

MCKINNEY COMMUNITY DEVELOPMENT CORPORATION

Grant Application

Fiscal Year 2017

IMPORTANT:

- Please read the McKinney Community Development Corporation Grant Guidelines prior to completing this application.
- The Grant Guidelines and Application are available at www.mckinneycdc.org; by calling 972.547.7653 or by emailing cschneible@mckinneycdc.org
- **Please call to discuss your plans for submitting an application in advance of completing the form.** A completed application and all supporting documents are required to be submitted via email or on a thumb drive for consideration by the MCDC board. Please submit the application to:

McKinney Community Development Corporation
5900 S. Lake Forest Blvd., Suite 110
McKinney, TX 75070

- *If you are interested in preliminary Board of Directors review of your project proposal or idea, please complete and submit the **Letter of Inquiry** form, available at www.mckinneycdc.org, by calling 972.547.7653 or emailing cschneible@mckinneycdc.org.*

Applications must be completed in full, using this form, and received by MCDC, via email or on a thumb drive, by 5:00 p.m. on the date indicated in schedule below.

Please indicate the type of funding you are requesting:

Project Grant

Projects that are eligible for funding in accordance with the Type B sales tax statute (refer to examples in Grant Guidelines) and that advance the mission of MCDC.



Promotional or Community Event Grant (maximum \$15,000)

Initiatives, activities or events that promote the City of McKinney for developing new or expanded business opportunities and/or tourism – and enhancing quality of life for McKinney residents.

Promotional and Community Event Grants:

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: November 30, 2016	December 2016	January 2017
Cycle II: May 31, 2017	June 2017	July 2017

Project Grants:

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: December 30, 2016	January 2017	February 2017
Cycle II: March 31, 2017	April 2017	May 2017
Cycle III: June 30, 2017	July 2017	August 2017

APPLICATION

INFORMATION ABOUT YOUR ORGANIZATION

Name: McKinney Housing Authority

Federal Tax I.D.: 75-6003098

Incorporation Date: 2004

Mailing Address: 1200 N. Tennessee Street

City McKinney

ST: Texas

Zip: 75069

Phone: 972-542-5641

Fax: 972-562-8387

Email: rmiller@mckinneyha.org

Website: www.mckinneyha.org

Check One:

- Nonprofit – 501(c) Attach a copy of IRS Determination Letter
- Governmental entity
- For profit corporation
- Other

Professional affiliations and organizations to which your organization belongs: NAHRO, SWNAHRO and TAAHP

REPRESENTATIVE COMPLETING APPLICATION:

Name: Will Henderson

Title: Director of Affordable Housing – Carleton Development, Ltd.

Mailing Address: 5485 Belt Line Road, Suite 300

City: Dallas

ST: Texas

Zip: 75254

Phone: 214-377-6558

Fax: 972-980-1559

Email: whenderson@carletonrp.com

CONTACT FOR COMMUNICATIONS BETWEEN MDCD AND ORGANIZATION:

Name: Will Henderson

Title: Director of Affordable Housing – Carleton Development

Mailing Address: 5485 Belt Line Road, Suite 300

City: Dallas

ST: Texas

Zip: 75254

Phone: 214-377-6558

Fax: 972-980-1558

Email: whenderson@carletonrp.com

FUNDING

Total amount requested: \$500,000

Matching Funds Available (Y/N and amount): No

Will funding be requested from any other City of McKinney entity (e.g. Arts Commission, City of McKinney Community Support Grant)?

Yes

No

Please provide details and funding requested:

PROJECT/PROMOTIONAL/COMMUNITY EVENT

Start Date: 11/01/2017

Completion Date: 01/01/2019

BOARD OF DIRECTORS *(may be included as an attachment)*

Justin Beller

Brenda Carter

Tyree Byndom

Debbie Roberts

Gloria Evans

LEADERSHIP STAFF (may be included as an attachment)

Roslyn Miller

Using the outline below, provide a written narrative no longer than 7 pages in length:

I. Applying Organization

Describe the mission, strategic goals and objectives, scope of services, day to day operations and number of paid staff and volunteers.

Disclose and summarize any significant, planned organizational changes and describe their potential impact on the Project/Promotional/Community Event for which funds are requested.

II. Project or Promotional/Community Event (whichever is applicable)

- Outline details of the Project/Promotional/Community Event for which funds are requested. Include information regarding scope, goals, objectives, target audience.
- **For Promotional Grants/Community Events** – describe how this initiative will **promote the City of McKinney for the purpose of business development and/or tourism.**
- Describe how the proposed Project/Promotional/Community Event fulfills strategic goals and objectives for your organization.
- Please also include planned activities, time frame/schedule, and estimated attendance and admission fees if applicable.
- Include the venue/location for Project/Promotional/Community Event?
- Provide a timeline for the Project/Promotional/Community Event.
- Detail goals for growth/expansion in future years.

Project Grants – please complete the section below:

- | | | |
|-----------------------------|---|--|
| • An expansion/improvement? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A replacement/repair? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| • A multi-phase project? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| • A new project? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Has a feasibility study or market analysis been completed for this proposed project? *If so, please attach a copy of the Executive Summary.*

Provide specific information to illustrate how this Project/Promotional/Event aligns with one or more of the goals and strategies adopted by McKinney City Council and McKinney Community Development:

- Eligible for MCDC consideration under Sections 501 to 505 of the Texas Local Government Code (refer to MCDC Grant Guidelines)
- Support cultural, sports, fitness, entertainment, community projects and events that attract resident and visitor participation and contribute to quality of life, business development and growth of McKinney sales tax revenue
- Highlight and promote McKinney as a unique destination for residents and visitors alike
- Meet citizen needs for quality of life improvements, business development and sustainable economic growth for residents in the City of McKinney
- Demonstrate informed financial planning – addressing long-term costs, budget consequences and sustainability of projects for which funding is requested
- Educate the community about the impact local dining and shopping has on investment in quality of life improvements in McKinney

Indicate which goal(s) listed above will be supported by the proposed Project/Promotional/Event:

Has a request for funding, for this Project/Promotional/Community Event, been submitted to MCDC in the past?

Yes

No

Date(s): anticipated start 11/01/2017, estimated completion 01/01/2019

Financial

- Provide an overview of the organization's financial status including the impact of this grant request on organization mission and goals.
- Please attach your organization's budget for the current year and audited financial statements for the preceding two years. If audited financials are not available, please indicate why.

What is the total estimated cost for this Project/Promotional/Community Event?

\$500,000

(Please provide a budget specific to the proposed Project/Promotional/Community Event.)

What percentage of Project/Promotional/Community Event funding will be provided by the Applicant? 2% directly from the application, the remainder through outside funds as listed on the Sources and Uses attached.

Are Matching Funds available? Yes

No

Cash \$

Source

% of Total

In-Kind \$

Source

% of Total

Please provide details regarding other potential sources for funding. Include name of organization solicited; date of solicitation; amount of solicitation and date that notice of any award is expected.

IV. Marketing and Outreach

Describe marketing plans and outreach strategies for your organization, for the Project/Promotional/Community Event for which you are requesting funding – and how they are designed to help you achieve current and future goals.

V. Metrics to Evaluate Success

Outline the metrics that will be used to evaluate success of the proposed Project/Promotional/Community Event. If funding is awarded, a final report will be required summarizing success in achieving objectives outlined for the event.

Acknowledgements

If funding is approved by the MCDC board of directors, Applicant will assure:

- The Project/Promotional/Community Event for which financial assistance is sought will be administered by or under the supervision of the applying organization.
- All funds awarded will be used exclusively for the purpose described in this application.
- MCDC will be recognized in all marketing, advertising, outreach and public relations as a funder of the Project/Promotional/Community Event. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement.
- Organization's officials who have signed the application are authorized by the organization to submit the application;
- Applicant will comply with the MCDC Grant Guidelines in executing the Project/Promotional/Community Event for which funds were received.
- A final report detailing the success of the Project/Promotional/Community Event, as measured against identified metrics, will be provided to MCDC no later than 30 days following the completion of the Project/Promotional/Community Event.
- Up to 80% of the approved grant may be provided, on a reimbursement basis, prior to conclusion of the Project/Promotional/Community Event with submission of invoices/receipts to MCDC. The final 20% may be paid following MCDC's receipt of unpaid invoices/receipts; documentation of fulfillment of obligations to MCDC; and final report on the Project/Promotional/Community Event.

- The required performance agreement will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120th day after the date the MCDC notifies the applicant of the violation.

We certify that all figures, facts and representations made in this application, including attachments, are true and correct to the best of our knowledge.

Chief Executive Officer

Roslyn Miller

Signature

Roslyn Miller

Printed Name

08/29/2017

Date

Representative Completing Application

Will Henderson

Signature

Printed Name

Will Henderson

Date

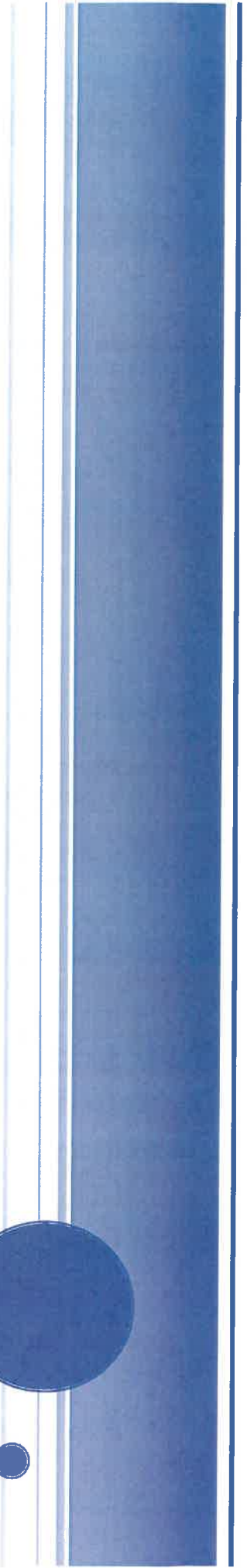
6/30/17

INCOMPLETE APPLICATIONS, OR THOSE RECEIVED AFTER THE DEADLINE, WILL NOT BE CONSIDERED.

SECTION I

Applying Organization

McKinney Housing Authority





1200 N. Tennessee St.
McKinney, TX 75069

Phone: 972-542-5641
Fax: 972-562-8387
McKinneyha.org

McKinney Housing Authority

About

Vision – To Live, Serve and Thrive in our Community in a Spirit of Excellence!

Mission - The Housing Authority's mission is to service the housing needs of low-income families in the authorities' jurisdiction to enhance self-sufficiency and promote community quality of life and economic viability.

Strategic Goals -

- Increase overall agency performance status
- Promote a path to self-sufficiency for residents and HCV clients
- Plan to meet the needs of clients aging in place
- Increase opportunities for affordable housing
- Diversify MHA revenue base to support our mission
- Enhance our relationships with community partners and stakeholders

PRIORITIES

- Increase overall agency performance status
- Promote a path to self-sufficiency for residents and HCV clients
- Plan to meet the needs of clients aging in place
- Increase opportunities for affordable housing
- Diversify MHA revenue base to support our mission
- Align our organization to meet strategic goals
- Promote a healthy working relationship between the agency, the Board of Commissioners, the City and the Community
- Enhance our relationships with community partners and stakeholders

The McKinney Housing Authority is a public housing agency formed under Texas Local Government Code 392. The agency is funded by the Department of Housing and Urban Development.

GOVERNANCE: The Housing Authority is regulated by the code of federal regulations and must meet compliance with Public Housing and Housing Choice Voucher guidance. The agency is governed by a five-member Board of Commissioners appointed by the City.

McKinney Housing Authority Board of Commissioners

Justin Beller – Chairman
Tyree Byndom – Commissioner

Gloria Evans - Commissioner

Brenda Carter - Commissioner
Debbie Roberts – Commissioner

SECTION II

Project Promotion

McKinney Housing Authority



Merritt Manor

Project Narrative

Merritt McGowan Manor is currently a multi-family project on 10.205 acres consisting of 86 units, consisting of 1-3 bedroom apartments, with one community building and the McKinney Housing Authority office. Merritt McGowan Manor was constructed in the 1960's, and has been maintained but has not received any major renovations since its original construction. As such, the property is in dire need to bring it up to the standards of today's living.

McKinney Housing Authority has embarked on a long-term initiative to rehabilitate, reconstruct, and/or expand its existing portfolio of affordable multi-family properties. Merritt McGowan Manor is the second phase of this program due to the age (62 years) and condition of the units as well as the vulnerable nature of its existing senior population. The reconstructed Merritt McGowan Manor will add additional units for residents bringing the total to 136 one, two and three bedroom units."

