Step 1

Important Information

- **Form Function Note:** In order to go back from a page in the form to a previous page, all required fields on the page must be populated.
- Please read the McKinney Community Development Corporation Grant Guidelines before completing this application.
- The Grant Guidelines are available on this website. They can also be obtained by calling 972-547-7653 or emailing Cindy Schneible.
- **Please call to discuss your plans for submitting an application in advance of completing this 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
  7300 SH 121, SB, Suite 200
  McKinney, TX 75070

- If you are interested in a preliminary Board of Directors review of your project proposal or idea, please complete and submit the Letter of Inquiry form which is available on this website, by calling 972-547-7653 or by emailing Cindy Schneible.
- **Applications must be completed in full, using this form electronically (or physically with the requested thumb drive by mail), and received by MCDC by 5 p.m. on the application deadline indicated on the Grants page of this website.**

Eligible Projects

Project Grants support projects eligible for consideration under Sections 501 and 505 of the Texas Local Government Code. These include the following:

- *Projects Related to the creation or retention of primary jobs.*
- *Infrastructure improvement projects necessary to develop new or expanded business enterprises.*
- *Public parks and open space improvements.*
- *Projects related to recreational or community (city / public access) facilities.*
- *Professional and amateur sports and athletic facilities, including children's sports.*
- *Entertainment, tourist and convention facilities*
- *Projects related to low income housing.*
- *Mass transit-related facilities.*
- *Airport facilities.*

Organization Information

Name	McKinney Housing Authority
Federal Tax ID Number	75-6003098
Incorporation Date	7/5/1949
Mailing Address	603 N Tennessee St.
City	McKinney
State	TX
Zip Code	75069
Phone Number	6015402772
Fax Number	972-542-0908
Email Address	jabernathy@knightdev.co
Website	www.mckinneyha.org
Organization Type	Other
Professional Affiliations and Organizations to Which Your Organization Belongs	*Field not completed.*

Representative & Contact Information

Representative Completing Application:

Name	Jennifer Abernathy/Emily Thomas
Title	Special Projects Coordinator
Mailing Address	1000 Highland Colony Parkway
City	RIDGELAND
State	Mississippi
Zip Code	39157
Phone Number	6015402772
Fax Number	*Field not completed.*

Email Address	jabernathy@knightdev.co

(Section Break)

Contact for Communications Between MCDC and Organization:

Name	Jennifer Abernathy/Emily Thomas
Title	Special Projects Coordinator
Mailing Address	1000 Highland Colony Parkway
City	RIDGELAND
State	Mississippi
Zip Code	39157
Phone Number	6015402772
Fax Number	*Field not completed.*
Email Address	jabernathy@knightdev.co

Project Information

Funding - Total Amount Requested	1,800,000
Are matching funds available?	Yes
Matching Funds Available:	17,400,000
Will funding be requested from any other City of McKinney entity (e.g. McKinney Convention and Visitors Bureau, Arts Commission, City of McKinney Community Support Grant)?	Yes
Describe funding requested from other City of McKinney entities.	Consolidated Grant
Project Start and Completion Dates	8/1/2023 - 12/31/2025

Board of Directors	*Field not completed.*
Leadership Staff	*Field not completed.*
Board of Directors Attachment	McKinney HA Board 2023.JPG
Leadership Staff Attachment	McKinney HA Staff 2023.JPG

Narrative

Using the outline below, provide a written narrative no longer than seven pages in length:
1: 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 for which funds are requested.*

2: Project

- *Outline details of the Project for which funds are requested. Include information regarding scope, goals, objectives and target audience.*
- *Describe how the proposed Project fulfills strategic goals and objectives for your organization and benefits the McKinney community.*
- *Please also include planned support activities, time frame / schedule and estimated use and admission fees if applicable.*
- *Include the location for the proposed Project.*
- *Provide a timeline for the Project - from design to completion.*
- *Will the Project be competitively bid?*
- *Are there plans for growth / expansion in future years?*

What kind of project is proposed?	Replacement / repair, New project
Has a feasibility study or market analysis been completed for this proposed project?	Yes
Attach Executive Summary	FINAL Cockrell Homes - Lloyd Owens - TDHCA Market Study - Sep 2022.pdf

Goal Alignment
Provide specific information to illustrate how this Project 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 and/or page 1 of this application).*
- *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.*

Which goal(s) listed above will be supported by the Project?	Eligible for MCDC consideration under Sections 501 and 505 of the Texas Local Government Code
Has a request for funding for this Project been submitted to MCDC in the past?	No

3: Financial

- *Provide an overview of the organization's financial status including the impact of this grant request on organization mission, goals and business model.*
- *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.*

Budget	BDO - June 2022 Financial Statements - McKinney Housing Authority.pdf
Financial Statements	MHA 2020_2021 Audits.pdf
If audited financials are not available, please indicate why.	*Field not completed.*
Overview of Project Financial Goal	
What is the total cost for this Project?	35,664,516
Budget	FINAL HTC App 1.31.23 Cockrell and Lloyd Owens - Rollup LIHTC Model .xlsm

What percentage of Project funding will be provided by the applicant?	100%
Are matching funds available?	Yes
Cash	*Field not completed.*
Source	*Field not completed.*
Percent of Total	*Field not completed.*
In-kind	*Field not completed.*
Source	*Field not completed.*
Percent of Total	*Field not completed.*
Other Funding Sources	TDHCA LIHTC- $17,400,000 McKinney Housing Finance Agency Tax-exempt Bonds- $15,000,000 each property

4: Marketing and Outreach

- *Describe marketing plans and outreach strategies for your organization and for the Project for which you are requesting funding - and how they are designed to help you achieve current and future goals.*

5: Metrics to Evaluate Success

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

Attach Narrative	[Remnant at Greenwood Funding Narrative MCDC 3.24.23.pdf]

Acknowledgements

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

- *The Project 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.*

- *Applicant owns the land, building or facility where the proposed project will be located. If the Applicant does not own the land, written acknowledgement / approval from the property owner must be included with the application. The letter must document that the property owner is aware of the proposed use of the property or facility, and that the property owner has reviewed the project plan and application, approves and supports the efforts of the applicant.*
- *MCDC will be recognized in all marketing, advertising, outreach and public relations as a funder of the Project. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement.*
- *The 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 for which funds were awarded.*
- *A final report detailing the success of the Project, as measured against identified metrics, will be provided to MCDC no later than 30 days following the completion of the Project.*
- *Grant funding is provided on a reimbursement basis subsequent to submission of a reimbursement request, with copies of invoices and paid receipts for qualified expenses. Up to 20% of the grant awarded may be withheld* ***until the final report on completion of the Project is provided to MCDC.***

(Section Break)

Applicant Electronic Signature	Selecting this option indicates your agreement with the above statement.
Chief Executive Officer	Roslyn Miller
Date	3/30/2023
Representative Completing Application	Jennifer Abernathy
Date	3/30/2023

Notes

- *Incomplete applications or those received after the deadline will not be considered.*
- *A final report must be provided to MCDC within 30 days of the completion of the Project.*
- *Final payment of funding awarded will be made upon receipt of final report.*
- *Please use the [Final Report](#) to report your results. A [PDF version](#) is also available.*

McKinney Housing Authority

With a vision to live, serve, and thrive in the community with a spirit of excellence, the McKinney Housing Authority (MHA) was created to provide affordable housing to those in need. Our mission is to serve the housing needs of low to moderate income families in the authority's jurisdiction to increase the availability of decent, safe and affordable housing in its community; ensure equal opportunity in housing; enhance self-sufficiency; promote quality of life and economic viability. The strategic goals of the MHA are to increase overall agency performance status, promote a path to self-sufficiency for residents and Housing Choice Voucher clients, plan to meet the needs of clients aging in place, increase opportunities for affordable housing, diversify MHA's revenue base to support their mission, and enhance relationships with community partners and stakeholders. The MHA oversees an annual budget that encompasses Section 8 vouchers and Public Housing units. The staff of six local employees has been systematically converting public housing into a more viable and sustainable affordable housing for the city of McKinney.

Upon closing, there will be a partnership formed to perform management procedures through Allied-Orion Group. They are a third-party management company that specializes in managing Low-Income Housing Tax Credit and HUD properties. The MHA staff will work with the management company as part of the partnership to assist in providing high quality service and a smooth conversion to the residents.

Knight Development

Established in 2017, Knight Development was formed through a partnership between Holly Knight's development company Knight Advantage and the McConnell and Temple families' MT Resources. The family also owns various companies and subsidiaries, including a construction and development division that has been operating since

Integrity - We do what we say we will do. In development, consulting, construction management, and any area of a project we touch… we strive for excellence. You have our word.

Innovation - We see potential and turn obstacles into opportunities. We navigate each project to deliver maximum possible value to our clients, partners, and residents. We make the experience mutually beneficial for all involved. It's a better way of doing business.

Investment - We invest in people. Developing happy, healthy, sustainable communities that enrich local businesses and residents is our passion and purpose. People are at the center of everything we do.

Inspiration - We are inspired to do good. Doing more giving more – we are driven to provide something more than shelter. We build the foundation for a flourishing community where people can live, work, play, and thrive.

the 1970s. While M&T Development has completed construction on some of the Knight Development development projects, it also undertakes its own commercial office and large-scale developments.

CEO & Principal Holly Knight leads Knight Development, an award-winning development company that specializes in helping Public Housing Authorities and non-profit entities create and rehabilitate affordable housing communities. With the goal of stability and self-sufficiency, Knight Development fosters transformative development where the finished product enhances the physical condition of its properties and the long-term outlook for its residents.

The Remnant at Greenwood Project

The Remnant at Greenwood, LP is a project of the McKinney Housing Authority (MHA) to revitalize 65 year and older housing that has exceeded its useful life. It will be done through the US Department of Housing and Urban Development (HUD) program called Rental Assistance Demonstration (RAD) that allows housing authorities to convert public housing into long term sustainable affordable housing.

The proposed properties, Cockrell Homes and Lloyd Owens, are currently owned by MHA. The plan is to demolish the existing 50 units and reconstruct a total of 96 units that will consist of duplexes, townhomes, and multi-story walk-up buildings. This will almost double the amount of affordable housing available to low-income residents in McKinney. The MHA will provide a ground lease to allow for a public private financing mechanism of the redevelopment project.

The Remnant at Greenwood will be developed in accordance with local, state, and national building codes including federal and state accessibility laws along with TDHCA's Design/Construction Compliance Guidelines. The development will have the minimum 5% of the units designed in compliance with one of the nationally recognized standards for accessibility to wheelchair users and an additional 2% of the units usable by those with hearing or visual impairments also in compliance ADA requirements. Some of the modernization will include newly constructed townhomes and duplexes with compliant accessibility features, modernized leasing office, and community services center. New amenities will be designed to serve the families in the community and encourage community engagement. The new units will also be energy efficient and will provide lower utility costs to the residents.

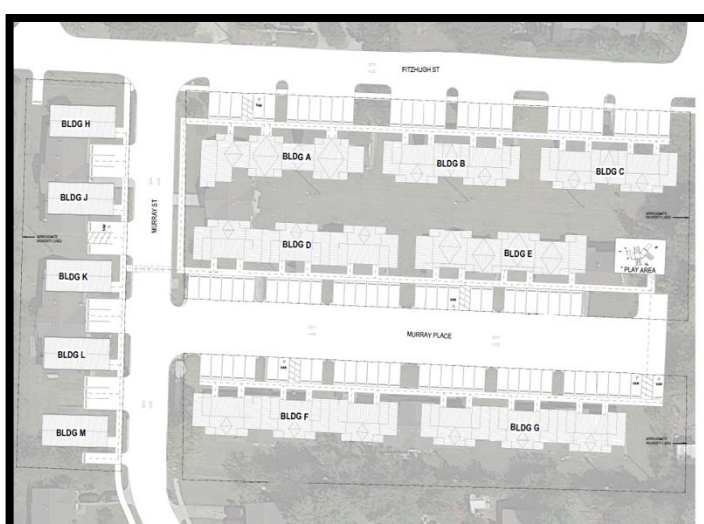
Per TDHCA requirements, the development will provide supportive services to the residents such as annual tax preparation classes; monthly food pantry access; annual health fairs; twice monthly arts, crafts, and recreational activities; twice monthly on-site social events for residents; and a partnership with local law enforcement and/or first responders providing quarterly social interactive activities. All events and activities will be at no cost to the resident. There will be a computer access available and a playground area on each site for additional activities.

The timeline for this project is tight compared to other development projects. The tax-exempt bond process began in October 2022. With a priority 1A with the Texas Bond Review Board, our LIHTC application was due in January 2023. The LIHTC application is still under review by TDHCA, and the bond reservation closing date has been set for July 17, 2023. There will also be a HUD Rental Assistance Demonstration (RAD) element to the project that will provide additional subsidy. That process is underway. The Commitment to enter into a Housing Assistance Payment (CHAP) award has been approved and we are awaiting issuance from HUD. The RAD process is expected to close prior to July 17, 2023. The project is also currently going through the city of McKinney planning department for all needed approvals. Construction is scheduled to begin in August 2023 with a 32-month construction period, including demolition to both sites. Construction completion is expected in 2025.

The General Contractor for this project is Snyder Construction Group out of Missouri. They were procured as part of the development team. The GC will host a Minority Outreach/Section 3 meeting for sub-contractors, competitively bid the project and provide Davis Bacon wages. This project is expected to provide approximately 550 jobs during construction in the McKinney community.

Remnant at Greenwood I (Cockrell Homes)

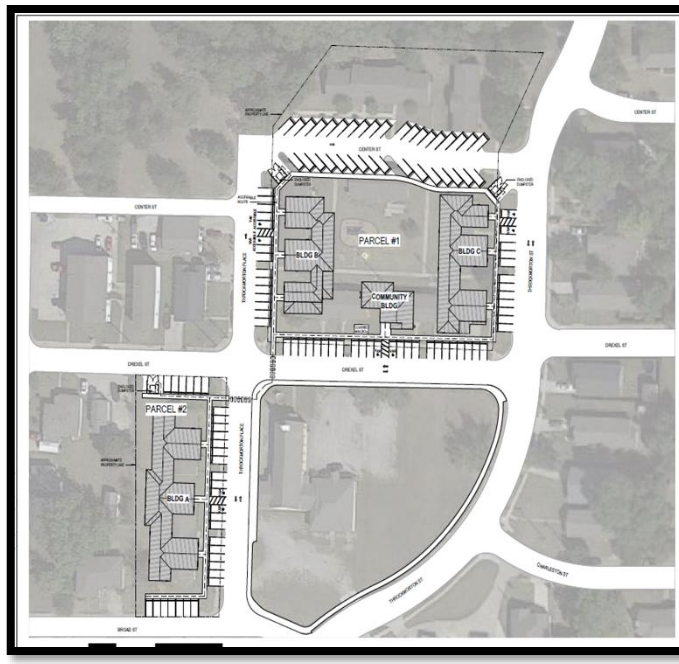
The Remnant at Greenwood I site (currently known as Cockrell Homes) is approximately 3.498 acres located at Fitzhugh Street and Murray Street. After demolition of the 24 existing units, the new site will consist of 12 buildings that include 4 one-bedrooms, 11 two-bedrooms, 26 three-bedrooms and 5 four-bedrooms, for a total of 46 new units. This site is currently zoned R-18, but will go through a



rezoning process with the City of McKinney to accommodate the building type change. Amenities on the site will include ADA access to common spaces, on-site parking and a playground.

Remnant at Greenwood II (Lloyd Owens)

The Remnant at Greenwood II site (currently known as Lloyd Owens) is approximately 5.45 acres located at Throckmorton Place and Drexel Street. This site is known for having long-term infrastructure issues in addition to the systems and interior updates needed. After demolition of the 26 existing units, the new site will consist of 3 multi-story buildings that include 6 one-bedrooms, 11 two-bedrooms, 28 three-bedrooms and 5 four-bedrooms, for a total of 50 new units. This site is also currently zoned R-18, but will go through a rezoning process with the City of McKinney to accommodate the building type change. Amenities on the site will include ADA access to common spaces, on-site parking, a community building with computer lab and media center and a tot lot play area.



Goal Alignment

The Remnant at Greenwood LP aligns with the goal of MCDC because it falls under Sections 501 and 505 of the Texas Local Government Code as low-income affordable housing. The residents will have a targeted income under 60% of the Area Median Income of $97,400. The construction of the new units will almost double the amount of affordable housing units in the area. With 59.3% of the community in rental housing, the need for modernized units is critical in McKinney. The increase in housing started in approximately 1990, with 40% of the development growth occurring between 2000 and 2009. The buildings in the Remnant at Greenwood are over fifty years old and in poor condition. The need for new units is imperative to keep up with the development throughout the city McKinney.

Financials

The Department of Human and Urban Development (HUD) only provides MHA with approximately $1,300 per unit per year. The MHA has over $85,000 per unit in capital needs. The units could be considered obsolete due to their condition. The total development cost for this project is $35,664,516. The project is requesting $30,000,000 in tax exempt bonds. In conjunction with the tax-exempt bonds, the project will receive $17,400,000 in 4% LIHTC allocation from the Texas Department of Housing and Community Affairs (TDHCA), debt finance, and HUD approved Capital Funds and Operating Subsidy. There is currently a gap in funding for this project of $9,500,000 due to lack of HOME-ARP funds from TDHCA. The funds procured through the McKinney Department of Community Development (MDCD) application would help to preserve units for those families at the very low-income range. The residents will not pay more than 30% of the Area Median Income (AMI) at this development.

Units	96
Total Federal LIHTC's	$17,400,000
Credit Price	$0.870
Construction Loan	$20,600,000
TEB Amount	$20,000,000

Sources and Uses	Total	Per Unit
Uses		
Land	$ -	$ -
Building Acquisition	-	-
Hard Costs	23,696,000	246,833
Soft Costs	6,915,516	72,037
Reserves	687,000	7,156
Development Fee	4,366,000	45,479
Total Uses	$ 35,664,516	$ 371,505
Sources		
1st Mortgage	$ 10,400,000	$ 108,333
HOME-ARP Funds	9,500,000	98,958
Seller Note	-	-
Deferred Development Fee	628,030	6,542
Equity	15,136,486	157,672
Construction Loan	-	-
Total Sources	$ 35,664,516	$ 371,505

The rent structure for the project is as follows:

- 10 one-bedroom/one bathroom – 10 units at $746
- 22 two-bedroom/two-bathroom – 16 units at $1,484 and 6 units at $1,083
- 54 three-bedroom/two-bathroom – 24 units at $1,894 and 30 units at $1,246
- 10 four-bedroom/two-bathroom – 10 units at $1,383

Marketing and Outreach

The property and the Housing Authority office will both take applications for residents. There is a waitlist and a screening process for income eligibility to go through. The income verification process will make sure that all residents are under the income limit to reside at the property. There will be a Section 3 Contractor Outreach meeting for sub-contractors as well prior to the construction phase that will provide employment opportunities.

Metrics to Evaluate Success

There are many ways to evaluate the success of the project. HUD uses several different programs. The SEMAP program reviews the performance of the Section 8 program in each community. HUD also uses the Real Estate Assessment Center (REAC) to review the performance in public housing. This includes financial, management, resident services and capital funds. The Housing Authority uses industry software to report to HUD's Public Housing Information Center (PIC).

Conclusion

In conclusion, this funding request is critical for the overall financial success of the Remnant at Greenwood project. It is imperative that the MHA continues to push forward with this development for the betterment of housing accommodations for the residents of McKinney. This project will provide suitable and equitable housing for all income levels and a diverse population. The goal of this project is to provide the low-income residents of McKinney with a modern, unique and affordable place to call home, where they can feel safe and thrive.

Project Partners

Architect: Perez- Angela O'Byrne

General Contractor: Snyder Construction Group- Josh Stringer

Accountant: Tidwell Group- Nathan Farnlacher

Legal: Arnall Golden Gregory- Orlando Cabrera

Title/Survey: Secure Title of Texas- Andi Clark Phillips

Engineer: Sanchez Group- Martin Sanchez/Casey Gregory

Management Company: Allied-Orion Group- Susan Jarvis

Relocation: EJP Consulting Group

Bond Issuer: McKinney Housing Finance Corporation

Lender: Citibank- Kevin Peterek

Equity Syndicator: Redstone Equity- Darren Swanson

HUD Transaction Manager: TBD

CHAPTER 1

CONCLUSIVE STATEMENTS, SUMMARY OF FINDINGS AND DESCRIPTION OF THE MARKET STUDY

1.1 – MARKET STUDY CERTIFICATION TO TDHCA

Apartment MarketData, LLC prepared a market feasibility study for Cockrell Homes & Lloyd Owens (McKinney, Collin County, Texas) in compliance with TDHCA guidelines. Apartment MarketData, LLC certifies that it has read and understands Department Rules specific to the report found in Section 11.303 of the QAP. All persons who have a property interest in this report hereby must acknowledge that the Department may publish the full report on the Department's website, release the report in response to a request for public information and make other use of the report as authorized by law.

1.2 – OBJECTIVE & STATEMENT OF SCOPE

The purpose of this study was to summarize the market potential of redeveloping the subject tract of land as an "affordable" rental project to meet the rental housing needs of the McKinney area. The analysis, conclusions, and opinions of this study are not based on any requested results.

The developer of this project is proposing the demolition of 51 existing units and the construction of 96 rental units, receiving assistance through Private Activity Bonds and 4% tax credits. The sites would be comprised of several residential buildings and would include management/leasing and maintenance offices.

The market study for the proposed development was conducted through the use of methods and techniques that are generally accepted in the industry. To this end, the following analytical techniques were employed:

1. A comprehensive study of the socio-economic demographics and multi-family housing market of the "Primary Market Area" was conducted to determine whether demand existed for new rental housing units. This consisted of a study of the historical profile of the community, including job formation, new multi-family construction and absorption, income levels, changes in interest rates, population changes, location of employers, proximity to public services, surrounding land uses, and competition from other available housing.

2. The physical design of the project, and its amenities, were compared to other properties to assure that the proposed development would meet the major housing needs of the population. To this end, an extensive survey of the multi-family sub-market was conducted to determine if the demand was already being addressed by comparable rental properties.

The problem posed was to determine the demand, supply, feasibility, and financial probability of success of developing a Low Income Housing Tax Credit project in the sub-market identified.

The market study process is an orderly program wherein the data used in evaluating the development is acquired, classified, analyzed, and presented.

The first step in this process involves defining the evaluation problem as to identification of the real estate, the effective date of the study, and the perspective of the study. Once this has been accomplished, the analyst embarks upon collection of data and analysis of the program of factors which affect the marketability of the subject property. This includes an area and neighborhood analysis, site and improvement analysis, and feasibility analysis. Consequently, Apartment MarketData, LLC:

- Evaluated the need for residential rental housing within the specific market area, and how the proposed development plan fits into the neighborhood.

- Evaluated the existing rental housing in the market in terms of rental rates, size, unit mix, physical condition, occupancy and vacancy rates, as well as the historical absorption rate.

- Evaluated the proposed development in terms of the proforma rents, unit mix, amenities, construction costs, and budgeted operating expenses.

The scope of this assignment is consistent with the market study process defined above. Apartment MarketData, LLC and the analyst assigned to this project have made a number of independent investigations and analysis. We obtained economic and demographic data on the market area, and analyzed current market conditions with respect to permissible development uses of the site. The site, as well as other comparable projects described herein, were physically inspected, and all plats and/or surveys obtained from the client, third parties, or public records were thoroughly examined.[1]

[1] The Appraisal Institute, Chicago, IL

1.3 - PROPOSED DEVELOPMENT

The developer of this project is proposing the demolition of 51 existing units and the construction of 96 rental units, receiving assistance through Private Activity Bonds and 4% tax credits. The sites would be comprised of several residential buildings and would include management/leasing and maintenance offices.

1.3.1 - Identification of the Property

The subject sites consist of four developed parcels located on the south side of Fitzhugh Street at S. Murray Street (Cockrell Homes) and at the intersection of Drexel Street and Throckmorton Place, in northeast McKinney, Texas. The site is comprised of four parcels identified by the McKinney Appraisal District as Property ID 1065019, 1075936, 2558527, and 2558651. The sites presently contain existing multifamily buildings that were constructed in 1983 & 1990 (Lloyd Owens) and 2005 (Cockrell Homes).

The surrounding uses immediately adjacent to the Cockrell Homes site include:

North:	**Single Family Homes**
West:	**Single Family Homes**
South:	**Single Family Homes**
East:	**Single Family Homes**

Access to the Cockrell Homes site is good. The subject site is less than ½ mile from SH 5 (S. McDonald Street) which connects to US Highway 380 to the north and to US Highway 75 (North Central Expressway) and SH 121 to the south. US 75 travels south through McKinney and Dallas' northern suburbs, into downtown Dallas. The subject location provides easy access to shopping, recreation, and employment areas.

The proposed site is located in the **Qualified Census Tract 480850309.00 McKinney, Collin County, Texas.**

The outline below shows the approximate boundaries of the site.

The surrounding uses immediately adjacent to the Lloyd Owens site include:

North:	**Undeveloped Land (Planned 380 Villas site)**
West:	**Multifamily & Single Family Homes**
South:	**Church & Single Family Homes**
East:	**Single Family Homes**

Access to the Lloyd Owens site is good. The subject site is less than ¼ mile from US Highway 380 (E. University Drive) which travels west through McKinney and Denton. The subject site is less than ¼ mile from SH 5 (S. McDonald Street) which connects to US Highway 380 to the north and to US Highway 75 (North Central Expressway) and SH 121 to the south. US 75 travels south through McKinney and Dallas' northern suburbs, into downtown Dallas. The subject location provides easy access to shopping, recreation, and employment areas.

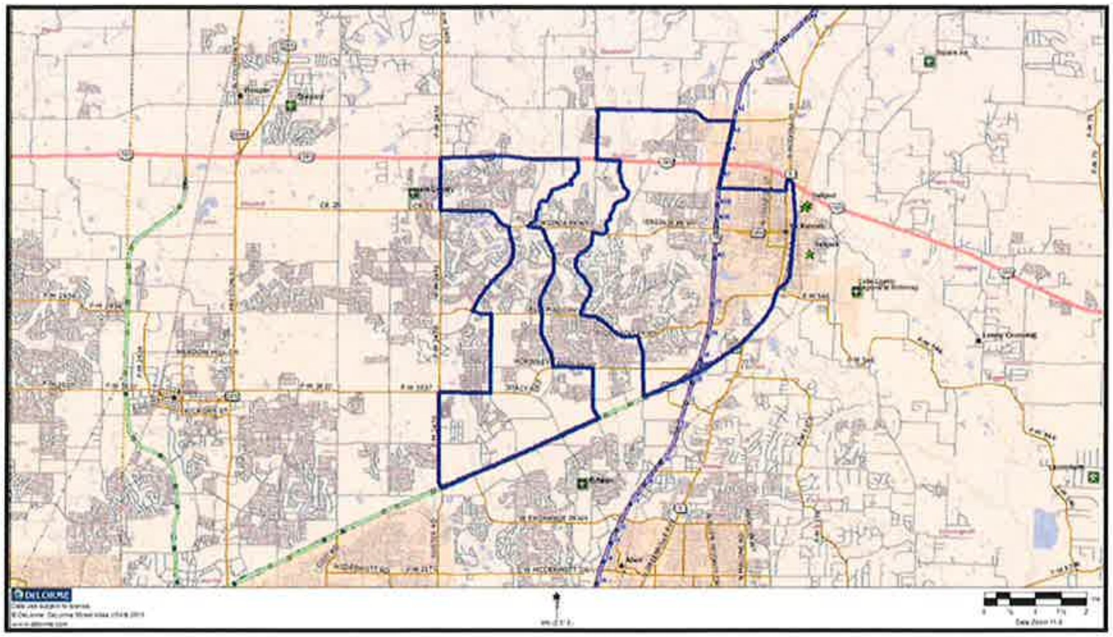
The proposed site is located in the **Qualified Census Tract 480850309.00 McKinney, Collin County, Texas.**

The outline below shows the approximate boundaries of the site.

