METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

NASHVILLE, TENNESSEE

ANNUAL FINANCIAL REPORT AND OTHER FINANCIAL INFORMATION

SEPTEMBER 30, 2020

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

Table of Contents

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

INTRODUCTION

The Metropolitan Housing and Development Agency ("MDHA" or the "Agency") is pleased to present its Annual Financial Report and Other Financial Information for the year ended September 30, 2020.

Responsibility and Controls

MDHA has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting control is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal control. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting control maintains an appropriate cost/benefit relationship.

MDHA's system of internal accounting control is evaluated on an ongoing basis by internal financial staff. MCM CPAs & Advisors LLP, external auditors, also consider certain elements of the internal control system in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements.

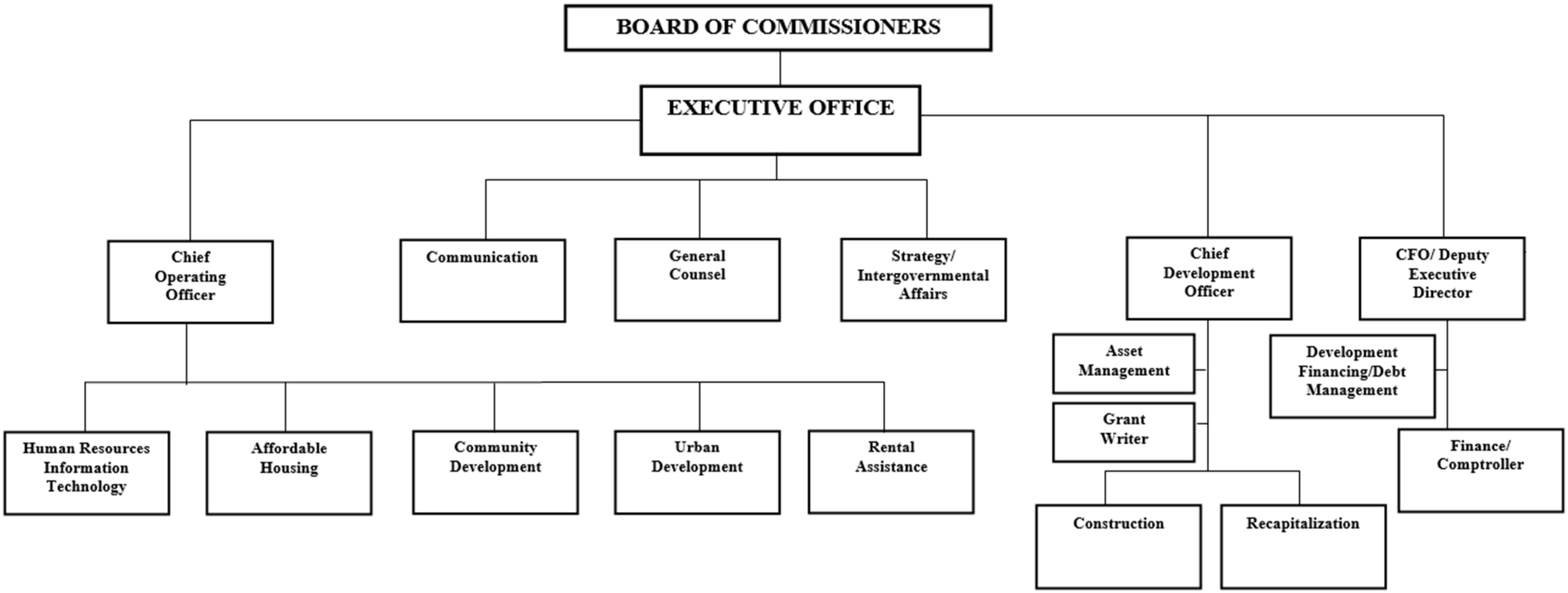
Management believes that its policies and procedures provide guidance and reasonable assurance that MDHA's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position of MDHA as of September 30, 2020, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unmodified opinion of the independent external auditors, MCM CPAs & Advisors LLP, on the September 30, 2020, financial statements is included in this report.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

ORGANIZATIONAL CHART



METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

BOARD OF COMMISSIONERS

September 30, 2020

Bill Purcell, Chair
Aole Ansari, Vice Chair for Development
Emily Thaden, Vice Chair for Housing
Marcus Campbell, Commissioner
Antoinette Batts, Commissioner
Kay Bowers, Commissioner
Paulette Coleman, Commissioner