While we are applying for 9% tax credit award with an equity loan to fund the majority of the project, there is still a gap of approximately \$1m, which a grant from the McKinney Community Development Corporation will certainly aid in filling. We have requested \$500k, but would certainly be willing to accept (and could definitely use) more depending on availability of funds. If a smaller amount is awarded, we would of course be grateful to accept that as well. Every bit counts.

The Market Analysis is available for review upon request. Following is the Evaluation from the Market Study:

Evaluation of Subject Property

Upon completion of the improvements, the subject property is anticipated to have good curb appeal and an advantage over older competing properties in the immediate market area. The apartment units (all floorplans) have adequate functional utility, based on the information provided by the client. To the best of my knowledge, there will be no actual or suspect code violations and/or health and safety issues, based information provided by the client. It is my conclusion that the subject property will have a competitive advantage in its micro-market area into the near future.

According to the developer, 100.00% of units will be set aside for tenants making at or below

60% of the area median gross income. The pro-forma rental schedule supplied by the client indicated that the proposed monthly rental rates average \$0.803 per square foot (rent-restricted and market). It is noted that the actual rents to the tenants will be much lower due to the Project- Based Rental Assistance (PBRA) and additional PBRA-811 programs in place.

The subject property will be constructed under the Housing Tax Credit (HTC) program, which restricts rental rates and residents by income level. The subject property will have 100.00% of the complex rent-restricted. As such, the improvements will suffer from

external obsolescence, due to the applicable income-restricted rents. Since the subject property will be a HTC property, the sale of tax credits reduces the overall development costs of the project, allowing the lower rents under the program. Any external obsolescence should be offset, thus making the proposed subject property a viable development.

The developer's projected rents for the subject's restricted units at 30%, 50%, and 60% of AMI and market are illustrated in the chart below (30% and 50% AMI rents are based on vouchers). The amenities at the subject property will be competitive with most other good-quality projects in the subject's neighborhood. Further, the subject property will be very competitive due to its new condition.

The McKinney Housing Authority currently has a waiting list of potential residents to be qualified for housing at this project. Therefore, we do not anticipate having any problems leasing up the new project upon completion.

The success of this project will be evident in the meeting of construction deadlines, staying within budget, and the leasing up of the project. It will also be seen in the residents who will be fortunate enough to have a new affordable home, as opposed to the current property.

SECTION III

Financial

McKinney Housing Authority



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

**BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2016

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512-257-8078 • Fax 512-257-8091 • www.bgc-cpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of McKinney, Texas (the Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component unit. Those financial statements collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic 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 Authority'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 basic financial statements.

Except for the matter described in the Basis for Disclaimer of Opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of opinion</i>
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Disclaimer

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of Newsome Homes, LP have not been audited, and we were not engaged to audit the Newsome Homes, LP's financial statements as part of our audit of the Authority's basic financial statements. Newsome Homes, LP's financial activities are included in the Authority's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinion on the Business-type Activities

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of McKinney, Texas, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 4 through 13 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of McKinney, Texas' basic financial statements. The financial data schedules and schedule of modernization costs on pages 35 through 40 are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements. These 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 28, 2017 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 the 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.

Brown, Graham & Company, P.C.

Austin, Texas
March 28, 2017

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Management's discussion and analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Housing Authority of the City of McKinney, Texas (the Authority's) financial activity, and (c) identify changes in the Authority's financial position for the fiscal year ended June 30, 2016. Please read it in conjunction with the Authority's financial statements.

Overview of the financial statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Authority's accounting records are structured as an enterprise fund with revenues recognized when earned, rather than when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and depreciated over their estimated useful lives. The accounting for enterprise funds is similar to the accounting used by businesses. See the note to the financial statements for a summary of the Authority's significant accounting policies.

Following the MD&A are the basic financial statements of the Authority together with notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The **Statement of Net Position** presents information similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources of the Authority. The statement is presented in the format where assets, minus liabilities, equal net position. Assets and liabilities are presented in order of liquidity, and are classified as current and non-current.

Net position is reported in three broad categories:

Net Investment in Capital Assets: This component consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component consists of assets that are constrained by limitations placed on their use by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component consists of net position that is not restricted and does not meet the definition of Net Investment in Capital Assets.

The **Statement of Revenues, Expenses, and Change in Net Position** presents information showing how the Authority's net position changed during the year. This statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenue and expenses, such as grant revenue, investment income, interest expense, and gains or losses from the sale or disposition of capital assets. The focus of the statement is the change in net position, which is similar to net income or loss for a business entity.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The **Statement of Cash Flows** reports net cash provided by or used by operating activities, non-capital financing activities, capital and related financing activities and investing activities.

The **Notes to Financial Statements** provide additional information that is essential to a full understanding of the information included in the financial statements.

In addition to the basic financial statements and accompanying notes, this report includes two types of supplementary information: required supplementary information and other supplementary information. Required supplementary information must be included to conform to generally accepted accounting principles. Management's discussion and analysis is the required supplementary information.

Other supplementary information is not required by generally accepted accounting principles but is presented for additional analysis purposes or to meet other requirements. The financial data schedule is required by the U.S. Department of Housing and Urban Development (HUD). The schedule of expenditures of federal awards is required by the U.S. Office of Management and Budget and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Program information

Low Income Public Housing: Under the low income public housing program, the Authority rents units that it owns to low-income households. The program is operated under an annual contributions contract with HUD, and HUD provides operating subsidy and capital funding to enable the Authority to provide housing at a rent that is based on 30% of household income. The conventional public housing program includes the capital fund program, which is the primary funding source for physical improvements to the Authority's properties.

Capital Fund: This grant program is awarded by HUD on an annual basis. The purpose of this grant is to improve the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds.

Section 8 Housing Choice Vouchers: Under the housing choice voucher program, the Authority administers contracts with landlords that own rental property. The Authority subsidizes the family's rent through a housing assistance payment made to the landlord. The program is administered under an annual contributions contract with HUD. HUD provides an annual contribution funding to enable the Authority to structure a lease that sets the participant's rent at 30% of household income.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial position and analysis

Table 1 compares the Authority's financial position for the fiscal years ended June 30, 2016 and 2015:

**Table 1
Net Assets**

	2016	2015	Increase (Decrease)	Percent Variance
Assets				
Current Assets	\$ 982,078	\$ 1,207,550	\$ (225,472)	-18.67%
Notes Receivable	1,406,991	-	1,406,991	100.00%
Capital Assets, net	1,733,257	2,131,188	(397,931)	-18.67%
Total assets	4,122,326	3,338,738	783,588	23.47%
Liabilities				
Current liabilities	312,642	206,229	106,413	51.60%
Noncurrent liabilities	392,534	6,495	386,039	5943.63%
Total liabilities	705,176	212,724	492,452	231.50%
Net position				
Invested in capital assets	1,733,257	2,131,188	(397,931)	-18.67%
Restricted net position	6,781	31,071	(24,290)	-78.18%
Unrestricted net position	1,677,112	963,755	713,357	74.02%
Total net position	\$ 3,417,150	\$ 3,126,014	\$ 291,136	9.31%

Current Assets: decreased by \$225,472 or 18.67%. Cash was lent to the Newsome Homes, LP for the construction and operation of a multifamily low-income housing known as the Newsome Homes Project.

Notes Receivable increased \$1,406,991 or 100%. Loans were made to Newsome Homes, LP for construction and operation of a multifamily low-income housing project.

Capital Assets decreased \$397,931 or 18.67% primarily due to disposal of 64 units under the Low Rent Program that were released by HUD from the previously filed Declaration of Trust to construct the Newsome Homes Project under the Rental Assistance Demonstration (RAD) Program.

Current Liabilities increased \$106,413 or 51.60% primarily due to \$89,186 in Port-In HAP and Port-In AP administrative fees received for tenants that have been absorbed in to the Authority's Housing Choice Voucher Program that are owed back to the initial housing authority.

Noncurrent Liabilities increased \$386,039 or 5,943.63%. During FY 2016, The Authority entered into a Loan Agreement with the City of McKinney, Texas for construction of the Newsome Homes Project.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Net Investment in Capital Assets decreased \$397,931 or 32.87% due to the disposal of 64 units to Newsome Homes, LP under the RAD program.

Unrestricted net position increased \$713,357 or 74.02% due to a \$345,246 net position reclassification between the Authority and Newsome Homes, LP (see Note 1) and operating income excluding depreciation of \$391,008.

Table 2 focuses on the revenues, expenses and changes in net position:

**Table 2
Changes in Net Assets**

	2016	2015	Increase (Decrease)	Percent Variance
Operating revenue & expense				
Operating revenue	\$ 3,755,879	\$ 3,742,063	\$ 13,816	0.37%
Operating expenses	3,500,888	3,802,952	(302,064)	-7.94%
Operating Income (loss)	254,991	(60,889)	315,880	-518.78%
Non-operating revenues & expenses	(561,455)	1,327	(562,782)	-42410.10%
Capital Grants	252,174	100,940	151,234	149.83%
Increase (decrease) in net assets	(54,290)	41,378	(95,668)	-231.20%
Transfer from primary government to discretely presented component unit	345,426	(345,426)	690,852	-200.00%
Net assets, beginning of year	3,126,014	3,430,062	(304,048)	-8.86%
Net assets, end of year	<u>\$ 3,417,150</u>	<u>\$ 3,126,014</u>	<u>\$ 291,136</u>	<u>9.31%</u>

Operating expenses decreased by \$302,064 or 7.94%. Depreciation expense was reduced by \$167,734 due to disposal of 64 Low Rent units under the RAD program. Additionally, administrative expenses, utility expenses, and general expenses decreased in FY 2016.

Non-operating revenues and expenses decreased \$562,782 primarily due to the loss incurred on the disposal of 64 units of Low Rent Housing under the RAD program.

Transfer from primary government to discretely presented component unit increased \$690,852 or 200%. See Note 1 Discretely Presented Component Unit: Change in Reporting Status.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Table 3 presents a summary of the Authority's revenue by source:

**Table 3
Revenues by source**

	2016	2015	Increase (Decrease)	Percent Variance
Operating revenue				
Tenant revenue	\$ 485,449	\$ 463,572	\$ 21,877	4.72%
Operating Subsidies and Grants	3,070,489	2,872,529	197,960	6.89%
Forgivable Loan Income	87,773	345,426	(257,653)	-74.59%
Other revenue	112,168	60,536	51,632	85.29%
Total operating revenue	<u>3,755,879</u>	<u>3,742,063</u>	<u>13,816</u>	<u>0.37%</u>
Non-operating revenues				
Capital Grants	252,174	72,233	179,941	249.11%
Investment income	476	704	(228)	-32.39%
Total non-operating revenues	<u>252,650</u>	<u>72,937</u>	<u>179,713</u>	<u>246.39%</u>
Total revenues	<u>\$ 4,008,529</u>	<u>\$ 3,815,000</u>	<u>\$ 193,529</u>	<u>5.07%</u>

Operating Subsidies and Grants increased by \$197,960 or 6.89% due to an increase in Operating Subsidy and Housing Choice Voucher subsidy.

Forgivable Loan Income decreased by \$257,653 or 74.59%. The decrease is due to timing of forgivable loan proceeds from the McKinney Community Development Corporation for construction and operation of the Newsome Homes project.

Other revenue increased \$51,632 or 85.29% primarily due to \$41,486 of insurance proceeds revenue received in FY 2016.

Capital Grant revenues increased by \$151,234 or 149.83% due to the timing of capital improvements made using capital fund grants.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Table 4 presents a summary of the Authority's operating expenses:

**Table 4
Operating expenses**

	2016	2015	Increase (Decrease)	Percent Variance
Administrative	\$ 663,426	\$ 691,678	\$ (28,252)	-4.08%
Tenant and protective services	82,866	77,544	5,322	6.86%
Utilities	128,022	159,003	(30,981)	-19.48%
Maintenance	428,447	405,918	22,529	5.55%
Insurance expense	27,841	33,954	(6,113)	-18.00%
General expense	117,494	196,445	(78,951)	-40.19%
Housing assistance payments	1,916,775	1,934,659	(17,884)	-0.92%
Depreciation	136,017	303,751	(167,734)	-55.22%
Total operating expenses	\$ 3,500,888	\$ 3,802,952	\$ (302,064)	-7.94%

Utilities decreased by \$30,981 or 19.48% due to the disposal of 64 Low Rent Program units under the RAD program.

General Expense decreased by \$78,951 or 40.19% primarily due to a decrease in legal expenses associated with the RAD conversion of 64 units.