1.3.2 - Primary Market Area

For this analysis, we utilized a "primary market area" encompassing 25.89 square miles. These boundaries follow the census tracts listed:

Census Tracts	Census Tracts	Census Tracts	Census Tracts
480850305.13	480850305.16	480850305.26	480850305.28
480850305.31	480850306.01	480850306.03	480850306.05
480850307.02	480850308.01	480850308.02	



This area was used as it complies with the definition of a "Primary Market Area" (PMA) as defined by the Texas Department of Housing and Community Affairs (TDHCA). The area shown on the map above, takes into consideration this area's housing needs, demand draw, natural, political and manmade barriers, and the appropriate demographics of the area applicable to the demand for rental apartments.

At the same time, the PMA was limited to a population of 99,982 and may not be inclusive of the entire area that the analyst expects the subject to draw the majority of its residents.

1.3.3 – Description of Site Improvements

Apartment units would provide efficient floor plans, with separate kitchens and baths. Each unit would also have individually controlled heating and air conditioning. The common areas would be lighted, providing added security for residents.

The subject would be newer in age than other existing projects in the area. The entire development would be fully landscaped and feature an attractive design. The interior of the units would be designed more efficiently than comparable affordable projects in the area. The subject would be well suited to the tenant base, and a welcomed addition to a market that has need for low income housing units. The subject improvements would have an estimated effective age and economic life of more than 45 years. Units and the overall building style would be functional for their use as apartment rental units in the McKinney area.

Cockrell Homes & Lloyd Owens
Unit Mix and Rents

Units	Unit Type	Income Type	Other Descr.	Size (Net SF)	Rent	Rent/sf	Total Rent	Total Sq. Ft.
2	1-1	50%	RAD PBRA	700	$ 746	$ 1.066	$ 1,492	1,400
2	1-1	60%	RAD PBRA	700	$ 746	$ 1.066	$ 1,492	1,400
6	1-1	50%	RAD PBRA	700	$ 746	$ 1.066	$ 4,476	4,200
5	2-1	60%		1,000	$ 1,083	$ 1.083	$ 5,415	5,000
6	2-1	50%	RAD PBRA	1,000	$ 1,484	$ 1.484	$ 8,904	6,000
1	2-1	60%		1,000	$ 1,083	$ 1.083	$ 1,083	1,000
10	2-2	50%	RAD PBRA	1,000	$ 1,484	$ 1.484	$ 14,840	10,000
10	3-2	60%		1,200	$ 1,246	$ 1.038	$ 12,460	12,000
12	3-2	50%	RAD PBV	1,200	$ 1,894	$ 1.578	$ 22,728	14,400
4	3-2	60%		1,200	$ 1,246	$ 1.038	$ 4,984	4,800
12	3-2	60%		1,200	$ 1,246	$ 1.038	$ 14,952	14,400
12	3-2	50%	RAD PBV	1,200	$ 1,894	$ 1.578	$ 22,728	14,400
4	3-2	60%		1,200	$ 1,246	$ 1.038	$ 4,984	4,800
10	4-2	60%		1,400	$ 1,383	$ 0.988	$ 13,830	14,000
96				1,123	$ 1,400	$ 1.246	$ 134,368	107,800

1.4 - POPULATION & HOUSEHOLD TRENDS - AnySite

There was a 109.6% increase in population in the Primary Market Area from 2000 to 2010. Between 2000 and 2010, the number of households increased by 110.3%. The population is projected to increase through the year 2026. At that time, the population is expected to be 116,251. This represents an overall growth of 78.0% between 2010 and 2026.

ANYSITE FORECAST POPULATION CHANGE
2000-2026

YEAR	POPULATION	% Chg.	Annual
2026 Projection	116,251	5.9%	3.0%
2024 Estimate	109,743	9.8%	3.3%
2021 Estimate	99,982	53.1%	4.8%
2010 Census	65,306	109.6%	11.0%
2000 Census	31,158		

The table below shows that as population has increased, there has been a corresponding increase in the demand for housing. By analyzing the trends gleaned from the population and data, we can project the need for additional housing.

HOUSEHOLD FORMATION
2000 to 2026

YEAR	HOUSEHOLDS	% Chg.	Annual	Avg. Size
2026 Projection	43,517	6.3%	3.2%	2.67
2024 Estimate	40,931	10.5%	3.5%	2.68
2021 Estimate	37,052	58.2%	5.3%	2.70
2010 Census	23,418	110.3%	11.0%	2.79
2000 Census	11,136			2.78

Based on straight-line delineation of the household growth alone between the years of 2021 to 2026, it can be assessed that the primary market area will need an additional 2,621 dwelling units.

5 Year Rental Household Growth 2,621

Thus, our estimate of the growth of the apartment households per year for the trade area, based on the AnySite straight-line forecast delineation and our assessment of the new households in the area, is as follows:

FORECAST APARTMENT HOUSEHOLD DEMAND TABLE

YEAR	2022	2023	2024	2025	2026
DEMAND	524	524	524	524	524

1.5 - POPULATION & HOUSEHOLD TRENDS - HISTA

The demographics provided by the HISTA data also make projections on renter household growth. The following tables are based on the estimated number of renter households for 2022, and then 2027.

HISTA DATA
RENTER HOUSEHOLDS - 2022

RENTER HH	TOTAL			
2022	Age <55	Age 55-61	Age 62+	TOTAL
< $ 10,000	279	84	187	550
$ 10,000 - $ 19,999	663	58	160	881
$ 20,000 - $ 29,999	1,096	72	204	1,372
$ 30,000 - $ 39,999	1,081	50	155	1,286
$ 40,000 - $ 49,999	1,385	76	277	1,738
$ 50,000 - $ 59,999	1,039	107	155	1,301
$ 60,000 - $ 74,999	1,401	78	214	1,693
$ 75,000 - $ 99,999	1,204	220	265	1,689
$ 100,000 - $ 124,999	802	95	157	1,054
$ 125,000+	1,150	364	388	1,902
TOTAL	10,099	1,204	2,162	13,464

HISTA DATA
RENTER HOUSEHOLDS - 2027

RENTER HH	TOTAL			
2027	Age <55	Age 55-61	Age 62+	TOTAL
< $ 10,000	287	88	193	568
$ 10,000 - $ 19,999	623	62	185	870
$ 20,000 - $ 29,999	1,001	73	233	1,307
$ 30,000 - $ 39,999	1,027	54	176	1,257
$ 40,000 - $ 49,999	1,302	83	332	1,717
$ 50,000 - $ 59,999	1,120	127	214	1,461
$ 60,000 - $ 74,999	1,428	100	261	1,789
$ 75,000 - $ 99,999	1,251	280	342	1,873
$ 100,000 - $ 124,999	861	118	199	1,178
$ 125,000+	1,392	511	563	2,466
TOTAL	10,291	1,496	2,698	14,484

RENTER HOUSEHOLD GROWTH – 2022 to 2027

RENTER HH	TOTAL			
Change 2022 - 2027	Age <55	Age 55-61	Age 62+	TOTAL
< $ 10,000	8	4	6	18
$ 10,000 - $ 19,999	-40	4	25	-11
$ 20,000 - $ 29,999	-95	1	29	-65
$ 30,000 - $ 39,999	-54	4	21	-29
$ 40,000 - $ 49,999	-83	7	55	-21
$ 50,000 - $ 59,999	81	20	59	160
$ 60,000 - $ 74,999	27	22	47	96
$ 75,000 - $ 99,999	47	60	77	184
$ 100,000 - $ 124,999	59	23	42	124
$ 125,000+	242	147	175	564
TOTAL	192	292	536	1,020

Based on straight-line delineation of the household growth alone between the years of 2022 to 2027, the HISTA data estimate the primary market area will require an additional 1,020 rental dwelling units.

5 Year Rental Household Growth 1,020

Thus, our estimate of the growth of the apartment households per year for the trade area, based on the HISTA Data straight-line forecast delineation and our assessment of the new households in the area, is as follows:

FORECAST APARTMENT HOUSEHOLD DEMAND TABLE

YEAR	2023	2024	2025	2026	2027
DEMAND	204	204	204	204	204

1.6 – EMPLOYMENT TRENDS

The unemployment rate of 3.3% for Collin County is lower than the state average of 4.3% and the national average of 3.5%.[2] Residents of the McKinney area work for a variety of employers.

Our estimate of the growth of the apartment households per year for the Primary Market Area, based on the employment growth methodology, straight-line delineation and our assessment of the new households in the area, is as follows:

FORECAST APARTMENT HOUSEHOLD DEMAND TABLE

YEAR	2022	2023	2024	2025	2026
DEMAND	438	438	438	438	438

[2] Bureau of Labor Statistics – July 2022

1.7 - CAPTURE RATE SUMMARY

The capture rate is defined by the sum of the proposed units for a given project plus any previously approved but not yet stabilized new units in the sub-market divided by the total income eligible targeted renter demand identified sub-market.

$$\frac{\textbf{Subject's L/I Units + Other Previous L/I Units}}{\textbf{Total Units of Income Qualified Demand}} = \textbf{Capture Rate}$$

The following table summarizes the overall capture rate, capture rate by AMGI band, as well as the individual capture rate by unit type. As shown, the calculations of the capture rates are below the maximum allowable under the TDHCA underwriting guidelines.

Unit Size	2022 Demand	2023-2024 Growth Demand	External Demand (10%)	Total Demand	Subject Units	Comparable Unstable Units	Inclusive Capture Rate
Program	8,966	66	903	9,935	46	275	3.2%
Assisted	8,966	66	903	9,935	50	0	0.5%
60% Band	5,793	92	589	6,474	46	275	5.0%
2 BR/60%	472	7	48	527	6	211	41.2%
3 BR/60%	218	12	23	253	30	64	37.2%
4 BR/60%	130	9	14	153	10	0	6.5%

1.8 – OVERVIEW OF THE RENTAL MARKET

1.8.1 - Current Market Conditions

The overall occupancy reported in the market is 96.3%. Further details can be found behind the "Area Properties" tab of this report. Details for comparable "Income Restricted" and "Market Rate" properties can be found in Chapter 8 of this report.

CURRENT INVENTORY OF SURVEYED PROPERTIES

UNIT TYPE	# OF UNITS	OCCUPIED UNITS	AVG. RENT	AVG. SIZE	AVG. $ PSF	OCCUPANCY %
1 BR	4,196	4,019	$ 1,443.69	743	$ 1.944	95.8%
2 BR	4,491	4,353	$ 1,831.71	1,056	$ 1.735	96.9%
3 BR	948	910	$ 1,826.44	1,263	$ 1.446	96.0%
4+ BR	43	39	$ 2,334.66	1,572	$ 1.485	90.7%
OVERALL	9,678	9,321	$ 1,665.20	943	$ 1.766	96.3%

1.8.2 - Rent Trends

When surveyed, the 2000 census reported an average rent of $621.00 for the PMA. According to the data accumulated by Apartment MarketData, the present average rental rate for an apartment unit is $1,665.20 per month. This represents an average increase of 4.71% per year.

1.8.3 – Absorption Analysis

Absorption from 2000 to 2010 for all rental unit types is estimated to be 444 units per year.

Calculated absorption since 2010 for all unit types has been 277 units per year.

2000 Census For Rent Units	4,185
2000 Census Occupancy Households	93.3%
2000 Census Occupied Rent Household Units	3,904
2000 – 2010 New Supply (all rental units)	5,059
2010 Census For Rent Units	9,244
2010 Census Occupancy Households	90.3%
2010 Census Occupied Rent Household Units	8,348
2010 – 2022 New Supply (apt. rental units)	2,873
2022 For Rent Units	12,117
2022 Surveyed Occupancy	96.3%
2022 Surveyed Occupied Units	11,668
Change in occupied units 2000-2010	4,444
Avg. Annual Absorption Rate 2000-2010	444
Change in occupied units 2010-2022	3,320
Avg. Annual Absorption Rate 2010-2022	277

1.8.4 - Absorption of Comparable Rent Restricted Units

The most recently constructed affordable family project in the PMA is The Independence (TDHCA #25914, 205 units). The Independence was completed in 2022 and is currently 92% occupied.

1.8.5 – New Construction

According to our survey, since 2010, there have been 11 major projects built and occupied in the PMA totaling 2,849 units.

Currently, there is one project in lease-up (354 units), five projects under construction (1,373 units), and eight projects known to be in planning (2,454 units) within the PMA. These projects are listed in detail in Sections 6.5 and 7.4.

1.8.6 – Balance of Supply and Demand

The following table analyzes the current supply and demand for rental units. From this table, we assess that the PMA could immediately absorb 400 units without falling below a stabilized occupancy of 93%.

Total Units 2022	**12,117**
Total Units Vacant 2022	**448**
Units leased at Stabilized 93% occupancy	**11,269**
Units left to lease to reach 93% occupancy	**(400)**

The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Affordable family projects are 98.0% occupied.

1.9 – ANALYSIS OF RENT COMPARABLES

The competitive sub-market supply and demand analysis conducted by Apartment MarketData Research Services included 1,506 affordable units within the PMA, and 1,783 conventional units. The market reflects solid demand, as did the overall macro market, for all of the competitive projects in the micro-market.

The occupancy rate for the income restricted one bedrooms is 98.5%, for income restricted two bedrooms it is 98.9%, for income restricted three bedrooms it is 96.1%, for income restricted four bedroom units it is 91.7%, and the overall average occupancy for income restricted units is 98.0%.

CURRENT INVENTORY OF COMPARABLE INCOME RESTRICTED PROPERTIES

UNIT TYPE	# OF UNITS	OCCUPIED UNITS	AVG. RENT	AVG. SIZE	AVG. $ PSF	OCCUPANCY %
1 BR	341	336	$ 845.10	695	$ 1.216	98.5%
2 BR	755	747	$ 1,015.10	945	$ 1.074	98.9%
3 BR	386	371	$ 1,144.01	1,153	$ 0.993	96.1%
4+ BR	24	22	$ 1,273.17	1,304	$ 0.976	91.7%
OVERALL	1,506	1,476	$ 1,013.76	947	$ 1.070	98.0%

Apartment MarketData conducted an analysis of some 1,783 conventional (Market Rate) units in and around the Primary Trade Area. These projects were all built between 2010 and 2017. The occupancy rate for the market rate one bedrooms is 94.7%, for market rate two bedrooms it is 94.1%, the occupancy for the market rate three bedroom units is 93.5%, for the market rate four bedroom units it is 89.5%, and the overall average occupancy for market rate units is 94.3%. There are only 19 four bedroom units and these rent for between $2,626 and $4,688 per month.

CURRENT INVENTORY OF COMPARABLE MARKET RATE PROPERTIES

UNIT TYPE	# OF UNITS	OCCUPIED UNITS	AVG. RENT	AVG. SIZE	AVG. $ PSF	OCCUPANCY %
1 BR	799	757	$ 1,665.29	759	$ 2.194	94.7%
2 BR	795	748	$ 2,126.76	1,122	$ 1.895	94.1%
3 BR	170	159	$ 2,738.93	1,439	$ 1.903	93.5%
4+ BR	19	17	$ 3,657.00	1,910	$ 1.915	89.5%
OVERALL	1,783	1,681	$ 1,994.64	998	$ 1.998	94.3%

1.9.1 - Estimate of Market Rent

The following table represents the best estimate of market rents for the subject, based on existing rents in and around the PMA. The projects included in our analysis were:

Bexley Lake Forest
Greenhaven
MAA Fairview
McKinney Pointe
Orion McKinney
The Avenues at Craig Ranch

RENTAL RATE COMPARISON
NET OF RENTAL CONCESSIONS

	Sq. Ft.	Subject	Market	Variance	% Variance		Subject	Max. Program Rent*	Variance	% Variance
1-1	700	$ 712	$ 1,467	$ (755)	-51.5%		$ 712	$ 822	$ (110)	-13.4%
1-1	700	$ 1,262	$ 1,467	$ (205)	-14.0%		$ 1,262	$ 1,005	$ 257	25.6%
2-2	1,000	$ 1,484	$ 1,510	$ (26)	-1.7%		$ 1,484	$ 993	$ 491	49.4%
2-2	1,000	$ 849	$ 1,510	$ (661)	-43.8%		$ 849	$ 1,212	$ (363)	-30.0%
2-2	1,000	$ 1,083	$ 1,510	$ (427)	-28.3%		$ 1,083	$ 1,212	$ (129)	-10.6%
3-2	1,200	$ 1,246	$ 1,975	$ (729)	-36.9%		$ 1,246	$ 1,150	$ 96	8.3%
3-2	1,200	$ 1,894	$ 1,975	$ (81)	-4.1%		$ 1,894	$ 1,403	$ 491	35.0%
3-2	1,200	$ 1,096	$ 1,975	$ (879)	-44.5%		$ 1,096	$ 1,403	$ (307)	-21.9%
4-2	1,400	$ 2,504	$ 2,426	$ 78	3.2%		$ 2,504	$ 1,275	$ 1,229	96.4%
4-2	1,400	$ 1,383	$ 2,426	$ (1,043)	-43.0%		$ 1,383	$ 1,558	$ (175)	-11.2%

* Excluding utility allowance

From the preceding comparison of rents by individual unit types, one can see that the subject's tax credit rents on a Total Rent Basis are between 3% above and 52% below market rents currently offered in the marketplace.

1.10 - CONCLUSIONS

- The AnySite demographics estimate the demand growth for new rental units to be 524 units per year. The HISTA data suggests that the growth for new rental units will be 204 units per year. Finally, the employment growth methodology suggests that the primary market area will absorb 438 units per year.

- The calculated historical absorption for the PMA was 277 units annually (2010-2022).

- This site is located in an area in which the demand for "affordable" housing is strong. The site also has excellent linkages, and demand generators.

- The analyst believes that there is a sufficient "income qualified" population, with significant demand, to support the proforma rents of the project.

- The level of tax credit rent being charged is 3% above to 52% lower than the adjusted rents charged at market rate comparables within the PMA.

- The level of rent being charged is appropriate and achievable compared to other "affordable" projects within the PMA.

- The absorption period of new supply is within acceptable levels.

Overall, the analyst feels that this project would be well positioned to meet the needed demand for affordable housing in the sub-market.

The determination of the project's position in the "Primary Market Area" is based upon:

- The fulfillment of a need for rental housing in the sub-market, and

- The proforma rents for the subject do not exceed the rental rates currently being charged in the market.

1.11 – ASSUMPTIONS, CONTINGENCY & LIMITING CONDITIONS

The analysis of the data and the conclusions determined from such an analysis require the making of a number of assumptions and the conclusions drawn are limited by a number of conditions. The reader is strongly encouraged to read these assumptions and limiting conditions.

These conditions are a part of the report. They are preface to any certification, definition, fact or analysis, and are intended to establish as a matter of record that Apartment MarketData's function is to provide and present a market study for the subject property based upon observations of the subject property and real estate market.

Furthermore, numerous specific minor assumptions required for analysis of data can be found throughout this report. These assumptions and limiting conditions are critical to the study and should be clearly understood by the reader. Therefore, a user of this market study is strongly encouraged to read this report in its entirety in order to fully understand the conclusions reached. All persons and firms reviewing, using or relying on this report in any manner bind themselves to accept these assumptions and limiting conditions.[3]

[3] The Appraisal Institute, Chicago, IL

1.12 – SOURCES OF DEMOGRAPHIC DATA

Unless otherwise noted, all demographic data contained within this report were obtained and/or derived from the AnySite Corporation (www.AnySite.com) and from Ribbon Demographics (HISTA data).

1.13 – MARKET STUDY PROCESS & SCOPE

The market study process is an orderly program wherein the data used in the evaluation of the development is acquired, classified, analyzed, and presented.

The first step in this process involves defining the evaluation problem as to identification of the real estate, the effective date of the study, and the perspective of the study. Once this has been accomplished, the analyst embarks upon collection of data and analysis of the program of factors which affect the marketability of the subject property. This includes an area and neighborhood analysis, site and improvement analysis, and feasibility analysis. Consequently, Apartment MarketData, LLC:

- Evaluated the need for residential rental housing within the specific market area, and how the proposed development plan fits into the neighborhood.

- Evaluated the existing rental housing in the market in terms of rental rates, size, unit mix, physical condition, occupancy and vacancy rates, as well as the historical absorption rate.
- Evaluated the proposed development in terms of the proforma rents, unit mix, amenities, construction costs, and budgeted operating expenses.

The scope of this assignment is consistent with the market study process defined above. Apartment MarketData, LLC and the analyst assigned to this project have made a number of independent investigations and analysis. We obtained economic and demographic data on the market area, and analyzed current market conditions with respect to permissible development uses on the site. The site, as well as other comparable projects described herein, were physically inspected, and all plats and/or surveys obtained from the client, third parties, or public records were thoroughly examined.[4]

[4] The Appraisal Institute, Chicago, IL

1.14 – COMPETENCY PROVISION

Apartment MarketData, LLC does hereby certify that, except as otherwise stated in this consultation report:

In accordance with the Uniform Standards of Professional Appraisal Practice, the Competency Provision requires that prior to accepting an assignment or entering into an agreement to perform any assignment, an analyst must properly identify the problem to be addressed and have the knowledge and experience to complete the evaluation assignment competently; or alternatively

- Disclose the lack of knowledge and/or experience to the Client before accepting the assignment
- Take all necessary or appropriate steps to complete the assignment competently.

- Describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in this report.

The analyst, on behalf of Apartment MarketData, has evaluated the property types similar to the subject property. As such, they are qualified and competent to complete the consulting assignment.

The market study is an economic study. It is not an appraisal, engineering, construction, legal or architectural study nor survey; and expertise in these areas, as well as other areas, is not implied.

We have no present or prospective interest in the property that is the subject of this report. We have no personal interest or bias with respect to the parties involved. To the best of our knowledge and belief, the statements of fact contained in this report and upon which the analysis, opinions and conclusions are based are true and correct. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is our personal and unbiased professional analyses, opinions, and conclusions. This report sets forth all of the limiting conditions, either imposed by the terms of our assignment or by the undersigned, affecting the analysis, opinions and conclusions contained in this report.

If we are not notified of any errors, inaccuracies, or other problems within sixty (60) calendar days of the date of transmittal of this report, it will be understood by all involved parties that this report is an accurate representation of the property and the opinions as defined and concluded herein are correct. We have made a personal inspection of the property that is the subject of this report. No one other than the undersigned prepared the analyses, conclusions and opinions set forth in this report concerning the consultation on the subject property. Our compensation is not contingent upon the reporting of a predetermined conclusion that favors the cause of the client. This was not based on a requested opinion, a specific opinion, or the approval of a loan. Our analysis and this report have been completed in accordance with the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Foundation.[5]

1.15 – MARKET STUDY CERTIFICATION

The market analyst hereby certifies that the following conditions are met by the proposed subject development:

1. The housing development, upon completion and considering vacancy and absorption rates, is not likely to result in an unreasonable vacancy rate for comparable units within the development's competitive market area (i.e. standard, well maintained units within the housing development's competitive market area that are reserved for occupancy by lower-income eligible tenants, as applicable);

2. The projected initial rents for the housing development are reasonable and affordable by lower-income tenants, as applicable;

3. The information submitted by the housing sponsor on the housing development is credible and reasonably accurate, with any minor exceptions noted;

4. I understand that this market feasibility study will be used by the TDHCA to document to the demand for low income housing within the Primary Market Area identified. I certify that my review was in accordance with generally accepted real estate principles and that I have no financial interest or family relationship with the officers, directors, stockholders, or partners of the Sponsor, the general contractor, any subcontractors, the buyer or seller of the propertied property or engage in any business that might present a conflict of interest.

   I am under contract for this specific assignment (market feasibility study) and I have no side deals, agreements, of financial considerations with others in connection with this transaction.

[5] The Appraisal Institute, Chicago, IL

Apartment MarketData is a disinterested party and will not materially benefit from the Development in any other way than receiving a fee for performing the Market Analysis.

Prepared By – Darrell G. Jack
President
Market Analyst

CHAPTER 2

PROPOSED DEVELOPMENT

2.1 – PROPOSED DEVELOPMENT

The objective of this report was to analyze the demand and economic feasibility for the development of Cockrell Homes & Lloyd Owens Road. The developer of this project is proposing the demolition of 51 existing units and the construction of 96 rental units, receiving assistance through Private Activity Bonds and 4% tax credits. The sites would be comprised of several residential buildings and would include management/leasing and maintenance offices.

2.1.1 - Current Ownership of Site

According to the Collin County Appraisal District website, the parcels are currently owned by the City of McKinney Housing Authority. According to the Collin Central Appraisal District website, the City of McKinney Housing Authority has owned the sites for more than 17 years.

2.1.2 - Identification of the Property

The subject sites consist of four developed parcels located on the south side of Fitzhugh Street at S. Murray Street (Cockrell Homes) and at the intersection of Drexel Street and Throckmorton Place, in northeast McKinney, Texas. The site is comprised of four parcels identified by the McKinney Appraisal District as Property ID 1065019, 1075936, 2558527, and 2558651. The sites presently contain existing multifamily buildings that were constructed in 1983 & 1990 (Lloyd Owens) and 2005 (Cockrell Homes). According to the appraisal district, total acreage for both sites is 8.948 acres.

The surrounding uses immediately adjacent to the Cockrell Homes site include:

North:	**Single Family Homes**
West:	**Single Family Homes**
South:	**Single Family Homes**
East:	**Single Family Homes**

Access to the Cockrell Homes site is good. The subject site is less than ½ mile from SH 5 (S. McDonald Street) which connects to US Highway 380 to the north and to US Highway 75 (North Central Expressway) and SH 121 to the south. US 75 travels south through McKinney and Dallas' northern suburbs, into downtown Dallas. The subject location provides easy access to shopping, recreation, and employment areas.

The proposed site is located in the **<u>Qualified Census Tract 480850309.00</u> McKinney, Collin County, Texas.**

The outline below shows the approximate boundaries of the site.

The surrounding uses immediately adjacent to the Lloyd Owens site include:

North:	**Undeveloped Land (Planned 380 Villas site)**
West:	**Multifamily & Single Family Homes**
South:	**Church & Single Family Homes**
East:	**Single Family Homes**

Access to the Lloyd Owens site is good. The subject site is less than ¼ mile from US Highway 380 (E. University Drive) which travels west through McKinney and Denton. The subject site is less than ¼ mile from SH 5 (S. McDonald Street) which connects to US Highway 380 to the north and to US Highway 75 (North Central Expressway) and SH 121 to the south. US 75 travels south through McKinney and Dallas' northern suburbs, into downtown Dallas. The subject location provides easy access to shopping, recreation, and employment areas.

The proposed site is located in the **<u>Qualified Census Tract 480850309.00</u> McKinney, Collin County, Texas.**

The outline below shows the approximate boundaries of the site.

2.1.3 - Area Overview

The City of McKinney is located 30 miles north of downtown Dallas in Collin County. A nationally recognized community for its excellent quality of life and robust economy, McKinney is one of the fastest growing cities in the nation. Incorporated in 1848, McKinney became the center of a thriving agricultural economy. With the arrival of Houston and Central Texas Railroad in 1872, McKinney's town square developed into a commercial and social center. The city's current estimated population is more than 208,000.

McKinney remained an agricultural and trade center well into the 20th century. In the late 1970s and early 1980s, McKinney's economic development strategy moved away from agriculture and concentrated on attracting new business and development to the city. Building upon the rich heritage that includes the second largest historic district in the

State of Texas, McKinney today combines a progressive business climate with a dedication to preserving the highest quality of life for its residents.

McKinney ISD primarily serves students in the city of McKinney. MISD also serves students in parts of New Hope, Allen, Fairview, Princeton, and Lowry Crossing. One of the fastest-growing school districts in Texas, McKinney ISD currently enrolls more than 24,500 students in 20 elementary schools, five middle schools, three high schools, two alternative campuses, and one early childhood education center. Including administration and support, MISD maintains 68 facilities covering more than 4 million square feet on 603 acres of grounds.

McKinney prides itself on its recreational facilities and outdoor opportunities for year-round family fun. McKinney parks are outstanding as evidenced by two community centers, a beautiful 94-acre soccer complex, 18-hole golf course, and 17 additional parks. Scenic 21,000 acre Lake Lavon has 120 miles of shoreline with ample parks and campsites.

Keep Texas Beautiful has recognized the City of McKinney as a recipient of the 2021 Governor's Community Achievement Award (GCAA) for outstanding community improvement. This year, ten winning communities will share $2 million in landscape funding from the Texas Department of Transportation (TxDOT); specifically, McKinney will receive $310,000 for landscaping projects along local rights-of-way.

