Liabilities and Net Position		
Current liabilities:		
Accounts payable	$ 176,135	$ 126,098
Accrued wages and payroll taxes payable	39,498	38,079
Accrued compensated absences-current portion	17,741	6,661
Deferred revenue	-	17,543
Other current liabilities	180,424	155,581
Total current liabilities	413,798	343,962
Long-term liabilities:		
Accrued compensated absences-noncurrent portion	172,132	259,214
Other noncurrent liabilities	140,265	125,247
Total long-term liabilities	312,397	384,461
Total liabilities	726,195	728,423
Net position:		
Unrestricted	3,591,586	3,594,484
Restricted	299,114	669,634
Net investment in capital assets	249,077	261,668
Total net position	4,139,777	4,525,786
Total liabilities and net position	$ 4,865,972	$ 5,254,209

See notes to basic financial statements.

Housing Authority of the City of Arlington, Texas
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2017 and 2016

	2017	2016
Operating revenue:		
HUD operating grants	$27,022,169	$28,210,792
Other revenue	148,600	123,603
Total operating revenue	27,170,769	28,334,395
Operating expenses:		
Housing assistance payments	24,817,880	24,782,467
Administrative	2,329,885	2,294,910
Tenant services	261,535	251,137
Utilities	40,161	36,270
Ordinary maintenance and operations	5,832	5,625
General	99,812	70,000
Depreciation	12,591	27,984
Total operating expense	27,567,696	27,468,393
Net operating income (loss)	(396,927)	866,002
Investment income	10,918	10,910
Change in net position	(386,009)	876,912
Net position at beginning of year	4,525,786	3,648,874
Net position at end of year	$ 4,139,777	$ 4,525,786

See notes to basic financial statements.

Housing Authority of the City of Arlington, Texas
Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Grant receipts	$26,862,303	$28,353,233
Other income receipts	151,750	137,680
Total receipts	27,014,053	28,490,913
Payments to vendors	(457,983)	(447,079)
Payments to employees	(2,254,566)	(2,115,056)
Housing assistance program	(24,830,155)	(24,783,132)
Total disbursements	(27,542,704)	(27,345,267)
Net cash provided (used) by operating activities	(528,651)	1,145,646
Cash flows from capital and related financing activities:		
Purchases of capital assets	-	(18,291)
Net cash used by capital and related financing activities	-	(18,291)
Cash flows from investing activities:		
Investment income	10,365	11,738
Purchase of assets held for sale	(94,526)	-
Purchase of investments	618	(597)
Net cash provided (used) by investing activities	(83,543)	11,141
Net increase (decrease) in cash	(612,194)	1,138,496
Cash at beginning of year	3,457,400	2,318,904
Cash at end of year	$ 2,845,206	$ 3,457,400
Reconciliation to statements of net position:		
Cash-unrestricted	$ 2,234,856	$ 2,506,938
Cash-restricted	610,350	950,462
Total	$ 2,845,206	$ 3,457,400

See notes to basic financial statements.

Housing Authority of the City of Arlington, Texas
Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:		
Net operating income (loss)	$ (396,927)	$ 866,002
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities		
Depreciation	12,591	27,984
Changes in operating assets and liabilities:		
Accounts receivable-HUD	(36,304)	63,555
Accounts receivable-other	(108,130)	75,420
Allowance for doubtful accounts	5,259	-
Prepaid expenses	(2,912)	3,633
Accounts payable	50,037	81,082
Accrued wages and payroll taxes payable	1,419	(40,113)
Accrued compensated absences	(76,002)	32,484
Deferred revenue	(17,543)	17,543
Other current liabilities	24,843	46,430
Other noncurrent liabilities	15,018	(28,374)
Net cash provided (used) by operating activities	$ (528,651)	$1,145,646

See notes to basic financial statements.

1. Nature of Operations

The Housing Authority of the City of Arlington, Texas (Authority) is organized under the laws of the State of Texas for purposes of engaging in the development, acquisition, leasing, operation, and administration of a Housing Choice Voucher Program.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the Housing Choice Voucher Program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans or grants to assist in financing the acquisition, construction and/or leasing of housing units, to make housing assistance payments, and to make annual contributions (subsidies) for the purpose of maintaining the low-rent character of the local housing program.

On September 17, 2007, the Emergency Housing Assistance Corporation (EHAC) was formed under the Texas Non-Profit Corporation Act at the behest of the Authority to expedite staffing, facilities, and equipment requirements to administer the Disaster Housing Assistance Program funded by the Federal Emergency Management Administration (FEMA), previously administered by HUD. The initial purpose of the EHAC was to provide emergency housing and the prevention of homelessness to victims of Hurricanes Katrina and Rita. Funds remain available to provide emergency assistance and relief to persons affected by natural disasters as needed or requested.