Depreciation decreased by \$167,734 or 55.22% due to the disposal of 64 Low Rent Program units under the RAD program.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public Housing is adopted on the basis of accounting prescribed by HUD, which differs in some respects from generally accepted accounting principles.

**Table 5
Low Income Public Housing**

	Budget	Actual	Variance Favorable (Unfavorable)	Percent Variance Favorable (Unfavorable)
Revenue				
Rental income	\$ 409,677	\$ 443,052	\$ 33,375	8.15%
Government Grants	638,361	1,063,278	424,917	66.56%
Other income	35,557	228,907	193,350	543.77%
Total revenue	1,083,595	1,735,237	651,642	60.14%
Expenses				
Administrative	400,913	437,459	(36,546)	-9.12%
Tenant and Protective Service	6,580	6,330	250	3.80%
Utilities	102,090	128,022	(25,932)	-25.40%
Maintenance	353,264	425,732	(72,468)	-20.51%
General Expenses	99,547	117,825	(18,278)	-18.36%
Total expenses	962,394	1,115,368	(152,974)	-15.90%
Gain(Loss)on Sale of Property	-	(557,601)	557,601	100.00%
Income (over)/under expense	\$ 121,201	\$ 62,268	\$ 498,668	411.44%

Government Grants income exceeded budget by \$424,917 or 66.58%. The capital fund grant was not included in the budget.

Other Income exceeded budget by \$193,350 or 543.77% primarily due to unbudgeted forgivable loan income, insurance proceeds and reimbursement for pre-development costs expensed in the prior year for the Newsome Homes Project.

Loss on Property Sale was over budget by \$557,601 or 100%. The loss incurred on the disposal of 64 units of Low Rent Housing under the RAD program was not included in the budget.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Utilities Expense was over budget by 25,932 or 25.40%. The disposal of units under the RAD program did not take place as early in the fiscal year as budgeted.

Maintenance Expense was over budget by \$72,468. The disposal of under the RAD program did not take place as early in the fiscal year as budgeted.

General Expenses exceeded the budget by \$18,278 or 18.36%. Legal expenses of \$25,975 related to the Newsome Homes RAD conversion were incurred but not included in the budget.

Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Housing Choice Voucher is adopted on the basis of accounting prescribed by HUD, which differs in some respects from generally accepted accounting principles.

**Table 6
Housing Choice Voucher**

	Budget	Actual	Variance Favorable (Unfavorable)	Percent Variance Favorable (Unfavorable)
Revenue				
HAP Income	\$ 1,611,158	\$ 1,584,580	\$ (26,578)	-1.65%
Admin fee	178,213	220,881	42,668	23.94%
Port-Ins Administered	-	306,029	306,029	100.00%
Port-Ins Admin Fee Revenue	65,654	21,851	(43,803)	-66.72%
Fraud Recovery	500	4,006	3,506	701.20%
Interest	-	285	285	100.00%
Total revenue	1,855,525	2,137,632	282,107	15.20%
Expenses				
Administrative	180,954	230,819	(49,865)	-27.56%
Maintenance	-	2,715	(2,715)	100.00%
General expense	2,680	337,742	(335,062)	-12,502.31%
HAP expense	1,611,158	1,610,873	285	0.02%
Total expenses	1,794,792	2,182,149	(387,357)	-21.58%
Income (over)/under expense	\$ 60,733	\$ (44,517)	\$ (105,250)	-173.30%

Admin Fee Revenue exceeded budget by \$42,668 or 23.94%. The budget was based on a different expectation of administrative fee revenue by source.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Port-Ins Administered exceeded budget by \$306,029 or 100%. Port-In revenue and the corresponding expense were not included in the budget.

Port-Ins Admin Fee Revenue was less than budget by \$43,803 or 66.72%. The budget was based on a different expectation of administrative fee revenue by source.

Administrative Expense exceeded budget by \$49,865 or 27.56% primarily due to contract salaries, computer support, auditing, telephone, and sundry expenses that exceeded budget.

General Expense exceeded budget by \$335,062. Port-In Expense of \$305,902 was not budgeted and the Authority incurred a collection loss for \$30,362 of Port-In receivables.

Capital assets

Table 7 summarizes the Authority's investment in capital assets:

**Table 7
Changes in Net Capital Assets**

	2016	2015	Increase (Decrease)	Percent Variance
Land	\$ 26,918	\$ 26,918	\$ -	0.00%
Buildings	8,578,935	12,129,733	(3,550,798)	-29.27%
Furniture and equipment	455,638	435,280	20,358	4.68%
	<u>9,061,491</u>	<u>12,591,931</u>	<u>(3,530,440)</u>	<u>-28.04%</u>
Less: accumulated depreciation	<u>(7,328,234)</u>	<u>(10,460,743)</u>	<u>3,132,509</u>	<u>-29.95%</u>
Capital assets, net	<u>\$ 1,733,257</u>	<u>\$ 2,131,188</u>	<u>\$ (397,931)</u>	<u>-18.67%</u>

Acquisitions are capitalized at cost and depreciated using the straight-line method of depreciation. During fiscal year 2016, 64 units under the Low Rent Program were released by HUD from the previously filed Declaration of Trust to construct the Newsome Homes Project under the RAD Program. Additional information and details can be found in the Notes to the Financial Statements.

Analysis of Debt Activity

In December 2015, the Authority entered into an agreement with the City of McKinney, Texas, in the amount of \$1,156,052, that includes a construction loan and a revolving loan for the development of a multifamily project owned by Newsome Homes, LP (See Note 1, Discretely Presented Component Unit) bearing an interest rate of 2.75%, with annual payments of principal and interest starting on November 1, 2020, unsecured. The term of the agreement is from December 1, 2015 until November 1, 2040. As of June 30, 2016, the Authority had drawn \$385,352 of this loan, and recognized related interest expense of \$4,330.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Significant economic factors affecting the Authority are as follows:

- The Department of Housing and Urban Development (HUD) has historically been underfunded to meet the subsidy needs of public housing authorities (PHAs). We do not expect this consistent trend to change.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. Further, increased funding for the Departments of Defense and Homeland Security will probably result in reduced appropriations for all other domestic program spending.
- Rising cost of utility rates, supplies, and other costs may impact our budgets in future years.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Roslyn Miller, Executive Director
Housing Authority of the City of McKinney, Texas
1200 N. Tennessee, McKinney, TX 75069-2121
(972) 542-5641

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Primary Government Business-type Activities</u>	<u>Discretely Presented Component Unit</u>
	<u>(Audited)</u>	<u>(Unaudited)</u>
Current assets:		
Cash and cash equivalents (Note 2):		
Unrestricted	\$ 697,193	\$ 1,087,779
Restricted	40,391	-
Accounts receivable:		
Tenants, net of allowance	2,665	-
HUD (Note 5)	152,420	-
Portability, net of allowance (Note 5)	9,854	-
Other	7,801	-
Investments (Note 2)	31,475	-
Inventory, net of allowance	38,480	-
Prepaid expenses	1,799	-
	<hr/>	<hr/>
Total current assets	982,078	1,087,779
Non-current assets:		
Notes receivable (Note 9)	1,406,991	-
Capital assets, net of accumulated depreciation (Note 4)	1,733,257	2,585,938
	<hr/>	<hr/>
Total non-current assets	3,140,248	2,585,938
	<hr/>	<hr/>
Total assets	4,122,326	3,673,717
	<hr/>	<hr/>
Deferred outflows of resources	-	-

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

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2016

	<u>Primary Government Business-type Activities</u>	<u>Discretely Presented Component Unit</u>
	(Audited)	(Unaudited)
Current liabilities:		
Accounts payable:		
Trade	\$ 22,854	\$ -
HUD (Note 5)	66,538	-
Other governments	121,589	-
Accrued expenses:		
Interest (Note 3)	4,330	-
Compensated absences (Note 7)	6,918	-
Prepaid tenant rents	8,679	-
Prepaid portability revenue (Note 5)	24,447	-
Tenant security deposits - liability	23,677	-
Other current liabilities (Note 2)	33,610	-
	<hr/>	<hr/>
Total current liabilities	312,642	-
	<hr/>	<hr/>
Long-term liabilities:		
Accrued compensated absences (Note 7)	7,182	-
Long-term debt (Note 3)	385,352	2,079,568
	<hr/>	<hr/>
Total long-term liabilities	392,534	2,079,568
	<hr/>	<hr/>
Total liabilities	705,176	2,079,568
	<hr/>	<hr/>
Deferred inflows of resources	-	-
	<hr/>	<hr/>
Net position:		
Net investment in capital assets	1,733,257	506,370
Restricted for Housing		
Assistance Payments (Note 8)	6,781	-
Unrestricted	1,677,112	1,087,779
	<hr/>	<hr/>
Total net position	\$ 3,417,150	\$ 1,594,149
	<hr/>	<hr/>

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

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2016

	<u>Primary Government Business-type Activities</u> (Audited)	<u>Discretely Presented Component Unit</u> (Unaudited)
Operating revenues:		
Rental revenue	\$ 443,052	\$ -
Other tenant revenue	42,397	-
Operating subsidies and grants (Note 5)	3,070,489	-
Forgivable loan income (Note 9)	87,773	-
Other operating revenue	<u>112,168</u>	<u>-</u>
 Total operating revenues	 <u>3,755,879</u>	 <u>-</u>
Operating expenses:		
Administrative	663,426	-
Tenant and protective services	82,866	-
Utilities	128,022	-
Maintenance	428,447	-
Insurance	27,841	-
General	117,494	-
Depreciation (Note 4)	136,017	-
Housing assistance payments	<u>1,916,775</u>	<u>-</u>
 Total operating expenses	 <u>3,500,888</u>	 <u>-</u>
Net operating income	<u>254,991</u>	<u>-</u>
Non-operating income (expense):		
Interest income	476	469
Interest expense (Note 3)	(4,330)	-
Loss from disposition of capital assets (Note 4)	<u>(557,601)</u>	<u>-</u>
 Total non-operating income (expense)	 <u>(561,455)</u>	 <u>469</u>
Capital grants (Note 5)	<u>252,174</u>	<u>-</u>
Change in net position	<u>(54,290)</u>	<u>469</u>

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

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION - CONTINUED
YEAR ENDED JUNE 30, 2016

	<u>Primary Government Business-type Activities</u> (Audited)	<u>Discretely Presented Component Unit</u> (Unaudited)
Net position, beginning of year:		
As originally stated	\$ 3,387,100	\$ -
Portability-in adjustment (Note 13)	84,340	-
Change in reporting entity (Note 1)	<u>(345,426)</u>	<u>345,426</u>
As restated	<u>3,126,014</u>	<u>345,426</u>
Capital contributions (Note 1)	<u>-</u>	<u>1,593,680</u>
Net position reclassification (Note 1)	<u>345,426</u>	<u>(345,426)</u>
Net position, end of year	<u>\$ 3,417,150</u>	<u>\$ 1,594,149</u>

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

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

	Primary Government Business-type Activities <hr/> (Audited)
Cash flows from operating activities:	
Cash received:	
Rental revenue	\$ 444,576
Other tenant revenue	27,949
Operating subsidies and grants	3,151,809
Forgivable loan income	87,773
Other revenue	112,168
Cash paid:	
Administrative	(576,315)
Tenant and protective services	(82,866)
Utilities	(128,022)
Maintenance	(455,754)
Insurance	(27,841)
General	(117,494)
Housing assistance payments	(1,916,775)
Net cash flows from operating activities	<hr/> 519,208
Cash flows from investing activities:	
Notes receivable originated	(1,061,565)
Cash proceeds from long-term debt	385,352
Cash received to be paid to the developer	33,610
Cash received for interest income	370
Net cash flows from investing activities	<hr/> (642,233)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(295,687)
Cash received for capital grants	257,152
Net cash flows from capital and related financing activities	<hr/> (38,535)
Net decrease in cash and cash equivalents	(161,560)
Cash and cash equivalents:	
Beginning of year	<hr/> 899,144
End of year	\$ <hr/> <hr/> 737,584

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

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED JUNE 30, 2016

		Primary Government Business-type Activities <u>(Audited)</u>
Reconciliation of cash and cash equivalents:		
Unrestricted	\$	697,193
Restricted		<u>40,391</u>
Total cash and cash equivalents	\$	<u><u>737,584</u></u>
Reconciliation of net operating income to net cash flows from operating activities:		
Net operating income	\$	254,991
Adjustments to reconcile net operating income to net cash flows from operating activities:		
Depreciation		136,017
(Increase) decrease in assets:		
Accounts receivable:		
Tenants, net		1,891
HUD		53,496
Portability		7,188
Miscellaneous		(6,508)
Inventory, net		3,484
Prepaid expenses		(511)
Increase (decrease) in liabilities:		
Accounts payable:		
Trade		(30,791)
HUD		9
Other government		94,676
Accrued expenses:		
Salary		(9,206)
Compensated absences		2,152
Prepaid tenant rents		(367)
Prepaid portability revenue		20,627
Tenant security deposits - liability		<u>(7,940)</u>
Net cash flows from operating activities	\$	<u><u>519,208</u></u>

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

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED JUNE 30, 2016

	Primary Government Business-type Activities <u>(Audited)</u>
Supplemental schedule of noncash investing and financing activities:	
Capital grants revenue recorded through accounts receivable - HUD	\$ <u>95,962</u>
Increase in notes receivable through net position reclassification	\$ <u>345,426</u>
Interest expense recorded through accrued interest	\$ <u>4,330</u>
Disposition of capital assets:	
Cost	3,826,127
Accumulated depreciation	<u>(3,268,526)</u>
Net loss	\$ <u>(557,601)</u>
Reinvestment of interest income	\$ <u>106</u>

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

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The Housing Authority of the City of McKinney, Texas (MHA) is a political sub-division of the State of Texas and is governed by a Board of Commissioners. The purpose of MHA is to provide affordable housing for elderly and other low to moderate income persons who meet requirements as specified by the U.S. Department of Housing and Urban Development (HUD). Programs are funded through contracts with HUD and from rents paid by tenants.