Cities are judged based on seven environmental and community improvement areas: public awareness and outreach, environmental education, beautification and community improvement, litter prevention and cleanup, solid waste management, litter law, and illegal dumping enforcement.

In 2014, *Money* Magazine ranked McKinney as #1 on their "Best Places to Live" in America list. McKinney has been featured in the top 5 on the list since 2010. Money editors and writers look at data about employment, schools, crime and safety, and also evaluate each city's overall quality of life to determine the rankings. The list, which comes out every other year and ranks cities with populations between 50,000 and 300,000, takes a definitive look at what makes a city a home. With excellent schools, beautiful natural parks and open spaces, affordable and diverse housing, plenty of jobs and a vibrant downtown, McKinney has become one of the most desirable places to live, not just in the metroplex, but in the United States.

Both sites are located within the East McKinney Redevelopment and Preservation (EMRP) area that is bounded on the north by U.S. 380, on the east by Airport Drive, on the south by Industrial Boulevard, and on the west by S.H. 5 (McDonald Street). One aspect of this redevelopment is the construction of a new McKinney Municipal Community Complex that will house the new McKinney City Hall. Both sites are within walking distance of the new City Hall.

Another part of the EMRP will be the relocation of TUPPS Brewery to a new campus, an old grain mill located on Greenville Road. TUPPS Brewery will serve as an anchor for this area that will feature a 12,000-square-foot taproom, a production brewery space that will be about 30,000 square feet and a container park in between featuring retail outlets and local artisans. It also will have stages for live music. Both sites are within walking distance of this new recreational area.

Owned by the City of McKinney, McKinney National Airport is conveniently located near SH 121, US 75 and US 380 and serves as a General Aviation Reliever to DFW International Airport. Its 7,000-foot runway is capable of handling many of the largest general aviation aircraft. The flight departments of HP/EDS, Texas Instruments and Crossmark are located at the airport.

According to a recent report, the Dallas-area is one of the U.S. metro areas where rising home prices have hurt homeownership the most. As a result, renter tenure and demand for affordable rental housing, in the Dallas area is expected to increase. Dallas, along with Denver and Houston, were identified as the markets where there is the most downward pressure on homeownership, according to a new report by Florida Atlantic University and Florida International University faculty. The new study ranked areas where the markets have tilted in favor of renting over buying homes. Researchers traced housing conditions in 23 markets for the report. Dallas was the most unfavorable for homeownership among the cities surveyed.

The Dallas - Fort Worth Metroplex is considered the number one visitor and leisure destination in Texas. More than 22 million visitors per year visit the city of Dallas, and more than 44 million visit the metro area. Dallas is a dominant force in the convention and tourism industry due the city's superior convention facilities, outstanding hotels and restaurants, and a variety of entertainment venues. Dallas offers a variety of museums and theaters, including the Dallas Museum of Art, Bath House Cultural Center, and the Dallas Opera. Other popular recreational offerings include the Dallas Arboretum & Botanical Gardens, Dallas World Aquarium, Texas Discovery Gardens, and the Dallas Zoo.

Strategic Location: One of the strongest attributes of the DFW area is its north central Texas location along Interstate Highways 20 and 30 (east and west system) and Interstate Highway 35 (north and south system). The extensive transportation systems which transverse the nation provides easy access from DFW to the Texas markets of Austin, San Antonio, Houston, Corpus Christi and the whole nation. The region is served by major rail lines and trucking routes. This North Central Texas location is vitally important in reducing transportation time and operating costs.

Site Linkages – Cockrell Homes	Location in relation to Site
Roads:	
US Highway 75	1.9 miles to the west
US Highway 380	1.2 miles to the north
State Highway 121 / Sam Rayburn Tollway	3.2 miles to the southwest

Texas Cities Distances:	
Downtown Dallas	30 miles to the southwest
Austin	208 miles to the southwest
Fort Worth	50 miles to the southwest
Houston	245 miles to the southeast
San Antonio	280 miles to the southwest

Site Linkages – Lloyd Owens	Location in relation to Site
Roads:	
US Highway 75	1.8 miles to the west
US Highway 380	0.3 miles to the north
State Highway 121 / Sam Rayburn Tollway	3.8 miles to the southwest

Texas Cities Distances:	
Downtown Dallas	31 miles to the southwest
Austin	209 miles to the southwest
Fort Worth	50 miles to the southwest
Houston	246 miles to the southeast
San Antonio	281 miles to the southwest

2.1.4 Description of Site Improvements

The developer of this project is proposing the demolition of 51 existing units and the construction of 96 rental units, receiving assistance through Private Activity Bonds and 4% tax credits. The sites would be comprised of several residential buildings and would include management/leasing and maintenance offices.

The architectural style will be a garden design and will be good compared to the competition within the market area. The design of the buildings and the layout of the units are functional and attractive for the current rental market. The amenity package will be similar to other garden rental communities.

The subject will be newer in age than other existing projects in the area. The entire development will be fully landscaped and feature an attractive design. The interiors of the units have been designed more efficiently than comparable affordable projects in the area. The subject is well suited to the tenant base and will be welcomed to a market that has need for low income housing units. The subject improvements have an estimated effective age and economic life of more than 55 years. Units and the overall building style would be functional for their use as apartment rental units in the Collin County area.

Proposed rental rates for "affordable" units are the maximum LIHTC program rents, net of the utility allowance. The proposed unit mix and rents are as follows.

Cockrell Homes & Lloyd Owens
Unit Mix and Rents

Units	Unit Type	Income Type	Other Descr.	Size (Net SF)	Rent	Rent/sf	Total Rent	Total Sq. Ft.
2	1-1	50%	RAD PBRA	700	$ 746	$ 1.066	$ 1,492	1,400
2	1-1	60%	RAD PBRA	700	$ 746	$ 1.066	$ 1,492	1,400
6	1-1	50%	RAD PBRA	700	$ 746	$ 1.066	$ 4,476	4,200
5	2-1	60%		1,000	$ 1,083	$ 1.083	$ 5,415	5,000
6	2-1	50%	RAD PBRA	1,000	$ 1,484	$ 1.484	$ 8,904	6,000
1	2-1	60%		1,000	$ 1,083	$ 1.083	$ 1,083	1,000
10	2-2	50%	RAD PBRA	1,000	$ 1,484	$ 1.484	$ 14,840	10,000
10	3-2	60%		1,200	$ 1,246	$ 1.038	$ 12,460	12,000
12	3-2	50%	RAD PBV	1,200	$ 1,894	$ 1.578	$ 22,728	14,400
4	3-2	60%		1,200	$ 1,246	$ 1.038	$ 4,984	4,800
12	3-2	60%		1,200	$ 1,246	$ 1.038	$ 14,952	14,400
12	3-2	50%	RAD PBV	1,200	$ 1,894	$ 1.578	$ 22,728	14,400
4	3-2	60%		1,200	$ 1,246	$ 1.038	$ 4,984	4,800
10	4-2	60%		1,400	$ 1,383	$ 0.988	$ 13,830	14,000
96				1,123	$ 1,400	$ 1.246	$ 134,368	107,800

2.2 – BUILDING DESIGN & CONSTRUCTION MATERIALS

Location:	Fitzhugh @ S. Murray / Drexel @ Throckmorton Place McKinney, Collin County, Texas
Projected Year of Construction:	2023
Net Rentable Area (NRA):	107,800 SF
Average Unit Size:	1,123 SF

Type of Construction: 1, 2, and 3 - story units, hardy, brick, with stone accents
pitched roof
central air and heat
concrete slab on grade
Condensing/Compressing units ground pad
Heat pump

Project Amenities: On-site management & leasing office

Physical Characteristics

Ceilings:	9' high, painted
Exterior Doors:	Insolated Metal Clad doors with deadbolt lock
Interior Doors:	6 Panel Doors
Insulation:	Walls – Fiberglass batts R-19, Ceilings – R-35; fire walls between units
Walls:	½" & 5/8" Gypsum board
Windows:	Residential Frame Dual Glaze (low e)

Finishes

Flooring

Entry:	Luxury Vinyl Tile
Living:	Luxury Vinyl Tile
Dining:	Luxury Vinyl Tile
Bedroom:	Luxury Vinyl Tile
Kitchen:	Luxury Vinyl Tile
Utility:	Luxury Vinyl Tile
Bathroom:	Luxury Vinyl Tile
Walls:	Painted and textured gypsum board
Baths:	Painted and textured gypsum board
Counters:	Laminate

Bathrooms

Bath:	Traditional fixtures
Luminescent:	LED Fixtures, Energy Star rated
Fixtures:	Water Sense rated
Vent:	Fan / Light Fixture
Bathtub:	Fiberglass tub and shower surround
Commode:	Ceramic
Counters:	Laminated tops w/lavatory over wood cabinets

Kitchen	Energy Star rated dishwasher Energy Star rated refrigerator Self-cleaning oven/range (Electric) (vent hood with light) Over the range Microwave Garbage disposal Energy Star rated lighting
Heating/Cooling	Smart Thermostat 14 SEER HVAC or greater
Electrical	Underground to building (preferable) Overload protection in compliance with code Bathroom and kitchen outlets have ground fault
Plumbing	Sewer and Water provided by City of McKinney Underground to building In compliance with City Codes
Apartment Amenities	Functional Unit Design Washer & dryer Connections Covered entries Covered patios or covered balconies at Townhomes R-19 walls/R-35 ceilings EPA Water Sense/Water conserving fixtures
Outside Amenities	Tot lot/playground; rock climbing wall
Safety	Fire Sprinklers in each unit within the apartment walkups Smoke detectors in each unit

Conclusion: The design and layout of the subject would be of an equal or better quality compared to other affordable projects in the area. The project is well suited for new apartment construction. The unit mix and amenities provide an excellent selection for prospective residents.

2.3 - TOPOGRAPHY

The sites topography is relatively flat, and appears to have good drainage. No major topographic features were observed during our physical inspection that would substantially limit the use of the land in the area.

2.4 – ZONING & DEED RESTRICTION

This parcel is a viable multi-family parcel as it presently contains multi-family housing. McKinney has controlled land use plans, and future development plans through area organizations and council planning. Enforcement is through zoning and other use restrictions. All of the land in the proximate area has been planned efficiently through zoning and regulation.

2.5 – FLOOD PLAIN & ENVIRONMENTAL FACTORS

According to the FEMA FIRM map, both sites are located in Zone X. Our visual observation revealed no obvious threat of a flood plain. The Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map should be used to determine the existence of any flood plain, and an opinion rendered by a certified engineer.

2.6 – NUISANCES & HAZARDS

Upon physical inspection of the site, there were no signs of obvious nuisances or hazards visible to the market analyst. The nearest railroad tracks are between 600 & 1300 feet from each of the sites.

All environmental hazards that would be of concern should be addressed in an environmental report and be abated prior to occupancy. It is therefore recommended that a certified Phase I environmental site assessment be undertaken to identify any possible hazards or environmental concerns.

2.7 – AD VALOREM TAXES

This project lies within the City of McKinney and the Collin County Taxing districts. The site would also fall within the boundary of the McKinney Independent School District. Local taxing jurisdictions assess and collect property taxes on real and personal property owned within the taxing jurisdictions as of January 1 of each year. It is expected that the property will be tax exempt. For informational purposes, the estimated 2021 property tax rates for the taxing jurisdictions are outlined below: [6]

Taxing Entity	Mil Rate
Collin County	0.168087
City of McKinney	0.457485
McKinney ISD	1.376700
Collin County College	0.081222
Total	2.083494

Property Taxes, per $100 of assessed value

2.8 – APPROPRIATE DEMOGRAPHICS FOR THE UNIT MIX

Occupancy assumptions are applied to the household make up of the demographic area to determine the potential demand and rents of one, two, three, and four bedroom apartment units. We utilize 100% of the one, two, three, four, five + person households in the market area as our target renter market. Based on our experience, we determined that one bedroom generally have one and two person occupancies. Two bedrooms typically have two, three, and four person occupancies. Three and four bedroom units are likely to have three, four, five and six occupants per unit. However, four bedroom units may house as many as eight occupants. We then assume the following percentage household profiles will choose to live in the following units types. The following is our determination for unit mix:

[6]Collin County Appraisal District

PERCENT OF 1, 2, 3, 4, 5+ PERSON HOUSEHOLDS USED FOR ESTIMATION OF RECOMMENDED PROJECT UNITS

House Size	1	2	3	4	5	6+
1 Bdrm	85%	40%	0%	0%	0%	0%
2 Bdrm	15%	55%	90%	50%	0%	0%
3 Bdrm	0%	5%	10%	50%	50%	35%
4 Bdrm	0%	0%	0%	0%	50%	65%
% of Households	41.4%	27.3%	13.6%	7.9%	6.4%	3.4%

ESTIMATION OF RECOMMENDED PROJECT UNITS BASED ON AFFORDABILITY & HOUSEHOLD SIZE

House Size	1	2	3	4	5	6+	Mix
1 Bdrm	35.2%	10.9%	0.0%	0.0%	0.0%	0.0%	46.1%
2 Bdrm	6.2%	15.0%	12.2%	3.9%	0.0%	0.0%	37.4%
3 Bdrm	0.0%	1.4%	1.4%	3.9%	3.2%	1.2%	11.0%
4 Bdrm	0.0%	0.0%	0.0%	0.0%	3.2%	2.2%	5.4%
% of Households	41.4%	27.3%	13.6%	7.9%	6.4%	3.4%	100.0%

NUMBER OF HOUSEHOLDS TARGETED BASED ON UNIT MIX

House Size	1	2	3	4	5	6+	Demand
1 Bdrm	4,801	1,492	-	-	-	-	6,293
2 Bdrm	847	2,052	1,669	537	-	-	5,106
3 Bdrm	-	187	185	537	434	162	1,506
4 Bdrm	-	-	-	-	434	302	736
# of Households	5,648	3,731	1,855	1,075	869	464	13,641

HOUSEHOLD TENURE PATTERNS

Household Size	Number of Households	Tenure Owner 62.8%	Tenure Renter 37.2%	Unit Type	Demographic 2021 Sub - Mkt Units	AMD Surveyed Sub - Mkt Units
1 Person	7,965	2,317	5,648	1 Bdrm	3,657	43.4%
2 Person	10,985	7,255	3,731	2 Bdrm	1,477	46.4%
3 Person	6,539	4,684	1,855	3 Bdrm	954	9.8%
4 Person	6,173	5,098	1,075	4 Bdrm	1,155	0.4%
5+ Person	4,757	3,424	1,333			
						AMD Survey
Totals	36,420	22,778	13,641		7,243	9,678

Using the HISTA data and considering 1) the number of persons per household who we view as the renter population profile, and 2) our experience of the percentage of apartment units in demand based on household size, multiplied by the percentage of total sub-market household size, we have determined that a mirror image of the PMA demography would contain 46.1% one bedrooms, 37.4% two bedrooms, 11.0% three bedrooms and 5.4% four bedroom units.

UNIT MIX COMPARED TO PMA DEMOGRAPHICS

Unit Type	Subject Mix	Subject %	Demographic Est. Demand	Variance
1 Bdrm	10	10.4%	46.1%	-35.7%
2 Bdrm	22	22.9%	37.4%	-14.5%
3 Bdrm	54	56.3%	11.0%	45.2%
4 Bdrm	10	10.4%	5.4%	5.0%
Totals	96	100.0%	100.0%	

The table below gives 1) the unit mix currently reported for the PMA, 2) the estimate of demand based on the demographic profile of the renters in the market, 3) the unit mix of the trade area – including the subject's units, (col. 4) the percent variance between the estimate of demand (#2) and the unit mix of the trade area (#1), and (col.5) a percent variance between the estimate of demand (#2) and the unit mix of the trade area – including the subject's units (#3).

UNIT MIX COMPARED TO ESTIMATE OF DEMAND

Unit Type	(1) Trade Area Apartments	(2) Demographic Est. Demand	(3) Trade Area Incl. Subject	(2) – (1) % Variance	(2) – (3) % Variance
1Bdrm	43.4%	46.1%	43.0%	2.8%	3.1%
2 Bdrm	46.4%	37.4%	46.2%	-9.0%	-8.7%
3 Bdrm	9.8%	11.0%	10.3%	1.2%	0.8%
4 Bdrm	0.4%	5.4%	0.5%	5.0%	4.9%

From our above analysis, we conclude that the unit mix of the subject will vary from the demographic make-up of the Primary Market Area. At the same time, the unit mix will cater to larger families and households and help fill the shortage of three and four bedroom rental units.

Because of the physical, economic, and functional characteristics of the LIHTC programs, it is logical that some variation will exist from market characteristics to the actual physical project. It is our opinion, given current occupancies and the forecasted household growth, that the subject's unit mix, for all intended purposes, will meet the needs of lower and median income households within the sub-market.

2.9 – PLACE IN SERVICE DATE

Based on information from the developer, it is estimated that the first units will be placed in service in the year 2023. As such, certain demographic forecast and demand calculations may have been adjusted to reflect the estimated population and number of households at such a time in the future.

2.10 – AMERICAN WITH DISABILITIES ACT

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. Apartment MarketData has not made a specific compliance survey of the proposed plans of construction and analysis of this proposed property to determine whether or not it is in conformity with the detailed requirements of the ADA. Since the analyst has no direct control relating to this issue, the analyst did not consider possible noncompliance with the requirements of the ADA in determining the feasibility of the property.

2.11 - PROJECT FEATURES & AMENITIES AFFECTING MARKETABILITY

The subject community has a unit mix that will be appealing to both singles and families. The proposed size of the units compares well, and the amenities offered will make the subject competitive in the marketplace.
This analyst believes the:

- allure of a newer project
- modern amenity package
- size of the units
- amenities the McKinney area will offer
- projected growth in population, and
- existing and continuing need for new rental property with the PMA

will insure that there will be a more than adequate number of tenants that would desire an "affordable" rental unit. This, in addition to the fact that there are those who rent because they prefer that lifestyle to the lifestyle of home ownership, indicates there is an adequate renter base in the market area for the subject's units.

McKinney HA
Sources and Uses and Flow of Funds
January 31, 2023

Sources and Uses			Flow of Funds Summary					
			Admission	**Dur. Constr.**	**PIS**	**Perm Conv.**	**8609**	**Deferred**
Uses								
Land	$ -	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
Building Acquisition	-	0.0	-					
Hard Costs	23,696,000	66.44%	512,000	23,184,000	-	-		
Soft Costs	6,915,516	19.39%	3,448,000	3,467,516	-	-		
Reserves	687,000	1.93%	-		-	687,000		
Development Fee	4,366,000	12.24%	930,000		930,000	1,499,558	378,412	628,030
Total Uses	$ 35,664,516	100.00%	4,890,000	26,651,516	930,000	2,186,558	378,412	628,030
Sources								
1st Mortgage	$ 10,400,000	29.16%				10,400,000		
HOME-ARP Funds	9,500,000	26.64%	-	9,500,000				
Deferred Development Fee	628,030	1.7				-	-	628,030
Equity	15,136,486	42.44%	1,513,649	-	11,057,867	2,186,558	378,412	-
Construction Loan	-	0.00%	3,376,351	17,151,516	(10,127,867)	(10,400,000)		
Total Sources	$ 35,664,516	100.00%	$ 4,890,000	$ 26,651,516	$ 930,000	$ 2,186,558	$ 378,412	$ 628,030

Equity Contribution Detail

Amount	Amount	Amount		Amount	
$ 1,513,649	$ -	$ 11,057,867	$ 2,186,558	$ 378,412	$ -
10.00%	0.00%	73.05%	14.45%	2.50%	0.00%

Equity Contribution Summary

Quarter	Year	Amount	Admission	Dur. Constr.	PIS	Perm Conv.	8609	Deferred
3/31	2023	$ -	-	-	-	-	-	-
6/30	2023	-	-	-	-	-	-	-
9/30	2023	1,513,649	1,513,649	-	-	-	-	-
12/31	2023	-	-	-	-	-	-	-
3/31	2024	-	-	-	-	-	-	-
6/30	2024	-	-	-	-	-	-	-
9/30	2024	-	-	-	-	-	-	-
12/31	2024	-	-	-	-	-	-	-
3/31	2025	-	-	-	-	-	-	-
6/30	2025	-	-	-	-	-	-	-
9/30	2025	11,057,867	-	-	11,057,867	-	-	-
12/31	2025	-	-	-	-	-	-	-
3/31	2026	2,186,558	-	-	-	2,186,558	-	-
6/30	2026	-	-	-	-	-	-	-
9/30	2026	-	-	-	-	-	-	-
12/31	2026	378,412	-	-	-	-	378,412	-
		$ 15,136,486	$ 1,513,649	$ -	$ 11,057,867	$ 2,186,558	$ 378,412	$ -

COMMISSIONERS

- Chairman - Brenda Carter
- Vice Chairman - Ada Simmons
- Commissioner - Tyree Byndom
- Commissioner - Shannetta Simmons
- Resident Commissioner - Debbie Roberts

STAFF

Executive Director	Roslyn Miller
Accounting	Layne Killingsworth
PH & HCV Intake/Compliance	Bethany Shaulis
Resident Services Coordinator	Roslyn Miller
HQS Inspector	Robert Brown
HCV/Section 8 Coordinator	Nacole Tate
Maintenance Staff	Oscar Olvera

McKinney Housing Authority
Financial Summary for the Period Ended 06/30/2022

Low Rent	June	YTD	Budget	YTD Variance
Operating Revenue	$32,296	$513,943	$534,071	($20,128)
Operating Expense	$178,859	$892,497	$472,382	($420,115)
Non Operating Revenue and Expense	$0	$0	($125,000)	$125,000
Net Income	($146,562)	($378,553)	($63,311)	($315,242)

PHAS	Estimated	Available
FASS Score	25.00	25.00

Prior Month Cash Balance	$43,927.23
Current Month Cash Balance	$197,147.24

Housing Choice/Mainstream Voucher Program	June	YTD	Budget	YTD Variance
Administrative Revenue	$288,728	$2,878,189	$1,680,010	$1,198,179
Administrative Expense	$474,901	$3,004,908	$1,637,605	($1,367,303)
Net Administrative Income	($186,174)	($126,719)	$42,405	($169,124)

	June	YTD
HAP/Mainstream Revenue	$307,561	$3,563,548
HAP /Mainstream Expenses	$284,107	$3,399,791
Net HAP Income	$23,454	$163,756

Restricted Mainstream	$83,415
Restricted HCV	$89,186
Unrestricted Net Position	$151,692
Total Net Position	$324,292

Current Month Cash Less Current Liabilities	$212,727

McKinney Housing Authority
Budget Analysis-Low Rent

Low Rent

	June	YTD	Budget	Variance
Operating Revenue	$32,296	$513,943	$534,071	($20,128)
Administrative	$37,600	$338,860	$264,859	($74,001)
Tenant Services	$2,126	$11,326	$1,200	($10,126)
Utilities	$6,990	$56,027	$49,371	($6,656)
Maintenance	$71,022	$383,202	$104,850	($278,352)
Insurance	$1,890	$25,190	$20,020	($5,170)
General	$59,231	$77,891	$32,082	($45,809)
Total Expenses	$178,859	$892,497	$472,382	($420,115)
Current Year Cap Improvements	$0	$0	$125,000	$125,000
Net Income	-$146,562	-$378,553	-$63,311	-$315,242

Comments:

Operating Expenses are higher than budget primarily due to legal expenses and maintenance costs, plumbing and unit turnaround in particular.

McKinney Housing Authority
Budget Analysis-Housing Choice Voucher
For the Period Ended 06/30/2022

HCV

	June	YTD	Budget	Variance
Operating Revenue	$37,470	$378,288	$380,010	-$1,722
Port In Revenue	$251,258	$2,499,900	$1,300,000	$1,199,900
Total Revenue	$288,728	$2,878,189	$1,680,010	$1,198,179
Administrative	$223,643	$509,001	$337,605	($171,396)
Port in Expense	$251,258	$2,495,907	$1,300,000	-$1,195,907
Total Expenses	$474,901	$3,004,908	$1,637,605	-$1,367,303
Net Income	-$186,174	-$126,719	$42,405	-$169,124

Comments:

Accounts Receivable -Portability due from other Housing Authorities throughout 2022 and is at approximately $344,026 as of June 2022. An allowance for Port-In of $223,580 has been posted which reflects unpaid charges over 90 days.