Independent Auditor's Report

Board of Commissioners
Metropolitan Development and Housing Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the aggregate discretely presented component units of Metropolitan Development and Housing Agency (the "Agency"), a component unit of Metropolitan Government of Nashville and Davidson County, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units:

- Levy Place LP
- Ryman Lofts at Rolling Mill Hill, LP

Collectively, these entities represent 22% of the assets, 48% of the net position, and 77% of the operating revenue of the discretely presented component units. Those statements, which were prepared in accordance with the Accounting Standards Codification as issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. No adjustments were necessary to convert the financial statements of the discretely presented component units to the financial reporting framework used by the Agency. The financial statements of Levy Place LP and Ryman Lofts at Rolling Mill Hill, LP were not audited in accordance with Government Auditing Standards. 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 financial statements are free from material misstatement.

MCM CPAs & Advisors LLP

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Independent Auditor's Report (Continued)

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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the 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 Agency, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 21 to the financial statements beginning net position was restated. There was no impact on current year revenues or expenses as a result of this change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 11 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.

Independent Auditor's Report (Continued)

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by 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"), is presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the introductory material on pages 1 through 3 and the accompanying schedule of long-term debt by individual issue are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory material, Schedule of Expenditures of Federal Awards and the schedule of changes in long-term debt by individual issue are the responsibility of management and were derived from and relate directly to 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 financial statements or to the 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 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 18, 2021, on our consideration of the Agency'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Agency's internal control over financial reporting and compliance.

MCM CPAs & Advisors LLP

Lexington, Kentucky
March 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Metropolitan Development and Housing Agency's ("MDHA" or the "Agency") annual financial report presents management's discussion and analysis of the Agency's financial performance during the fiscal years ended September 30, 2020 and 2019. Please read this analysis in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

Fiscal year 2020:

The Agency's total net position increased $10.8 million or 2.9%, in part as a result of the following:

- Operating Revenues increased $13.6 million (+9.6%)
- Operating Expenses increased $20.7 million (+17.4%)
- Net Operating Income decreased $7.1 million (-31.6%)

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of two parts: management's discussion and analysis and the basic financial statements. The Agency follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Agency. While detailed sub-fund information is not presented, separate accounts are maintained for each program of the Agency.

The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The statement of net position provides a record or snapshot of the assets and liabilities at the close of the fiscal year. It presents the financial position of the Agency on a full accrual historical cost basis. The statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year. The statement of cash flows is related to the other financial statements by the way it links changes in assets and liabilities to the effects on cash and cash equivalents over the course of the fiscal year. The notes to the financial statements provide useful information regarding the Agency's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position

Fiscal year 2020 as compared to fiscal year 2019:

	2020	2019 (Restated)	% Increase (Decrease)
Current assets	$ 125,550,286	$ 107,797,817	16.5 %
Noncurrent assets			
Capital assets	329,227,300	330,528,904	(0.4) %
Other assets	119,082,162	114,143,713	4.3 %
Total assets	573,859,748	552,470,434	3.9 %
Current liabilities	30,791,255	19,845,842	55.2 %
Long-term liabilities	155,548,962	155,907,772	(0.2) %
Total liabilities	186,340,217	175,753,614	6.0 %
Net investment in capital assets	227,343,456	229,100,515	(0.8) %
Restricted net position	56,974,215	51,396,328	10.9 %
Unrestricted net position	103,201,860	96,219,977	7.3 %
Total net position	$ 387,519,531	$ 376,716,820	2.9 %

The Agency's total net position increased $10.8 million or 2.9%, in part as a result of the following:

- Current assets increased due to new notes receivable from partnerships entered into during the year. MDHA contributed $10.2 million from Metro Nashville Capital funds in the form of a construction note receivable to the Randee Rogers, L.P. An additional $7.2 million in the form of notes receivable to the Boscobel I, L.P construction was drawn during the year and will mature in 2021 to be paid with Investor Equity contributions.
- Total liabilities increased due to loan proceeds of $7.2 million from Pinnacle Bank for the Boscobel I, L.P. LIHTC project construction, and $1.3 million loan proceeds for the Harper Cove Flats project. As of September 30, 2020 construction payables totaling $2.5 million for the Randee Rogers mixed income project were accrued, increasing the total liabilities for the Agency.