MHA administers the following programs under HUD's office of Public and Indian Housing: a Low Rent Public Housing Program (the Low Rent Program) consisting of one hundred thirty-seven (137) family units, a Housing Choice Voucher Program consisting of two hundred and eighty-six (286) tenant-based vouchers, and approximately twenty-six (26) portability units. A portability unit is where a participant in the Housing Choice Voucher Program moves to the areas served by MHA with a voucher issued by another housing authority. MHA administers a Capital Fund Program, which provides for modernization and improvement of the properties under the Low Rent Program. MHA also administers the Rental Assistance Demonstration Program (RAD), which allows public housing agencies to convert properties currently funded under the Low Rent Program to long-term project-based Housing Choice Voucher rental assistance contracts to preserve and improve these properties through access to private debt and equity.

The Primary Government consists of the Housing Authority of the City of McKinney, Texas and its blended component units (together, the Authority). A component unit is a legally separate entity for which the primary government is financially accountable. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, the primary government is financially accountable for a legally separate entity in the following circumstances:

- a. The primary government appoints a voting majority of the legally separate entity's governing body and (1) it is able to impose its will on that entity or (2) there is a potential for that entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
- b. The legally separate entity is fiscally dependent on and there is a potential for that entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether that legally separate entity has (1) a separate elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Using the criterion described above, the Authority is not a component unit of another local government.

Blended component units:

McKinney Affordable Housing Development Corporation (MAHDC)

Blended component units, although legally separate entities are, in substance, part of the Authority's operations; therefore, financial statements of the blended component units are combined with the financial statements of the primary government.

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Blended component units - continued:

McKinney Affordable Housing Development Corporation (MAHDC) - continued

Under the criteria for a component unit described above, a nonprofit corporation, McKinney Affordable Housing Development Corporation (MAHDC), is considered to be a blended component unit of the Authority. The Authority is a sole member of MAHDC, and the Board of Directors of MAHDC are appointed by the Authority's Board of Directors. MAHDC was incorporated in October 2014, as a Texas non-profit corporation to provide additional affordable housing services to low- and moderate-income families. MAHDC's accounting transactions have been recorded and reported similar to those of a special-purpose government involved in only business-type activities. There are no separate financial statements issued for MAHDC. MAHDC is involved in one limited partnership through its investment in two wholly-owned single-member Texas limited liability companies (collectively, the LLCs). These LLCs' accounting transactions are combined with MAHDC. MAHDC has December 31 fiscal year-end.

McKinney-Newsome Homes GP, LLC (MNH GP)

MNH GP was organized on October 27, 2014, as a Texas limited liability company in which MAHDC is its sole member, to be the general partner of Newsome Homes, LP (the Partnership).

McKinney-Newsome Homes LP, LLC (MNH LP)

MNH LP was organized on October 27, 2014, as a Texas limited liability company in which MAHDC is its sole member, to be the limited partner of the Partnership through December 2015. There are no separate financial statements issued for the LLCs listed above. There was no activity in the LLCs for the year ended June 30, 2016.

Discretely presented component unit:

Newsome Homes, LP (the Partnership)

The Partnership is a private for-profit entity that reports under Financial Accounting Standards Board standards. As such, certain expense recognition criteria and presentation features are different from GASB expense recognition criteria and presentation features. No modifications have been made to the Partnership's financial information in the Authority's financial reporting for these differences.

Change in Reporting Status

For the year ended June 30, 2015, the Authority through MAHDC, MNH GP and MNH LP had control of the partnership. The Partnership was reported as a blended component unit of the Authority. In December 2015, MNH LP exited as a limited partner in the Partnership, and an unrelated entity became the limited partner in the Partnership, contributing \$1,593,680 in capital during the year ended June 30, 2016 to the Partnership. Through the Authority's control of the general partner in the partnership, management is presenting the Partnership as a discretely presented component unit.

As a result of the change in reporting status, the Authority's beginning net position was reduced by \$354,426, and the Partnership's beginning net position was increased by \$345,426. During the year ended June 30, 2015, MAHDC transferred \$345,426 to the Partnership as equity transfer. During the year ended June 30, 2016, this transfer was reclassified as a note receivable from the Partnership.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Discretely presented component unit - continued:

Newsome Homes, LP (the Partnership) - continued

Operations of the Partnership

The Partnership has applied for and received allocations of low-income housing tax credits through Texas Department of Housing and Community Affairs, pursuant to Internal Revenue Code Section 42, to develop a property in McKinney, Texas, known as Newsome Homes. The Partnership, in cooperation with the Authority and MAHDC will be using funds allocated to the Authority under the RAD program.

Basis of accounting:

The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Authority applies all relevant GASB standards. The accounts of the Authority are organized as a proprietary fund which uses the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with proprietary fund activities are included on the statement of net position.

Proprietary fund net position is segregated into three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The restricted assets are subject to constraints externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or externally imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted net position. The Authority's positive value of unrestricted net position may be used to meet ongoing obligations.

Government-wide financial statements:

The statement of net position, statement of revenues, expenses and change in net position, and statement of cash flows are government-wide financial statements. They report information on all of the Authority's proprietary fund activities with the interfund activities eliminated.

The Authority considers its proprietary fund as a major fund. The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses include revenues and expenses related to the continuing operations of the proprietary fund. Operating revenues are operating subsidies and grants received from HUD and charges to residents for dwelling rentals. Operating expenses are the costs of providing housing assistance payments and include administrative expenses, utilities, and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund types and major funds:

The Authority has only a proprietary fund type and the Authority reports the following as one major enterprise fund:

Low Rent Public Housing Program is designed to provide subsidized housing to low-income residents. The Authority receives dwelling rental income from residents and operating subsidies provided by HUD.

Capital Fund Program provides funds for the capital and management activities, including modernization and improvement of the properties under Low Rent Program.

Housing Choice Voucher Program provides housing assistance payments to qualified low-income persons through the tenant-based vouchers issued by the Authority in accordance with the Annual Contribution Contract with HUD. The Authority also enters into housing assistance payment contracts with local private housing providers who agree to accept the tenant-based vouchers issued by the Authority. In addition, the Authority earns administrative fees from HUD for facilitating and managing the Housing Choice Voucher Program.

Community Development Block Grant provides funds for further development of affordable housing.

Blended Component Units are intended to diversify and to provide more affordable housing solutions for the purpose of the Authority.

Cash and cash equivalents:

For the purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Revenue recognition:

Federal grants received during the year are recorded as income when the earnings process is substantially complete. Federal capital grants disbursed for the acquisition and/or construction of capital assets or operating expenses are recorded as grant revenue to the extent of the related disbursements. Any capital grants advanced by the federal agency in excess of expenses or capital expenditures incurred are recorded as advanced grant revenue on the statement of net position.

The Authority enters into standard leases with its residents for a period not to exceed one year and recognizes rental and related income at the beginning of the month. Tenant accounts receivable represent amounts owed by residents and prepaid tenant rents represent amounts paid in advance by residents as a result of these transactions. Other income is recorded as it is earned. Payroll and administrative expenses are allocated to programs based on estimated time spent for related program activities. Other maintenance and operating expenses are charged to program activities based on specific identification.

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowance for doubtful accounts:

The allowance for doubtful accounts is estimated and recorded based on the Authority's historical bad debt experience and management's judgment.

Inventory:

Inventories consist principally of maintenance material and supplies and are valued at the lower of cost (first in, first out method) or market. Management estimates inventory reserves for excess quantities and obsolete items based on specific identification and historical write-offs, taking into account for future needs. As of June 30, 2016, management estimated an allowance for obsolete inventory in the amount of \$13,989.

Capital assets:

Investments in capital assets are stated at cost; donated capital assets are stated at their fair value on the date of donation. Capital assets are depreciated using the straight-line method over their estimated useful lives of 15-40 years for building and improvements and 3-7 years for furniture and equipment.

Repairs and maintenance are charged to costs and expenses as incurred. Renewals and betterments which costs more than \$1,000 which add significantly to the utility or useful lives of the capital assets are capitalized. Upon retirement or disposition of capital assets, related gains or losses are reflected as non-operating income or expense on statement of revenues, expenses and change in net position.

Deferred outflows and deferred inflows of resources:

Deferred outflows of resources are consumptions of net assets (the difference between the Authority's assets and its liabilities) by the Authority that is applicable to a future reporting period. Deferred inflows of resources are acquisitions of net assets by the Authority that is applicable to a future reporting period. As of June 30, 2016, the Authority does not have any deferred outflows of resources or the deferred inflows of resources.

Budget information:

The Authority adopts annual operating budgets for its proprietary fund programs which receive federal funding. The Authority prepares its annual budgets on a basis of accounting which is materially consistent with GAAP. Budgets are also prepared for capital projects activities. Budgets are submitted by the Authority and approved by the Board of Commissioners.

Estimates:

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the basic financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 2 – DEPOSITS AND INVESTMENTS

Restricted cash:

As of June 30, 2016, cash in the amount of \$6,781 was restricted for excess HAP (see Note 8), and payment of current liabilities of \$33,610.

Risks:

Interest rate risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority typically limits its investments to ones with maturities of 12 months or less.

Credit risk: The funds of the Authority must be deposited and invested under the terms of a depository agreement. The depository bank places approved pledged securities for safekeeping and trust with the Authority's agent bank in an amount sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2016, the carrying amount of the Authority's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$769,059 and the bank balance was \$882,640, and was covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Custodial credit risk: This is the risk that in the event of a bank or other financial institution failure, the Authority's deposits and investments may not be returned to it. The Authority's deposits are fully covered by the FDIC insurance or the pledged securities. The Texas Public Funds Investment Act (Texas Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Authority to adopt, implement, and publicize an investment policy. The Authority is in compliance with the requirements of the Act and with local policies as of June 30, 2016. All of Authority's cash and cash equivalents, restricted cash and investments as of June 30, 2016, were recorded at cost which approximates fair value.

NOTE 3 – LONG-TERM DEBT

In December 2015, the Authority entered into an agreement with the City of McKinney, Texas, in the amount of \$1,156,052, that includes a construction loan and a revolving loan for the development of a multifamily project owned by the Partnership (see Note 1, Discretely Presented Component Unit) known as Newsome Homes (the Newsome Homes Project), bearing an interest rate of 2.75%, with annual payments of principal and interest starting on November 1, 2020, unsecured. The term of the agreement is from December 1, 2015, until November 1, 2040. As of June 30, 2016, the Authority had drawn \$385,352 of this loan, and recognized related interest expense of \$4,330.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 4 – CAPITAL ASSETS

As set forth in contract documents by and between the Authority and HUD, the Authority shall not pledge as collateral, convey or encumber certain capital assets without prior approval from HUD. Changes in the Authority's capital assets and accumulated depreciation for the year ended June 30, 2016, are as follows:

	Balance as of June 30, 2015	Additions	Dispositions	Transfers	Balance as of June 30, 2016
Land	\$ 26,918	\$ -	\$ -	\$ -	\$ 26,918
Buildings and improvements	12,129,733	275,329	(3,826,127)	-	8,578,935
Furniture and equipment	435,280	20,358	-	-	455,638
Total capital assets	12,591,931	295,687	(3,826,127)	-	9,061,491
Less: accumulated depreciation	(10,460,743)	(136,017)	3,268,526	-	(7,328,234)
Net capital assets	<u>\$ 2,131,188</u>	<u>\$ 159,670</u>	<u>\$ (557,601)</u>	<u>\$ -</u>	<u>\$ 1,733,257</u>

During the year ended June 30, 2016, the 64 units under the Low Rent Program were released by HUD from the previously filed Declaration of Trust to construct the Newsome Homes Project under the RAD program. During the year ended June 30, 2016, the Authority disposed of the 64 units, and recognized related loss on capital asset disposition of \$557,601.