McKinney Housing Authority
ESTIMATED FASS Score as of 06/30/2022

AMP 1
TX02700001

FDS Number	FDS Description	Quick	MENAR	DSCR
111	Cash-Unrestricted	197,147	197,147	
114	Cash - Security Deposit		-	
115	Cash - Restricted for liability	-	-	
120	Total Receivables, net of allowance	41,983	41,983	
131	Investments - unrestricted		-	
135	Investments - Restricted for liability		-	
142	Prepaid Expenses	2,484	2,484	
144	Interfund	306,945	306,945	
	Available Current Resources	548,560	548,560	
310	Total Current Liabilities	34,832	34,832	
343-010	Current Portion Long Term Debt (CFFP)			
	Current Obligation	34,832	34,832	
96700	Total Interest and Amortization Costs			-
96900	Total Operating Expenses		892,497	
97000	Excess Revenue from Op. Expenses			-
97100	Extraordinary Maintenance		-	
97200	Casuality Loss - Non-capitalized			
97800	Dwelling Units Rent Expense		-	
	Adjusted Operating Expenses		892,497	-
	Months		12	
	Monthly Operating Expenses		74,374.73	
96710	Interest on Mortgage (or Bonds) Payable			-
96720	Interest on Notes Payable			-
11020	Required Annual Debt Principal Payments			-
	Available Current Resources			-
	Ratio	**15.75**	**6.91**	**-**
	Component Score	**12.00**	**11.00**	**2.00**
	FASS Score (total out of 25)	**25.00**		

Balance Sheet

Section 8

As of Date: 6/30/2022

Assets

Current Assets						
General Fund	7	01	1111.11	0	399,105.02	
Prosperity BK 9505903522	7	01	1111.5	0	6,651.38	
Investments - Money Market Account	7	01	1162.101	0	11,358.81	
Prepaid Expenses	7	01	1155	0	2,483.98	
A/R Issuing Housing Authority-Portable V	7	01	1129.P	0	344,025.66	
Allowance for Port-In	7	01	1130	0	(223,579.93)	
Total Current Assets						**540,044.92**
Fixed Assets						
Office Equipment	7	01	1404	0	6,870.00	
Accumulated Depreciation	7	01	1544	0	(6,870.00)	
Total Fixed Assets						**0.00**
Total Assets						**540,044.92**

Liabilities

Current Liabilities						
Due to Low Rent	7	01	2119.1	0	192,765.62	
Accrued Comp Absences - Short Term	7	01	2135.1	0	357.79	
Accrued Payroll	7	01	2200	0	1,481.01	
Accrued Expenses	7	02	2125	0	9,782.96	
Total Current Liabilities						**204,387.38**
Long-Term Liabilities						
Accrued Comp Absences - Long Term	7	01	2135.2	0	3,220.13	
Total Long-Term Liabilities						**3,220.13**
Total Liabilities						**207,607.51**

Owner's Equity

Contributed Capital						
Net Assets - Unrestricted	7	01	2841	0	189,689.76	
Total Contributed Capital						**189,689.76**
Net Income (Loss)						**142,747.65**
Total Owner's Equity						**332,437.41**
Total Liabilities and Owner's Equity						**540,044.92**

Report Criteria PHA: 7 Project: '01','02','03','04','05'

Include Unapproved: False Include Zero Balance: False

Budgeted Income Statement

Section 8

Fiscal Year End Date: 6/30/2022	ACCOUNT				1 Month(s) Ended June 30, 2022	12 Month(s) Ended June 30, 2022	Budget	Variance
Revenues and Expenses								
Operating Revenues								
HCV Port In Income	7	01	3114	5	251,258.00	2,499,900.44	1,300,000.00	1,199,900.44
Fraud Recovery - PHA Portion	7	01	3300.1	5	0.00	0.00	9,000.00	(9,000.00)
Admin Fees Earned for Portability	7	01	3300.P	5	11,198.14	94,548.60	60,000.00	34,548.60
Investment Income - Unrestricted	7	01	3610	5	34.76	186.03	250.00	(63.97)
Administrative Fees Earned	7	02	3112	5	23,452.00	280,769.00	240,000.00	40,769.00
Administrative Fees Earned-Cares Act	7	02	3112.1	5	0.00	0.00	70,760.00	(70,760.00)
Fraud Recovery - PHA Portion	7	02	3300.1	5	2,784.65	2,784.65	0.00	2,784.65
Total Operating Revenues					**288,727.55**	**2,878,188.72**	**1,680,010.00**	**1,198,178.72**
Administrative Expenses								
Nontechnical Salaries	7	01	4110	5	(7,621.82)	0.00	0.00	0.00
ADMINISTRATIVE STAFF/OUTSOUR	7	01	4110.1	5	0.00	22,022.15	38,663.00	16,640.85
Legal Expense	7	01	4130	5	0.00	1,957.50	700.00	(1,257.50)
Staff Training	7	01	4140	5	510.35	2,472.60	0.00	(2,472.60)
Accounting Fees	7	01	4170	5	0.00	483.73	0.00	(483.73)
Audit Fees	7	01	4171	5	(225.00)	0.00	0.00	0.00
Membership Dues and Fees	7	01	4190.12	5	275.00	2,798.92	550.00	(2,248.92)
Forms & Office Supplies	7	01	4190.17	5	3,000.80	3,570.50	0.00	(3,570.50)
Other Sundry Expense	7	01	4190.18	5	4,000.23	10,737.26	9,400.00	(1,337.26)
Administrative Contact Costs	7	01	4190.19	5	8,577.29	98,731.75	44,000.00	(54,731.75)
Portable Admin Fees Paid	7	01	4590.P	5	(284.15)	0.00	0.00	0.00
HAP Payments - Portability	7	01	4715.P	5	(3,681.31)	(3,681.31)	0.00	3,681.31
Nontechnical Salaries	7	02	4110	5	18,106.11	107,280.82	88,982.00	(18,298.82)
Staff Training	7	02	4140	5	0.00	1,305.27	65.00	(1,240.27)
Board Training	7	02	4140.1	5	0.00	0.00	200.00	200.00
Travel	7	02	4150	5	647.76	800.98	900.00	99.02
Audit Fees	7	02	4171	5	4,225.00	16,900.00	12,500.00	(4,400.00)
Office Rent & Utilities	7	02	4180	5	68.63	688.82	550.00	(138.82)
Employee Benefits Cont - Admin	7	02	4182	5	6,271.03	37,906.33	14,469.00	(23,437.33)
Postage	7	02	4190.03	5	763.64	4,860.33	2,100.00	(2,760.33)
Advertising and Marketing	7	02	4190.08	5	332.49	668.89	850.00	181.11
Telephone	7	02	4190.13	5	0.00	0.00	300.00	300.00
Forms & Office Supplies	7	02	4190.17	5	0.00	2,558.72	1,600.00	(958.72)
Other Sundry Expense	7	02	4190.18	5	326.39	326.39	0.00	(326.39)
Administrative Contact Costs	7	02	4190.19	5	5,307.85	5,049.89	0.00	(5,049.89)
Administrative Contract Costs	7	02	4190.20	5	459.36	459.36	0.00	(459.36)
Sundry Resident Screening Fees	7	02	4190.80	5	328.25	2,874.75	4,700.00	1,825.25
Garbage and Trash Collection	7	02	4431	5	191.66	1,269.30	900.00	(369.30)
Insurance -Property (Fire & EC)	7	02	4510.01	5	0.00	455.00	0.00	(455.00)
Insurance - General Liability	7	02	4510.02	5	0.00	2,418.48	0.00	(2,418.48)
Insurance - Automobile	7	02	4510.03	5	0.00	82.62	0.00	(82.62)
Insurance - Workman's Comp	7	02	4510.04	5	0.00	353.75	0.00	(353.75)
Bad Debts - Tenant Rents	7	02	4570	5	0.00	0.00	36,216.00	36,216.00
Bad Debts - Fraud Recovery	7	02	4570.3	5	0.00	0.00	5,000.00	5,000.00
Other General Expense	7	02	4590	5	0.00	(217.50)	0.00	217.50
Portable Admin Fees Paid	7	02	4590.P	5	284.15	1,584.10	4,200.00	2,615.90
HAP Payments - Portability	7	02	4715.P	5	251,258.00	2,495,906.72	1,300,000.00	(1,195,906.72)
Postage	7	03	4190.03	5	0.00	90.00	0.00	(90.00)
Other Sundry Expense	7	04	4190.18	5	107.77	107.77	0.00	(107.77)
Total Administrative Expenses					**293,229.48**	**2,822,823.89**	**1,566,845.00**	**(1,255,978.89)**
General Expenses								
COVID Related Expenses-Cares Act	7	02	4432	5	0.00	412.50	70,760.00	70,347.50
Bad Debt	7	02	4750.02	0	181,671.70	181,671.70	0.00	(181,671.70)
Total General Expenses					**181,671.70**	**182,084.20**	**70,760.00**	**(111,324.20)**
Total Revenues and Expenses					**(186,173.63)**	**(126,719.37)**	**42,405.00**	**(169,124.37)**
HAP Revenue and Expenses								
HAP Revenue								
HCV HUD Contributions	7	01	3000	5	252,047.00	2,925,877.00	0.00	2,925,877.00
Maintsteam Voucher Revenue	7	01	3113	5	52,729.00	634,886.00	0.00	634,886.00

McKinney Housing Authority
Budgeted Income Statement
Section 8

Fiscal Year End Date: 6/30/2022	ACCOUNT				1 Month(s) Ended June 30, 2022	12 Month(s) Ended June 30, 2022	Budget	Variance
HAP - HUD Portion Fraud Recovery	7	02	4715.8	5	2,784.65	2,784.65	0.00	2,784.65
Total HAP Revenue					**307,560.65**	**3,563,547.65**	**0.00**	**3,563,547.65**
HAP Expense								
HAP Payments - Rent	7	01	4715.1	5	4,312.00	11,590.00	0.00	11,590.00
HAP Payments - Rent Port Out	7	01	4715.PO	5	(1,042.00)	(50,843.10)	0.00	(50,843.10)
HAP Payments - Rent	7	02	4715.1	5	(240,835.57)	(2,736,708.09)	0.00	(2,736,708.09)
HAP Payments - Utilities	7	02	4715.4	5	(2,490.00)	(29,101.00)	0.00	(29,101.00)
HAP Payments - Portability	7	02	4715.PM	5	0.00	(821.00)	0.00	(821.00)
HAP Payments - Rent	7	04	4715.1	5	(4,885.00)	(29,670.00)	0.00	(29,670.00)
HAP Payments - Rent	7	05	4715.1	5	(39,166.00)	(564,238.00)	0.00	(564,238.00)
Total HAP Expense					**(284,106.57)**	**(3,399,791.19)**	**0.00**	**(3,399,791.19)**
Total HAP Revenue and Expenses					**23,454.08**	**163,756.46**	**0.00**	**163,756.46**
Total Net Income (Loss)					**(162,719.55)**	**37,037.09**	**42,405.00**	**(5,367.91)**

Report Criteria PHA: 7 Project: '01','02','03','04','05'

Include Unapproved: False Include Zero Balance: False Include Full Year Budget: False Show Variance Percentage: False

McKinney Housing Authority

Balance Sheet

McKinney, TX Housing Auth

As of Date: 6/30/2022

Assets

Current Assets						
General Fund	1	01	1111.11	0	156,817.28	
Investments-Bank One #3808	1	01	1162.101	0	8,369.75	
Investments-Bank One CD#63137229	1	01	1162.102	0	31,960.21	
Prepaid Expenses	1	01	1155	0	2,483.98	
Accounts Receivable - Tenants	1	01	1122	0	(1,926.71)	
Accounts Receivable - Formal Agreements	1	01	1122.11	0	2,244.06	
Accounts Receivable - HUD-ROSS	1	01	1125.01	RO	9,606.76	
Intercompany Receivables	1	01	1129	0	114,179.55	
AR Other	1	01	1129.01	0	32,051.85	
Due From HCV Program	1	01	1129.7	0	192,765.62	
A/R - Accrued Interest Rec	1	01	1145	0	7.35	
Total Current Assets						**548,559.70**
Fixed Assets						
Land	1	01	1440	4	26,917.98	
Site Improvements	1	01	1450	4	94,460.27	
Dwelling Structures	1	01	1460	4	483,245.00	
Dwelling Structures-Improvements	1	01	1460.1	4	2,802,087.72	
Non Dwelling Structures-Improvements	1	01	1465	4	394,713.80	
Dwelling Equipment	1	01	1465.1	4	226,764.51	
Office Furniture & Equipment	1	01	1475.1	4	66,210.59	
Maintenance Equipment	1	01	1475.2	4	27,989.14	
Community Space Equipment	1	01	1475.3	4	1,523.28	
Computer Equipment	1	01	1475.4	4	40,401.52	
Automotive Equipment	1	01	1475.7	4	62,229.54	
Office Furniture and Equipment	1	01	4175.1	4	692.01	
Accumulated Depreciation	1	01	1400.5	4	(3,124,327.15)	
Total Fixed Assets						**1,102,908.21**
ROSS						
Coordinator Salaries	1	01	4110	RO	62,956.64	
Training	1	01	4140	RO	1,494.50	
Benefits	1	01	4182	RO	9,565.82	
ROSS Admin Costs	1	01	4190	RO	2,613.89	
Total ROSS						**76,630.85**
Non-current Assets						
Allowance for Doubtful Accounts-Ground L	1	01	1146.1	0	(150,000.00)	
Ground Lease Note Receivable-Merritt	1	01	1146	0	150,000.00	
Total Non-current Assets						**0.00**
Total Assets						**1,728,098.76**

Liabilities

Current Liabilities						
Tenant Security Deposits	1	01	2114	0	8,546.30	
Accured Expenses	1	01	2125	0	24,564.28	
Accrued Comp Absences - Current Term	1	01	2135.01	0	284.99	
Accrued Payroll	1	01	2200	0	1,436.46	
Total Current Liabilities						**34,832.03**
Long-Term Liabilities						
Accrued Comp Absences - Long Term	1	01	2135.02	0	2,564.94	
Accrued Interest	1	01	2250	0	128,070.31	
City Of McKinney Consruction Loan	1	01	2500	0	1,156,052.00	
Deferred Inflow-Land Lease-Merritt Homes	1	01	2600	0	97,979.90	
Accumulated Amortizatoin-Deferred Inflow	1	01	2601	0	(1,599.23)	
Total Long-Term Liabilities						**1,383,067.92**
Total Liabilities						**1,417,899.95**

Owner's Equity

Contributed Capital						
Invested in Capital Assets-Net	1	01	2802	0	1,085,441.73	
Unreserved Surplus	1	01	2810	0	488,691.42	

Balance Sheet

McKinney, TX Housing Auth

As of Date: 6/30/2022

Equtiy Transfer to CU	1	01	2811	0	(16,045.65)	
Net Assets - Unrestricted	1	01	2841	0	(946,166.77)	
Current Year Ross Income	1	01	8029	RO	76,630.85	
Total Contributed Capital						**688,551.58**
Net Income (Loss)						**(378,352.77)**
Total Owner's Equity						**310,198.81**
Total Liabilities and Owner's Equity						**1,728,098.76**

Report Criteria PHA: 1 Project: '01','02','03','04'

Include Unapproved: False Include Zero Balance: False

McKinney Housing Authority
Budgeted Income Statement
McKinney, TX Housing Auth

Fiscal Year End Date: 6/30/2022	ACCOUNT				1 Month(s) Ended June 30, 2022	12 Month(s) Ended June 30, 2022	Budget	Variance
Revenues and Expenses								
Operating Revenues								
Dwelling Rent	1	01	3110	5	18,805.13	218,866.81	242,256.00	(23,389.19)
Excess Utilities	1	01	3120	5	0.00	0.00	200.00	(200.00)
Investment Income - Unrestricted	1	01	3610	5	41.83	70.04	250.00	(179.96)
Donations for Tenant Services/ROSS	1	01	3681	0	0.00	(123.80)	2,000.00	(2,123.80)
Misc. Other Revenue	1	01	3682	5	1,010.00	1,010.00	0.00	1,010.00
Other Income - Tenant	1	01	3690	5	1,413.00	13,062.96	7,300.00	5,762.96
Other Income - Grant Txfr to Operatior	1	01	3690.99	5	0.00	89,968.00	89,566.00	402.00
Cares Act Supplemental Operating Su	1	01	3692	5	0.00	0.00	12,082.00	(12,082.00)
Operating Subsidy - Current Year	1	01	8020	0	11,026.39	191,089.39	180,417.00	10,672.39
Total Operating Revenues					**32,296.35**	**513,943.40**	**534,071.00**	**(20,127.60)**
Administrative Expenses								
Administrative Salaries	1	01	4110	5	5,327.20	94,627.46	116,398.00	21,770.54
Administractive Staff - Outsource	1	01	4110.1	5	2,024.40	21,575.11	4,833.00	(16,742.11)
Legal Expense	1	01	4130	5	1,224.00	35,515.50	8,500.00	(27,015.50)
RAD-Merrit	1	01	4130.3	5	0.00	11,160.80	0.00	(11,160.80)
Staff Training	1	01	4140	5	(17.71)	1,409.29	2,000.00	590.71
Travel	1	01	4150	5	0.00	0.00	1,500.00	1,500.00
Travel - Seminars and Meetings	1	01	4150.1	5	688.31	1,019.51	600.00	(419.51)
Automobile Allowance	1	01	4150.7	5	273.56	493.16	300.00	(193.16)
Accounting Fees	1	01	4170	5	0.00	483.75	0.00	(483.75)
Audit Fees	1	01	4171	5	4,000.00	16,900.00	14,000.00	(2,900.00)
Employee Benefits Cont - Admin	1	01	4182	5	2,745.44	19,357.25	30,228.00	10,870.75
Employee Benefits Cont - CFP Admin	1	01	4182.9	5	0.00	162.01	0.00	(162.01)
Other Administrative Expense	1	01	4190	5	3,962.08	8,349.39	0.00	(8,349.39)
Postage	1	01	4190.03	5	763.64	5,995.78	2,100.00	(3,895.78)
Softwware Fee ROSS	1	01	4190.05	5	0.00	468.00	0.00	(468.00)
Advertising and Marketing	1	01	4190.08	5	332.49	332.49	0.00	(332.49)
Membership Dues and Fees	1	01	4190.12	5	2,145.00	5,853.42	1,000.00	(4,853.42)
Telephone	1	01	4190.13	5	494.26	3,651.85	2,900.00	(751.85)
Coll Agent Fees and Court Costs	1	01	4190.15	5	258.00	2,981.00	1,500.00	(1,481.00)
Forms & Office Supplies	1	01	4190.17	5	506.82	5,469.47	6,200.00	730.53
Other Sundry Expense	1	01	4190.18	5	135.16	21,184.45	15,100.00	(6,084.45)
Administrative Contact Costs	1	01	4190.19	5	12,409.11	78,339.52	53,000.00	(25,339.52)
Sundry-Resdient Screening Fees	1	01	4190.80	5	328.25	3,531.25	4,700.00	1,168.75
Total Administrative Expenses					**37,600.01**	**338,860.46**	**264,859.00**	**(74,001.46)**
Tenant Services Expenses								
Employee Benefits Cont - Admin Ten	1	01	4182.03	5	(126.57)	(126.57)	0.00	126.57
Ten Services - Resident Participation	1	01	4220.1	5	2,252.25	10,980.15	900.00	(10,080.15)
Ten Services - Cont Cost-Training-Oth	1	01	4230	5	0.00	472.50	300.00	(172.50)
Total Tenant Services Expenses					**2,125.68**	**11,326.08**	**1,200.00**	**(10,126.08)**
Utilities Expenses								
Water	1	01	4310	5	2,546.85	21,289.50	19,359.00	(1,930.50)
Electricity	1	01	4320	5	714.02	4,295.54	4,808.00	512.46
Electricity - Security Lighting	1	01	4320.9	5	268.04	1,647.80	1,418.00	(229.80)
Gas	1	01	4330	5	313.60	2,934.74	1,763.00	(1,171.74)
Sewer	1	01	4390	5	3,147.20	25,859.46	22,023.00	(3,836.46)
Total Utilities Expenses					**6,989.71**	**56,027.04**	**49,371.00**	**(6,656.04)**
Maintenance Expenses								
Materials	1	01	4420	5	15,978.48	48,143.83	8,100.00	(40,043.83)
Materials Storage	1	01	4420.1	5	1,710.00	10,260.00	7,700.00	(2,560.00)
Contract Costs	1	01	4430	5	0.00	180.00	3,700.00	3,520.00
Contract Cots-Extermination	1	01	4430.01	5	1,230.00	11,355.00	5,900.00	(5,455.00)
Contract Costs-Other Repairs	1	01	4430.03	5	13,328.09	32,263.53	1,500.00	(30,763.53)
Contract Costs-Skilled Workmen	1	01	4430.06	5	0.00	4,259.00	0.00	(4,259.00)
Contracs - Cleaning Units	1	01	4430.10	5	0.00	1,458.92	2,400.00	941.08
Contract Costs-Other	1	01	4430.13	5	2,847.72	29,216.04	6,200.00	(23,016.04)
Contract Costs-Maintenance	1	01	4430.14	5	0.00	11,285.00	550.00	(10,735.00)
Contact Costs-Heating & Cooling Cont	1	01	4430.17	5	1,517.68	12,824.29	4,800.00	(8,024.29)
Contract Costs-Landscape & Ground	1	01	4430.19	5	5,930.00	23,785.00	18,500.00	(5,285.00)
Contracts - Unit Turnaround	1	01	4430.20	5	0.00	76,156.00	11,500.00	(64,656.00)
Contact Costs-Electrical Contracts	1	01	4430.21	5	3,694.73	9,195.26	3,200.00	(5,995.26)

Budgeted Income Statement

McKinney, TX Housing Auth

Fiscal Year End Date: 6/30/2022	ACCOUNT				1 Month(s) Ended June 30, 2022	12 Month(s) Ended June 30, 2022	Budget	Variance
Contact Costs-Plumbing Contracts	1	01	4430.22	5	22,515.85	95,795.16	21,100.00	(74,695.16)
Contract Costs-Janitorial Contracts	1	01	4430.23	5	149.99	5,787.49	0.00	(5,787.49)
Garbage and Trash Collection	1	01	4431	5	1,999.76	10,734.77	9,300.00	(1,434.77)
Protective Services-Alarm System	1	01	4483	5	120.00	502.50	400.00	(102.50)
Total Maintenance Expenses					**71,022.30**	**383,201.79**	**104,850.00**	**(278,351.79)**
Insurance Expenses								
Insurance -Property (Fire & EC)	1	01	4510.01	5	910.41	6,500.91	10,000.00	3,499.09
Insurance - General Liability	1	01	4510.02	5	34.41	4,448.87	500.00	(3,948.87)
Insurance - Automobile	1	01	4510.03	5	164.83	1,177.38	2,200.00	1,022.62
Insurance - Workman's Comp	1	01	4510.04	5	707.50	6,078.95	670.00	(5,408.95)
Insurance - Fidelity Bond	1	01	4510.09	5	0.00	0.00	150.00	150.00
Insurance-Errors & Ommissions	1	01	4510.16	5	73.16	545.67	5,800.00	5,254.33
Unemployment Insurance	1	01	4540	5	0.00	6,438.35	700.00	(5,738.35)
Total Insurance Expenses					**1,890.31**	**25,190.13**	**20,020.00**	**(5,170.13)**
General Expenses								
Bad Debts - Tenant Rents	1	01	4570	5	24,862.52	23,823.98	20,000.00	(3,823.98)
COVID Related Ecpenses - CARES A(	1	01	4621	5	0.00	19,699.00	12,082.00	(7,617.00)
Total General Expenses					**24,862.52**	**43,522.98**	**32,082.00**	**(11,440.98)**
Total Revenues and Expenses					**(112,194.18)**	**(344,185.08)**	**61,689.00**	**(405,874.08)**
Non Operating Expenses								
Non Operating Revenue Expenses								
Interest Expense	1	01	4550	5	(34,368.24)	(34,368.24)	0.00	(34,368.24)
Current Year Improvements	1	01	9999	0	0.00	0.00	(125,000.00)	125,000.00
Total Non Operating Revenue Expenses					**(34,368.24)**	**(34,368.24)**	**(125,000.00)**	**90,631.76**
Total Non Operating Expenses					**(34,368.24)**	**(34,368.24)**	**(125,000.00)**	**90,631.76**
Total Net Income (Loss)					**(146,562.42)**	**(378,553.32)**	**(63,311.00)**	**(315,242.32)**

Balance Sheet

Mckinney Affordable Housi

Mckinney Affordable Housing Development

As of Date: 6/30/2022

Assets

Current Assets						
Cash-Unrestricted	3	01	1111.11	0	957,929.73	
Cash-Restricted	3	01	1111.12	0	150,000.00	
Total Current Assets						**1,107,929.73**
Non-current Assets						
Note A City Loan Due from Newsome	3	01	1129.01	0	1,156,051.56	
Note B MHA Funds Due From Newsome	3	01	1129.03	0	537,233.00	
Note C MCDC Due From Newsome Homes	3	01	1129.06	0	358,295.60	
Note D CDBG Due from Newsome	3	01	1129.07	0	100,000.00	
Note E Impact Fee Loan Due from Newsome	3	01	1129.08	0	450,000.00	
MCDC Loan Due from Merritt	3	01	1129.10	0	325,000.00	
Note B-Merrtt Impact Fees	3	01	1129.11	0	195,939.00	
A/R - Accrued Interest Rec-Note A	3	01	1145	0	124,459.70	
Accrued Interest-Merritt DDF	3	01	1146	0	153.69	
Allowance for Doubtful Accounts-Notes	3	01	1150	0	(2,264,431.90)	
Deferred Developer Fee Rec.-Newsome	3	01	1452	0	297,964.30	
Deferred Developer Fee Receivable-Merrit	3	01	1453	0	164,989.33	
Total Non-current Assets						**1,445,654.28**
Total Assets						**2,553,584.01**

Liabilities

Current Liabilities						
Intercompany Payables	3	01	2119	0	114,179.55	
Accrued Comp Absences - Short Term	3	01	2135.01	0	77.58	
Accrued Payroll	3	01	2200	5	365.10	
Total Current Liabilities						**114,622.23**
Long-Term Liabilities						
Accrued Comp Absences - Long Term	3	01	2135.02	0	698.26	
Total Long-Term Liabilities						**698.26**
Total Liabilities						**115,320.49**

Owner's Equity

Contributed Capital						
Unreserved Surplus	3	01	2810	0	2,452,648.00	
City Loan Transfer in from MHA	3	01	9997	0	(25,000.00)	
Total Contributed Capital						**2,427,648.00**
Net Income (Loss)						**10,615.52**
Total Owner's Equity						**2,438,263.52**
Total Liabilities and Owner's Equity						**2,553,584.01**

Report Criteria PHA: 3 Project: '01'

Include Unapproved: False Include Zero Balance: False

McKinney Housing Authority
Budgeted Income Statement
Mckinney Affordable Housi

Mckinney Affordable Housing Development

Fiscal Year End Date: 6/30/2022	ACCOUNT				1 Month(s) Ended June 30, 2022	12 Month(s) Ended June 30, 2022	Budget	Variance
Revenues and Expenses								
Operating Revenues								
Other Income	3	01	3695	5	6,570.00	7,580.00	0.00	7,580.00
Total Operating Revenues					**6,570.00**	**7,580.00**	**0.00**	**7,580.00**
Administrative Expenses								
Nontechnical Salaries	3	01	4110	5	1,957.47	23,449.91	10,594.58	(12,855.33)
Legal Expense	3	01	4130	5	0.00	0.00	1,200.00	1,200.00
Staff Training	3	01	4140	5	(0.99)	151.62	0.00	(151.62)
Accounting Fees	3	01	4170	5	0.00	0.00	3,000.00	3,000.00
Audit Fees	3	01	4171	5	0.00	0.00	3,000.00	3,000.00
Employee Benefits Cont - Admin	3	01	4182	5	138.52	1,770.24	2,468.63	698.39
Membership Dues and Fees	3	01	4190.12	5	0.00	305.00	0.00	(305.00)
Other Sundry Expense	3	01	4190.18	5	0.00	0.00	1,000.00	1,000.00
Tenant Services - Relocation Cost	3	01	4230.1	5	0.00	3,806.22	0.00	(3,806.22)
Total Administrative Expenses					**2,095.00**	**29,482.99**	**21,263.21**	**(8,219.78)**
Maintenance Expenses								
Contact Costs-Unit Turnaround Conta	3	01	4430.2	5	43.09	1,753.09	0.00	(1,753.09)
Total Maintenance Expenses					**43.09**	**1,753.09**	**0.00**	**(1,753.09)**
Total Revenues and Expenses					**4,431.91**	**(23,656.08)**	**(21,263.21)**	**(2,392.87)**
Non-Operating Revenue								
Newsome Homes								
Investment Income - Newsome	3	01	3610.2	5	34,271.60	34,271.60	0.00	34,271.60
Total Newsome Homes					**34,271.60**	**34,271.60**	**0.00**	**34,271.60**
Total Non-Operating Revenue					**34,271.60**	**34,271.60**	**0.00**	**34,271.60**
Total Net Income (Loss)					**38,703.51**	**10,615.52**	**(21,263.21)**	**31,878.73**

Report Criteria PHA: 3 Project: '01'

Include Unapproved: False Include Zero Balance: False Include Full Year Budget: False Show Variance Percentage: False

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS

BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2020

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Financial Section

Governmental Audit Information

Single Audit Information

BROWN, GRAHAM & COMPANY
PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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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 June 30, 2020 and for the year ended, and the related notes to the financial statements. We were not engaged to audit the financial statements of Newsome Homes, LP and Merritt McGowan Manor, LP (the aggregate discretely presented component units of the Authority). 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 did not audit the financial statements of Newsome Homes, LP and Merritt McGowan Manor, LP, which represent one-hundred percent (100%) of the aggregate discretely presented component units reported on the Authority-wide financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Newsome Homes, LP and Merritt McGowan Manor, LP, are based solely on the reports of the other auditors. 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 financial statements of Newsome Homes, LP and Merritt McGowan Manor, LP were not audited in accordance with Government Auditing Standards.

Auditor's Responsibility - Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of McKinney, Texas, as of June 30, 2020, 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 38 through 42 as required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Supplementary Information - Continued

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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 31, 2021 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 effectiveness of the Authority's 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 31, 2021

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) financial activity, and (c) identify changes in the Authority's financial position for the fiscal year ended June 30, 2020. 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 Changes 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.

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 schedules are 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.

Public Housing 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.

Housing Choice Voucher: 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.

Financial position and analysis

Table 1 compares the Authority's financial position for the fiscal years ended June 30, 2020 and 2019. The prior year current assets and net position balances are restated (see Note 4).

Table 1
Net Position

	2020	2019	Increase (Decrease)	Percent Variance
Assets				
Current assets	$ 2,050,835	$ 1,972,682	$ 78,153	3.96%
Notes receivable	1,156,051	1,156,051	-	0.00%
Other assets-non-current	81,165	72,383	8,782	12.13%
Capital assets, net	1,096,681	1,017,027	79,654	7.83%
Total assets	4,384,732	4,218,143	166,589	3.95%
Liabilities				
Current liabilities	129,110	163,018	(33,908)	-20.80%
Noncurrent liabilities	1,250,176	1,239,398	10,778	0.87%
Total liabilities	1,379,286	1,402,416	(23,130)	-1.65%
Deferred inflows of resources	98,401	99,411	(1,010)	-1.02%
Net assets				
Invested in capital assets	1,096,681	1,017,027	79,654	7.83%
Restricted net position	448,176	243,332	204,844	84.18%
Unrestricted net position	1,362,188	1,455,957	(93,769)	-6.44%
Total net position	$ 2,907,045	$ 2,716,316	$ 190,729	7.02%

Current Assets increased $78,153 or 3.96% primarily due a $187,292 increase in Restricted Cash. The increase in Restricted Cash is related to funds received from the City of McKinney for the Merritt Homes housing project.

Capital Assets, Net increased by $79,654 or 7.83% due to improvements made to Public Housing during the year.

Current Liabilities decreased $33,908 or 20.80%. primarily due to a decrease in prepaid operating subsidy revenue.