Reporting entity

The Authority is a separate autonomous entity governed by a five member board of commissioners, appointed by the mayor of the City of Arlington, Texas (City). The Authority is reported as a component unit of the City.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board (GASB) Codification and GASB Statement 61, *Financial Reporting Entity: Omnibus* - and amendments of GASB Statements No. 14 and No. 34. These criteria include manifestation of oversight responsibility including financial accountability, appointment of voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

The EHAC is a component unit of the Authority governed by a three to five member board of directors, appointed by the Commissioners of the Authority. The EHAC is reported as a blended component unit of the Authority. Blended component units, although separate entities, are in substance, part of the Authority's operations. No separate financial statements exist for the EHAC.

Description of a public housing authority

Funding for the Authority comes primarily from HUD. The Section 8 Housing Choice Voucher Program (HCV) provides rental supplements on behalf of qualifying individuals to the owners of existing private housing units. The Authority processes all applicants for the HCV Program, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the program.

The Authority operates the following programs:

Housing Choice Voucher Program - This program was authorized by Section 8 of the National Housing Act to provide housing assistance payments to private, not-for-profit, or public landlords to subsidize rent payments for low-income persons. The Housing Choice Voucher Program allows for existing housing units to be used to house eligible low income families. HUD provides a contracted dollar amount to the Authority which is used to provide rental assistance payment to landlords. This program assists low-income families and individuals in finding and leasing a house or apartment. After inspecting the unit, the Authority assists the resident in negotiating a lease under HUD rules and regulations for the program. After the lease is signed, the resident pays a share of the rent according to HUD guidelines, and the remainder is subsidized by HUD through the Authority.

Supportive Housing Program - The Supportive Housing Program (SHP) is a HUD funded rental housing assistance program for persons who are homeless. The SHP is authorized by Title IV, Subtitle C, of the McKinney-Vento Homeless Assistance Act of 1987, as amended. It is designed to promote, as part of a local Continuum of Care strategy, the development of housing and supportive services to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible. Assistance in the SHP is provided to help homeless persons meet three overall goals; (1) achieve residential stability, (2) increase their skill level and/or incomes, and (3) obtain greater self-determination (i.e., more influence over decisions that affect their lives).

HOME Investment Partnerships Program - HOME Investment Partnerships Program (HOME) is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended. HOME provides formula grants to states and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. HOME funds are awarded annually as formula grants to participating jurisdictions. The eligibility of households for HOME assistance varies with the nature of the funded activity. For rental housing and rental assistance, at least 90 percent of benefiting families must have incomes that are no more than 60 percent of the HUD-adjusted median family income for the area.

Continuum of Care - The Continuum of Care initiative is a HUD-funded strategy designed to promote communitywide commitment to the goal of ending homelessness. The program provides funding to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness. The program also promotes access to and utilization of mainstream programs by homeless individuals and families and optimizes self-sufficiency among individuals and families experiencing homelessness.

Shelter Plus Care Program - The Shelter Plus Care Program (S+C) is a HUD funded rental housing assistance program for persons that are homeless. The S+C program, as part of a local Continuum of Care strategy, provides rental assistance in connection with supportive services. The program provides a variety of permanent housing choices, accompanied by a range of supportive services funded through other sources. S+C assists hard to serve homeless individuals with disabilities and their families. These individuals primarily include those with serious mental illness, chronic problems with alcohol and/or drugs, and HIV/AIDS or related diseases. To ensure that the neediest of the homeless population are being served, grantees must provide needed supportive services - matching rental assistance with an equal amount of supportive services from other sources. Other federal, state, or local sources, as well as private sources may fund the services. In addition to recordkeeping and evaluation that grantees may conduct for their own purposes, they must adhere to HUD-required recordkeeping plus a formalized annual project review (the Annual Progress Report).

Arlington Nurse Family Partnership - The Arlington Nurse Family Partnership (NFP) program is a HUD-funded program designed to provide stable rental housing and necessary supportive services to young women expecting their first child. In partnership with the Tarrant County Health Department, this program will address critical housing, health, and self-sufficiency needs of both the mother and the infant. Eligible participants are first-time pregnant women that meet income and residency requirements who will receive rental assistance and supportive services of registered nurses for up to two (2) years. Participation in similar programs in the past have resulted in improved prenatal health, fewer childhood injuries, fewer subsequent pregnancies, increased maternal employment, and improved school readiness. As part of the local Continuum of Care strategy, the Authority expects an outcome where children are healthy, families, thrive, unhealthy cycles are broken, and the community prospers.

2. Significant Accounting Policies

Basis of Presentation and Accounting

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental entities. GASB is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

The Authority has determined that all of its programs shall be accounted for as a single enterprise fund, which is a type of proprietary fund. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included in the statements of net position.

The Authority utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability has been incurred. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority's enterprise fund is grant revenue from HUD. Operating expenses for the Authority include the cost of providing rental assistance to landlords participating in the HCV program, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

All of the Authority's programs are accounted for as one business-type activity reported in a single enterprise fund.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to allowance for uncollectible accounts receivable, the liability for post-employment benefits, and depreciation. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Budgets

Budgets for the Housing Choice Voucher Program are adopted and amended on a HUD-prescribed basis. In general, operating budgets are adopted on an annual basis, while the budget for programs supported by the SHP and HOME funds cover up to three years.