NOTE 5 - OPERATING SUBSIDIES AND GRANTS

The Authority's grant revenue consists of the following for the year ended June 30, 2016:

Operating subsidies and grants:

Low Rent Public Housing	\$ 727,472
Public Housing Capital Fund	83,632
Housing Choice Vouchers	1,805,461
Housing Choice Vouchers - Portability	327,880
Community Development Block Grant	67,683
Resident Opportunity and Self-Sufficiency Service Coordinator	58,361
Total operating subsidies and grants	<u>\$ 3,070,489</u>

Capital grants:

Public Housing Capital Fund	<u>\$ 252,174</u>
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HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 5 - OPERATING SUBSIDIES AND CAPITAL GRANTS – CONTINUED

As of June 30, 2016, the Authority had \$49,660 in portability receivable and \$24,447 in prepaid portability revenue from various other housing authorities. Management evaluated and set up an allowance for uncollectible accounts receivable – portability in the amount of \$39,806 as of June 30, 2016, based on the historical and current collection status, and management’s judgment. In addition, as of June 30, 2016, the Authority had received \$89,186 in portability HAP and fees for tenants that have already been absorbed by the Authority. This amount is included in accounts payable – other governments on the accompanying statement of net position. The Authority is currently working with the originating housing authorities to settle this payable.

As of June 30, 2016, the Authority had \$152,420 in accounts receivable from HUD under various grants. Management considered the need for valuation allowance and determined that no allowance was necessary as of June 30, 2016.

As of June 30, 2016, the Authority had \$66,538 in accounts payable to HUD under disaster housing assistance program that ended in prior year, and which the Authority was overfunded by HUD. The Authority is awaiting HUD’s guidance on how these funds will be recaptured by HUD.

NOTE 6 - RETIREMENT PLAN

The Authority provides a defined contribution plan 457 Plan (the Plan), for its full-time employees, which is currently administered by Pentegra. Under the terms of the Plan, the participants contribute 5% of their gross earnings, and the Authority matches the participants’ contribution up to 5% of their gross earnings. Employees are eligible to participate after six (6) months probationary period. Under a defined contribution plan, the benefits a participant will receive depend only on the amount contributed to the participant’s account and returns on investments of those contributions. During the year ended June 30, 2016, the Authority contributed \$11,134 to the Plan, which was included in administrative and maintenance expense on the accompanying statement of revenues, expenses and change in net position. The participants contributed \$12,550, which included additional voluntary contributions.

NOTE 7 - ACCRUED COMPENSATED ABSENCES

All non-probationary full-time employees are allowed to accrue vacation time according to their years of service. An employee can accrue vacation leave of four (4) hours per pay period during the first four (4) years of employment, six (6) hours after the completion of four (4) years, and eight (8) hours after the completion of fourteen (14) years of employment. The maximum unused vacation leave that may be accrued is forty (40) hours. As of June 30, 2016, the balance of current accrued compensated absences is \$6,918 and the balance of non-current compensated absences is \$7,180.

NOTE 8 –RESTRICTED NET POSITION

As of June 30, 2016, restricted net position consisted of the excess Housing Assistance Payment (HAP) revenue over the Housing Assistance Payment expense, in the amount of \$6,781 under the Housing Choice Vouchers Program. The excess HAP is restricted by HUD for future Housing Assistance Payments to the landlords on behalf of the tenants.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 9 – RELATED PARTY TRANSACTIONS

Notes receivable:

The Authority and the Partnership entered into a loan agreement for construction and operation of the Newsome Homes Project in the amount not to exceed \$2,706,052, evidenced by promissory notes as follows:

Note A in the amount of \$1,156,052, due on October 25, 2040, bearing a fixed annual interest rate of 2.75%, with payments starting on October 25, 2020, secured by a Deed of Trust,	\$ 363,300
Note B in the amount of \$550,000, due on December 31, 2050, bearing a fixed annual interest rate of 3.8%, secured by a Deed of Trust. Installment payments are due out of cash flow as defined in the Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.	550,000
Note C in the amount of \$450,000, due on December 31, 2050, bearing a fixed annual interest rate of 3.8%, secured by a Deed of Trust. Installment payments are due out of cash flow as defined in the Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.	433,199
Note D in the amount of \$100,000, due on December 31, 2050, bearing a fixed annual interest rate of 3.8%, secured by a Deed of Trust. Installment payments are due out of cash flow as defined in the Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.	<u>60,492</u>
Total notes receivable	<u>\$ 1,406,991</u>

The Authority entered into an Intercreditor and Subordination Agreement with a financing institution to be subordinate lender for its loan with the Partnership. Management considered the need for allowance for uncollectible accounts and deemed such allowance not necessary as of June 30, 2016.

Ground lease:

During the year ended June 30, 2015, the Authority and the Partnership entered into a Ground Lease agreement for certain land owned by the Authority. The Ground Lease is for 65 years, with annual rent of \$1. During the year ended June 30, 2016, the Authority and the Partnership entered into Amended and Restated Ground Lease, whereby the lease term was extended until December 2090.

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 9 – RELATED PARTY TRANSACTIONS - CONTINUED

Forgivable loan:

During the year ended June 30, 2016, the Authority received a forgivable loan totaling \$87,773 from McKinney Community Development Corporation (MCDC), an unrelated organization. The loan proceeds were used for the development of the Newsome Homes Projects.

Development fee:

The Authority together with Carleton Development, Ltd, an unrelated organization, is a developer for the Newsome Homes Project, where the Authority receives 30% of the development fee, or \$750,000, payable out of the cash flow of the Partnership. During the year ended June 30, 2016, the Authority earned and received \$18,594 of its share of the development fee, which was recorded in other operating revenue on the accompanying statement of revenues, expenses and change in net position. The Authority's development fee is subordinated to the payment of the Partnership's long-term debt. In addition, the Authority is the general contractor for the construction of the Newsome Homes Project.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Authority is subject to various federal, state and local laws, rules and regulations and examination by respective regulators, including those granting funds to the Authority. It is the intent of the Authority to comply with all applicable laws and regulations. These examinations may result in refunds to grantor agencies by the Authority in the event of noncompliance. As of June 30, 2016, the Authority has not been notified by any agency that it is in noncompliance with any applicable laws or regulations nor has it been notified that it should refund any amounts to grantor agencies as a result of any noncompliance. However, it is not possible at this time to foresee, with any assurance or certainty, the magnitude of refunds that may be required or the impact on the Authority that may result because of potential noncompliance with current and future laws and regulations.

NOTE 11 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Concentration of market:

The Authority's operations are concentrated in the heavily regulated public housing real estate market. The Authority's operations are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an Act of Congress or administrative changes mandated by HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Concentration of revenue:

The Authority receives approximately eighty-three percent (83%) of its revenue from HUD. HUD programs require that all tenants/participants must qualify as low-income persons as defined by HUD. The Authority is also required to meet certain physical conditions standards and inspection requirements, and financial reporting standards as required by HUD.

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 12 – CONDENSED COMBINING INFORMATION BETWEEN PRIMARY GOVERNMENT AND BLENDED COMPONENT UNITS - CONTINUED

The following table is a condensed combining statement of net position as of June 30, 2016:

	Primary Government (MHA)	Blended Component Units	Total
Cash and cash equivalents	\$ 697,703	\$ 39,881	\$ 737,584
Other current assets	244,394	100	244,494
Total current assets	942,097	39,981	982,078
Notes receivable	-	1,406,991	1,406,991
Capital assets, net of accumulated depreciation	1,733,257	-	1,733,257
Total assets	2,675,354	1,446,972	4,122,326
Current liabilities	279,032	33,610	312,642
Long-term liabilities	392,534	-	392,534
Total liabilities	671,566	33,610	705,176
Total net position	\$ 2,003,788	\$ 1,413,362	\$ 3,417,150

The following table is a condensed combining statement of revenues, expenses, and change in net position for the year ended June 30, 2016:

	Primary Government (MHA)	Blended Component Units	Total
Operating revenues:			
Rental revenue	\$ 443,052	\$ -	\$ 443,052
Other tenant revenue	42,397	-	42,397
Operating subsidies and grants	3,070,489	-	3,070,489
Forgivable loan income	87,773	-	87,773
Other operating revenue	93,574	18,594	112,168
Total operating revenues	3,737,285	18,594	3,755,879
Total operating expenses before depreciation	3,342,548	22,323	3,364,871
Depreciation	136,017	-	136,017
Net operating income (loss)	258,720	(3,729)	254,991

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 12 – CONDENSED COMBINING INFORMATION BETWEEN PRIMARY GOVERNMENT AND BLENDED COMPONENT UNITS - CONTINUED

	Primary Government (MHA)	Blended Component Units	Total
Non-operating income (loss):			
Interest income	\$ 476	\$ -	\$ 476
Interest expense	(4,330)	-	(4,330)
Loss from disposition of capital assets	(557,601)	-	(557,601)
Total non-operating loss	(561,455)	-	(561,455)
Capital grants	252,174	-	252,174
Change in net position	(50,561)	(3,729)	(54,290)
Net position, beginning of year:			
As originally stated	3,041,674	345,426	3,387,100
Portability-in adjustment (Note 13)	84,340	-	84,340
Change in reporting entity (Note 1)	-	(345,426)	(345,426)
As restated	3,126,014	-	3,126,014
Net position reclassification (Note 1)	-	345,426	345,426
Equity transfer from primary government to component unit	(1,071,665)	1,071,665	-
Net position, end of year	\$ 2,003,788	\$ 1,413,362	\$ 3,417,150

The following table is a condensed combining statement of cash flows for the year ended June 30, 2016:

	Primary Government (MHA)	Blended Component Units	Total
Net cash flows from operating activities	\$ 519,208	\$ -	\$ 519,208
Net cash flows from investing activities	(682,114)	39,881	(642,233)
Net cash flows from capital and related financing activities	(38,535)	-	(38,535)
Net increase (decrease) in cash and cash equivalents	(201,441)	39,881	(161,560)
Cash and cash equivalents:			
Beginning of year	899,144	-	899,144
End of year	\$ 697,703	\$ 39,881	\$ 737,584

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 13 – PRIOR PERIOD ADJUSTMENT

Net position at July 1, 2015 has been restated to correct an error for portability-in prepaid revenue that was overstated by \$84,340 at June 30, 2015. During the year ended June 30, 2016, the Authority reconciled its portability-in balances and determined an adjustment was necessary. Had the error not been made, prepaid portability-in revenue would have decreased and net position would be increased by \$84,340 at June 30, 2015.