FINANCIAL ANALYSIS OF THE AGENCY (CONTINUED)

Revenues, Expenses and Changes in Net Position

Fiscal year 2020 as compared to fiscal year 2019:

	2020	2019 (Restated)	% Increase (Decrease)
Operating revenues			
Rentals	$ 19,252,953	$ 19,217,499	0.2 %
Other tenant revenue	686,836	945,457	(27.4) %
Governmental operating revenue	108,403,701	102,386,782	5.9 %
Local government development activities	12,456,288	3,964,552	>100 %
Other	14,256,345	14,954,296	(4.7) %
Total operating revenues	155,056,123	141,468,586	9.6 %
Operating expenses			
Administrative expenses	22,253,591	20,173,995	10.3 %
Other	117,510,374	98,922,098	18.8 %
Total operating expenses	139,763,965	119,096,093	17.4 %
Operating gain	15,292,158	22,372,493	(31.6) %
Nonoperating revenues (expenses)	(3,985,570)	(2,258,237)	76.5 %
Other changes	(503,877)	(12,108,196)	(95.8) %
Change in net position	$ 10,802,711	$ 8,006,060	34.9 %

Operating revenue and Operating expense increased $13.6 and $20.7 million, respectfully.

Governmental operating revenue increased $6.0 million due to CAREs Act funding for rental assistance HAP payments and admin funding from HUD.

Local government development activities revenue increased $8.5 million due to funding from the Capital Improvements Budget of the Metropolitan Government of Nashville and Davidson County for the Randee Roger and Red Oak Townhomes mixed income developments.

Administrative expense increased $2.1 million due to increased salaries and employee benefit cost.

Other operating expense increased $18.6 million during the fiscal year. This increase is a result of increased housing assistance payments and direct program cost related to CAREs Act funding.

Other changes reported during the year is primarily due to HUD approved replacement reserves transferred from MDHA to the Discretely Presented Component Unit properties completed in 2020.

CAPITAL ASSETS

Fiscal year 2020 as compared to fiscal year 2019:

	2020	2019
Land	$ 100,954,131	$ 97,846,870
Infrastructure	26,504,548	26,016,108
Buildings	412,877,485	412,470,993
Equipment	7,482,362	7,056,864
Construction in progress	11,386,809	10,006,258
Total	559,205,335	553,397,093
Less accumulated depreciation	(229,978,035)	(222,868,189)
Net capital assets	$ 329,227,300	$ 330,528,904

Net capital assets decreased $1.3 million, or -.4% during fiscal year 2020. During fiscal year 2020, the Agency expended $12.2 million on construction in progress activities and purchased land on Shelby Ave for $1.6 million. Harper Cove Flats construction was completed during the fiscal year and assets of $9.1 million were transferred from construction in progress to depreciable assets. The Agency retired $5.9 million for the demolition of 90 units at Cayce Place, $823,000 retired at 10th & Jefferson for roof and structure damage from the March 2020 tornado and $367,000 for demolition of Randee Rogers training center and Cheatham Place maintenance structures along with their associated $6.4 million of accumulated depreciation retired during the fiscal year. Current year depreciation expense on capital assets totaled $13.6 million.

DEBT ADMINISTRATION

Fiscal year 2020 as compared to fiscal year 2019:

	2020	2019
Total notes payable - other	$ 168,787,517	$ 161,792,141

As of September 30, 2020, the Agency's note principal and interest outstanding totaled $169 million - an increase of 4.3% from the prior year. The Agency incurred $11.5 million in new debt for the construction and completion of Kirkpatrick Park, Harper Cove Flats, and Boscobel I during 2020 offset by principal payments of $4.5 million.

AFFILIATE AGREEMENTS

The Agency has included, as discretely presented component units, the activity for Preston Taylor Homes, LLC, Levy Place, LP, Ryman Lofts at Rolling Mill Hill, L.P, Boscobel I, L.P., CP II, L.P., Boscobel III, L.P., Victory Hall, L.P., and Randee Rogers, L.P. Randee Rogers, L.P. entered into an Amended and Restated Agreement of Limited Partnership with Boston Capital Corporate Tax Credit Fund XLIX, the Investor Limited Partner and BCCC, Inc., the Special Limited Partner to facilitate their equity investment for the project in March 2020. These entities are shown as discretely presented component units because the Agency is financially accountable for them; however, it does not have full ownership over the entities. The MDHA Housing Trust Corporation, which is included in the Primary Government has a .01% general partner interest in each of these entities.