Expenditures may not exceed total allocations by program.

Investments

Investments consist of certificates of deposit and are carried at cost which approximates fair value and are legally restricted to investments in HUD-approved securities (principally obligations of the federal government, federal agencies and federally insured bank deposits).

Accounts Receivable - Other

Accounts receivable - other consist primarily of amounts due from repayment agreements and recoupments entered into with current and former voucher participants and property owners, reimbursements from the City of Arlington related to the HOME and NSP grants, and reimbursements from HUD for the homeless assistance grants. An allowance of $15,259 and $10,000 was reserved for potentially uncollectible amounts at September 30, 2017 and 2016, respectively.

Inter-program Receivables and Payables

Inter-program receivables/payables are all classified as either current assets or current liabilities, and are the result of the use of a common cash account as the paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances are reconciled. These inter-program receivables and payables have been eliminated in the preparation of the basic financial statements. The detail by program can be found in the Financial Data Schedules included in the supplementary information to the financial statements.

Assets Held for Sale

Assets held for sale consists principally of single-family homes; land under development and improved lots; assets held for sale and rehabilitated homes purchased under the Neighborhood Stabilization Program. Assets held for sale includes land and development costs; direct construction costs, capitalized indirect construction costs; capitalized interest; and real estate taxes. The costs of acquiring and developing land are allocated to the parcels to which these costs relate. Interest and taxes are capitalized during the active development and construction stages. Assets held for sale is stated at the lower of cost or fair value, less cost to sell.

Prepaid Expenses

Prepaid expenses consist of payments made to vendors applicable to the next year.

Restricted Cash

The Authority's restricted cash includes the Family Self-Sufficiency (FSS) Escrow balances. The FSS Escrow is established by the Authority for each qualified HCV participant enrolled in the FSS Program. The participants earn monthly escrow credits during their 5 year contract of participation and the escrow credit is reported in the accompanying financial statements as other liabilities. The Authority may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete interim goals. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the Authority terminates the contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow account is forfeited. Forfeited funds are returned to the HAP budget and made available for future rental assistance.

Capital Assets

Land, structures, and equipment greater than $5,000 are recorded at historical cost. Donated capital assets are recorded at their fair value on the date donated. Depreciation, using the straight-line method, is calculated over estimated useful lives as follows:

Equipment	5 years
Building improvements	39 years

Impairment of Long-Lived Assets

In accordance with GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. No such impairment loss was incurred during the years ended September 30, 2017 and 2016.

Compensation for Future Absences

Compensated absences are those absences, for which employees will be paid, such as vacation, computed in accordance with GASB No. 16, *Accounting for Compensated Absences*. The Authority's employees are granted vacation and sick leave in varying amounts. Vacation days are allowed to accrue up to 240-320 hours depending upon length of service; additional hours may be accrued from year to year with approval. In the event of termination or resignation, an employee is paid for unused vacation. Sick leave may accrue up to 1,200 hours; however, a maximum of 960 hours of unused sick leave is paid upon termination or resignation. Compensated absences are accrued when earned.

HUD Subsidies and Contributions

Subsidies and contributions from HUD are received periodically and represent the most significant source of revenues. The terms of these subsidies and contributions are defined in various contracts. HUD subsidies for ongoing operations and housing assistance payments for each unit rented to qualified tenants are recorded as revenues.

Restricted funds

When restricted and unrestricted funds are available, it is the Authority's policy to use restricted funds first when appropriate.

Restricted Net Position

Net position is reported as restricted when constraints placed on net position use are either: Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

New Accounting Pronouncements

During the year ended September 30, 2017, the Authority did not adopt any new GASB accounting standards.

The GASB has issued the following statements which will be effective in future years as described below:

> Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which is effective for the Authority beginning in fiscal year 2018. This statement replaces the requirements of GASB Statements 45 and 57 and establishes new accounting and financial reporting requirements for OPEB plans.

The City has not yet determined the impact on the Authority of implementing the new statements that will be effective in future years.

Reclassification

Certain amounts in the 2016 financial statements have been reclassified to be consistent with the 2017 presentation.

3. Cash and Investments

The Authority's deposits are categorized below to give an indication of the level of collateralization provided to the Authority in connection with its cash and investments. Category 1 includes deposits insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions trust department or agent in the Authority's name. Category 3 represents uncollateralized deposits including bank balances collateralized with securities held by the pledging institutions financial institution or by its trust department or agent but not in the Authority's name.

The U.S. Department of HUD requires housing authorities to invest excess funds in obligations of the U.S., certificates of deposit or any other federally insured investments. All of the Authority’s cash and investments fall within Category 1.

The Authority has demand deposits for years ended September 30, 2017 and 2016 of $2,845,206 and $3,457,400, respectively. The Authority has certificates of deposits totaling $1,267,295 with 0.13 to 1.17 years to maturity and $1,267,913 with 0.17 to 0.87 years to maturity at September 30, 2017 and 2016, respectively.