NOTE 14 – MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management of the Authority has evaluated the effects of subsequent events that have occurred subsequent to the year ended June 30, 2016, and through March 28, 2017, which is the date the Authority's basic financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE
JUNE 30, 2016

Line No/Description	Project Total	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Component Unit - Discretely Presented	Component Unit - Blended	Disaster Housing Assistance Grant	Community Development Block Grants	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$364,647	\$0	\$257,100	\$1,087,779	\$6,271	\$45,498	\$0	\$1,761,295	\$0	\$1,761,295
113 Cash - Other Restricted	\$0	\$0	\$6,781	\$0	\$0	\$0	\$0	\$6,781	\$0	\$6,781
114 Cash - Tenant Security Deposits	\$23,677	\$0	\$0	\$0	\$0	\$0	\$0	\$23,677	\$0	\$23,677
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0	\$0	\$33,610	\$0	\$0	\$33,610	\$0	\$33,610
100 Total Cash	\$388,324	\$0	\$263,881	\$1,087,779	\$39,881	\$45,498	\$0	\$1,825,363	\$0	\$1,825,363
121 Accounts Receivable - PHA Projects	\$0	\$0	\$49,660	\$0	\$0	\$0	\$0	\$49,660	\$0	\$49,660
122 Accounts Receivable - HUD Other Projects	\$109,248	\$37,104	\$6,068	\$0	\$0	\$0	\$0	\$152,420	\$0	\$152,420
125 Accounts Receivable - Miscellaneous	\$6,508	\$0	\$1,293	\$0	\$0	\$0	\$0	\$7,801	\$0	\$7,801
126 Accounts Receivable - Tenants	\$4,490	\$0	\$0	\$0	\$0	\$0	\$0	\$4,490	\$0	\$4,490
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,825	\$0	\$0	\$0	\$0	\$0	\$0	-\$1,825	\$0	-\$1,825
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	-\$39,806	\$0	\$0	\$0	\$0	-\$39,806	\$0	-\$39,806
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$118,421	\$37,104	\$17,215	\$0	\$0	\$0	\$0	\$172,740	\$0	\$172,740
131 Investments - Unrestricted	\$31,375	\$0	\$0	\$0	\$100	\$0	\$0	\$31,475	\$0	\$31,475
142 Prepaid Expenses and Other Assets	\$1,799	\$0	\$0	\$0	\$0	\$0	\$0	\$1,799	\$0	\$1,799
143 Inventories	\$52,469	\$0	\$0	\$0	\$0	\$0	\$0	\$52,469	\$0	\$52,469
143.1 Allowance for Obsolete Inventories	-\$13,989	\$0	\$0	\$0	\$0	\$0	\$0	-\$13,989	\$0	-\$13,989
144 Inter Program Due From	\$44,733	\$0	\$0	\$0	\$0	\$0	\$0	\$44,733	-\$44,733	\$0
150 Total Current Assets	\$623,132	\$37,104	\$281,096	\$1,087,779	\$39,981	\$45,498	\$0	\$2,114,590	-\$44,733	\$2,069,857
161 Land	\$26,918	\$0	\$0	\$0	\$0	\$0	\$0	\$26,918	\$0	\$26,918
162 Buildings	\$8,315,082	\$0	\$0	\$0	\$0	\$0	\$0	\$8,315,082	\$0	\$8,315,082
163 Furniture, Equipment & Machinery - Dwellings	\$161,386	\$0	\$0	\$0	\$0	\$0	\$0	\$161,386	\$0	\$161,386
164 Furniture, Equipment & Machinery - Administration	\$281,157	\$6,225	\$6,870	\$0	\$0	\$0	\$0	\$294,252	\$0	\$294,252
165 Leasehold Improvements	\$263,853	\$0	\$0	\$0	\$0	\$0	\$0	\$263,853	\$0	\$263,853
166 Accumulated Depreciation	-\$7,319,521	-\$1,843	-\$6,870	\$0	\$0	\$0	\$0	-\$7,328,234	\$0	-\$7,328,234
167 Construction in Progress	\$0	\$0	\$0	\$2,585,938	\$0	\$0	\$0	\$2,585,938	\$0	\$2,585,938
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,728,875	\$4,382	\$0	\$2,585,938	\$0	\$0	\$0	\$4,319,195	\$0	\$4,319,195

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
JUNE 30, 2016

Line No/Description	Project Total	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Component Unit - Discretely Presented	Component Unit - Blended	Disaster Housing Assistance Grant	Community Development Block Grants	Subtotal	ELIM	Total
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0	\$0	\$0	\$0	\$1,406,991	\$0	\$0	\$1,406,991	\$0	\$1,406,991
180 Total Non-Current Assets	<u>\$1,728,875</u>	<u>\$4,382</u>	<u>\$0</u>	<u>\$2,585,938</u>	<u>\$1,406,991</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,726,186</u>	<u>\$0</u>	<u>\$5,726,186</u>
290 Total Assets and Deferred Outflow of Resources	<u>\$2,352,007</u>	<u>\$41,486</u>	<u>\$281,096</u>	<u>\$3,673,717</u>	<u>\$1,446,972</u>	<u>\$45,498</u>	<u>\$0</u>	<u>\$7,840,776</u>	<u>-\$44,733</u>	<u>\$7,796,043</u>
312 Accounts Payable <= 90 Days	\$21,338	\$0	\$1,516	\$0	\$0	\$0	\$0	\$22,854	\$0	\$22,854
322 Accrued Compensated Absences - Current Portion	\$5,797	\$0	\$1,121	\$0	\$0	\$0	\$0	\$6,918	\$0	\$6,918
325 Accrued Interest Payable	\$4,330	\$0	\$0	\$0	\$0	\$0	\$0	\$4,330	\$0	\$4,330
331 Accounts Payable - HUD PHA Programs	\$0	\$0	\$66,538	\$0	\$0	\$0	\$0	\$66,538	\$0	\$66,538
333 Accounts Payable - Other Government	\$32,403	\$0	\$89,186	\$0	\$0	\$0	\$0	\$121,589	\$0	\$121,589
341 Tenant Security Deposits	\$23,677	\$0	\$0	\$0	\$0	\$0	\$0	\$23,677	\$0	\$23,677
342 Unearned Revenue	\$8,679	\$0	\$24,447	\$0	\$0	\$0	\$0	\$33,126	\$0	\$33,126
345 Other Current Liabilities	\$0	\$0	\$0	\$0	\$33,610	\$0	\$0	\$33,610	\$0	\$33,610
347 Inter Program - Due To	\$0	\$37,104	\$7,629	\$0	\$0	\$0	\$0	\$44,733	-\$44,733	\$0
310 Total Current Liabilities	<u>\$96,224</u>	<u>\$37,104</u>	<u>\$190,437</u>	<u>\$0</u>	<u>\$33,610</u>	<u>\$0</u>	<u>\$0</u>	<u>\$357,375</u>	<u>-\$44,733</u>	<u>\$312,642</u>
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$385,352	\$0	\$0	\$2,079,568	\$0	\$0	\$0	\$2,464,920	\$0	\$2,464,920
354 Accrued Compensated Absences - Non Current	\$6,718	\$0	\$478	\$0	\$0	\$0	\$0	\$7,182	\$0	\$7,182
350 Total Non-Current Liabilities	<u>\$392,056</u>	<u>\$0</u>	<u>\$478</u>	<u>\$2,079,568</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,472,102</u>	<u>\$0</u>	<u>\$2,472,102</u>
300 Total Liabilities	<u>\$488,280</u>	<u>\$37,104</u>	<u>\$190,915</u>	<u>\$2,079,568</u>	<u>\$33,610</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,829,477</u>	<u>-\$44,733</u>	<u>\$2,784,744</u>
508.4 Net Investment in Capital Assets	\$1,728,875	\$4,382	\$0	\$506,370	\$0	\$0	\$0	\$2,239,627	\$0	\$2,239,627
511.4 Restricted Net Position	\$0	\$0	\$6,781	\$0	\$0	\$0	\$0	\$6,781	\$0	\$6,781
512.4 Unrestricted Net Position	\$134,852	\$0	\$83,400	\$1,087,779	\$1,413,362	\$45,498	\$0	\$2,764,891	\$0	\$2,764,891
513 Total Equity - Net Assets / Position	<u>\$1,863,727</u>	<u>\$4,382</u>	<u>\$90,181</u>	<u>\$1,594,149</u>	<u>\$1,413,362</u>	<u>\$45,498</u>	<u>\$0</u>	<u>\$5,011,299</u>	<u>\$0</u>	<u>\$5,011,299</u>
500 Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$2,352,007</u>	<u>\$41,486</u>	<u>\$281,096</u>	<u>\$3,673,717</u>	<u>\$1,446,972</u>	<u>\$45,498</u>	<u>\$0</u>	<u>\$7,840,776</u>	<u>-\$44,733</u>	<u>\$7,796,043</u>

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
YEAR ENDED JUNE 30, 2016

Line No/Description	Project Total	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Component Unit - Discretely Presented	Component Unit - Blended	Disaster Housing Assistance Grant	Community Development Block Grants	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$443,052	\$0	\$0	\$0	\$0	\$0	\$0	\$443,052	\$0	\$443,052
70400 Tenant Revenue - Other	\$42,397	\$0	\$0	\$0	\$0	\$0	\$0	\$42,397	\$0	\$42,397
70500 Total Tenant Revenue	<u>\$485,449</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$485,449</u>	<u>\$0</u>	<u>\$485,449</u>
70600 HUD PHA Operating Grants	\$811,104	\$58,361	\$1,805,461	\$0	\$0	\$0	\$0	\$2,674,926	\$0	\$2,674,926
70610 Capital Grants	\$252,174	\$0	\$0	\$0	\$0	\$0	\$0	\$252,174	\$0	\$252,174
70800 Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$67,683	\$67,683	\$0	\$67,683
71100 Investment Income - Unrestricted	\$169	\$0	\$285	\$469	\$0	\$22	\$0	\$945	\$0	\$945
71400 Fraud Recovery	\$0	\$0	\$4,006	\$0	\$0	\$0	\$0	\$4,006	\$0	\$4,006
71500 Other Revenue	\$186,341	\$0	\$327,880	\$0	\$18,594	\$0	\$0	\$532,815	-\$9,000	\$523,815
71600 Gain or Loss on Sale of Capital Assets	-\$557,601	\$0	\$0	\$0	\$0	\$0	\$0	-\$557,601	\$0	-\$557,601
70000 Total Revenue	<u>\$1,177,636</u>	<u>\$58,361</u>	<u>\$2,137,632</u>	<u>\$469</u>	<u>\$18,594</u>	<u>\$22</u>	<u>\$67,683</u>	<u>\$3,460,397</u>	<u>-\$9,000</u>	<u>\$3,451,397</u>
91100 Administrative Salaries	\$234,154	\$0	\$120,822	\$0	\$0	\$0	\$0	\$354,976	\$0	\$354,976
91200 Auditing Fees	\$24,800	\$3,996	\$9,000	\$0	\$0	\$0	\$0	\$37,796	\$0	\$37,796
91400 Advertising and Marketing	\$1,948	\$0	\$530	\$0	\$0	\$0	\$0	\$2,478	\$0	\$2,478
91500 Employee Benefit contributions - Administrative	\$44,891	\$0	\$20,689	\$0	\$0	\$0	\$0	\$65,580	\$0	\$65,580
91600 Office Expenses	\$89,286	\$0	\$61,036	\$0	\$0	\$0	\$0	\$150,322	-\$9,000	\$141,322
91700 Legal Expense	\$11,055	\$0	\$0	\$0	\$0	\$0	\$0	\$11,055	\$0	\$11,055
91800 Travel	\$19,749	\$152	\$3,027	\$0	\$0	\$0	\$0	\$22,928	\$0	\$22,928
91900 Other	\$11,576	\$0	\$15,715	\$0	\$0	\$0	\$0	\$27,291	\$0	\$27,291
91000 Total Operating - Administrative	<u>\$437,459</u>	<u>\$4,148</u>	<u>\$230,819</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$672,426</u>	<u>-\$9,000</u>	<u>\$663,426</u>
92100 Tenant Services - Salaries	\$0	\$53,180	\$0	\$0	\$0	\$0	\$0	\$53,180	\$0	\$53,180
92200 Relocation Costs	\$0	\$0	\$0	\$0	\$22,323	\$0	\$0	\$22,323	\$0	\$22,323
92400 Tenant Services - Other	\$4,924	\$1,033	\$0	\$0	\$0	\$0	\$0	\$5,957	\$0	\$5,957
92500 Total Tenant Services	<u>\$4,924</u>	<u>\$54,213</u>	<u>\$0</u>	<u>\$0</u>	<u>\$22,323</u>	<u>\$0</u>	<u>\$0</u>	<u>\$81,460</u>	<u>\$0</u>	<u>\$81,460</u>
93100 Water	\$42,098	\$0	\$0	\$0	\$0	\$0	\$0	\$42,098	\$0	\$42,098
93200 Electricity	\$37,403	\$0	\$0	\$0	\$0	\$0	\$0	\$37,403	\$0	\$37,403
93300 Gas	\$3,291	\$0	\$0	\$0	\$0	\$0	\$0	\$3,291	\$0	\$3,291
93800 Other Utilities Expense	\$45,230	\$0	\$0	\$0	\$0	\$0	\$0	\$45,230	\$0	\$45,230
93000 Total Utilities	<u>\$128,022</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$128,022</u>	<u>\$0</u>	<u>\$128,022</u>