Invested in Capital Assets decreased $739,942 or 38.50%. In October 2018, the Authority sold Merritt Homes, which comprised 86 of the Authority's 137 housing units, to be rehabilitated under HUD's RAD program.

Restricted Net Position increased $204,844 or 84.18%. primarily due to $195,939 in funds received from the City of McKinney that are restricted for the Merritt Homes project.

Unrestricted Net Position decreased $93,769 or 6.44% as result of a loss from operations during the fiscal year.

Table 2 focuses on the changes in net position. The prior year operating revenues are restated (see Note 4).

Table 2
Changes in Net Position

	2020	2019	Increase (Decrease)	Percent Variance
Operating revenue & expense				
Operating revenues	$ 4,507,167	$ 3,670,624	$ 836,543	22.79%
Operating expenses	4,383,564	4,018,932	364,632	9.07%
Operating income	123,603	(348,308)	471,911	-135.49%
Non-operating revenues (expenses)	67,126	(913,284)	980,410	-107.35%
Capital grants	-	151,942	(151,942)	-100.00%
Increase (decrease) in net position	190,729	(1,109,650)	1,300,379	-117.19%
Net position, beginning of year	2,716,316	3,825,966	(1,109,650)	-29.00%
Net position, end of year	$ 2,907,045	$ 2,716,316	$ 190,729	7.02%

Operating Revenues increased by $836,543 or 22.79%. primarily due to a $434,133 increase in Housing Assistance Payments revenue and $413,517 increase in HCV Portability-In revenue.

Operating Expenses increased $364,632 or 9.07%. primarily due to an increase in Housing Assistance Payments expenses and Portability-In expenses or $406,787 and $413,517 respectively. The increase in these expenses was offset by a decrease in bad debt expense of $432,679.

Non-Operating Revenues and Expenses increased by $980,410. In 2019, there was one-time loss related to disposition of Public Housing units for conversion to the Rental Assistance Demonstration program.

Capital Grants Revenue decreased by $151,942 or 100%. The Capital Fund Grant was drawn down as additional operations funding, rather than directly improvement costs.

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

Table 3
Revenues by source

	2020	2019	Increase (Decrease)	Percent Variance
Operating revenue				
Tenant revenue	$ 224,817	$ 349,481	$ (124,664)	-35.67%
Operating Subsidies and Grants	4,226,523	3,108,814	1,117,709	35.95%
Other revenue	55,827	212,329	(156,502)	-73.71%
Total operating revenue	4,507,167	3,670,624	836,543	22.79%
Non-operating revenues				
Capital grants	-	151,942	(151,942)	-100.00%
Development fee income	-	182,356	(182,356)	-100.00%
Impairment gain, net of insurance	63,196	-	63,196	100.00%
Land lease income	1,010	589	421	71.48%
Investment income	36,794	36,849	(55)	-0.15%
Total non-operating revenues	101,000	371,736	(270,736)	-72.83%
Total revenues	$ 4,608,167	$ 4,042,360	$ 565,807	14.00%

Tenant Revenue decreased by $124,664 or 35.67%. The 2019 rental income amount includes the months of fiscal year 2019 prior to the disposition of 86 units under the Rental Assistance Demonstration program. Additionally, rent is based on tenant income and can fluctuate.

Operating Subsidies and Grants increased $1,117,709 or 35.95% primarily due to an increase in Housing Assistance Payments revenue, as well as a grant from the City of McKinney for the Merritt Homes project.

Other Revenue decreased by $156,502 or 73.71% primarily due to a forgivable loan income total $175,000 in fiscal year 2019 from the McKinney Community Development Corporation for investment in the Merritt Homes project.

Capital Grants Revenue decreased $151,942 or 100%. The Capital Fund Grant was drawn down as additional operations funding, rather than directly for improvement costs.

Development Fee Revenue decreased by $182,356 or 100%. The variance is primarily due to timing. The Authority will receive an additional development fee from the Merritt Homes project in fiscal year 2021.

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

Table 4
Operating expenses

	2020	2019	Increase (Decrease)	Percent Variance
Administrative	$ 538,021	$ 616,163	$ (78,142)	-12.68%
Tenant and protective services	70,081	29,199	40,882	140.01%
Utilities	49,067	56,370	(7,303)	-12.96%
Maintenance	161,194	145,903	15,291	10.48%
Insurance expense	16,014	17,410	(1,396)	-8.02%
General expense	113,854	712,617	(598,763)	-84.02%
Housing assistance payments	3,365,264	2,366,085	999,179	42.23%
Depreciation	70,069	75,185	(5,116)	-6.80%
Total operating expenses	$ 4,383,564	$ 4,018,932	$ 364,632	9.07%

Administrative expenses decreased $78,142 or 12.68% due to decreased office expenses.

Tenant and Protective Services increased $40,882 or 140.01%. The Tenant Services Coordinator position was vacant for a portion of fiscal year 2019.

General Expense decreased by $598,763 or 84.02%. In fiscal year 2019 there was $475,000 in one -time bad debt expenses related to the unlikeliness of collection on development loans made to Merritt Homes LP.

Housing Assistance Payments increased $999,179 or 42.23% due to increase HCV leasing and Portability-In activity.

Budgetary Analysis - Low Rent Public Housing

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Rent 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	$ 288,468	$ 217,892	$ (70,576)	-24.47%
Government grants	181,953	394,091	212,138	116.59%
Interest income	2,000	2,713	713	35.65%
Other income	16,549	72,636	56,087	338.91%
Total revenue	488,970	687,332	198,362	40.57%
Expenses				
Administrative	276,688	305,446	(28,758)	-10.39%
Tenant and protective services	1,382	4,520	(3,138)	-227.06%
Utilities	43,885	48,581	(4,696)	-10.70%
Maintenance	107,440	161,194	(53,754)	-50.03%
Insurance	19,854	16,014	3,840	19.34%
General expenses	20,000	102,255	(82,255)	-411.28%
Total expenses	469,249	638,010	(168,761)	-35.96%
Income over/(under) expense	$ 19,721	$ 49,322	$ 29,601	150.10%

Rental Income was less than budgeted by $70,576 or 24.47%. Rent is based on resident incomes and can fluctuate.

Government Grants exceeded budget by $212,138 or 116.59%. There was greater utilization of BLI 1406 Capital Funds than expected.

Other Income exceeded budget by $56,087 or 338.91% due to revenue from insurance proceeds.

Maintenance Expense exceeded budget by $53,754 or 50.03%. Maintenance needs were higher than anticipated.

General Expense exceeded budget by $82,255 or 411.28% because depreciation expense was not included in the budget.

Budgetary Analysis - Housing Choice Voucher

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	$ 1,963,036	$ 2,404,960	$ 441,924	22.51%
Admin fee	238,158	222,397	(15,761)	-6.62%
Port-Ins administered	13,000	34,497	21,497	165.36%
Port-Ins admin fee revenue	320,000	779,305	459,305	143.53%
Fraud recovery	4,500	33,244	28,744	638.76%
Other revenue	-	3,253	3,253	100.00%
Interest	300	299	(1)	-0.33%
Total revenue	2,538,994	3,477,955	938,961	36.98%
Expenses				
Administrative	207,655	196,901	10,754	5.18%
Utilities	-	486	(486)	-100.00%
General expense	8,000	79,756	(71,756)	-100.00%
Port-In HAP expense	320,000	779,305	(459,305)	-143.53%
HAP expense	1,963,036	2,374,100	(411,064)	-20.94%
Total expenses	2,498,691	3,430,548	(931,857)	-37.29%
Income (over)/under expense	$ 40,303	$ 47,407	$ 7,104	17.63%

HAP Income exceeded budget by $441,924 or 22.51%. The variance in HAP income is offset by the variance in HAP expense.

Port-Ins Administered exceeded budget by $459,305 or 143.53%. Port-In leasing activity was greater than expected. The variance in Port-In HAP income is offset by the variance in Port-In HAP expense.

Port-Ins Admin Fee Revenue was greater than budget by $21,497 or 165.36%. Port-In leasing activity was greater than expected.

Fraud Recovery Revenue exceeded budget by $28,744 or 638.76%. Fraud recovery was atypically high during fiscal year 2020.

General Expense exceeded budget by $71,756 or 896.95% due to bad debt expense related to Port-In HAP and Fraud Recovery.

Port-In Hap Expense exceeded budget by $459,305 or 143.53%. The variance in Port-In HAP expense is offset by the variance in Port-In HAP income.

HAP Expense exceeded budget by $411,064 or 20.94%. The variance in HAP expense is offset by the variance in HAP income.

Capital Assets

Table 7 summarizes the Authority's investment in capital assets. The prior year capital assets are restated (see Note 4).

Table 7
Changes in Net Capital Assets

	2020	2019	Increase (Decrease)	Percent Variance
Land	$ 26,918	$ 26,918	$ -	0.00%
Buildings	3,737,718	3,667,926	69,792	1.90%
Furniture and equipment	382,299	302,368	79,931	26.44%
	4,146,935	3,997,212	149,723	3.75%
Less: accumulated depreciation	(3,050,254)	(2,980,185)	(70,069)	2.35%
Capital assets, net	$ 1,096,681	$ 1,017,027	$ 79,654	7.83%

Acquisitions are capitalized at cost and depreciated using the straight-line method of depreciation. 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 $1,156,051, 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, 2020, the Authority had drawn $1,156,102 of this loan, and recognized related interest expense of $33,874 during fiscal year 2020.

Significant economic factors affecting the Authority are as follows:

- 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.

- Rising cost of utility rates, supplies, and other costs may impact our budgets in future years.

- The ongoing COVID-19 pandemic presents operational challenges and impacts residents' incomes, which creates the need for additional government assistance. In fiscal year 2021, the Authority received additional funding through the CARES Act to meet these needs, but there remains uncertainty regarding the duration of the pandemic and potential additional needs.

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, 2020

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current assets:			
Cash and cash equivalents (Note 2):			
Unrestricted	$ 1,360,814	$ 935,093	$ 2,295,907
Restricted	493,821	689,141	1,182,962
Accounts receivable:			
Tenants, net of allowance	2,998	104,349	107,347
HUD (Note 5)	80,152	-	80,152
Portability, net of allowance (Note 5)	51,151	-	51,151
Interest	25,282	-	25,282
Other	403	-	403
Investments (Note 2)	31,628	-	31,628
Prepaid expenses	4,586	448,825	453,411
Total current assets	2,050,835	2,177,408	4,228,243
Non-current assets:			
Accrued interest receivable (Note 9)	81,165	-	81,165
Notes receivable, net of allowance (Note 9)	1,156,051	-	1,156,051
Total non-current assets	1,237,216	-	1,237,216
Capital assets, net of accumulated depreciation (Note 4)	1,096,681	40,240,553	41,337,234
Total assets	4,384,732	42,417,961	46,802,693

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, 2020

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current liabilities:			
Accounts payable:			
Trade	$ 2,352	$ 905,043	$ 907,395
Accrued expenses:			
Interest (Note 3)	25,000	65,500	90,500
Salary and payroll taxes	1,908	-	1,908
Compensated absences (Note 7)	1,060	-	1,060
Other	-	906,394	906,394
Unearned revenues:			
Tenant rents	2,740	7,504	10,244
HUD (Note 5)	45,645	-	45,645
Portability revenue (Note 5)	12,940	-	12,940
Tenant security deposits - liability	9,121	38,119	47,240
Other current liabilities	28,344	9,548	37,892
Current maturities of long-term debt	-	15,834,062	15,834,062
Total current liabilities	129,110	17,766,170	17,895,280
Long-term liabilities:			
Accrued compensated absences (Note 7)	9,540	-	9,540
Development fee payable	-	2,978,913	2,978,913
Accrued interest (Note 3)	84,585	-	84,585
Long-term debt (Note 3)	1,156,051	13,066,854	14,222,905
Total long-term liabilities	1,250,176	16,045,767	17,295,943
Total liabilities	1,379,286	33,811,937	35,191,223
Deferred inflows of resources (Note 9)	98,401	-	98,401
Net position:			
Net investment in capital assets	1,096,681	11,339,637	12,436,318
Restricted (Note 8)	448,176	-	448,176
Unrestricted	1,362,188	(2,733,613)	(1,371,425)
Total net position	$ 2,907,045	$ 8,606,024	$ 11,513,069

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, 2020

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Rental revenue	$ 217,892	$ 1,931,289	$ 2,149,181
Other tenant revenue	6,925	9,436	16,361
Operating subsidies and grants (Note 5)	4,226,523	-	4,226,523
Other operating revenue	55,827	2,137	57,964
Total operating revenues	4,507,167	1,942,862	6,450,029
Operating expenses:			
Administrative	538,021	522,034	1,060,055
Tenant and protective services	70,081	10,089	80,170
Utilities	49,067	238,597	287,664
Maintenance	161,194	234,443	395,637
Insurance	16,014	81,975	97,989
General	113,854	27,241	141,095
Depreciation (Note 4)	70,069	1,017,300	1,087,369
Housing assistance payments	3,365,264	-	3,365,264
Total operating expenses	4,383,564	2,131,679	6,515,243
Net operating income (loss)	123,603	(188,817)	(65,214)
Non-operating income (expense):			
Interest income	36,794	19	36,813
Interest expense (Note 3)	(33,874)	(838,051)	(871,925)
Impairment gain, net of insurance recoveries	63,196	-	63,196
Land lease income (Note 9)	1,010	-	1,010
Total non-operating expense	67,126	(838,032)	(770,906)
Special items	-	450,000	450,000
Change in net position	190,729	(576,849)	(386,120)

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, 2020

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Net position, beginning of year:			
As originally stated	$ 2,881,157	$ 9,182,873	$ 12,064,030
Prior period adjustment (Note 4)	(164,841)	-	(164,841)
As restated	2,716,316	9,182,873	11,899,189
Net position, end of year	$ 2,907,045	$ 8,606,024	$ 11,513,069

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, 2020

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Cash flows from operating activities:			
Cash received:			
Rental revenue	$ 217,518	$ 1,824,493	$ 2,042,011
Other tenant revenue	8,035	11,573	19,608
Operating subsidies and grants	4,107,632	-	4,107,632
Other revenue	55,827	-	55,827
Cash paid:			
Administrative	(534,146)	(522,441)	(1,056,587)
Tenant and protective services	(70,081)	(2,289)	(72,370)
Utilities	(20,723)	(238,597)	(259,320)
Maintenance	(138,238)	(234,443)	(372,681)
Insurance	(16,014)	(116,016)	(132,030)
General	(118,629)	(8,015)	(126,644)
Housing assistance payments	(3,365,264)	-	(3,365,264)
Net cash flows from operating activities	125,917	714,265	840,182
Cash flows from investing activities:			
Collection (payment) of developer fee	-	(75,000)	(75,000)
Cash received for interest income	2,640	19	2,659
Net cash flows from investing activities	2,640	(74,981)	(72,341)
Cash flows from capital and related financing activities:			
Cash received for capital contributions	-	449,935	449,935
Cash paid for debt issuance costs	-	(512,174)	(512,174)
Cash paid for tax credit compliance fee	-	(72,438)	(72,438)
Purchase of capital assets	(149,723)	(15,421,784)	(15,571,507)
Cash received for capital grants	101,942	-	101,942
Net repayment from related party	92,540	-	92,540
Repayment of mortgage payable	-	(168,072)	(168,072)
Payment of prior year retainage payble	(22,774)	-	(22,774)
Cash paid for interest expense	-	(498,548)	(498,548)
Cash proceeds from mortgage payable	-	15,834,062	15,834,062
Net cash flows from capital and related financing activities	21,985	(389,019)	(367,034)

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, 2020

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Net increase in cash and cash equivalents	$ 150,542	$ 250,265	$ 400,807
Cash and cash equivalents:			
Beginning of year	1,704,093	1,373,969	3,078,062
End of year	$ 1,854,635	$ 1,624,234	$ 3,478,869
Reconciliation of cash and cash equivalents:			
Unrestricted	$ 1,360,814	$ 935,093	$ 2,295,907
Restricted	493,821	689,141	1,182,962
Total cash and cash equivalents	$ 1,854,635	$ 1,624,234	$ 3,478,869
Reconciliation of net operating income (loss) to net cash flows from operating activities:			
Net operating income (loss)	$ 123,603	$ (188,817)	$ (65,214)
Adjustments to reconcile net operating loss to net cash flows from operating activities:			
Depreciation	70,069	1,017,300	1,087,369
Change in allowances for accounts receivables	(4,775)	-	(4,775)
Change in allowances for inventory	33,743	-	33,743
(Increase) decrease in assets:			
Accounts receivable:			
Tenants	271	(95,880)	(95,609)
HUD	(66,498)	-	(66,498)
Portability	(403)	-	(403)
Miscellaneous	2,560	-	2,560
Inventory	1,729	-	1,729
Prepaid expenses	(152)	(62,902)	(63,054)

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, 2020

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Increase (decrease) in liabilities:			
Accounts payable:			
Trade	$ (12,516)	$ 24,522	$ 12,006
Other government	(2,753)	-	(2,753)
Accrued expenses:			
Compensated absences	2,119	-	2,119
Accrued payroll	1,908	-	1,908
Other	28,344	29,665	58,009
Unearned revenues:			
Tenant rents	(645)	(10,916)	(11,561)
HUD operating subsidies	(58,643)	-	(58,643)
Portability revenue	9,406	-	9,406
Tenant security deposits - liability	(1,450)	1,293	(157)
Net cash flows from operating activities	$ 125,917	$ 714,265	$ 840,182
Supplemental schedule of noncash investing and financing activities:			
Interest income recorded through accrued interest receivable	$ 34,154	$ -	$ 34,154
Reinvestment of interest income	$ 90	$ -	$ 90
Increase in capital assets through increase in development fee payable	$ -	$ 2,255,000	$ 2,255,000
Purchase of capital assets through increase in accounts payable - trade and accrued expenses - other	$ -	$ 1,556,560	$ 1,556,560
Land lease income recorded through amortization of deferred inflow resources	$ 1,010	$ -	$ 1,010
Interest expense recorded through accrued interest payable	$ 33,874	$ -	$ 33,874

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

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 fifty-one (51) family units, a Housing Choice Voucher Program (the HCV Program) consisting of two hundred and seventy-seven (277) tenant-based vouchers, and approximately seventy-four (74) 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 has started to administer twenty-nine (29) Mainstream Vouchers (the MSV Program) since fiscal year 2019. MHA administers a Capital Fund Program (CFP), which provides for modernization and improvement of the properties under the Low Rent Program as well as a Resident Opportunity and Support Service (ROSS) Program, which provides public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. 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:
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. Under the criteria for a component unit described above, the following legally separate entities are considered the blended component units of MHA.

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

Blended component units - continued:

McKinney Affordable Housing Development Corporation (MAHDC)

MHA is the sole member of MAHDC, and the Board of Directors of MAHDC are appointed by the MHA'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 was not aware that the original Form 1023, *Application of Recognition of Exception under Section 501(c)(3) of the Internal Revenue Code* (Form 1023), filed with Internal Revenue Service (IRS) did not indicate MAHDC was to be exempt from filing Form 990 or Form 990-EZ due to its organization structure and its relationship with MHA. During the year ended June 30, 2017, IRS notified MAHDC's tax-exempt status being revoked due to failure to file Form 990 with IRS. During the year ended June 30, 2018, MAHDC worked with an outside legal consultant to re-file the Form 1023 correctly to have its tax-exempt status reinstated. Subsequent to the year ended June 30, 2018, MAHDC received an IRS notice indicating its exempt status has been reinstated. 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 two limited partnerships through its investment in the following wholly-owned single-member Texas limited liability companies (collectively, the LLCs). These LLCs' accounting transactions are combined with MAHDC. MAHDC has a 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 NH 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 NH Partnership through December 2015.

McKinney-Merritt McGowan GP, LLC (MMH GP)

MMH GP was organized on January 6, 2015, as a Texas limited liability company in which MAHDC is its sole member, to be the general partner of Merritt McGowan Manor, LP (the MH Partnership).

McKinney-Merritt McGowan LP, LLC (MMH LP)

MMH LP was organized on January 6, 2015, as a Texas limited liability company in which MAHDC is its sole member, to be the initial limited partner of Merritt McGowan Manor, LP (the MH Partnership). An Assignment and Assumption Agreement was entered in June 2018, under which MMH LP assigned its limited partner interest in the MH Partnership to the Executive Director of the Authority for the consideration of meeting certain LIHTC requirements on behalf of the MH Partnership.

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, 2020.

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

Discretely presented component units:

Newsome Homes, LP (the NH Partnership)

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

Merritt McGowan Manor, LP (the MH Partnership)

The MH Partnership has applied for and received allocations of LIHTC through TDHCA, pursuant to Internal Revenue Code Section 42 (IRC Section 42), to develop a property in McKinney, Texas, to be known as Merritt McGowan Manor (the Merritt Homes Project). The MH Partnership, in cooperation with the Authority will be using HUD funds allocated to the Authority under the RAD program.

The NH Partnership and the MH Partnership are private for-profit entities that report 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 NH Partnership's and to the MH's Partnerships' financial information in the Authority's financial reporting for these differences. Through the Authority's control of the general partner in the NH Partnership and in the MH Partnership, management is presenting the NH Partnership and the MH Partnership as discretely presented component units. Separately audited financial statements for the NH Partnership and the MH Partnership can be obtained at 603 N. Tennessee, McKinney, Texas 75069.

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.

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

Basis of accounting - continued:
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.

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 the 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.

Resident Opportunity and Support Service Program provides public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient.

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

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

Revenue recognition:
The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

On January 30, 2008, HUD issued PIH Notice 2008-9 which requires that housing assistance payments (HAP) under HCV Program for proprietary fund reporting to be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule (FDS) as restricted. Any unused administrative fees (AF) should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both AF and HAP revenues continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The HCV Program is no longer a cost reimbursement grant; therefore, the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting. Any investment income earned on these funds is reflected in the net position account on which the investment income was earned. That is, investment income earned on HAP cash balances is credited to the HAP restricted net position account and investment income earned on administrative fee cash balances is credited to the unrestricted net position account.

Cost reimbursement grant such as CFP, ROSS and the CARES Act supplemental grant as a result of the COVID-19 pandemic received during the year are recorded as income when the earnings process is substantially complete. Federal cost reimbursement 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 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.

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.

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.

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

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, 2020, management estimated an allowance for obsolete inventory in the amount of $37,684.

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 cost 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, 2020, the Authority does not have any deferred outflows of resources. See Note 9 for deferred inflows of resources related to the Ground Lease agreement.

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Restricted cash:
As of June 30, 2020, restricted cash consisted of the following:

Cash restricted for unspent insurance proceeds	$	63,196
Cash restricted for HCV housing assistance payments		39,041
Cash restricted for HCV CARES Act funding		44,649
Cash restricted for MSV CARES Act funding		996
Cash restricted for NH Partnership operating deficit guarantee (see Note 9)		150,000
Cash restricted for MH Partnership		195,939
	$	493,821

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, 2020, the carrying amount of the Authority's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was $1,886,263 and the bank balance was $1,930,626, and the entire balance with the exception of $24,547 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, 2020. All of the Authority's cash and cash equivalents, restricted cash and investments as of June 30, 2020, 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 included a construction loan and a revolving loan for the development of a multifamily project owned by the NH 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, 2020, the Authority had drawn $1,156,051 of this loan and accrued interest payable totaled $109,585. The interest expense totaled $33,874 for the year ended June 30, 2020.

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, 2020, are as follows:

	Balance as of June 30, 2019	Additions	Dispositions	Prior Period Adjustment	Balance as of June 30, 2020
Non-depreciable capital assets:					
Land	$ 26,918	$ -	$ -	$ -	$ 26,918
Depreciable capital assets:					
Buildings and improvements	3,921,827	69,792	-	(253,901)	3,737,718
Furniture and equipment	302,368	79,931	-	-	382,299
Total capital assets	4,251,113	149,723	-	(253,901)	4,146,935
Less: accumulated depreciation	(3,069,245)	(70,069)	-	89,060	(3,050,254)
Net capital assets	$ 1,181,868	$ 79,654	$ -	$ (164,841)	$ 1,096,681

During the year ended June 30, 2020, the Authority detected a clerical formula error associated with the disposition of certain buildings for RAD conversion during the year ended June 30, 2019, which resulted in a prior period adjustment totaling $168,841. Had the error not been made, the Authority's net position at June 30, 2019 would have decreased by $168,841 and change in net position for the year ended June 30, 2019 would have decreased by $168,841.

NOTE 5 - OPERATING SUBSIDIES AND GRANTS

The Authority's grant revenue consists of the following for the year ended June 30, 2020:

Operating subsidies and grants:	
Low Rent Public Housing	$ 209,248
Public Housing CARES Act Funding	2,248
Public Housing Capital Fund	184,843
Housing Choice Vouchers (including pass-through portability)	3,441,159
HCC HCV CARES Act Funding	679
Mainstream Vouchers	126,632
Resident Opportunity and Self-Sufficiency Service Coordinator	65,775
Total operating subsidies and grants	$ 4,030,584
Other government grant	$ 195,939

NOTE 5 - OPERATING SUBSIDIES AND GRANTS - CONTINUED

Other government grant is consisted of the impact fee grant from the City of McKinney to the Authority to be loaned to the MH Partnership (see Notes 2 and 8). During the year ended June 30, 2020, the Authority received supplemental funding from the Cares Act legislation to aid in preventing, preparing, and responding to the COVID-19 virus. As of June 30, 2020, the Authority had $80,152 in accounts receivable from HUD under various grants as well as unearned revenue from HUD of $45,645. Management considered the need for valuation allowance and determined that no allowance was necessary as of June 30, 2020. As of June 30, 2020, the Authority had $100,574 in portability receivable and $12,940 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 $49,423 as of June 30, 2020, based on the historical and current collection status, and management's judgment.

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 a 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, 2020, the Authority contributed $9,047 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 $9,047, 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, 2020, the balance of current accrued compensated absences is $1,060 and the balance of non-current compensated absences is $9,540.

NOTE 8 – RESTRICTED NET POSITION

As of June 30, 2020, restricted net position consisted of cash balance of $150,000 restricted for operating deficit guarantee associated with the NH Partnership, $195,939 restricted for loan proceeds committed to the MH Partnership, $39,041 for the Housing Assistance Payments under the HCV Program, and $63,196 of unspent insurance proceeds under the Low Rent Program.

NOTE 9 – RELATED PARTY TRANSACTIONS

Development fee:

The Authority together with Carleton Development, Ltd., an unrelated organization, is a developer for the Newsome Homes Project and the Merritt Homes Project, where the Authority receives 30% of the development fee, or $750,000 and $720,000, respectively, payable out of the cash flow of the NH Partnership and the MH Partnership, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS - CONTINUED

Development fee - continued:
As of June 30, 2020, the Authority has a development fee receivable of $297,964 from the NH Partnership. The Authority's development fee is subordinated to the payment of the NH Partnership's long-term debt. Management evaluated and set up an allowance for uncollectible development fee receivable in the amount of $297,964 in prior years and considered it to remain appropriate as of June 30, 2020. According to the NH Partnership's Amended and Restated Agreement of Limited Partnership (the NH LPA), MNH GP is required to make an additional capital contribution to the NH Partnership to pay off any remaining balance on the development fee by the 12th year of the Compliance Period as defined in the NH LPA.

Advances:
During the year ended June 30, 2020, the Authority received the reimbursement of $29,344 from the MH Partnership for the fiscal year 2019 relocation costs related to the Merritt Homes Project.

Notes receivable:
The Authority and the NH Partnership as well as the MH Partnership entered into loan agreements for construction and operation of the Newsome Homes Project and the Merritt Homes Project, in amounts not to exceed $2,706,052 and $325,000, respectively, evidenced by promissory notes as follows. The Authority entered into an Intercreditor and Subordination Agreement with a financing institution to be subordinate lender for its loans with the NH Partnership and the MH Partnership. The Authority entered into an Intercreditor and Subordination Agreement with a financing institution to be subordinate lender for its loans with the NH Partnership and the MH Partnership. Management evaluated and set up an allowance for uncollectible notes receivable in the amount of $1,920,529 in prior years and considered it to remain appropriate as of June 30, 2020.