Risks

Interest rate risk - in accordance with its investment policy, the Authority manages its exposure to decline in fair values by limiting its investments to those allowed by HUD and its portfolio maturity to less than three years.

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority complies with the State of Texas custodial risk policy which states that all bank deposits in excess of the FDIC limit be collateralized.

4. Fair Value Measurement

In accordance with Statement 72, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 - quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth the Authority's investments at fair value by type as of September 30:

	2017	2016
Certificates of deposit	$ 1,267,295	$ 1,267,913

5. Accounts Receivable-HUD

Amounts due from HUD consist of the following at September 30:

	2017	2016
Housing Choice Vouchers	$ 9,497	$ 6,300
Supportive Housing	20,068	6,897
Shelter Plus Care	23,178	7,855
Nursing Family Partnership	4,613	-
Total	$ 57,356	$ 21,052

6. Accounts Receivable-Other

Accounts receivable-other consist of the following at September 30:

	2017	2016
Portable vouchers	$ 764	$ 42
HAP recoupments	74,953	52,001
Due from other government	128,244	37,255
Fraud recovery	30,869	37,402
Allowance for doubtful accounts	(15,259)	(10,000)
Total	$ 219,571	$ 116,700

7. Due to/(from) Other Programs

Due to/(from) other programs consisted of the following at September 30:

	2017	2016
Business Activities	$ 164,251	$ 58,307
HOME	(106,895)	(37,255)
Nurse Family Partnership	(4,613)	-
Supportive Housing	(20,068)	(6,897)
Shelter Plus Care	(23,178)	(7,855)
Family Self Sufficiency	(9,497)	(6,300)
Total	$ -	$ -

These accounts have been eliminated in preparing the financial statements.

8. Capital Assets

A summary of capital assets for the years ended September 30, 2017 and 2016 is as follows:

	Balance at September 30, 2016	Additions	Retirements	Balance at September 30, 2017
Building	$ 562,711	$ -	$ -	$ 562,711
Furniture, equipment, and machinery	394,086	-	-	394,086
Less: accumulated depreciation	(695,129)	(12,591)	-	(707,720)
Total	$ 261,668	$ (12,591)	$ -	$ 249,077

	Balance at September 30, 2015	Additions	Retirements	Balance at September 30, 2016
Building	$ 562,711	$ -	$ -	$ 562,711
Furniture, equipment, and machinery	375,795	18,291	-	394,086
Less: accumulated depreciation	(667,145)	(27,984)	-	(695,129)
Total	$ 271,361	$ (9,693)	$ -	$ 261,668

9. Neighborhood Stabilization Programs

The Authority entered into an agreement with the City on May 3, 2010. The agreement is to administer NSP funds from the City. These funds can be used for a Homebuyer Assistance Program, Acquisition/Rehabilitation/Resale and Acquisition/Demolition/Resale activities. Property acquisition and rehabilitation costs are recorded as assets held for sale in the statements of net position, as further discussed in Note 2. No property was acquired or sold during the years ended September 30, 2017 and 2016. During the review period, the Authority continued to own two NSP properties that will be the site of two new single-family homes. Construction and sale of these two homes and closeout of the NSP grant is projected to be completed before the end of FY2018.

The Authority earns a developer fee of 20% of the sales price for each property sold to qualified homebuyers under this agreement. During the years ended September 30, 2017 and 2016, the Authority did not earn developer fee revenue.

10. Lease Commitment

The Authority leases its building under a renewable operating lease expiring September 30, 2021 with automatic extensions of 5-year terms at the option of the Authority. The lease provides for annual rental adjustments based on operating expenses of the lessor. Lease expense incurred during the years ended September 30, 2017 and 2016 totaled $49,087 and

$50,242, respectively. Future minimum lease payments expected under this lease at September 30, 2017 total $49,042 per year for the years ending September 30, 2018 through September 30, 2021. The Authority may terminate the lease if it, in its sole discretion, determines that the use and economic viability of the leased premises warrants termination of the lease.

11. Related Parties

The City provides certain accounting services to the Authority and makes payments on behalf of the Authority. In accordance with the Interlocal Cooperation Agreement, the Authority reimburses the City $1 per unit leased per month, calculated annually at year end. During the years ended September 30, 2017 and 2016, the Authority was billed $41,178 and $43,051, respectively, by the City for accounting services paid by the City on behalf of the Authority. In addition, the City provides health insurance and life insurance coverage for the employees of the Authority. During the years ended September 30, 2017 and 2016, the Authority paid $234,162 and $224,105, respectively, to the City for these expenses.

12. Contingencies

Government Examinations: the Authority is subject to possible examinations made by federal and state agencies who determine compliance with terms, conditions, laws and regulations governing grants given to the Authority in the current and prior years. During the year ended September 31, 2017, the Family Self-Sufficiency program was reviewed by HUD and no findings were reported. During the year ended September 30, 2016, the Shelter Plus Care program was audited by HUD and all outstanding items resulting from the audit were resolved as of year-end.