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
YEAR ENDED JUNE 30, 2016

Line No/Description	Project Total	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Component Unit - Discretely Presented	Component Unit - Blended	Disaster Housing Assistance Grant	Community Development Block Grants	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$183,699	\$0	\$0	\$0	\$0	\$0	\$0	\$183,699	\$0	\$183,699
94200 Ordinary Maintenance and Operations - Materials and Other	\$37,063	\$0	\$6	\$0	\$0	\$0	\$0	\$37,069	\$0	\$37,069
94300 Ordinary Maintenance and Operations Contracts	\$159,201	\$0	\$2,709	\$0	\$0	\$0	\$0	\$161,910	\$0	\$161,910
94500 Employee Benefit Contributions - Ordinary Maintenance	\$45,769	\$0	\$0	\$0	\$0	\$0	\$0	\$45,769	\$0	\$45,769
94000 Total Maintenance	<u>\$425,732</u>	<u>\$0</u>	<u>\$2,715</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$428,447</u>	<u>\$0</u>	<u>\$428,447</u>
95200 Protective Services - Other Contract Costs	\$1,406	\$0	\$0	\$0	\$0	\$0	\$0	\$1,406	\$0	\$1,406
95000 Total Protective Services	<u>\$1,406</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,406</u>	<u>\$0</u>	<u>\$1,406</u>
96110 Property Insurance	\$12,222	\$0	\$0	\$0	\$0	\$0	\$0	\$12,222	\$0	\$12,222
96120 Liability Insurance	\$2,218	\$0	\$0	\$0	\$0	\$0	\$0	\$2,218	\$0	\$2,218
96130 Workmen's Compensation	\$9,468	\$0	\$0	\$0	\$0	\$0	\$0	\$9,468	\$0	\$9,468
96140 All Other Insurance	\$3,933	\$0	\$0	\$0	\$0	\$0	\$0	\$3,933	\$0	\$3,933
96100 Total insurance Premiums	<u>\$27,841</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$27,841</u>	<u>\$0</u>	<u>\$27,841</u>
96200 Other General Expenses	\$25,975	\$0	\$1,145	\$0	\$0	\$0	\$0	\$27,120	\$0	\$27,120
96210 Compensated Absences	\$1,820	\$0	\$333	\$0	\$0	\$0	\$0	\$2,153	\$0	\$2,153
96300 Payments in Lieu of Taxes	\$32,403	\$0	\$0	\$0	\$0	\$0	\$0	\$32,403	\$0	\$32,403
96400 Bad debt - Tenant Rents	\$25,456	\$0	\$30,362	\$0	\$0	\$0	\$0	\$55,818	\$0	\$55,818
96000 Total Other General Expenses	<u>\$85,654</u>	<u>\$0</u>	<u>\$31,840</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$117,494</u>	<u>\$0</u>	<u>\$117,494</u>
96720 Interest on Notes Payable (Short & Long Term)	\$4,330	\$0	\$0	\$0	\$0	\$0	\$0	\$4,330	\$0	\$4,330
96700 Total Interest Expense and Amortization Cost	<u>\$4,330</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,330</u>	<u>\$0</u>	<u>\$4,330</u>
96900 Total Operating Expenses	<u>\$1,115,368</u>	<u>\$58,361</u>	<u>\$265,374</u>	<u>\$0</u>	<u>\$22,323</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,461,426</u>	<u>-\$9,000</u>	<u>\$1,452,426</u>
97000 Excess of Operating Revenue over Operating Expenses	\$62,268	\$0	\$1,872,258	\$469	-\$3,729	\$22	\$67,683	\$1,998,971	\$0	\$1,998,971
97300 Housing Assistance Payments	\$0	\$0	\$1,610,873	\$0	\$0	\$0	\$0	\$1,610,873	\$0	\$1,610,873
97350 HAP Portability-In	\$0	\$0	\$305,902	\$0	\$0	\$0	\$0	\$305,902	\$0	\$305,902
97400 Depreciation Expense	\$135,128	\$889	\$0	\$0	\$0	\$0	\$0	\$136,017	\$0	\$136,017
90000 Total Expenses	<u>\$1,250,496</u>	<u>\$59,250</u>	<u>\$2,182,149</u>	<u>\$0</u>	<u>\$22,323</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,514,218</u>	<u>-\$9,000</u>	<u>\$3,505,218</u>

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
YEAR ENDED JUNE 30, 2016**

Line No/Description	Project Total	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Component Unit - Discretely Presented	Component Unit - Blended	Djanner Housing Assistance Grant	Community Development Block Grants	Subtotal	ELIM	Total
10010 Operating Transfer In	\$58,367	\$0	\$0	\$0	\$0	\$0	\$0	\$58,367	-\$58,367	\$0
10020 Operating transfer Out	-\$58,367	\$0	\$0	\$0	\$0	\$0	\$0	-\$58,367	\$58,367	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)										
Total Expenses	-\$72,860	-\$889	-\$44,517	\$469	-\$3,729	\$22	\$67,683	-\$53,821	\$0	-\$53,821
11030 Beginning Equity	\$2,940,569	\$5,271	\$50,358	\$0	\$345,426	\$45,476	\$0	\$3,387,100	\$0	\$3,387,100
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,003,982	\$0	\$84,340	\$1,593,680	\$1,071,665	\$0	-\$67,683	\$1,678,020	\$0	\$1,678,020
11170 Administrative Fee Equity	\$0	\$0	\$83,400	\$0	\$0	\$0	\$0	\$83,400	\$0	\$83,400
11180 Housing Assistance Payments Equity	\$0	\$0	\$6,781	\$0	\$0	\$0	\$0	\$6,781	\$0	\$6,781

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
 SCHEDULE OF MODERNIZATION COSTS
 JUNE 30, 2016**

	<u>TX21P027501-13</u>
Funds approved	\$ 197,667
Funds expended	<u>197,667</u>
Excess of funds approved unexpended	\$ <u><u> -</u></u>
	<u>TX21P027501-14</u>
Funds approved	\$ 205,111
Funds expended	<u>205,111</u>
Excess of funds approved unexpended	\$ <u><u> -</u></u>
	<u>TX21P027501-15</u>
Funds approved	\$ 202,817
Funds expended	<u>109,248</u>
Excess of funds approved unexpended	\$ <u><u>93,569</u></u>

See independent auditor's report.

GOVERNMENTAL AUDIT INFORMATION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of McKinney, Texas (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of McKinney, Texas' basic financial statements and have issued our report thereon dated March 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 Authority's basic 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Item 2016-1 to be a material weakness, and deficiency described as Item 2016-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic 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 direct and material effect on the determination of the basic 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*.

The Authority's Response to the Finding

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Graham & Company, P.C.

Austin, Texas
March 28, 2017

SINGLE AUDIT INFORMATION



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of McKinney, Texas' (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditor's 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 each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) 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 types of 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

In our opinion, the Housing Authority of the City of McKinney, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective 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 the 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Item 2016-2, that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Brown, Graham & Company, P.C.

Austin, Texas
March 28, 2017



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**INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

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

We have audited the basic financial statements of the Housing Authority of the City of McKinney, Texas as of and for the year ended June 30, 2016, and have issued a report dated March 28, 2017, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Brown, Graham & Company, P.C.

Austin, Texas
March 28, 2017

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

<u>Program</u>	<u>CFDA Number</u>	<u>Federal Award Expenditures</u>
Federal Grantor - U.S. Department of Housing and Urban Development:		
Low Rent Public Housing	14.850a	\$ 727,472
Resident Opportunity and Self-Sufficiency Service Coordinator	14.870	58,361
Community Development Block Grant	14.218	67,683
Public Housing Capital Fund	14.872	335,806
Housing Choice Voucher	14.871	1,805,461
Housing Choice Voucher - Portability passed through other governments	14.871	<u>327,880</u>
Total		<u>\$ 3,322,663</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of McKinney, Texas (the Authority) for the year ended June 30, 2016. There were no subrecipients of these federal awards. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Summary of Significant Accounting Policies

The Authority did not make an election to use the ten percent de minimis cost rate as allowed for in the Uniform Guidance.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

	Yes	No
SECTION I - SUMMARY OF AUDITOR'S RESULTS		
Financial Statements:		
Type of auditor's report issued:		
Internal control over financial reporting:		
Business-type activities	<u>Unmodified</u>	
Discretely presented component unit	<u>Disclaimer</u>	
Material weaknesses identified?	X	
Significant deficiencies identified that are not considered to be material weaknesses?	X	
Noncompliance material to financial statements noted?		X
Federal Awards:		
Internal control over major programs:		
Material weaknesses identified?		X
Significant deficiencies identified that are not considered to be material weaknesses?	X	
Type of auditor's report issued on compliance with major programs		
<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a)?	X	
Identification of major programs:		
<u>CFDA Number</u>	<u>Name of Federal Program</u>	
14.871	Housing Choice Voucher	
Dollar threshold used to distinguish between type A and B programs:	\$ 750,000	
Auditee qualified as low-risk auditee?		X
SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS		
Prior year	X	
Current year	X	

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2016**

Yes No

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR
FEDERAL AWARDS INCLUDING AUDIT FINDINGS**

Prior year	X	
Current year	X	

Basic Financial Statements Finding

Item 2016-1 – Internal control over financial reporting

Condition: Multiple material transactions related to the Rental Assistance Demonstration (RAD) Program were either not recorded or not properly recorded. Transactions for blended and discretely presented component units were comingled together, and not separately identifiable. Portability-in accounts receivable and prepayments schedule was not properly reconciled.

Effect: Blended and discretely presented component units information was not properly segregated. In addition, there were material misstatements of notes receivable, debt, grants, income and expenses. Portability-in accounts receivable and prepaid revenue were overstated while allowance for uncollectible accounts was understated.

Cause: The external fee accountant did not have experience and knowledge concerning the financial reporting for RAD-related activities, and was not aware of the errors in the portability-in schedule.

Criteria: The Statements on Auditing Standards issued by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards* issued by the Comptroller General of the United States require management of the Authority to design, implement, and maintain internal control relevant to the preparation and fair presentation of the basic financial statements, in accordance with GAAP, which is on an accrual basis of accounting where revenue is recorded when earned and expense is recorded when incurred. Furthermore, GASB 14, 39, and 61 require consideration of potential component units.

Recommendation: We recommend that management maintain adequate internal control to ensure all relevant information is captured in the basic financial statements and reviews the journal entries posted by the external fee accountant to ensure all activity of the Authority and its component units is included. In addition, we suggest more frequent communication between management and the fee accountant when non-routine transactions are present.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2016**

Basic Financial Statements Finding - continued

Item 2016-1 – Internal control over financial reporting - continued

Client response: The Authority acknowledges the need to ensure accurate reporting of all financial transactions. In an effort to ensure this objective is met, the authority has partnered with BDO a global accounting firm. BDO has assisted the authority with training and experience to strengthen our capacity and to implement the financial tools to monitor daily operations of the authority and the discreetly presented entity. We anticipate that our 06/30/17 financials will reflect a significant improvement in financial management.

Basic Financial Statements Finding and Federal Awards Finding – U.S. Department of Housing and Urban Development (HUD)

Item 2016-2 – Internal control over financial reporting and significant deficiency in internal control over compliance

Condition: The Authority did not maintain adequate internal control to ensure the proper roll-forward of the Housing Assistance Payment (HAP) equity in the Housing Choice Voucher Program (HCV Program). Administrative fee revenue in the amount of \$29,142 was recorded as HAP revenue. The error was not caught by the Authority's fee accountant, as it appears there was not a year-end reconciliation of HAP and administrative fee revenue to HUD funding records. As a result, the Authority did not comply with rolling forward equity balances requirement under special test and provisions.

Effect: HAP equity was overstated and administrative fee equity was understated.

Cause: Administrative fee revenue in the amount of \$29,142 was erroneously recorded as HAP revenue, and no year-end procedures were in place to reconcile recorded revenue to the supporting documents.

Criteria: The Statements on Auditing Standards issued by the American Institute of Certified Public Accountants (AICPA) and Government Auditing Standards issued by the Comptroller General of the United States require management of the Authority to design, implement, and maintain internal control relevant to the preparation and fair presentation of the basic financial statements, in accordance with GAAP, which is on an accrual basis of accounting where revenue is recorded when earned and expense is recorded when incurred.

Recommendation: We recommend that management maintain adequate internal control to ensure revenue is properly recorded as either restricted or unrestricted, and place year-end controls in place to reconcile HUD funding records to the amounts recorded in the financial statements.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2016**

Basic Financial Statements Finding and Federal Awards Finding – U.S. Department of Housing and Urban Development (HUD) - continued

Item 2016-2 – Internal control over financial reporting and significant deficiency in internal control over compliance - continued

Client response: The Authority has taken steps to bring in additional staff to assist with administration of the HCV program. With the change in fee accountant vendors we have implemented tools to monitor the activity more effectively as well. We expect to see a significant improvement in the FY17 financials.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

Financial Statement Findings

Finding 2015-1 – Internal control over financial reporting

Condition: Forgivable loan income was not recorded in accordance with GAAP and cash account was not adjusted for the check that cleared as June 30, 2015. In addition, predevelopment costs and the related accounts payable – construction of the blended component unit were not recorded as of the beginning and ending of fiscal year ended June 30, 2015.