Note A in the amount of $1,156,052, due from the NH Partnership 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.	$ 1,156,051
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 NH Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.	537,233
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 NH Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.	358,296

NOTE 9 – RELATED PARTY TRANSACTIONS - CONTINUED

Notes receivable - continued:

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 NH Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.	$ 100,000
Note E in the amount of $450,000, due on December 31, 2050, bearing a fixed annual interest rate of 3.8%. Installment payments are due out of cash flow as defined in the NH Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.	450,000
Note A in the amount of $325,000, due on October 31, 2053, bearing a fixed annual interest rate of 8%. Installment payments are due 120 days after December 31, payable from the MH Partnership's Net Cash Flow as defined in the First Amended and Restated Agreement of Limited Partnership (dated October 22, 2018) (the MH LPA), secured by a subordinated Deed of Trust.	325,000
Pomissory note agreement with the MH Partnership to finance $150,000 of the supplement rent under the Ground Lease Agreement. This promissory note bears a fixed annual rate of 8%, with annual payments due 120 days after December 31, payable from the MH Partnership's Net Cash Flow as defined in the the MH LPA, secured by a subordinated Deed of Trust with the maturity date on October 31, 2053.	150,000
Total notes receivable	3,076,580
Less: allowance for uncollectible notes receivable	(1,920,529)
Notes receivable, net	$ 1,156,051

NOTE 9 – RELATED PARTY TRANSACTIONS - CONTINUED

Notes receivable - continued:
As of June 30, 2020, accrued interest receivable totaled $106,165, of which, $25,000 was due in November 2020 and is included in current accounts receivable – interest on the accompanying statement of net position.

Ground lease:
During the year ended June 30, 2016, the Authority and the NH Partnership entered into an Amended and Restated Ground Lease. The Ground Lease is for 75 years expiring December 2090, with annual rent of $1.

The Authority and the MH Partnership entered a 99-year Ground Lease Agreement expiring in 2117. Under the Ground Lease Agreement, the Authority leased the land on which Merritt Homes will be built. The Authority shall receive an annual rent of $1 each year plus a one-time supplemental rent of $250,000, of which, $100,000 was received during the year ended June 30, 2019 and $150,000 was evidenced by a promissory note. A deferred inflow of resources of $100,000 was recognized, net of $150,000 allowance for uncollectible note receivable at the inception.

During the year ended June 30, 2020, inflow of resources in the amount of $1,010 was recognized as land lease income. As of June 30, 2020, deferred inflows of resources totaled $98,401.

Guaranty:
According to the NH LPA, MNH GP is required, upon reduction of the operating reserve amount to zero to promptly provide funds to the NH Partnership from time to time as needed in an amount up to the Operating Deficit Guaranty Amount for Operating Deficits occurring during the Operating Deficit Guaranty Period defined in the NH LPA. There was no operating deficit guaranty made during the year ended June 30, 2020.

According to the NH LPA, MAHDC is required maintain unencumbered liquid assets of not less than $150,000 through the end of the Operating Deficit Guaranty Period as defined in the NH LPA (see Note 2 – restricted cash).

In accordance with a Guaranty Agreement, MAHDC (Guarantor) for the benefit of the NH Partnership and limited partner of the NH Partnership, guarantee the general partner's performance of all its obligations under the NH LPA as well as related funding required under the Guaranty Agreement. There was no guarantor funding made during the year ended June 30, 2020.

In accordance with the MH LPA, the MMH GP is required to make operating deficit contribution up to $541,000, if needed by the MH Partnership. In accordance with a Guaranty Agreement between MAHDC and the MH Partnership, MAHDC is one of two guarantors for the MH Partnership. MAHDC's guarantor obligation as defined in the Guaranty Agreement is limited to $1,125,000 in the aggregate. There was no operating deficit guaranty made during the year ended June 30, 2020.

Incentive partnership management fee and partnership administration fee:
MNH GP is entitled to receive a non-cumulative incentive partnership management fee from the NH Partnership equaling to 90% of the remaining cash flow available for distribution pursuant to the terms in the NH LPA. The Authority did not earn any incentive partnership management fee for the year ended June 30, 2020.

NOTE 9 – RELATED PARTY TRANSACTIONS – CONTINUED

Incentive partnership management fee and partnership administration fee - continued:
MMH GP entered into a Partnership Administration Fee Agreement with the MH Partnership, under which MMH GP shall receive an annual fee of $30,000 (the Partnership Administration Fee) beginning the later of (i) 2019, or (ii) the first calendar year of the MH Partnership receives rental income (Initial Year). After the Initial Year, the Partnership Administration Fee shall increase 3% each year. The Partnership Administration Fee for the Initial Year shall be prorated for the number of months the MH Partnership has rental income. The Partnership Administration Fee is cumulative and payable from the MH Partnership's Net Cash Flow as defined in the MH LPA. The Authority did not earn any Partnership Administration Fee for the year ended June 30, 2020.

Construction contract:
MAHDC entered into a contract agreement with the MH Partnership in October 2019, to be the general contractor for the construction of Merritt Homes with a contact sum totaling $15,667,728. Simultaneously, MAHDC entered into a sub-contract agreement with an unrelated party, to essentially perform the general contractor obligation on behalf of MAHDC, with a sub-contract sum totaling $15,667,728.

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, 2020, 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 eight-one percent (92%) 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.

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

The following table is a condensed combining statement of net position as of June 30, 2020:

	Primary Government (MHA)	Blended Component Units	Total
Cash and cash equivalents	$ 1,029,918	$ 824,717	$ 1,854,635
Other current assets	171,200	25,000	196,200
Total current assets	1,201,118	849,717	2,050,835
Accrued interest receivable	-	81,165	81,165
Related party receivable, net of current portion	-	1,156,051	1,156,051
Capital assets, net of accumulated depreciation	1,096,681	-	1,096,681
Total assets	2,297,799	2,086,933	4,384,732
Current liabilities	128,848	262	129,110
Long-term liabilities	1,249,216	960	1,250,176
Total liabilities	1,378,064	1,222	1,379,286
Deferred inflows of resources	98,401	-	98,401
Total net position	$ 821,334	$ 2,085,711	$ 2,907,045

The following table is a condensed combining statement of revenues, expenses, and change in net position for the year ended June 30, 2020:

	Primary Government (MHA)	Blended Component Units	Total
Operating revenues:			
Rental revenue	$ 217,892	$ -	$ 217,892
Other tenant revenue	6,925	-	6,925
Operating subsidies and grants	4,226,523	-	4,226,523
Other operating revenue	39,014	16,813	55,827
Total operating revenues	4,490,354	16,813	4,507,167
Total operating expenses before depreciation	4,287,156	26,339	4,313,495
Depreciation	70,069	-	70,069
Net operating income (loss)	133,129	(9,526)	123,603

NOTE 13 – CONDENSED COMBINING INFORMATION BETWEEN PRIMARY GOVERNMENT AND BLENDED COMPONENT UNITS – CONTINUED

	Primary Government (MHA)	Blended Component Units	Total
Non-operating income (expense):			
Interest income	$ 3,012	$ 33,782	$ 36,794
Interest expense	(33,874)	-	(33,874)
Impairment gain, net of insurance recoveries	63,196	-	63,196
Land lease income	1,010	-	1,010
Total non-operating income (expense)	33,344	33,782	67,126
Change in net position	166,473	24,256	190,729
Net position, beginning of year:			
As originally stated	1,015,641	1,865,516	2,881,157
Prior period adjustment	(164,841)	-	(164,841)
As restated	850,800	1,865,516	2,716,316
Equity transfers	(195,939)	195,939	-
Net position, end of year	$ 821,334	$ 2,085,711	$ 2,907,045

NOTE 13 – CONDENSED COMBINING INFORMATION BETWEEN PRIMARY GOVERNMENT AND BLENDED COMPONENT UNITS – CONTINUED

The following table is a condensed combining statement of cash flows for the year ended June 30, 2020:

	Primary Government (MHA)	Blended Component Units	Total
Net cash flows from operating activities	$ 135,171	$ (9,254)	$ 125,917
Net cash flows from investing activities	2,640	-	2,640
Net cash flows from capital and related financing activities	21,985	-	21,985
Net cash flows from non-capital financing activities	(195,939)	195,939	-
Net increase (decrease) in cash and cash equivalents	(36,143)	186,685	150,542
Cash and cash equivalents:			
Beginning of year	1,066,061	638,032	1,704,093
End of year	$ 1,029,918	$ 824,717	$ 1,854,635

NOTE 14 – MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management of the Authority has evaluated the effects of events that have occurred subsequent to the year ended June 30, 2020, and through March 31, 2021, 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, 2020

FDS Line No./Description	Project Total	14.PHC Public Housing CARES Act Funding	14.879 Mainstream Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	14.MSC Mainstream CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	$686,362	$0	$0	$92,262	$0	$896,974	$478,778	$0	$94,291	$0	$2,248,667	$0	$2,248,667
113 Cash - Other Restricted	$63,196	$0	$0	$0	$0	$689,141	$345,939	$44,649	$39,041	$996	$1,182,962	$0	$1,182,962
114 Cash - Tenant Security Deposits	$9,121	$0	$0	$0	$0	$38,119	$0	$0	$0	$0	$47,240	$0	$47,240
100 Total Cash	$758,679	$0	$0	$92,262	$0	$1,624,234	$824,717	$44,649	$133,332	$996	$3,478,869	$0	$3,478,869
121 Accounts Receivable - PHA Projects	$0	$0	$0	$0	$0	$0	$0	$0	$100,574	$0	$100,574	$0	$100,574
122 Accounts Receivable - HUD Other Projects	$64,470	$2,248	$7,738	$0	$5,696	$0	$0	$0	$0	$0	$80,152	$0	$80,152
126 Accounts Receivable - Tenants	$10,296	$0	$0	$0	$0	$104,349	$0	$0	$0	$0	$114,645	$0	$114,645
126.1 Allowance for Doubtful Accounts -Tenants	-$7,298	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$7,298	$0	-$7,298
126.2 Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0	-$49,423	$0	-$49,423	$0	-$49,423
128 Fraud Recovery	$0	$0	$0	$0	$0	$0	$0	$0	$17,285	$0	$17,285	$0	$17,285
128.1 Allowance for Doubtful Accounts - Fraud	$0	$0	$0	$0	$0	$0	$0	$0	-$16,882	$0	-$16,882	$0	-$16,882
129 Accrued Interest Receivable	$282	$0	$0	$0	$0	$0	$25,000	$0	$0	$0	$25,282	$0	$25,282
120 Total Receivables, Net of Allowances for Doubtful Accounts	$67,750	$2,248	$7,738	$0	$5,696	$104,349	$25,000	$0	$51,554	$0	$264,335	$0	$264,335
131 Investments - Unrestricted	$31,628	$0	$0	$0	$0	$0	$0	$0	$0	$0	$31,628	$0	$31,628
142 Prepaid Expenses and Other Assets	$2,293	$0	$0	$0	$0	$448,825	$0	$0	$2,293	$0	$453,411	$0	$453,411
143 Inventories	$37,684	$0	$0	$0	$0	$0	$0	$0	$0	$0	$37,684	$0	$37,684
143.1 Allowance for Obsolete Inventories	-$37,684	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$37,684	$0	-$37,684
144 Inter Program Due From	$7,511	$0	$0	$7,738	$0	$0	$0	$0	$0	$0	$15,249	-$15,249	$0
150 Total Current Assets	$867,861	$2,248	$7,738	$100,000	$5,696	$2,177,408	$849,717	$44,649	$187,179	$996	$4,243,492	-$15,249	$4,228,243
161 Land	$10,144	$0	$0	$16,774	$0	$2,452,836	$0	$0	$0	$0	$2,479,754	$0	$2,479,754
162 Buildings	$3,737,718	$0	$0	$0	$0	$37,538,891	$0	$0	$0	$0	$41,276,609	$0	$41,276,609
163 Furniture, Equipment & Machinery - Dwellings	$177,075	$0	$0	$0	$0	$870,464	$0	$0	$0	$0	$1,047,539	$0	$1,047,539
164 Furniture, Equipment & Machinery - Administration	$198,354	$0	$0	$0	$0	$40,042	$0	$0	$6,870	$0	$245,266	$0	$245,266
165 Leasehold Improvements	$0	$0	$0	$0	$0	$2,032,454	$0	$0	$0	$0	$2,032,454	$0	$2,032,454
166 Accumulated Depreciation	-$3,043,384	$0	$0	$0	$0	-$2,694,134	$0	$0	-$6,870	$0	-$5,744,388	$0	-$5,744,388
160 Total Capital Assets, Net of Accumulated Depreciation	$1,079,907	$0	$0	$16,774	$0	$40,240,553	$0	$0	$0	$0	$41,337,234	$0	$41,337,234
171 Notes, Loans and Mortgages Receivable - Non-Current	$0	$0	$0	$0	$0	$0	$1,237,216	$0	$0	$0	$1,237,216	$0	$1,237,216
180 Total Non-Current Assets	$1,079,907	$0	$0	$16,774	$0	$40,240,553	$1,237,216	$0	$0	$0	$42,574,450	$0	$42,574,450
290 Total Assets and Deferred Outflow of Resources	$1,947,768	$2,248	$7,738	$116,774	$5,696	$42,417,961	$2,086,933	$44,649	$187,179	$996	$46,817,942	-$15,249	$46,802,693

See independent auditor's report.

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
JUNE 30, 2020

FDS Line No./Description	Project Total	14.PHC Public Housing CARES Act Funding	14.879 Mainstream Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	14.MSC Mainstream CARES Act Funding	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	$2,352	$0	$0	$0	$0	$905,043	$0	$0	$0		$907,395	$0	$907,395
321 Accrued Wage/Payroll Taxes Payable	$838	$0	$0	$0	$433	$0	$155	$0	$482		$1,908	$0	$1,908
322 Accrued Compensated Absences - Current Portion	$660	$0	$0	$0	$0	$0	$107	$0	$293		$1,060	$0	$1,060
325 Accrued Interest Payable	$0	$0	$0	$25,000	$0	$65,500	$0	$0	$0		$90,500	$0	$90,500
341 Tenant Security Deposits	$9,121	$0	$0	$0	$0	$38,119	$0	$0	$0		$47,240	$0	$47,240
342 Unearned Revenue	$2,740	$0	$0	$0	$0	$7,504	$0	$44,649	$12,940	$996	$68,829	$0	$68,829
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$0	$0	$0	$0	$0	$15,834,062	$0	$0	$0		$15,834,062	$0	$15,834,062
345 Other Current Liabilities	$0	$0	$0	$0	$0	$9,548	$0	$0	$28,344		$37,892	$0	$37,892
346 Accrued Liabilities - Other	$0	$0	$0	$0	$0	$906,394	$0	$0	$0		$906,394	$0	$906,394
347 Inter Program - Due To	$0	$2,248	$7,738	$0	$5,263	$0	$0	$0	$0		$15,249	-$15,249	$0
310 Total Current Liabilities	$15,711	$2,248	$7,738	$25,000	$5,696	$17,766,170	$262	$44,649	$42,059	$996	$17,910,529	-$15,249	$17,895,280
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$0	$0	$0	$0	$0	$13,066,854	$0	$0	$0	$0	$13,066,854	$0	$13,066,854
353 Non-current Liabilities - Other	$0	$0	$0	$1,240,636	$0	$2,978,913	$0	$0	$0	$0	$4,219,549	$0	$4,219,549
354 Accrued Compensated Absences - Non Current	$5,941	$0	$0	$0	$0	$0	$960	$0	$2,639	$0	$9,540	$0	$9,540
350 Total Non-Current Liabilities	$5,941	$0	$0	$1,240,636	$0	$16,045,767	$960	$0	$2,639	$0	$17,295,943	$0	$17,295,943
300 Total Liabilities	$21,652	$2,248	$7,738	$1,265,636	$5,696	$33,811,937	$1,222	$44,649	$44,698	$996	$35,206,472	-$15,249	$35,191,223
400 Deferred Inflow of Resources	$0	$0	$0	$98,401	$0	$0	$0	$0	$0	$0	$98,401	$0	$98,401
508.4 Net Investment in Capital Assets	$1,079,907	$0	$0	$16,774	$0	$11,339,637	$0	$0	$0	$0	$12,436,318	$0	$12,436,318
511.4 Restricted Net Position	$63,196	$0	$0	$0	$0	$0	$345,939	$0	$39,041	$0	$448,176	$0	$448,176
512.4 Unrestricted Net Position	$783,013	$0	$0	-$1,264,037	$0	-$2,733,613	$1,739,772	$0	$103,440	$0	-$1,371,425	$0	-$1,371,425
513 Total Equity - Net Assets / Position	$1,926,116	$0	$0	-$1,247,263	$0	$8,606,024	$2,085,711	$0	$142,481	$0	$11,513,069	$0	$11,513,069
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$1,947,768	$2,248	$7,738	$116,774	$5,696	$42,417,961	$2,086,933	$44,649	$187,179	$996	$46,817,942	-$15,249	$46,802,693

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2020

FDS Line No./Description	Project Total	14.PHC Public Housing CARES Act Funding	14.879 Mainstream Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	14.MSC Mainstream CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$217,892	$0	$0	$0	$0	$1,931,289	$0	$0	$0	$0	$2,149,181	$0	$2,149,181
70400 Tenant Revenue - Other	$6,925	$0	$0	$0	$0	$9,436	$0	$0	$0	$0	$16,361	$0	$16,361
70500 Total Tenant Revenue	$224,817	$0	$0	$0	$0	$1,940,725	$0	$0	$0	$0	$2,165,542	$0	$2,165,542
70600 HUD PHA Operating Grants	$394,091	$2,248	$126,632	$0	$65,775	$0	$0	$679	$2,627,357	$0	$3,216,782	$0	$3,216,782
70800 Other Government Grants	$0	$0	$0	$195,939	$0	$0	$0	$0	$0	$0	$195,939	$0	$195,939
71100 Investment Income - Unrestricted	$2,713	$0	$0	$0	$0	$19	$0	$0	$299	$0	$3,031	$0	$3,031
71200 Mortgage Interest Income	$0	$0	$0	$0	$0	$0	$33,782	$0	$0	$0	$33,782	$0	$33,782
71400 Fraud Recovery	$0	$0	$0	$0	$0	$0	$0	$0	$33,244	$0	$33,244	$0	$33,244
71500 Other Revenue	$2,515	$0	$0	$1,012	$0	$2,137	$16,813	$0	$817,055	$0	$839,532	$0	$839,532
70000 Total Revenue	$624,136	$2,248	$126,632	$196,951	$65,775	$1,942,881	$50,595	$679	$3,477,955	$0	$6,487,852	$0	$6,487,852
91100 Administrative Salaries	$122,072	$0	$0	$0	$0	$122,255	$17,175	$0	$51,860	$0	$313,362	$0	$313,362
91200 Auditing Fees	$13,951	$0	$0	$0	$0	$13,500	$2,500	$0	$14,250	$0	$44,201	$0	$44,201
91300 Management Fee	$0	$0	$0	$0	$0	$103,908	$0	$0	$0	$0	$103,908	$0	$103,908
91400 Advertising and Marketing	$158	$0	$0	$0	$0	$42,399	$0	$0	$158	$0	$42,715	$0	$42,715
91500 Employee Benefit contributions -	$32,910	$0	$0	$0	$0	$35,258	$1,503	$0	$19,063	$0	$88,734	$0	$88,734
91600 Office Expenses	$104,156	$0	$0	$0	$4,139	$67,210	$2,251	$0	$76,278	$0	$254,034	$0	$254,034
91700 Legal Expense	$30,041	$0	$0	$0	$0	$84,114	$0	$0	$705	$0	$114,860	$0	$114,860
91800 Travel	$2,158	$0	$0	$0	$0	$4,594	$0	$0	$811	$0	$7,563	$0	$7,563
91900 Other	$0	$0	$8,106	$0	$0	$48,796	$0	$0	$33,776	$0	$90,678	$0	$90,678
91000 Total Operating - Administrative	$305,446	$0	$8,106	$0	$4,139	$522,034	$23,429	$0	$196,901	$0	$1,060,055	$0	$1,060,055
92100 Tenant Services - Salaries	$0	$0	$0	$0	$49,098	$0	$0	$0	$0	$0	$49,098	$0	$49,098
92300 Employee Benefit Contributions - Tenant	$0	$0	$0	$0	$12,538	$0	$0	$0	$0	$0	$12,538	$0	$12,538
92400 Tenant Services - Other	$4,520	$2,248	$0	$0	$0	$10,089	$0	$679	$0	$0	$17,536	$0	$17,536
92500 Total Tenant Services	$4,520	$2,248	$0	$0	$61,636	$10,089	$0	$679	$0	$0	$79,172	$0	$79,172
93100 Water	$20,169	$0	$0	$0	$0	$197,470	$0	$0	$0	$0	$217,639	$0	$217,639
93200 Electricity	$4,945	$0	$0	$0	$0	$41,127	$0	$0	$486	$0	$46,558	$0	$46,558
93300 Gas	$2,101	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,101	$0	$2,101
93600 Sewer	$21,366	$0	$0	$0	$0	$0	$0	$0	$0	$0	$21,366	$0	$21,366
93000 Total Utilities	$48,581	$0	$0	$0	$0	$238,597	$0	$0	$486	$0	$287,664	$0	$287,664
94100 Ordinary Maintenance and Operations -	$2,803	$0	$0	$0	$0	$70,180	$0	$0	$0	$0	$72,983	$0	$72,983
94200 Ordinary Maintenance and Operations -	$53,694	$0	$0	$0	$0	$14,653	$0	$0	$0	$0	$68,347	$0	$68,347
94300 Ordinary Maintenance and Operations	$104,697	$0	$0	$0	$0	$149,610	$0	$0	$0	$0	$254,307	$0	$254,307
94000 Total Maintenance	$161,194	$0	$0	$0	$0	$234,443	$0	$0	$0	$0	$395,637	$0	$395,637
95200 Protective Services - Other Contract Costs	$998	$0	$0	$0	$0	$0	$0	$0	$0	$0	$998	$0	$998
95000 Total Protective Services	$998	$0	$0	$0	$0	$0	$0	$0	$0	$0	$998	$0	$998
96110 Property Insurance	$6,780	$0	$0	$0	$0	$76,505	$0	$0	$0	$0	$83,285	$0	$83,285
96120 Liability Insurance	$319	$0	$0	$0	$0	$252	$0	$0	$0	$0	$571	$0	$571
96130 Workmen's Compensation	$6,685	$0	$0	$0	$0	$4,588	$0	$0	$0	$0	$11,273	$0	$11,273
96140 All Other Insurance	$2,230	$0	$0	$0	$0	$630	$0	$0	$0	$0	$2,860	$0	$2,860
96100 Total insurance Premiums	$16,014	$0	$0	$0	$0	$81,975	$0	$0	$0	$0	$97,989	$0	$97,989
96200 Other General Expenses	$0	$0	$0	$0	$0	$19,226	$0	$0	$4,836	$0	$24,062	$0	$24,062
96210 Compensated Absences	$19,173	$0	$0	$0	$0	$0	$2,910	$0	$8,615	$0	$30,698	$0	$30,698
96400 Bad debt - Tenant Rents	$12,015	$0	$0	$0	$0	$8,015	$0	$0	$16,882	$0	$36,912	$0	$36,912
96600 Bad debt - Other	$0	$0	$0	$0	$0	$0	$0	$0	$49,423	$0	$49,423	$0	$49,423
96000 Total Other General Expenses	$31,188	$0	$0	$0	$0	$27,241	$2,910	$0	$79,756	$0	$141,095	$0	$141,095

See independent auditor's report.

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
YEAR ENDED JUNE 30, 2020

FDS Line No./Description	Project Total	14.PHC Public Housing CARES Act Funding	14.879 Mainstream Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	14.MSC Mainstream CARES Act Funding	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable	$0	$0	$0	$0	$0	$765,613	$0	$0	$0	$0	$765,613	$0	$765,613
96720 Interest on Notes Payable (Short and Long	$0	$0	$0	$33,874	$0	$0	$0	$0	$0	$0	$33,874	$0	$33,874
96730 Amortization of Bond Issue Costs	$0	$0	$0	$0	$0	$72,438	$0	$0	$0	$0	$72,438	$0	$72,438
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$33,874	$0	$838,051	$0	$0	$0	$0	$871,925	$0	$871,925
96900 Total Operating Expenses	$567,941	$2,248	$8,106	$33,874	$65,775	$1,952,430	$26,339	$679	$277,143	$0	$2,934,535	$0	$2,934,535
97000 Excess of Operating Revenue over Operating Expenses	$56,195	$0	$118,526	$163,077	$0	-$9,549	$24,256	$0	$3,200,812	$0	$3,553,317	$0	$3,553,317
97300 Housing Assistance Payments	$0	$0	$211,859	$0	$0	$0	$0	$0	$2,374,100	$0	$2,585,959	$0	$2,585,959
97350 HAP Portability-In	$0	$0	$0	$0	$0	$0	$0	$0	$779,305	$0	$779,305	$0	$779,305
97400 Depreciation Expense	$70,069	$0	$0	$0	$0	$1,017,300	$0	$0	$0	$0	$1,087,369	$0	$1,087,369
90000 Total Expenses	$638,010	$2,248	$219,965	$33,874	$65,775	$2,969,730	$26,339	$679	$3,430,548	$0	$7,387,168	$0	$7,387,168
10010 Operating Transfer In	$184,843	$0	$0	$0	$0	$0	$0	$0	$0	$0	$184,843	-$184,843	$0
10020 Operating transfer Out	-$184,843	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$184,843	$184,843	$0
10070 Extraordinary Items, Net Gain/Loss	$63,196	$0	$0	$0	$0	$0	$0	$0	$0	$0	$63,196	$0	$63,196
10080 Special Items (Net Gain/Loss)	$0	$0	$0	$0	$0	$450,000	$0	$0	$0	$0	$450,000	$0	$450,000
10100 Total Other financing Sources (Uses)	$63,196	$0	$0	$0	$0	$450,000	$0	$0	$0	$0	$513,196	$0	$513,196
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$49,322	$0	-$93,333	$163,077	$0	-$576,849	$24,256	$0	$47,407	$0	-$386,120	$0	-$386,120
MEMO SECTION:													
11030 Beginning Equity	$2,041,635	$0	$93,333	-$1,214,401	$0	$9,182,873	$1,865,516	$0	$95,074	$0	$12,064,030	$0	$12,064,030
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-$164,841	$0	$0	-$195,939	$0	$0	$195,939	$0	$0		-$164,841	$0	-$164,841

See independent auditor's report.

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SCHEDULE OF MODERNIZATION COSTS
JUNE 30, 2020

		TX021P027501-18
Funds approved	$	206,531
Funds expended		206,531
Excess of funds approved unexpended	$	-

		TX021P027501-19
Funds approved	$	80,254
Funds expended		80,254
Excess of funds approved unexpended	$	-

GOVERNMENTAL AUDIT INFORMATION

BROWN, GRAHAM & COMPANY
PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020, 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 31, 2021.

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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weakness may exist that have not been identified.

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 basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 31, 2021

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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 the audit 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). 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 on Each Major Federal Program
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, 2020.

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, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 31, 2021

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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, 2020, and have issued a report dated March 31, 2021, 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 31, 2021

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Program	CFDA Number	Federal Award Expenditures
Federal Grantor - U.S. Department of Housing and Urban Development:		
Low Rent Public Housing	14.850a	$ 209,248
Public Housing CARES Act	14.850a	2,248
		211,496
Public Housing Capital Fund	14.872	184,843
Housing Choice Voucher	14.871	2,627,357
HCC HCV CARES Act	14.871	679
Housing Choice Vouchers - Portability passed through other governments	14.871	813,802
Mainstream Voucher	14.879	126,632
Housing Choice Voucher cluster		3,568,470
Resident Opportunity and Self-Sufficiency Service Coordinator	14.870	65,775
Total		$ 4,030,584

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, 2020. 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, 2020

	Yes	No
SECTION I - SUMMARY OF AUDITOR'S RESULTS		
Financial Statements:		
Type of auditor's report issued: Unmodified		
Internal control over financial reporting:		
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 Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a)?		X

Identification of major programs:

CFDA Number	Name of Federal Program
14.871	Housing Choice Voucher
14.879	Mainstream Voucher

Dollar threshold used to distinguish between type A and B programs: $ 750,000

	Yes	No
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*

	Yes	No
Prior year		X
Current year		X

	Yes	No
SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS		
Prior year		X
Current year		X

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS

BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2021

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BROWN, GRAHAM & COMPANY
PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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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 June 30, 2021 and for the year ended, and the related notes to the financial statements. We were not engaged to audit the financial statements of Newsome Homes, LP and Merritt McGowan Manor, LP (the aggregate discretely presented component units of the Authority). 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 did not audit the financial statements of Newsome Homes, LP and Merritt McGowan Manor, LP, which represent one-hundred percent (100%) of the aggregate discretely presented component units reported on the Authority-wide financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Newsome Homes, LP and Merritt McGowan Manor, LP, are based solely on the reports of the other auditors. 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 financial statements of Newsome Homes, LP and Merritt McGowan Manor, LP were not audited in accordance with Government Auditing Standards.