13. Retirement Plan Description

The Authority provides, through the City pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 860 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member board of trustees. Although the governor, with the advice and consent of the senate, appoints the board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.com.

Benefits

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

All eligible employees of the Authority are required to participate in TMRS.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,640
Inactive employees entitled to but not yet receiving benefits	1,070
Active employees	2,462
	5,172

Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the City matching percentages are 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.08% and 15.73% in calendar years 2017 and 2016, respectively. The City's contributions to TMRS for the years ended September 30, 2017 and 2016, totaled $25,821,067 and $24,833,575, respectively and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS board of trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	$ 1,003,238,111	$ 894,699,665	$ 108,538,446
Changes for the year:			
Service cost	22,819,492	-	22,819,492
Interest	69,393,550	-	69,393,550
Change of benefit terms	-	-	-
Difference between expected and			-
actual experience	(10,846,092)	-	(10,846,092)
Changes of assumptions	-	-	-
Contributions - employer	-	24,198,117	(24,198,117)
Contributions - employee	-	10,501,146	(10,501,146)
Net investment income	-	51,180,304	(51,180,304)
Benefit payments, including refunds of			-
employee contributions	(46,622,851)	(46,622,851)	-
Administrative expense	-	(534,366)	534,366
Other changes	-	(43,934)	43,934
Net changes	34,744,099	38,678,416	(3,934,317)
Balance at 12/31/2014	**$ 1,037,982,210**	**$ 933,378,081**	**$ 104,604,129**
Changes for the year:			
Service cost	24,035,779	-	24,035,779
Interest	71,780,403	-	71,780,403
Change of benefit terms	-	-	-
Difference between expected and			
actual experience	(8,105,420)	-	(8,105,420)
Changes of assumptions	9,851,969	-	9,851,969
Contributions - employer	-	24,012,910	(24,012,910)
Contributions - employee	-	10,884,708	(10,884,708)
Net investment income	-	1,377,207	(1,377,207)
Benefit payments, including refunds of			
employee contributions	(49,131,541)	(49,131,541)	-
Administrative expense	-	(838,887)	838,887
Other changes	-	(41,433)	41,433
Net changes	48,431,190	(13,737,036)	62,168,226
Balance at 12/31/15	**$ 1,086,413,400**	**$ 919,641,045**	**$ 166,772,355**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/15	**$ 1,086,413,400**	**$ 919,641,045**	**$ 166,772,355**
Changes for the year:			
Service cost	26,189,763	-	26,189,763
Interest	72,528,701	-	72,528,701
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,387,760	-	1,387,760
Changes of assumptions	-	-	-
Contributions - employer	-	23,983,655	(23,983,655)
Contributions - employee	-	11,245,390	(11,245,390)
Net investment income	-	62,140,092	(62,140,092)
Benefit payments, including refunds of employee contributions	(50,018,009)	(50,018,009)	-
Administrative expense	-	(701,918)	701,918
Other changes	-	(37,818)	37,818
Net changes	50,088,215	46,611,392	3,476,823
Balance at 12/31/16	**$ 1,136,501,615**	**$ 966,252,437**	**$ 170,249,178**

Plan fiduciary net position as a percentage of the total pension liability	85.02%
Covered-employee payroll	$ 160,574,881
Net pension liability as a percentage of covered employee payroll	106.02%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	$ 330,462,881	$ 170,249,178	$ 38,875,543

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of $39,651,318.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	$ -	$ 9,041,407
Changes in actuarial assumptions	5,764,015	-
Difference between projected and actual investment earnings	44,060,143	-
Contributions subsequent to the measurement date	19,968,319	-
Total	$69,792,477	$ 9,041,407

$19,968,319 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the year ending September 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows for the years ended September 30:

2017	$ 13,514,279
2018	13,665,380
2019	13,358,755
2020	244,337
Total	$ 40,782,751

City of Arlington
Schedule of Funding Progress

Actuarial valuation date	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Actuarial value of assets	$ 966,252,437	$ 919,641,045	$ 933,378,081	$ 842,193,693	$ 787,497,396
Actuarial accrued liability	1,136,501,615	1,086,413,400	1,037,982,210	1,003,238,111	904,236,326
Unfunded/(overfunded) actuarial accrued liability (UAAL)	170,249,178	166,772,355	104,604,129	108,538,446	116,738,930
Funded ratio	85%	85%	90%	83.9%	87.1%
Annual covered payroll	160,574,881	154,372,375	149,837,550	150,941,487	145,368,879
UAAL as a percentage of covered payroll	106%	108%	70%	71.9%	80.3%

Arlington Housing Authority
Component Unit of the City of Arlington
Trend Information

	09/30/17	09/30/16	09/30/15	09/30/14
Annual pension cost (APC)	$ 256,593	$ 224,841	$ 230,075	$ 242,073
Percent of APC contributed	100%	100%	100%	100%
Net pension obligation	-	-	-	-