Recommendation: We recommend that management maintain adequate internal control to ensure all relevant information is captured in the basic financial statements and reviews the journal entries posted by the external fee accountant and to make sure all activity of the Authority and its blended component units is included. In addition, we suggest more frequent communication between management and the fee accountant when non-routine transactions are present.

Current status: Not cleared, see Item 2016-1.

Federal Awards Findings

Finding 2015-2 – Significant deficiency in internal control over compliance

Condition: The Authority did not maintain adequate internal control to ensure the use of the Enterprise Income Verification (EIV) system required for the Low Rent Public Housing Program (Low Rent Program) and the Housing Choice Voucher Program (HCV Program). As a result, the Authority did not comply with certain eligibility verification by utilizing the EIV in administering the Low Rent Program and HCV Program during the year ended June 30, 2015. We noted the following instances where the EIV system was not utilized with annual or interim re-certification as a result of our testwork for the year ended June 30, 2015:

1. Six (6) instances within twenty-seven (27) tenant files tested under the Low Rent Program.
2. Nine (9) instances within fifty-seven (57) tenant files tested under the HCV Program.

Recommendation: We recommend that management maintain adequate internal control to ensure the timely utilization of the EIV system.

Current Status: Cleared.

**HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
1200 N. TENNESSEE STREET
MCKINNEY, TEXAS 75069**

March 28, 2017

Re: Corrective Action Plan

Housing Authority of the City of McKinney, Texas (the Authority) respectfully submits the following corrective action plan for the year ended June 30, 2016.

Name and address of the independent accounting firm:

Brown, Graham & Company, P.C.
13809 Research Blvd., Suite 305
Austin, TX 78750

Audit period: June 30, 2016

The corrective action plan for the findings in the accompanying schedule of findings and questioned costs for the year ended June 30, 2016, is discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

Current Year Basic Financial Statements Finding

Item 2016-1 – Internal control over financial reporting

Recommendation: We recommend that management maintain adequate internal control to ensure all relevant information is captured in the basic financial statements and reviews the journal entries posted by the external fee accountant to ensure all activity of the Authority and its component units is included. In addition, we suggest more frequent communication between management and the fee accountant when non-routine transactions are present.

Action taken: The Authority has partnered with BDO a global accounting firm. BDO has assisted the authority with training and experience to strengthen our capacity and to implement the financial tools to monitor daily operations of the authority and the discreetly presented entity.

Anticipated date of resolution: We anticipate that the 06/30/17 financials will reflect our resolve to this matter.

Current Year Federal Awards Findings – U.S. Department of Housing and Urban Development (HUD)

Item 2016-2 – Internal control over financial reporting and significant deficiency in internal control over compliance

Recommendation: We recommend that management maintain adequate internal control to ensure revenue is properly recorded as either restricted or unrestricted, and place year-end controls in place to reconcile HUD funding records to the amounts recorded in the financial statements.

Action taken: The Authority has taken steps to bring in additional staff to assist with administration of the HCV program. With the change in fee accountant vendors we have implemented tools to monitor the activity more effectively as well.

Anticipated date of resolution: We anticipate that the 06/30/17 financials will reflect our resolve to this matter.

The Authority will continue to improve its overall operation. In addition, the Authority will strive to assist our participants to move to self sufficiency and or age in place and enhance their overall quality of life.

Please contact Roslyn Miller at (972) 542-5641 for any questions regarding the corrective action plan.

Sincerely yours,



Roslyn Miller
Executive Director
Housing Authority of the City of McKinney, Texas

**McKinney Affordable Housing Development Corporation &
JCD Partners, LLC
Merritt - 9% Tax Credit
Summary Project Budget**

6/30/2017

Total units	136	Construction Period Interest	4.50%
Total Square Feet	128,256	Cost per Unit	\$165,184
Acreage	9.600		

	<u>Total</u>	<u>Per Square Foot</u>	<u>Per Unit</u>
Land/Holding Costs	\$250,000	\$1.95	\$1,838.24
Demo	\$550,000	\$4.29	\$4,044.12
Hard Costs			
GENERAL COND.	846,490	\$6.60	\$6,224.19
JOB OVERHEAD	230,881	\$1.80	\$1,697.51
SITWORK	1,616,026	\$12.60	\$11,882.54
CONCRETE	2,154,701	\$16.80	\$15,843.39
FRAMING	3,616,819	\$28.20	\$26,594.26
MASONRY	153,907	\$1.20	\$1,131.67
METAL	76,954	\$0.60	\$565.84
ROOFING	384,768	\$3.00	\$2,829.18
GLASS	192,384	\$1.50	\$1,414.59
HARDWARE	153,907	\$1.20	\$1,131.67
INSULATION	115,430	\$0.90	\$848.75
PAINTING	346,291	\$2.70	\$2,546.26
FLOORING	500,198	\$3.90	\$3,677.93
APPLIANCES	192,384	\$1.50	\$1,414.59
PLUMBING	846,490	\$6.60	\$6,224.19
ELECTRICAL	884,966	\$6.90	\$6,507.11
HVAC	538,675	\$4.20	\$3,960.85
CLEAN-UP	423,245	\$3.30	\$3,112.09
MISCELLANEOUS	461,722	\$3.60	\$3,395.01
WINDOW	36,477	\$0.30	\$282.92
CONTINGENCY	769,536	\$6.00	\$5,658.35
CONTRACTOR FEES	846,490	\$6.60	\$6,224.19
Total Hard Costs	\$15,390,720	\$120.00	\$113,167.06
Soft Costs			
Architectural Design	400,000	\$3.12	\$2,941.18
Engineering Fees	115,000	\$0.90	\$845.59
Real Estate attorney	290,000	\$2.26	\$2,132.35
Accounting fees	40,000	\$0.31	\$294.12
Impact Fees	0	\$0.00	\$0.00
Permit/Engineering/Inspection Fees	1,500	\$0.01	\$11.03
Parkland Fees	0	\$0.00	\$0.00
Feasibility	5,500	\$0.04	\$40.44
Zoning	15,000	\$0.12	\$110.29
Appraisal	7,500	\$0.06	\$55.15
Market Analysis	7,500	\$0.06	\$55.15
ESA/PCA	25,000	\$0.19	\$183.82
Soils Report	15,000	\$0.12	\$110.29
Survey	25,000	\$0.19	\$183.82
Marketing/Pre-Lease	50,000	\$0.39	\$367.65
FF&E	150,000	\$1.17	\$1,102.94
P&P Bond	153,907	\$1.20	\$1,131.67
Owner/BR/Property Insurance	160,000	\$1.25	\$1,176.47
Developer Fees Profit	2,250,000	\$17.54	\$16,544.12
Relocation	258,000	\$2.01	\$1,897.06
Construction Period Interest	873,094	\$6.81	\$6,419.81
Property Taxes	0	\$0.00	\$0.00
Perm Loan Costs	73,149	\$0.57	\$537.86
Title and Recording	140,000	\$1.09	\$1,029.41
Con Loan costs	185,000	\$1.44	\$1,360.29
Inspection Fees	18,000	\$0.14	\$132.35
Operating Reserve	540,364	\$4.21	\$3,973.41
Replacement Reserve	40,800	\$0.32	\$300.00
Lease-Up Reserve	50,000	\$0.39	\$367.65
Tax Credit Fees	150,000	\$1.17	\$1,102.94
Bond Costs	0	\$0.00	\$0.00
Due Diligence Fees	55,000	\$0.43	\$404.41
Contingency/Reserves	180,000	\$1.40	\$1,323.53
Total Soft Costs	\$6,274,334	\$48.92	\$46,135
Total	\$22,465,054	\$175.16	\$165,184

**McKinney Affordable Housing
Development Corporation &
JCD Partners, LLC**

Updated: 6/30/2017

Merritt - 9% Tax Credit

Total Units	136
	1BR 44
	2BR 52
	3BR 40
	RAD Units 59

Uses

Land Lease	250,000
Demo	550,000
Construction Costs	15,390,720
Soft Costs	5,463,150
Reserves & Contingency	811,184
Total Uses	<u>\$22,465,054</u>

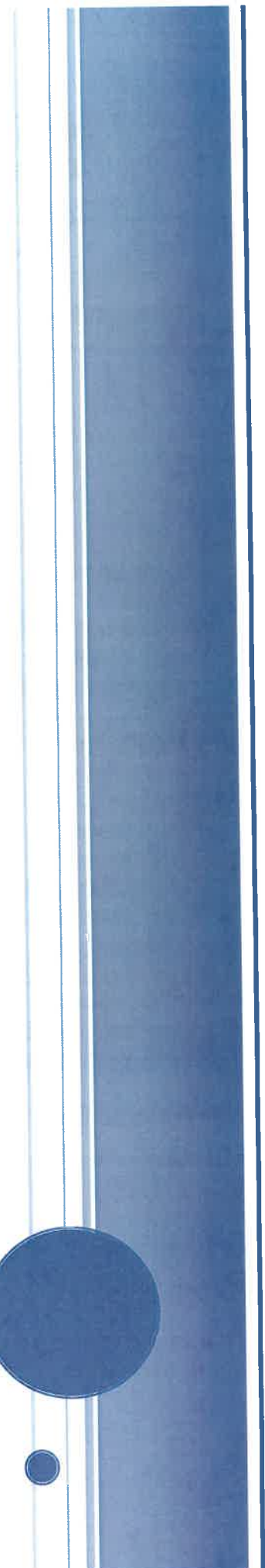
Sources

Debt Capacity at 1.15 x	@	6.50%	7,314,879
City Waivers - Permits & Inspections			1,500
City Reimbursement - Parkland Fees			0
City Reimbursement - Impact Fees			0
GP Equity			100
Tax Credit Equity	@	\$0.95	14,248,575
MCDC Grant			500,000
Land Lease Note			150,000
Deferred Developer Fee			250,000
Total Sources			<u>\$22,465,054</u>

SECTION IV

Marketing and Outreach

McKinney Housing Authority





January 24, 2017

Mayor Brian Loughmiller
McKinney City Council
222 N. Tennessee
McKinney, TX 75069

RE: Redevelopment of McKinney Housing Authority Merritt Homes

Dear Mayor Loughmiller:

On behalf of 3e McKinney I am writing to express my support for the redevelopment of Merritt Homes following the redevelopment of Newsome homes. I have found Merritt Homes and McKinney Housing Authority to be committed to the neighborhood in which their property is located and that they are good stewards of previous investments of the City of McKinney has awarded toward their housing projects.

The proposed redevelopment of McKinney Housing Authority Merritt Homes will further strengthen the neighborhood and residents in McKinney by providing access to affordable and safe housing opportunities.

I pray you and the council will give favorable consideration to their application.

Sincerely,

Jim Smith
Executive Director, 3e McKinney

cc: McKinney Housing Authority

A need met... a life changed



February 23, 2017

Ms. Roslyn Miller
McKinney Housing Authority
1200 N. Tennessee Street
McKinney, TX 75069

Dear Ms. Miller,

I am writing to show my personal support and that of The Samaritan Inn, a 501c-3 non-profit agency located in McKinney, Texas for the McKinney Housing Authority's proposed project to redevelop the Merritt Homes, a 66-year-old, 84 unit property into a state of the art 136 unit property to serve working families in our community. Congratulations on already securing a unanimous vote from the City of McKinney supporting this development. We trust that the way would be made clear to turn your vision into reality.

The Samaritan Inn has served the homeless in Collin County and beyond for 33 years now—*"helping willing people find dignity and independence"*. In pursuing our mission, one of the typical barriers our program participants encounter is the lack of affordable housing in McKinney. I applaud the Housing Authority and its efforts to re-imagine our communities and provide affordable solutions for the elderly, disabled, veterans, homeless and working families. As north Texas continues to grow and prosper, we must ensure that this prosperity is enjoyed by all and not just the wealthy and well-educated. If we are not careful and attentive, we run the risk of leaving vulnerable and marginalized people behind.

The Samaritan Inn has enjoyed a collaborative relationship with your organization for many years as both our agencies have sought to transition individuals and families into permanent housing. Your work provides the next step for many of our families and we are most grateful. This project will greatly increase the number of homeless families that can be served for years to come.

We are pleased to lend our full support to your efforts and we eagerly anticipate the completion of your proposed project. All the very best to you and your team as you continue to serve our community.

Best regards,

Rick J. Crocker
Chief Executive Officer