Auditor's Responsibility - Continued
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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.

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

Opinion
In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of McKinney, Texas, as of June 30, 2021, 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 39 through 42 as required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Supplementary Information - Continued

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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 31, 2022 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 effectiveness of the Authority's 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 31, 2022

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) financial activity, and (c) identify changes in the Authority's financial position for the fiscal year ended June 30, 2021. 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 Changes 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.

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 schedules are 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.

Public Housing 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.

Housing Choice Voucher: 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.

Financial position and analysis

Table 1 compares the Authority's financial position for the fiscal years ended June 30, 2021 and 2020.

Table 1
Net Position

	2021	2020	Increase (Decrease)	Percent Variance
Assets				
Current Assets	$ 2,330,618	$ 2,050,835	$ 279,783	13.64%
Notes Receivable	1,156,051	1,156,051	-	0.00%
Other Assets-Non Current	255,332	81,165	174,167	214.58%
Capital Assets, net	1,102,217	1,096,681	5,536	0.50%
Total assets	4,844,218	4,384,732	459,486	10.48%
Liabilities				
Current liabilities	155,473	129,110	26,363	20.42%
Noncurrent liabilities	1,257,656	1,250,176	7,480	0.60%
Total liabilities	1,413,129	1,379,286	33,843	2.45%
Deferred Inflow of Resources	97,391	98,401	(1,010)	-1.03%
Net assets				
Invested in capital assets	1,102,217	1,096,681	5,536	0.50%
Restricted net position	152,186	448,176	(295,990)	-66.04%
Unrestricted net position	2,079,295	1,362,188	717,107	52.64%
Total net position	$ 3,333,698	$ 2,907,045	$ 426,653	14.68%

Current Assets increased $279,783 or 13.64% primarily due to a $187,292 increase in Unrestricted Cash. The increase in Unrestricted Cash is related to Developer Fees received for the Merritt Homes project.

Other Assets-Non Current increased by $174,167 or 214.58% due to an increase in Developer Fee Receivable from the Merritt Homes Project. The final portion of the Merritt Homes Developer Fee was recognized as receivable in FY2021 and is expected to be collected in subsequent years.

Current Liabilities increased $26,363 or 20.42% primarily due an increase in Accounts Payable. The increase was due to timing of vendor payments and not a shortage of available cash.

Restricted Net Position decreased $295,990 or 66.04% due to decreases in Restricted Cash for use in the development of Merritt Homes and Restricted Cash on the HCV program for voucher payments.

Unrestricted Net Position increased $717,107 or 52.64% due to entity wide net income of $426,653. The primary cause of the net income was $575,000 in revenue for Developer services provided to the Merritt Homes project.

Table 2 focuses on the changes in net position.

Table 2
Changes in Net Position

	2021	2020	Increase (Decrease)	Percent Variance
Operating revenue & expense				
Operating revenue	$ 5,222,878	$ 4,507,167	$ 715,711	15.88%
Operating expenses	5,376,650	4,383,564	993,086	22.65%
Operating Income (loss)	(153,772)	123,603	(277,375)	-224.41%
Non-operating revenues & expenses	580,425	67,126	513,299	764.68%
Increase in net position	426,653	190,729	235,924	123.70%
Net position, beginning of year	2,907,045	2,716,316	190,729	7.02%
Net position, end of year	$ 3,333,698	$ 2,907,045	$ 426,653	14.68%

Operating Revenues increased by $715,711 or 15.88% primarily due to a $664,048 increase HAP-Portability-In Revenue. This increase in Portability-In Revenue is offset by a matching increase in HAP Portability-In Expense.

Operating Expenses increased $993,086 or 22.65% primarily due a $664,048 increase in HAP Portability-In Expense. This increase in Portability-In Expense is offset by a matching increase in HAP Portability-In Revenue. The remainder of the increase in Operating expenses is attributable to increased administrative and maintenance costs as well as increased Housing Assistance Payments made under the Housing Choice Voucher and Mainstream 5 Voucher programs.

Non-Operating Revenues and Expenses increased by $513,299 primarily due to Developer Fee Revenue for Merritt McGowan Manor of $575,000.

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

Table 3
Revenues by source

	2021	2020	Increase (Decrease)	Percent Variance
Operating revenue				
Tenant revenue	$ 219,137	$ 224,817	$ (5,680)	-2.53%
Operating Subsidies and Grants	4,914,427	4,226,523	687,904	16.28%
Other revenue	89,314	55,827	33,487	59.98%
Total operating revenue	5,222,878	4,507,167	715,711	15.88%
Non-operating revenues				
Development Fee Income	575,000	-	575,000	100.00%
Impairment gain, net of insurance	-	63,196	(63,196)	-100.00%
Land Lease Income	1,010	1,010	-	0.00%
Investment Income	38,533	36,794	1,739	4.73%
Total non-operating revenues	614,543	101,000	513,543	508.46%
Total revenues	$ 5,837,421	$ 4,608,167	$ 1,229,254	26.68%

Operating Subsidies and Grants increased $687,904 or 16.28% primarily due to a $664,048 increase HAP-Portability-In Revenue. This increase in Portability-In Revenue is offset by a matching increase in HAP Portability-In Expense.

Development Fee Revenue increased by $575,000 or 100% due Developer Fee recognized for Merritt Homes during FY2021. No revenue was recognized during FY2020.

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

Table 4
Operating expenses

	2021	2020	Increase (Decrease)	Percent Variance
Administrative	$ 559,933	$ 538,021	$ 21,912	4.07%
Tenant and protective services	89,941	70,081	19,860	28.34%
Utilities	62,666	49,067	13,599	27.72%
Maintenance	164,371	161,194	3,177	1.97%
Insurance expense	11,644	16,014	(4,370)	-27.29%
General expense	245,723	113,854	131,869	115.82%
Housing assistance payments	4,161,429	3,365,264	796,165	23.66%
Depreciation	80,943	70,069	10,874	15.52%
Total operating expenses	$ 5,376,650	$ 4,383,564	$ 993,086	22.65%

Tenant and Protective Services increased $19,860 or 28.34% primarily due to an increase of $18,885 in COVID related staffing expenses.

General Expense increased by $131,869 or 115.82% primarily due to $195,939 in bad debt expenses related to the unlikeliness of collection on development loans made to Merritt Homes LP.

Housing Assistance Payments- increased $796,165 or 23.66% primarily due to a $664,048 increased in HAP-Portability-In Expense.

Budgetary Analysis - Low Rent Public Housing

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Rent 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	$ 242,256	$ 213,425	$ (28,831)	-11.90%
Government Grants	282,065	278,423	(3,642)	-1.29%
Interest Income	250	55	(195)	-78.00%
Other income	9,500	61,659	52,159	549.04%
Total revenue	534,071	553,562	19,491	3.65%
Expenses				
Administrative	264,858	283,359	(18,501)	-6.99%
Tenant and Protective Services	1,200	2,082	(882)	-73.50%
Utilities	49,371	61,956	(12,585)	-25.49%
Maintenance	104,850	164,371	(59,521)	-56.77%
Insurance	20,020	11,353	8,667	43.29%
General Expenses	32,082	114,266	(82,184)	-256.17%
Total expenses	472,381	637,387	(165,006)	-34.93%
Income over/(under) expense	$ 61,690	$ (83,825)	$ (145,515)	-235.88%

Rental Income-was less than budgeted by $28,831 or 11.90%. Rent is based on resident incomes and can fluctuate.

Other Income exceeded budget by $52,159 or 549.04% due to revenue from insurance proceeds.

Maintenance Expense exceeded budget by $59,521 of 56.77%. Maintenance needs were higher than anticipated.

General Expense exceeded budget by $82,184 or 256.17% Depreciation expense was not included in the budget

Budgetary Analysis - Housing Choice Voucher

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	$ 2,374,100	$ 2,139,101	$ (234,999)	-9.90%
Admin fee	240,000	244,125	4,125	1.72%
Port-Ins Admin Fee Revenue	60,000	61,817	1,817	3.03%
Port-Ins Administered	1,300,000	1,443,353	143,353	11.03%
Fraud Recovery	9,000	21,872	12,872	143.02%
Other Income	-	9,995	9,995	-100.00%
Interest	250	291	41	16.40%
Total revenue	3,983,350	3,920,554	(62,796)	-1.58%
Expenses				
Administrative	224,179	125,764	98,415	43.90%
Utilities	550	608	(58)	-10.55%
General expense	42,116	13,497	28,619	67.95%
Port-In Hap Expense	1,300,000	1,443,353	(143,353)	-11.03%
HAP expense	$ 2,374,100	2,186,892	187,208	7.89%
Total expenses	3,940,945	3,770,114	170,831	4.33%
Income over expense	$ 42,405	$ 150,440	$ 108,035	254.77%

HAP Income was less than budgeted by $234,999 or 9.90%. The variance in HAP income is offset by the variance in HAP expense.

Port-Ins Administered exceeded budget by $143,353 or 11.03%. Port-In leasing activity was greater than expected. The variance in Port-In HAP income is offset by the variance in Port-In HAP expense.

Fraud Recovery Revenue exceeded budget by $12,872 or 143.02%. Fraud recovery was atypically high during FY2021.

Other Income Revenue exceeded budget by $9,995 or 100% due collection on doubtful Portability-In accounts receivable that was not included in the budget.

General Expense was less than budgeted by $28,619 or 67.95% due to bad debt expense on portability being much lower than anticipated.

Port-In Hap Expense exceeded budget by $143,353 or 11.03%. The variance in Port-In HAP expense is offset by the variance in Port-In HAP income.

HAP Expense was less than budgeted by $187,208 or 7.89%. The variance in HAP expense is roughly offset by the variance in HAP income.

Capital Assets

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

Table 7
Changes in Net Capital Assets

	2021	2020	Increase (Decrease)	Percent Variance
Land	$ 26,918	$ 26,918	$ -	0.00%
Buildings	3,774,507	3,737,718	36,789	0.98%
Furniture and equipment	431,989	382,299	49,690	13.00%
	4,233,414	4,146,935	86,478	2.09%
Less: accumulated depreciation	(3,131,197)	(3,050,254)	(80,943)	2.65%
Capital assets, net	$ 1,102,217	$ 1,096,681	$ 5,535	0.50%

Acquisitions are capitalized at cost and depreciated using the straight-line method of depreciation. Additional information and details can be found in the Notes to the Financial Statements.

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, 2021, the Authority had drawn $1,156,102 of this loan, and recognized related interest expense of $34,118 during fiscal year 2021.

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.

- Rising cost of utility rates, supplies, and other costs may impact our budgets in future years.

- The ongoing COVID-19 pandemic presents operational challenges and impacts residents' incomes, which creates the need for additional government assistance. In FY2021, the Authority received additional funding through the CARES Act to meet these needs, but there remains uncertainty regarding the duration of the pandemic and potential additional needs.

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, 2021

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current assets:			
Cash and cash equivalents (Note 2):			
Unrestricted	$ 1,857,322	$ 812,427	$ 2,669,749
Restricted	152,186	697,143	849,329
Accounts receivable:			
Tenants, net of allowance	1,625	29,499	31,124
HUD (Note 5)	155,562	-	155,562
Portability, net of allowance (Note 5)	101,721	-	101,721
Interest (Note 9)	25,003	-	25,003
Other	197	-	197
Investments (Note 2)	31,948	-	31,948
Prepaid expenses	5,054	207,824	212,878
Total current assets	2,330,618	1,746,893	4,077,511
Non-current assets:			
Accrued interest receivable (Note 9)	90,189	-	90,189
Developer fee receivable (Note 9)	165,143	-	165,143
Notes receivable, net of allowance (Note 9)	1,156,051	-	1,156,051
Total non-current assets	1,411,383	-	1,411,383
Capital assets, net of accumulated depreciation (Note 4)	1,102,217	38,644,673	39,746,890
Total assets	4,844,218	40,391,566	45,235,784
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, 2021

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current liabilities:			
Accounts payable:			
Trade	$ 63,961	$ 40,063	$ 104,024
Accrued expenses:			
Interest (Note 3)	25,000	110,854	135,854
Salary and payroll taxes	3,267	8,374	11,641
Compensated absences (Note 7)	879	-	879
Other	-	48,460	48,460
Unearned revenues:			
Tenant rents	2,190	22,589	24,779
Portability revenue (Note 5)	35,925	-	35,925
Current portion of long-term debt	-	352,162	352,162
Tenant security deposits - liability	8,446	81,671	90,117
Other current liabilities	15,805	10,591	26,396
Total current liabilities	155,473	674,764	830,237
Long-term liabilities:			
Accrued compensated absences (Note 7)	7,903	-	7,903
Development fee payable	-	2,978,913	2,978,913
Accrued interest (Note 3)	93,703	-	93,703
Long-term debt, net of current portion (Note 3)	1,156,050	26,173,802	27,329,852
Total long-term liabilities	1,257,656	29,152,715	30,410,371
Total liabilities	1,413,129	29,827,479	31,240,608
Deferred inflows of resources (Note 9)	97,391	-	97,391
Net position:			
Net investment in capital assets	1,102,217	12,118,709	13,220,926
Restricted (Note 8)	152,186	-	152,186
Unrestricted	2,079,295	(1,554,622)	524,673
Total net position	$ 3,333,698	$ 10,564,087	$ 13,897,785

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, 2021

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Rental revenue	$ 213,425	$ 2,637,141	$ 2,850,566
Other tenant revenue	5,712	14,556	20,268
Operating subsidies and grants (Note 5)	4,914,427	-	4,914,427
Other operating revenue	89,314	25,312	114,626
Total operating revenues	5,222,878	2,677,009	7,899,887
Operating expenses:			
Administrative	559,933	589,715	1,149,648
Tenant and protective services	89,941	65,357	155,298
Utilities	62,666	282,637	345,303
Maintenance	164,371	462,499	626,870
Insurance	11,644	172,894	184,538
General	245,723	66,096	311,819
Depreciation (Note 4)	80,943	1,711,031	1,791,974
Housing assistance payments	4,161,429	-	4,161,429
Total operating expenses	5,376,650	3,350,229	8,726,879
Net operating loss	(153,772)	(673,220)	(826,992)
Non-operating income (expense):			
Interest income	38,533	53	38,586
Interest expense (Note 3)	(34,118)	(1,233,943)	(1,268,061)
Land lease income (Note 9)	1,010	-	1,010
Development fee income (Note 9)	575,000	-	575,000
Total non-operating expense	580,425	(1,233,890)	(653,465)
Special items	-	3,865,173	3,865,173

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, 2021

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Change in net position	426,653	1,958,063	2,384,716
Net position, beginning of year	$ 2,907,045	$ 8,606,024	$ 11,513,069
Net position, end of year	$ 3,333,698	$ 10,564,087	$ 13,897,785

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, 2021

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Cash flows from operating activities:			
Cash received:			
Rental revenue	$ 214,248	$ 2,727,076	$ 2,941,324
Other tenant revenue	5,243	19,931	25,174
Operating subsidies and grants	4,773,302	-	4,773,302
Other revenue	89,314	19,937	109,251
Security deposits	-	43,623	43,623
Cash paid:			
Administrative	(560,860)	(694,105)	(1,254,965)
Tenant and protective services	(89,941)	(49,196)	(139,137)
Utilities	(75,205)	(282,637)	(357,842)
Maintenance	(102,762)	(462,499)	(565,261)
Insurance	(11,644)	(211,687)	(223,331)
General	(57,299)	(55,169)	(112,468)
Housing assistance payments	(4,161,429)	-	(4,161,429)
Net cash flows from operating activities	22,967	1,055,274	1,078,241
Cash flows from investing activities:			
Note receivable originated	(195,939)	-	(195,939)
Collection (payment) of developer fee	409,857	-	409,857
Cash received for interest income	29,468	53	29,521
Net cash flows from investing activities	243,386	53	243,439
Cash flows from capital and related financing activities:			
Cash received for capital contributions	-	3,865,173	3,865,173
Purchase of capital assets	(86,479)	(1,838,189)	(1,924,668)
Payment of mortgage payable	-	(178,236)	(178,236)
Payment of construction loan extensions	-	(22,720)	(22,720)
Payment of construction loan payable	-	(2,058,427)	(2,058,427)
Cash paid for interest expense	(25,000)	(937,592)	(962,592)
Net cash flows from capital and related financing activities	(111,479)	(1,169,991)	(1,281,470)

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, 2021

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Net increase (decrease) in cash and cash equivalents	$ 154,873	$ (114,664)	$ 40,209
Cash and cash equivalents:			
Beginning of year	1,854,635	1,624,234	3,478,869
End of year	$ 2,009,508	$ 1,509,570	$ 3,519,078
Reconciliation of cash and cash equivalents:			
Unrestricted	$ 1,857,322	$ 812,427	$ 2,669,749
Restricted	152,186	697,143	849,329
Total cash and cash equivalents	$ 2,009,508	$ 1,509,570	$ 3,519,078
Reconciliation of net operating loss to net cash flows from operating activities:			
Net operating loss	$ (153,772)	$ (673,220)	$ (826,992)
Adjustments to reconcile net operating loss to net cash flows from operating activities:			
Depreciation	80,943	1,711,031	1,791,974
Change in allowances for accounts receivables	(7,515)	-	(7,515)
Change in allowances for notes receivables	195,939	-	195,939
Change in allowance for inventory	(37,684)	-	(37,684)
(Increase) decrease in assets:			
Accounts receivable:			
Tenants	1,373	74,850	76,223
HUD	(75,410)	-	(75,410)
Portability	(43,055)	-	(43,055)
Miscellaneous	206	-	206
Inventory	37,684	-	37,684
Prepaid expenses	(468)	(125,626)	(126,094)

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED JUNE 30, 2021

	Primary Government Business-type Activities	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Increase (decrease) in liabilities:			
Accounts payable:			
Trade	$ 61,609	$ (17,567)	$ 44,042
Accrued expenses:			
Compensated absences	(1,818)	-	(1,818)
Accrued payroll	1,359	4,358	5,717
Other	(12,539)	22,810	10,271
Unearned revenues:			
Tenant rents	(550)	15,085	14,535
HUD operating subsidies	(45,645)	-	(45,645)
Portability revenue	22,985	-	22,985
Tenant security deposits - liability	(675)	43,553	42,878
Net cash flows from operating activities	$ 22,967	$ 1,055,274	$ 1,078,241
Supplemental schedule of noncash investing and financing activities:			
Interest income recorded through accrued interest receivable	$ 34,065	$ -	$ 34,065
Reinvestment of interest income	$ 320	$ -	$ 320
Land lease income recorded through amortization of deferred inflow resources	$ 1,010	$ -	$ 1,010
Interest expense recorded through accrued interest payable	$ 34,118	$ -	$ 34,118
Developer fee income recorded through developer fee receivable	$ 165,143	$ -	$ 165,143

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

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 fifty-one (51) family units, a Housing Choice Voucher Program (the HCV Program) consisting of two hundred and twenty-nine (229) tenant-based vouchers, and approximately one hundred forty (140) 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 also administers forty-six (46) Mainstream Vouchers (the MSV Program) and one (1) Veteran's Affair Supported Housing Voucher. MHA administers a Capital Fund Program (CFP), which provides for modernization and improvement of the properties under the Low Rent Program as well as a Resident Opportunity and Support Service (ROSS) Program, which provides public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. 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:
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. Under the criteria for a component unit described above, the following legally separate entities are considered the blended component units of MHA.

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

Blended component units - continued:
McKinney Affordable Housing Development Corporation (MAHDC)
MHA is the sole member of MAHDC, and the Board of Directors of MAHDC are appointed by the MHA'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 was not aware that the original Form 1023, *Application of Recognition of Exception under Section 501(c)(3) of the Internal Revenue Code* (Form 1023), filed with Internal Revenue Service (IRS) did not indicate MAHDC was to be exempt from filing Form 990 or Form 990-EZ due to its organization structure and its relationship with MHA. During the year ended June 30, 2017, IRS notified MAHDC's tax-exempt status being revoked due to failure to file Form 990 with IRS. During the year ended June 30, 2018, MAHDC worked with an outside legal consultant to re-file the Form 1023 correctly to have its tax-exempt status reinstated. Subsequent to the year ended June 30, 2018, MAHDC received an IRS notice indicating its exempt status has been reinstated. 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 two limited partnerships through its investment in the following wholly-owned single-member Texas limited liability companies (collectively, the LLCs). These LLCs' accounting transactions are combined with MAHDC. MAHDC has a 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 NH 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 NH Partnership through December 2015.

McKinney-Merritt McGowan GP, LLC (MMH GP)
MMH GP was organized on January 6, 2015, as a Texas limited liability company in which MAHDC is its sole member, to be the general partner of Merritt McGowan Manor, LP (the MH Partnership).

McKinney-Merritt McGowan LP, LLC (MMH LP)
MMH LP was organized on January 6, 2015, as a Texas limited liability company in which MAHDC is its sole member, to be the initial limited partner of Merritt McGowan Manor, LP (the MH Partnership). An Assignment and Assumption Agreement was entered in June 2018, under which MMH LP assigned its limited partner interest in the MH Partnership to the Executive Director of the Authority for the consideration of meeting certain LIHTC requirements on behalf of the MH Partnership.

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, 2021.

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

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

Merritt McGowan Manor, LP (the MH Partnership)
The MH Partnership has applied for and received allocations of LIHTC through TDHCA, pursuant to Internal Revenue Code Section 42 (IRC Section 42), to develop a property in McKinney, Texas, to be known as Merritt McGowan Manor (the Merritt Homes Project). The MH Partnership, in cooperation with the Authority will be using HUD funds allocated to the Authority under the RAD program.

The NH Partnership and the MH Partnership are private for-profit entities that report 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 NH Partnership's and to the MH's Partnerships' financial information in the Authority's financial reporting for these differences. Through the Authority's control of the general partner in the NH Partnership and in the MH Partnership, management is presenting the NH Partnership and the MH Partnership as discretely presented component units. Separately audited financial statements for the NH Partnership and the MH Partnership can be obtained at 603 N. Tennessee, McKinney, Texas 75069.

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:

<u>Net investment in capital assets</u> 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.

<u>Restricted net position</u> 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.

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

Basis of accounting - continued:
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.

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 the 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.

Resident Opportunity and Support Service Program provides public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient.

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

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

Revenue recognition:
The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

On January 30, 2008, HUD issued PIH Notice 2008-9 which requires that housing assistance payments (HAP) under HCV Program for proprietary fund reporting to be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule (FDS) as restricted. Any unused administrative fees (AF) should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both AF and HAP revenues continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The HCV Program is no longer a cost reimbursement grant; therefore, the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting. Any investment income earned on these funds is reflected in the net position account on which the investment income was earned. That is, investment income earned on HAP cash balances is credited to the HAP restricted net position account and investment income earned on administrative fee cash balances is credited to the unrestricted net position account.

Cost reimbursement grant such as CFP, ROSS and the CARES Act supplemental grant as a result of the COVID-19 pandemic received during the year are recorded as income when the earnings process is substantially complete. Federal cost reimbursement 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 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.

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.

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.

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

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 cost 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, 2021, the Authority does not have any deferred outflows of resources. See Note 9 for deferred inflows of resources related to the Ground Lease agreement.

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Restricted cash:
As of June 30, 2021, restricted cash consisted of the following:

Cash restricted for HCV housing assistance payments	$	2,186
Cash restricted for NH Partnership operating deficit guarantee (see Note 9)		150,000
Total	$	152,186

NOTE 2 – DEPOSITS AND INVESTMENTS - CONTINUED

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, 2021, the carrying amount of the Authority’s deposits (cash, certificates of deposit, and interest-bearing savings accounts) was $2,041,456 and the bank balance was $2,113,518, and the entire balance 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, 2021. All of the Authority's cash and cash equivalents, restricted cash and investments as of June 30, 2021, 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 included a construction loan and a revolving loan for the development of a multifamily project owned by the NH 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, 2021, the Authority had drawn $1,156,050 of this loan and accrued interest payable totaled $118,703. The interest expense totaled $34,118 for the year ended June 30, 2021.

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, 2021, are as follows:

	Balance as of June 30, 2020	Additions	Dispositions	Balance as of June 30, 2021
Non-depreciable capital assets:				
Land	$ 26,918	$ -	$ -	$ 26,918
Depreciable capital assets:				
Buildings and improvements	3,737,718	36,789	-	3,774,507
Furniture and equipment	382,299	49,690	-	431,989
Total capital assets	4,146,935	86,479	-	4,233,414
Less: accumulated depreciation	(3,050,254)	(80,943)	-	(3,131,197)
Net capital assets	$ 1,096,681	$ 5,536	$ -	$ 1,102,217

NOTE 5 - OPERATING SUBSIDIES AND GRANTS

The Authority's grant revenue consists of the following for the year ended June 30, 2021:

Operating subsidies and grants:	
Low Rent Public Housing	$ 192,414
Public Housing CARES Act Funding	13,619
Public Housing Capital Fund	86,009
Housing Choice Vouchers (including pass-through portability)	3,888,397
HCC HCV CARES Act Funding	199,348
Mainstream Vouchers	461,439
COVID-19 Mainstream Vouchers	7,155
Resident Opportunity and Self-Sufficiency Service Coordinator	66,046
Total operating subsidies and grants	$ 4,914,427

NOTE 5 - OPERATING SUBSIDIES AND GRANTS - CONTINUED

During the year ended June 30, 2021, the Authority received supplemental funding from the Cares Act legislation to aid in preventing, preparing, and responding to the COVID-19 virus. As of June 30, 2021, the Authority had $155,562 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, 2021. As of June 30, 2021, the Authority had $143,629 in portability receivable and $35,925 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 $41,908 as of June 30, 2021, based on the historical and current collection status, and management's judgment.

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 a 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, 2021, the Authority contributed $19,091 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 $25,327 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, 2021, the balance of current accrued compensated absences is $879 and the balance of non-current compensated absences is $7,903.

NOTE 8 – RESTRICTED NET POSITION

As of June 30, 2021, restricted net position consisted of cash balance of $150,000 restricted for operating deficit guarantee associated with the NH Partnership and $2,185 for the Housing Assistance Payments under the HCV Program.

NOTE 9 – RELATED PARTY TRANSACTIONS

Development fee:
The Authority together with Carleton Development, Ltd., an unrelated organization, is a developer for the Newsome Homes Project and the Merritt Homes Project, where the Authority receives 30% of the development fee, or $750,000 and $720,000, respectively, payable out of the cash flow of the NH Partnership and the MH Partnership, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS - CONTINUED

Development fee - continued:
As of June 30, 2021, the Authority has a development fee receivable of $297,964 from the NH Partnership. The Authority's development fee is subordinated to the payment of the NH Partnership's long-term debt. Management evaluated and set up an allowance for uncollectible development fee receivable in the amount of $297,964 in prior years and considered it to remain appropriate as of June 30, 2021. According to the NH Partnership's Amended and Restated Agreement of Limited Partnership (the NH LPA), MNH GP is required to make an additional capital contribution to the NH Partnership to pay off any remaining balance on the development fee by the 12th year of the Compliance Period as defined in the NH LPA.

The Authority received $409,857 of the $575,000 remaining development fees due from MH Partnership during the year ended June 30, 2021. As of June 30, 2021, the Authority has a non-current development fee receivable of $165,143 from the MH Partnership. Management considered the need for valuation allowance and determined that no allowance was necessary as of June 30, 2021 for this developer fee receivable.