General system-wide actuarial assumptions

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	29 years (closed)
Asset valuation method	10 years smoothed Market; 15% Corridor
Investment rate of return	6.75%
Projected salary increases	Varies by age and service
Inflation rate	2.5%
Cost-of-living adjustments	1.38%
Payroll growth assumption	3.0% Withdrawal rates (low, mid, high)
Male/Female	Mid-high/Mid-high

14. Other post-employment benefits

The Authority administers, through the City a single-employer defined benefit healthcare plan. The plan provides postretirement healthcare benefits to eligible retirees and their spouses. An eligible employee can continue health care coverage in retirement if the employee's age plus service is at least 70 with a minimum age requirement of 50 years and a minimum of ten years of service with the City. Employees hired after December 31, 2005 are not eligible for postretirement health care benefits. The City plan has a non-duplication coordination of benefits with Medicare and other primary plans for retirees and/or their dependents.

When an employee retires, it is the policy of the City to transfer any liabilities and associated expenses to the general fund of the City, regardless of the department or component unit in which the employee worked. Therefore, the actuarial accrued liability for all City employees, including those employed by the Authority, is reflected in the City's comprehensive annual financial report and no liability is shown in the Authority's individual statements.

15. Risk management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses over the coverage period. Insurance coverage provided includes property and casualty, general liability, professional liability, and workers' compensation.

16. Economic dependency

The Housing Choice Voucher Program is economically dependent on annual contributions and grants from HUD. The program operates at a loss prior to receiving the contributions and grants. During the years ended September 30, 2017 and 2016, 99% of total revenues were from HUD programs.

17. Subsequent events

The Authority evaluated subsequent events after the statement of net position date through March 12, 2018, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.

Supplementary Information

Housing Authority of the City of Arlington, Texas
Financial Data Schedule - Statement of Net Position
September 30, 2017

Line item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	Shelter Plus Care 14.238	Supportive Housing Program 14.235	HOME Investment Partnerships Program 14.239	Family Self Sufficiency 14.896	Continum of Care Program 14.267	Elimination	Total
111	Cash-unrestricted	$ 1,248,030	$ 986,826	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,234,856
113	Cash-other restricted	439,379	-	-	-	-	-	-	-	439,379
115	Cash-restricted for payment of current liabilities	170,971	-	-	-	-	-	-	-	170,971
100	Total cash	1,858,380	986,826	-	-	-	-	-	-	2,845,206
121	Accounts receivable- PHA projects	763	-	-	-	-	-	-	-	763
122	Accounts receivable- HUD other projects	-	-	23,178	20,068	106,895	9,497	4,613	-	164,251
124	Accounts receivable- other government	-	21,350	-	-	-	-	-	-	21,350
125	Accounts receivable- miscellaneous	74,953	-	-	-	-	-	-	-	74,953
126.2	Allowance for doubtful accounts-other	(15,259)	-	-	-	-	-	-	-	(15,259)
128	Accounts receivable-fraud recovery	30,869	-	-	-	-	-	-	-	30,869
128.1	Allowance for doubtful accounts-fraud	-	-	-	-	-	-	-	-	-
129	Accrued interest receivable	725	-	-	-	-	-	-	-	725
120	Total receivables, net of allowances for doubtful accounts	92,051	21,350	23,178	20,068	106,895	9,497	4,613	-	277,652
131	Investments-unrestricted	644,834	622,461	-	-	-	-	-	-	1,267,295
142	Prepaid expenses and other assets	12,216	-	-	-	-	-	-	-	12,216
144	Interprogram due from	-	164,251	-	-	-	-	-	(164,251)	-
145	Assets held for sale	108,621	105,905	-	-	-	-	-	-	214,526
150	Total current assets	2,716,102	1,900,793	23,178	20,068	106,895	9,497	4,613	(164,251)	4,616,895
162	Buildings	562,711	-	-	-	-	-	-	-	562,711
164	Furniture, equipment, and machinery- administration	394,086	-	-	-	-	-	-	-	394,086
166	Accumulated depreciation	(707,720)	-	-	-	-	-	-	-	(707,720)
160	Total fixed assets, net of accumulated depreciation	249,077	-	-	-	-	-	-	-	249,077
180	Total noncurrent assets	249,077	-	-	-	-	-	-	-	249,077
190	Total assets	$ 2,965,179	$ 1,900,793	$ 23,178	$ 20,068	$ 106,895	$ 9,497	$ 4,613	$ (164,251)	$ 4,865,972

Housing Authority of the City of Arlington, Texas
Financial Data Schedule - Statement of Net Position
September 30, 2017