Notes receivable:
The Authority and the NH Partnership as well as the MH Partnership entered into loan agreements for construction and operation of the Newsome Homes Project and the Merritt Homes Project, in amounts not to exceed $2,706,052 and $325,000, respectively, evidenced by promissory notes as follows. The Authority entered into an Intercreditor and Subordination Agreement with a financing institution to be subordinate lender for its loans with the NH Partnership and the MH Partnership. The Authority entered into an Intercreditor and Subordination Agreement with a financing institution to be subordinate lender for its loans with the NH Partnership and the MH Partnership. Management evaluated and set up an allowance for uncollectible notes receivable in the amount of $2,116,468 as of June 30, 2021.

As of June 30, 2021, notes receivable consisted of the following:

Note A in the amount of $1,156,052, due from the NH Partnership 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.	$ 1,156,051
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 NH Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.	537,233

NOTE 9 – RELATED PARTY TRANSACTIONS - CONTINUED

Notes receivable - continued:

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 NH Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.	$	358,296
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 NH Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.		100,000
Note E in the amount of $450,000, due on December 31, 2050, bearing a fixed annual interest rate of 3.8%. Installment payments are due out of cash flow as defined in the NH Partnership's Amended and Restated Partnership Agreement, within 120 days after the end of each fiscal year of the Partnership.		450,000
Note A in the amount of $325,000, due on October 31, 2053, bearing a fixed annual interest rate of 8%. Installment payments are due 120 days after December 31, payable from the MH Partnership’s Net Cash Flow as defined in the First Amended and Restated Agreement of Limited Partnership (dated October 22, 2018) (the MH LPA), secured by a subordinated Deed of Trust.		325,000
Note B in the amount of $195,939, due on October 31, 2053, bearing a fixed annual interest rate of 3%. Installment payments are due 120 days after December 31, payable from the MH Partnership’s Net Cash Flow as defined in the MH LPA, secured by a subordinated Deed of Trust.		195,939

NOTE 9 – RELATED PARTY TRANSACTIONS - CONTINUED

Notes receivable - continued:

Pomissory note agreement with the MH Partnership to finance $150,000 of the supplement rent under the Ground Lease Agreement. This promissory note bears a fixed annual rate of 8%, with annual payments due 120 days after December 31, payable from the MH Partnership's Net Cash Flow as defined in the the MH LPA, secured by a subordinated Deed of Trust with the maturity date on October 31, 2053.		150,000
Total notes receivable		3,272,519
Less: allowance for uncollectible notes receivable		(2,116,468)
Notes receivable, net	$	1,156,051

As of June 30, 2021, accrued interest receivable on these notes receivable totaled $115,189, of which, $25,000 is due in November 2021 and is included in current accounts receivable – interest on the accompanying statement of net position.

Ground lease:
During the year ended June 30, 2016, the Authority and the NH Partnership entered into an Amended and Restated Ground Lease. The Ground Lease is for 75 years expiring December 2090, with annual rent of $1.

The Authority and the MH Partnership entered a 99-year Ground Lease Agreement expiring in 2117. Under the Ground Lease Agreement, the Authority leased the land on which Merritt Homes will be built. The Authority shall receive an annual rent of $1 each year plus a one-time supplemental rent of $250,000, of which, $100,000 was received during the year ended June 30, 2019 and $150,000 was evidenced by a promissory note. A deferred inflow of resources of $100,000 was recognized, net of $150,000 allowance for uncollectible note receivable at the inception.

During the year ended June 30, 2021, inflow of resources in the amount of $1,010 was recognized as land lease income. As of June 30, 2021, deferred inflows of resources totaled $97,391.

Incentive partnership management fee and partnership administration fee:
MNH GP is entitled to receive a non-cumulative incentive partnership management fee from the NH Partnership equaling to 90% of the remaining cash flow available for distribution pursuant to the terms in the NH LPA. The Authority did not earn any incentive partnership management fee for the year ended June 30, 2021.

NOTE 9 – RELATED PARTY TRANSACTIONS – CONTINUED

Incentive partnership management fee and partnership administration fee - continued:
MMH GP entered into a Partnership Administration Fee Agreement with the MH Partnership, under which MMH GP shall receive an annual fee of $30,000 (the Partnership Administration Fee) beginning the later of (i) 2019, or (ii) the first calendar year of the MH Partnership receives rental income (Initial Year). After the Initial Year, the Partnership Administration Fee shall increase 3% each year. The Partnership Administration Fee for the Initial Year shall be prorated for the number of months the MH Partnership has rental income. The Partnership Administration Fee is cumulative and payable from the MH Partnership's Net Cash Flow as defined in the MH LPA. The Authority earned $59,311 of Partnership Administration Fee for the year ended June 30, 2021.

Guaranty:
According to the NH LPA, MNH GP is required, upon reduction of the operating reserve amount to zero to promptly provide funds to the NH Partnership from time to time as needed in an amount up to the Operating Deficit Guaranty Amount for Operating Deficits occurring during the Operating Deficit Guaranty Period defined in the NH LPA. There was no operating deficit guaranty made during the year ended June 30, 2021.

According to the NH LPA, MAHDC is required maintain unencumbered liquid assets of not less than $150,000 through the end of the Operating Deficit Guaranty Period as defined in the NH LPA (see Note 2 – restricted cash).

In accordance with a Guaranty Agreement, MAHDC (Guarantor) for the benefit of the NH Partnership and limited partner of the NH Partnership, guarantee the general partner's performance of all its obligations under the NH LPA as well as related funding required under the Guaranty Agreement. There was no guarantor funding made during the year ended June 30, 2021.

In accordance with the MH LPA, the MMH GP is required to make operating deficit contribution up to $541,000, if needed by the MH Partnership. In accordance with a Guaranty Agreement between MAHDC and the MH Partnership, MAHDC is one of two guarantors for the MH Partnership. MAHDC's guarantor obligation as defined in the Guaranty Agreement is limited to $1,125,000 in the aggregate. There was no operating deficit guaranty made during the year ended June 30, 2021.

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, 2021, 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-four percent (84%) 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.

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

The following table is a condensed combining statement of net position as of June 30, 2021:

	Primary Government (MHA)	Blended Component Units	Total
Cash and cash equivalents	$ 992,233	$ 1,017,275	$ 2,009,508
Other current assets	296,110	25,000	321,110
Total current assets	1,288,343	1,042,275	2,330,618
Accrued interest receivable	-	90,189	90,189
Related party receivable, net of current portion	-	1,321,194	1,321,194
Capital assets, net of accumulated depreciation	1,102,217	-	1,102,217
Total assets	2,390,560	2,453,658	4,844,218
Current liabilities	155,162	311	155,473
Long-term liabilities	1,256,957	699	1,257,656
Total liabilities	1,412,119	1,010	1,413,129
Deferred inflows of resources	97,391	-	97,391
Total net position	$ 881,050	$ 2,452,648	$ 3,333,698

The following table is a condensed combining statement of revenues, expenses, and change in net position for the year ended June 30, 2021:

	Primary Government (MHA)	Blended Component Units	Total
Operating revenues:			
Rental revenue	$ 213,425	$ -	$ 213,425
Other tenant revenue	5,712	-	5,712
Operating subsidies and grants	4,914,427	-	4,914,427
Other operating revenue	87,814	1,500	89,314
Total operating revenues	5,221,378	1,500	5,222,878
Total operating expenses before depreciation	5,072,957	222,750	5,295,707
Depreciation	80,943	-	80,943
Net operating income (loss)	67,478	(221,250)	(153,772)

NOTE 13 – CONDENSED COMBINING INFORMATION BETWEEN PRIMARY GOVERNMENT AND BLENDED COMPONENT UNITS – CONTINUED

	Primary Government (MHA)	Blended Component Units	Total
Non-operating income (expense):			
Interest income	$ 346	$ 38,187	$ 38,533
Interest expense	(34,118)	-	(34,118)
Land lease income	1,010	-	1,010
Total non-operating income (expense)	(32,762)	613,187	580,425
Change in net position	34,716	391,937	426,653
Net position, beginning of year	821,334	2,085,711	2,907,045
Equity transfers	25,000	(25,000)	-
Net position, end of year	$ 881,050	$ 2,452,648	$ 3,333,698

The following table is a condensed combining statement of cash flows for the year ended June 30, 2021:

	Primary Government (MHA)	Blended Component Units	Total
Net cash flows from operating activities	$ 48,490	$ (25,523)	$ 22,967
Net cash flows from investing activities	305	243,081	243,386
Net cash flows from capital and related financing activities	(111,479)	-	(111,479)
Net cash flows from non-capital financing activities	24,999	(25,000)	(1)
Net increase (decrease) in cash and cash equivalents	(37,685)	192,558	154,873
Cash and cash equivalents:			
Beginning of year	1,029,918	824,717	1,854,635
End of year	$ 992,233	$ 1,017,275	$ 2,009,508

NOTE 14 – MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management of the Authority has evaluated the effects of events that have occurred subsequent to the year ended June 30, 2021, and through March 31, 2022, 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, 2021

FDS Line No./Description	Project Total	14.PHC Public Housing CARES Act Funding	14.879 Mainstream Vouchers	1 Business Activities	14.MSC Mainstream CARES Act Funding	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	$642,692	$0	$0	$87,473	$0	$0	$730,756	$867,275	$0	$251,436	$2,579,632	$0	$2,579,632
113 Cash - Other Restricted	$0	$0	$0	$0	$0	$0	$697,143	$150,000	$0	$2,186	$849,329	$0	$849,329
114 Cash - Tenant Security Deposits	$8,446	$0	$0	$0	$0	$0	$81,671	$0	$0	$0	$90,117	$0	$90,117
100 Total Cash	$651,138	$0	$0	$87,473	$0	$0	$1,509,570	$1,017,275	$0	$253,622	$3,519,078	$0	$3,519,078
121 Accounts Receivable - PHA Projects	$0	$0	$0	$0	$0	$0	$0	$0	$0	$143,629	$143,629	$0	$143,629
122 Accounts Receivable - HUD Other Projects	$119,365	$6,173	$14,383	$0	$0	$15,641	$0	$0	$0	$0	$155,562	$0	$155,562
125 Accounts Receivable - Miscellaneous	$0	$0	$0	$0	$0	$0	$0	$0	$0	$197	$197	$0	$197
126 Accounts Receivable - Tenants	$2,228	$0	$0	$0	$0	$0	$29,499	$0	$0	$0	$31,727	$0	$31,727
126.1 Allowance for Doubtful Accounts -Tenants	-$603	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$603	$0	-$603
126.2 Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$41,908	-$41,908	$0	-$41,908
129 Accrued Interest Receivable	$3	$0	$0	$0	$0	$0	$0	$25,000	$0	$0	$25,003	$0	$25,003
120 Total Receivables, Net of Allowances for Doubtful Accounts	$120,993	$6,173	$14,383	$0	$0	$15,641	$29,499	$25,000	$0	$101,918	$313,607	$0	$313,607
131 Investments - Unrestricted	$31,948	$0	$0	$0	$0	$0	$0	$0	$0	$0	$31,948		$31,948
142 Prepaid Expenses and Other Assets	$2,527	$0	$0	$0	$0	$0	$207,824	$0	$0	$2,527	$212,878		$212,878
144 Inter Program Due From	$21,163	$0	$0	$12,527	$0	$0	$0	$0	$0	$0	$33,690	-$33,690	$0
150 Total Current Assets	$827,769	$6,173	$14,383	$100,000	$0	$15,641	$1,746,893	$1,042,275	$0	$358,067	$4,111,201	-$33,690	$4,077,511
161 Land	$10,144	$0	$0	$16,774	$0	$0	$2,452,836	$0	$0	$0	$2,479,754	$0	$2,479,754
162 Buildings	$3,774,507	$0	$0	$0	$0	$0	$37,604,553	$0	$0	$0	$41,379,060	$0	$41,379,060
163 Furniture, Equipment & Machinery - Dwellings	$226,765	$0	$0	$0	$0	$0	$892,014	$0	$0	$0	$1,118,779	$0	$1,118,779
164 Furniture, Equipment & Machinery - Administration	$198,354	$0	$0	$0	$0	$0	$67,920	$0	$0	$6,870	$273,144	$0	$273,144
165 Leasehold Improvements	$0	$0	$0	$0	$0	$0	$2,032,515	$0	$0	$0	$2,032,515	$0	$2,032,515
166 Accumulated Depreciation	-$3,124,327	$0	$0	$0	$0	$0	-$4,405,165	$0	$0	-$6,870	-$7,536,362	$0	-$7,536,362
160 Total Capital Assets, Net of Accumulated Depreciation	$1,085,443	$0	$0	$16,774	$0	$0	$38,644,673	$0	$0	$0	$39,746,890	$0	$39,746,890
171 Notes, Loans and Mortgages Receivable - Non-Current	$0	$0	$0	$0	$0	$0	$0	$1,246,240	$0	$0	$1,246,240	$0	$1,246,240
174 Other Assets	$0	$0	$0	$0	$0	$0	$0	$165,143	$0	$0	$165,143	$0	$165,143
180 Total Non-Current Assets	$1,085,443	$0	$0	$16,774	$0	$0	$38,644,673	$1,411,383	$0	$0	$41,158,273	$0	$41,158,273
200 Deferred Outflow of Resources	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
290 Total Assets and Deferred Outflow of Resources	$1,913,212	$6,173	$14,383	$116,774	$0	$15,641	$40,391,566	$2,453,658	$0	$358,067	$45,269,474	-$33,690	$45,235,784

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
JUNE 30, 2021

FDS Line No./Description	Project Total	14.PHC Public Housing CARES Act Funding	14.879 Mainstream Vouchers	1 Business Activities	14.MSC Mainstream CARES Act Funding	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	$54,215	$0	$0	$0	$0	$0	$40,063	$0	$0	$9,746	$104,024	$0	$104,024
321 Accrued Wage/Payroll Taxes Payable	$1,260	$0	$169	$0	$0	$651	$8,374	$233	$0	$954	$11,641	$0	$11,641
322 Accrued Compensated Absences - Current Portion	$481	$0	$48	$0	$0	$0	$0	$78	$0	$272	$879	$0	$879
325 Accrued Interest Payable	$0	$0	$0	$25,000	$0	$0	$110,854	$0	$0	$0	$135,854	$0	$135,854
341 Tenant Security Deposits	$8,446	$0	$0	$0	$0	$0	$81,671	$0	$0	$0	$90,117	$0	$90,117
342 Unearned Revenue	$2,190	$0	$0	$0	$0	$0	$22,589	$0	$0	$35,925	$60,704	$0	$60,704
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$0	$0	$0	$0	$0	$0	$352,162	$0	$0	$0	$352,162	$0	$352,162
345 Other Current Liabilities	$0	$0	$0	$0	$0	$0	$10,591	$0	$0	$15,805	$26,396	$0	$26,396
346 Accrued Liabilities - Other	$0	$0	$0	$0	$0	$0	$48,460	$0	$0	$0	$48,460	$0	$48,460
347 Inter Program - Due To	$0	$6,173	$12,527	$0	$0	$14,990	$0	$0	$0	$0	$33,690	-$33,690	$0
310 Total Current Liabilities	$66,592	$6,173	$12,744	$25,000	$0	$15,641	$674,764	$311	$0	$62,702	$863,927	-$33,690	$830,237
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$0	$0	$0	$0	$0	$0	$26,173,802	$0	$0	$0	$26,173,802	$0	$26,173,802
353 Non-current Liabilities - Other	$0	$0	$0	$1,249,753	$0	$0	$2,978,913	$0	$0	$0	$4,228,666	$0	$4,228,666
354 Accrued Compensated Absences - Non Current	$4,329	$0	$431	$0	$0	$0	$0	$699	$0	$2,444	$7,903	$0	$7,903
350 Total Non-Current Liabilities	$4,329	$0	$431	$1,249,753	$0	$0	$29,152,715	$699	$0	$2,444	$30,410,371	$0	$30,410,371
300 Total Liabilities	$70,921	$6,173	$13,175	$1,274,753	$0	$15,641	$29,827,479	$1,010	$0	$65,146	$31,274,298	-$33,690	$31,240,608
400 Deferred Inflow of Resources	$0	$0	$0	$97,391	$0	$0	$0	$0	$0	$0	$97,391	$0	$97,391
508.4 Net Investment in Capital Assets	$1,085,443	$0	$0	$16,774	$0	$0	$12,118,709	$0	$0	$0	$13,220,926	$0	$13,220,926
511.4 Restricted Net Position	$0	$0	$0	$0	$0	$0	$0	$150,000	$0	$2,186	$152,186	$0	$152,186
512.4 Unrestricted Net Position	$756,848	$0	$1,208	-$1,272,144	$0	$0	-$1,554,622	$2,302,648	$0	$290,735	$524,673	$0	$524,673
513 Total Equity - Net Assets / Position	$1,842,291	$0	$1,208	-$1,255,370	$0	$0	$10,564,087	$2,452,648	$0	$292,921	$13,897,785	$0	$13,897,785
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$1,913,212	$6,173	$14,383	$116,774	$0	$15,641	$40,391,566	$2,453,658	$0	$358,067	$45,269,474	-$33,690	$45,235,784

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2021

FDS Line No./Description	Project Total	14.PHC Public Housing CARES Act Funding	14.879 Mainstream Vouchers	1 Business Activities	14.MSC Mainstream CARES Act Funding	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$213,425	$0	$0	$0	$0	$0	$2,637,141	$0	$0	$0	$2,850,566	$0	$2,850,566
70400 Tenant Revenue - Other	$5,712	$0	$0	$0	$0	$0	$14,556	$0	$0	$0	$20,268	$0	$20,268
70500 Total Tenant Revenue	$219,137	$0	$0	$0	$0	$0	$2,651,697	$0	$0	$0	$2,870,834	$0	$2,870,834
70600 HUD PHA Operating Grants	$278,423	$13,619	$461,439	$0	$7,155	$66,046	$0	$0	$199,348	$2,383,226	$3,409,256	$0	$3,409,256
71100 Investment Income - Unrestricted	$55	$0	$0	$0	$0	$0	$53	$0	$0	$291	$399	$0	$399
71200 Mortgage Interest Income	$0	$0	$0	$0	$0	$0	$0	$38,187	$0	$0	$38,187	$0	$38,187
71400 Fraud Recovery	$0	$0	$0	$0	$0	$0	$0	$0	$0	$21,872	$21,872	$0	$21,872
71500 Other Revenue	$55,947	$0	$0	$1,011	$0	$0	$25,312	$576,500	$0	$1,515,165	$2,173,935	$0	$2,173,935
72000 Investment Income - Restricted	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
70000 Total Revenue	$553,562	$13,619	$461,439	$1,011	$7,155	$66,046	$2,677,062	$614,687	$199,348	$3,920,554	$8,514,483	$0	$8,514,483
91100 Administrative Salaries	$92,561	$2,244	$8,556	$0	$2,184	$0	$176,730	$19,907	$48,717	$13,142	$364,041	$0	$364,041
91200 Auditing Fees	$16,400	$0	$2,475	$0	$0	$0	$33,755	$0	$0	$13,925	$66,555	$0	$66,555
91300 Management Fee	$0	$0	$0	$0	$0	$0	$152,340	$0	$0	$0	$152,340	$0	$152,340
91400 Advertising and Marketing	$168	$0	$288	$0	$0	$0	$3,880	$0	$0	$1,621	$5,957	$0	$5,957
91500 Employee Benefit contributions -	$32,335	$116	$2,745	$0	$591	$0	$59,506	$2,626	$12,892	$6,175	$116,986	$0	$116,986
91600 Office Expenses	$121,753	$0	$13,929	$0	$0	$0	$112,587	$679	$1,650	$89,278	$339,876	$0	$339,876
91700 Legal Expense	$20,052	$0	$202	$0	$0	$0	$37,838	$274	$0	$1,515	$59,881	$0	$59,881
91800 Travel	$90	$0	$19	$0	$0	$0	$2,071	$0	$0	$108	$2,288	$0	$2,288
91810 Allocated Overhead	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
91900 Other	$0	$0	$0	$0	$4,380	$0	$11,008	$1,700	$24,636	$0	$41,724	$0	$41,724
91000 Total Operating - Administrative	$283,359	$2,360	$28,214	$0	$7,155	$0	$589,715	$25,186	$87,895	$125,764	$1,149,648	$0	$1,149,648
92000 Asset Management Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
92100 Tenant Services - Salaries	$0	$0	$0	$0	$0	$57,181	$0	$0	$0	$0	$57,181	$0	$57,181
92200 Relocation Costs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
92300 Employee Benefit Contributions - Tenant	$135	$0	$0	$0	$0	$8,865	$0	$0	$0	$0	$9,000	$0	$9,000
92400 Tenant Services - Other	$1,497	$11,259	$0	$0	$0	$0	$27,142	$0	$10,554	$0	$50,452	$0	$50,452
92500 Total Tenant Services	$1,632	$11,259	$0	$0	$0	$66,046	$27,142	$0	$10,554	$0	$116,633	$0	$116,633
93100 Water	$24,593	$0	$0	$0	$0	$0	$220,880	$0	$0	$0	$245,473	$0	$245,473
93200 Electricity	$6,235	$0	$102	$0	$0	$0	$61,757	$0	$0	$608	$68,702	$0	$68,702
93300 Gas	$1,877	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,877	$0	$1,877
93600 Sewer	$29,251	$0	$0	$0	$0	$0	$0	$0	$0	$0	$29,251	$0	$29,251
93000 Total Utilities	$61,956	$0	$102	$0	$0	$0	$282,637	$0	$0	$608	$345,303	$0	$345,303
94100 Ordinary Maintenance and Operations -	$0	$0	$0	$0	$0	$0	$165,789	$0	$0	$0	$165,789	$0	$165,789
94200 Ordinary Maintenance and Operations -	$33,068	$0	$0	$0	$0	$0	$40,550	$0	$0	$0	$73,618	$0	$73,618
94300 Ordinary Maintenance and Operations	$131,303	$0	$0	$0	$0	$0	$256,160	$0	$0	$0	$387,463	$0	$387,463
94000 Total Maintenance	$164,371	$0	$0	$0	$0	$0	$462,499	$0	$0	$0	$626,870	$0	$626,870
95200 Protective Services - Other Contract Costs	$450	$0	$0	$0	$0	$0	$38,215	$0	$0	$0	$38,665		$38,665
95000 Total Protective Services	$450	$0	$0	$0	$0	$0	$38,215	$0	$0	$0	$38,665	$0	$38,665

See independent auditor's report.

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
FINANCIAL DATA SCHEDULE - CONTINUED
YEAR ENDED JUNE 30, 2021

FDS Line No./Description	Project Total	14.PHC Public Housing CARES Act Funding	14.879 Mainstream Vouchers	1 Business Activities	14.MSC Mainstream CARES Act Funding	14.870 Resident Opportunity and Supportive Services	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
96110 Property Insurance	$7,362	$0	$0	$0	$0	$0	$149,893	$0	$0	$0	$157,255	$0	$157,255
96120 Liability Insurance	$614	$0	$44	$0	$0	$0	$12,297	$0	$0	$247	$13,202	$0	$13,202
96130 Workmen's Compensation	$1,139	$0	$0	$0	$0	$0	$4,589	$0	$0	$0	$5,728	$0	$5,728
96140 All Other Insurance	$2,238	$0	$0	$0	$0	$0	$6,115	$0	$0	$0	$8,353	$0	$8,353
96100 Total insurance Premiums	$11,353	$0	$44	$0	$0	$0	$172,894	$0	$0	$247	$184,538	$0	$184,538
96200 Other General Expenses	$0	$0	$0	$0	$0	$0	$50,125	$0	$0	$4,259	$54,384	$0	$54,384
96210 Compensated Absences	$23,975	$0	$1,586	$0	$0	$0	$0	$1,625	$0	$8,985	$36,171	$0	$36,171
96400 Bad debt - Tenant Rents	$9,348	$0	$0	$0	$0	$0	$15,971	$0	$0	$6	$25,325	$0	$25,325
96600 Bad debt - Other	$0	$0	$0	$0	$0	$0	$0	$195,939	$0	$0	$195,939	$0	$195,939
96000 Total Other General Expenses	$33,323	$0	$1,586	$0	$0	$0	$66,096	$197,564	$0	$13,250	$311,819	$0	$311,819
96710 Interest of Mortgage (or Bonds) Payable	$0	$0	$0	$0	$0	$0	$1,233,943	$0	$0	$0	$1,233,943	$0	$1,233,943
96720 Interest on Notes Payable (Short and Long Term)	$0	$0	$0	$34,118	$0	$0	$0	$0	$0	$0	$34,118	$0	$34,118
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$34,118	$0	$0	$1,233,943	$0	$0	$0	$1,268,061	$0	$1,268,061
96900 Total Operating Expenses	$556,444	$13,619	$29,946	$34,118	$7,155	$66,046	$2,873,141	$222,750	$98,449	$139,869	$4,041,537	$0	$4,041,537
97000 Excess of Operating Revenue over Operating Expenses	-$2,882	$0	$431,493	-$33,107	$0	$0	-$196,079	$391,937	$100,899	$3,780,685	$4,472,946	$0	$4,472,946
97300 Housing Assistance Payments	$0	$0	$430,285	$0	$0	$0	$0	$0	$100,899	$2,186,892	$2,718,076	$0	$2,718,076
97350 HAP Portability-In	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,443,353	$1,443,353	$0	$1,443,353
97400 Depreciation Expense	$80,943	$0	$0	$0	$0	$0	$1,711,031	$0	$0	$0	$1,791,974	$0	$1,791,974
90000 Total Expenses	$637,387	$13,619	$460,231	$34,118	$7,155	$66,046	$4,584,172	$222,750	$199,348	$3,770,114	$9,994,940	$0	$9,994,940
10010 Operating Transfer In	$86,009	$0	$0	$0	$0	$0	$0	$0	$0	$0	$86,009	-$86,009	$0
10020 Operating transfer Out	-$86,009	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$86,009	$86,009	$0
10080 Special Items (Net Gain/Loss)	$0	$0	$0	$0	$0	$0	$3,865,173	$0	$0	$0	$3,865,173	$0	$3,865,173
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$3,865,173	$0	$0	$0	$3,865,173	$0	$3,865,173
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$83,825	$0	$1,208	-$33,107	$0	$0	$1,958,063	$391,937	$0	$150,440	$2,384,716	$0	$2,384,716
MEMO SECTION:													
11030 Beginning Equity	$1,926,116	$0	$0	-$1,247,263	$0	$0	$8,606,024	$2,085,711	$0	$142,481	$11,513,069		$11,513,069
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0	$0	$0	$25,000	$0	$0	$0	-$25,000	$0	$0	$0		$0

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SCHEDULE OF MODERNIZATION COSTS
JUNE 30, 2021

	TX021P027501-20
Funds approved	$ 86,009
Funds expended	86,009
Excess of funds approved unexpended	$ -

GOVERNMENTAL AUDIT INFORMATION

BROWN, GRAHAM & COMPANY
PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2021, 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 31, 2022.

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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weakness may exist that have not been identified.

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 basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 31, 2022

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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 the audit 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). 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 on Each Major Federal Program
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, 2021.

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, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 31, 2022

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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, 2021, and have issued a report dated March 31, 2022, 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 31, 2022

HOUSING AUTHORITY OF THE CITY OF MCKINNEY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Program	CFDA Number		Federal Award Expenditures
Federal Grantor - U.S. Department of Housing and Urban Development:			
Low Rent Public Housing	14.850a	$	192,414
Public Housing CARES Act	14.850a		13,619
			206,033
Public Housing Capital Fund	14.872		86,009
Housing Choice Voucher	14.871		2,383,226
HCC HCV CARES Act	14.871		199,348
Housing Choice Vouchers - Portability passed through other governments	14.871		1,505,171
Mainstream Voucher	14.879		461,439
COVID-19 Mainstream Voucher Program	14.879		7,155
Housing Choice Voucher cluster			4,556,339
Resident Opportunity and Self-Sufficiency Service Coordinator	14.870		66,046
Total		$	4,914,427

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, 2021. 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, 2021

	Yes	No
SECTION I - SUMMARY OF AUDITOR'S RESULTS		
Financial Statements:		
Type of auditor's report issued: Unmodified		
Internal control over financial reporting:		
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 Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a)?		X

Identification of major programs:

CFDA Number	Name of Federal Program
14.871	Housing Choice Voucher
14.879	Mainstream Voucher

	Yes	No
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*

	Yes	No
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, 2021

	Yes	No
SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS		
Prior year		X
Current year		X