Line item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	Shelter Plus Care 14.238	Supportive Housing Program 14.235	HOME Investment Partnerships Program 14.239	Family Self Sufficiency 14.896	Continum of Care Program 14.267	Elimination	Total
312	Accounts payable < = 90 days	$ 95,203	$ 80,932	$ -	$ -	$ -	$ -	$ -	$ -	$ 176,135
321	Accrued wage/payroll taxes payable	39,498	-	-	-	-	-	-	-	39,498
322	Accrued compensated absences-current portion	17,741	-	-	-	-	-	-	-	17,741
342	Unearned revenues	-	-	-	-	-	-	-	-	-
345	Other current liabilities	170,971	9,453	-	-	-	-	-	-	180,424
347	Interprogram due to	-	-	23,178	20,068	106,895	9,497	4,613	(164,251)	-
310	Total current liabilities	323,413	90,385	23,178	20,068	106,895	9,497	4,613	(164,251)	413,798
353	Noncurrent liabilities- other	140,265	-	-	-	-	-	-	-	140,265
354	Accrued compensated expenses-non current	172,132	-	-	-	-	-	-	-	172,132
350	Total noncurrent liabilities	312,397	-	-	-	-	-	-	-	312,397
300	Total liabilities	635,810	90,385	23,178	20,068	106,895	9,497	4,613	(164,251)	726,195
508.1	Net investment in capital assets	249,077	-	-	-	-	-	-	-	249,077
511.1	Restricted net position	299,114	-	-	-	-	-	-	-	299,114
512.1	Unrestricted net position	1,781,178	1,810,408	-	-	-	-	-	-	3,591,586
513	Total equity/net position	2,329,369	1,810,408	-	-	-	-	-	-	4,139,777
600	Total liabilities and net position	$ 2,965,179	$ 1,900,793	$ 23,178	$ 20,068	$ 106,895	$ 9,497	$ 4,613	$ (164,251)	$ 4,865,972

Housing Authority of the City of Arlington, Texas
Financial Data Schedule – Statement of Revenue, Expenses and Changes in Net Position
Year Ended September 30, 2017

Line item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	Shelter Plus Care 14.238	Supportive Housing Program 14.235	HOME Investment Partnerships Program 14.239	Family Self Sufficiency 14.896	Continum of Care Program 14.267	Elimination	Total
	Revenue									
70600	HUD PHA- operating grants	$ 26,153,398	$ -	$ 137,605	$ 196,344	$ 357,927	$ 163,328	$ 13,493	$ -	$ 27,022,095
71100	Investment income-unrestricted	9,998	-	-	-	-	-	-	-	9,998
71400	Fraud recovery	74	-	-	-	-	-	-	-	74
71500	Other revenue	127,975	21,243	-	-	-	-	-	-	149,218
71600	Gain/loss on sale of fixed assets	-	-	-	-	-	-	-	-	-
72000	Investment income- restricted	213	89	-	-	-	-	-	-	302
700000	Total revenue	26,291,658	21,332	137,605	196,344	357,927	163,328	13,493	-	27,181,687
	Expenses									
91100	Administrative salaries	1,376,577	3,032	7,062	7,780	4,526	-	547	-	1,399,524
91200	Auditing fees	28,000	-	-	-	-	-	-	-	28,000
91300	Management fee	-	-	-	-	-	-	-	-	-
91310	Bookkeeping fee	-	-	-	-	-	-	-	-	-
91400	Advertising and marketing	141	12	-	-	-	-	-	-	153
91500	Employee benefit contributions- administrative	512,482	842	1,940	2,250	1,248	-	161	-	518,923
91600	Office expense	363,747	4,149	1,426	188	51	-	5	-	369,566
91700	Legal expense	1,208	920	-	-	-	-	-	-	2,128
91800	Travel	11,571	-	-	20	-	-	-	-	11,591
91000	Total operating- administrative	2,293,726	8,955	10,428	10,238	5,825	-	713	-	2,329,885
	Tenant services									
92100	Tenant services-salaries	-	-	13,496	39,602	24,410	120,196	1,209	-	198,913
92300	Employee benefit contributions- tenant services	-	-	4,368	4,854	9,804	43,132	464	-	62,622
92500	Total tenant services	-	-	17,864	44,456	34,214	163,328	1,673	-	261,535
	Utilities									
93200	Electricity	37,576	-	-	-	-	-	-	-	37,576
93400	Fuel	2,585	-	-	-	-	-	-	-	2,585
93800	Other utilities expense	-	-	-	-	-	-	-	-	-
93000	Total utilities	40,161	-	-	-	-	-	-	-	40,161
	Ordinary maintenance and operation									
94300	Ordinary maintenance and operation contracts	5,832	-	-	-	-	-	-	-	5,832
94000	Total maintenance	$ 5,832	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,832

Housing Authority of the City of Arlington, Texas
Financial Data Schedule – Statement of Revenue, Expenses and Changes in Net Position
Year Ended September 30, 2017

Line item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	Shelter Plus Care 14.238	Supportive Housing Program 14.235	HOME Investment Partnerships Program 14.239	Family Self Sufficiency 14.896	Continum of Care Program 14.267	Elimination	Total
96110	Property insurance	$ 2,278	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,278
96120	Liability insurance	5,467	-	-	-	-	-	-	-	5,467
96140	All other insurance	-	-	-	-	-	-	-	-	-
96100	Total insurance premiums	7,745	-	-	-	-	-	-	-	7,745
96200	Other general expenses	26,934	-	-	-	-	-	-	-	26,934
96210	Compensated absences	17,741	-	-	-	-	-	-	-	17,741
96600	Bad debt-other	47,392	-	-	-	-	-	-	-	47,392
96000	Total other general expenses	92,067	-	-	-	-	-	-	-	92,067
96900	Total operating expenses	2,439,531	8,955	28,292	54,694	40,039	163,328	2,386	-	2,737,225
97000	Excess of revenue over operating expenses	23,852,127	12,377	109,313	141,650	317,888	-	11,107	-	24,444,462
97300	Housing assistance payments	24,196,269	-	109,313	141,650	317,888	-	11,107	-	24,776,227
97350	HAP portability-in	41,653	-	-	-	-	-	-	-	41,653
97400	Depreciation expense	12,591	-	-	-	-	-	-	-	12,591
90000	Total expenses	26,690,044	8,955	137,605	196,344	357,927	163,328	13,493	-	27,567,696
10000	**Excess (deficit) of total revenue over (under) total expenses**	$ (398,386)	$ 12,377	$ -	$ -	$ -	$ -	$ -	$ -	$ (386,009)
11190	Unit months available	45,048	-	300	288	480	-	-	-	46,116
11210	Unit months leased	43,051	-	171	185	380	-	-	-	43,787

Housing Authority of the City of Arlington, Texas
Financial Data Schedule – Housing Choice Vouchers Equity Roll Forward
Year Ended September 30, 2017

Line item No.	Account Description	Housing Choice Vouchers 14.871
11030	Beginning Equity	$ 2,727,755
11170-001	Administrative Fee Equity - Beginning Balance	2,058,121
11170-010	Administrative Fee Revenue	2,353,586
11170-040	Investment Income	9,998
11170-045	Fraud Recovery Revenue	37
11170-050	Other Revenue	78,592
11170-060	Total Admin Fee Revenues	2,442,213
11170-080	Total Operating Expenses	2,392,140
11170-090	Depreciation	12,591
11170-095	Housing Assistance Portability In	41,653
11170-100	Other Expenses	23,695
11170-110	Total Expenses	2,470,079
11170-002	Net Administrative Fee	(27,866)
11170-003	Administrative Fee Equity - Ending Balance	2,030,255
11170	Administrative Fee Equity	2,030,255
11180-001	Housing Assistance Payments Equity - Beginning Balance	669,634
11180-010	Housing Assistance Payment Revenues	23,799,812
11180-015	Fraud Recovery Revenue	37
11180-020	Other Revenue	49,383
11180-025	Investment Income	213
11180-030	Total HAP Revenues	23,849,445
11180-080	Housing Assistance Payments	24,196,269
11180-090	Other Expenses	23,696
11180-100	Total Housing Assistance Payments Expenses	24,219,965
11180-002	Net Housing Assistance Payments	(370,520)
11180-003	Housing Assistance Payments Equity - Ending Balance	299,114
11180	Housing Assistance Payments Equity	299,114
	Ending Equity Balance	$ 2,329,369

Compliance Reports

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 of the
Housing Authority of the City of Arlington, Texas

We have audited, 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, the financial statements of the Housing Authority of the City of Arlington, Texas (Authority) which comprise the statement of net position as of September 30, 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 12, 2018.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 12, 2018

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 of the
Housing Authority of the City of Arlington, Texas

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Arlington's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2017. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* 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, 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 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 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 the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 12, 2018

Housing Authority of the City of Arlington, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__X__ no
• Significant deficiencies identified?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major program:		
• Material weaknesses identified?	_____ yes	__X__ no
• Significant deficiencies identified?	_____ yes	__X__ none reported
Type of auditors' report issued on compliance for major program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	__X__ no
Identification of major federal program:		
Section 8 Housing Choice Voucher Program	CFDA No. 14.871	
Dollar threshold used to distinguish between type A and type B programs:	$810,663	
Auditee qualified as low-risk auditee?	__X__ yes	_____ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Audit Findings

None

Housing Authority of the City of Arlington, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	CFDA#	Contract Number	Expenditures
Direct Awards			
U.S. Department of Housing and Urban Development:			
Section 8 Housing Choice Voucher Program	14.871	-	$ 26,153,398
Supportive Housing Program	14.235	-	196,344
Family Self Sufficiency	14.896	-	163,328
Shelter Plus Care Program	14.238	-	137,605
Continuum of Care Program	14.267	-	13,493
			26,664,168
Pass through awards			
U.S. Department of Housing and Urban Development-			
City of Arlington-			
HOME Investment Partnerships Program	14.239	mc-48-0212	357,927
Total Expenditures of Federal Awards			$ 27,022,095

See notes to schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity for the Housing Authority of the City of Arlington, Texas (Authority). The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not elected to use the 10 percent de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.