Requests for the full financial information of the Levy Place, LP, and the Ryman Lofts at Rolling Mill Hill, LP (the Discretely Presented Component Units) should be addressed to The Metropolitan Development and Housing Agency, 701 South Sixth Street, Nashville, Tennessee, 37206.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide residents, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at MDHA, P.O. Box 846, Nashville, TN 37202.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

ASSETS

	Primary Government	Discretely Presented Component Units
CURRENT ASSETS		
Cash and cash equivalents	$ 37,860,119	$ 1,678,447
Restricted cash and cash equivalents	61,873,987	10,024,938
Investments, at fair value	2,266,713	-
Receivables:		
Tenant, net of allowances	325,850	84,679
Amounts due from other governmental agencies	5,498,738	-
Current portion of notes receivable, net of allowances	1,640,344	-
Notes receivable between the primary government and its discretely presented component units, net of allowances	10,121,513	-
Other	3,316,232	1,473
Inventory	1,527,110	-
Prepaid expenses	1,119,680	100,705
TOTAL CURRENT ASSETS	125,550,286	11,890,242
CAPITAL ASSETS, NET	329,227,300	124,074,331
NONCURRENT ASSETS		
Other assets	36,000,414	176,463
Notes receivable, net of allowances	24,127,984	-
Notes receivable between the primary government and its discretely presented component units, net of allowances	58,953,764	-
TOTAL NONCURRENT ASSETS	119,082,162	176,463
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS	$ 573,859,748	$ 136,141,036

See accompanying notes.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF NET POSITION (CONTINUED)

SEPTEMBER 30, 2020

LIABILITIES

	Primary Government	Discretely Presented Component Units
CURRENT LIABILITIES		
Funds held for others	$ 855,697	$ -
Accounts payable	7,698,227	4,879,734
Contract retention payable	16,616	-
Compensated absences payable	874,640	12,990
Accrued liabilities	1,528,741	34,317
Due to tenants	1,689,931	148,964
Unearned revenue	1,686,850	44,883
Due to other governments	25,769	29,000
Current portion of long-term debt	16,414,784	9,926,011
Current debt between the primary government and its discretely presented component units	-	10,121,513
TOTAL CURRENT LIABILITIES	30,791,255	25,197,412
NONCURRENT LIABILITIES		
Deposits	1,400,439	91,473
Long-term debt, less current maturities	152,372,733	22,337,189
Long-term debt between the primary government and its discretely presented component units	-	58,953,764
Long-term compensated absences payable	1,775,790	26,373
TOTAL NONCURRENT LIABILITIES	155,548,962	81,408,799
TOTAL LIABILITIES	186,340,217	106,606,211
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Net investment in capital assets	227,343,456	22,735,854
Restricted for:		
Replacement reserves	47,084,500	1,654,544
HAP reserves	4,636,944	-
Other escrows	5,252,771	-
Partnership operating reserves	-	783,440
Construction	-	3,740,769
Unrestricted net position	103,201,860	620,218
TOTAL NET POSITION	387,519,531	29,534,825
TOTAL LIABILITIES AND NET POSITION	$ 573,859,748	$ 136,141,036

See accompanying notes.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED SEPTEMBER 30, 2020

	Primary Government	Discretely Presented Component Units
OPERATING REVENUES		
Rentals	$ 19,252,953	$ 2,141,637
Other tenant revenue	686,836	69,006
Governmental operating revenue	108,403,701	964,226
Program income	356,008	-
Local government development activities	12,456,288	-
Other income	13,900,337	53,275
TOTAL OPERATING REVENUES	155,056,123	3,228,144
OPERATING EXPENSES		
Cost of Services:		
Tenant services	770,736	163,585
Utilities	9,723,628	227,548
Ordinary maintenance and operations	18,069,437	496,009
Protective services	1,934,029	66,779
Other direct program costs	18,622,590	238,309
Housing assistance payments	54,799,354	-
Administration	22,253,591	970,766
Depreciation	13,590,600	1,103,806
TOTAL OPERATING EXPENSES	139,763,965	3,266,802
OPERATING INCOME (LOSS)	15,292,158	(38,658)
NONOPERATING REVENUES (EXPENSES)		
Interest income	862,195	30,301
Gain on disposition of assets	37,252	-
Interest expense	(4,885,017)	(1,054,282)
TOTAL NONOPERATING EXPENSES - NET	(3,985,570)	(1,023,981)
INCREASE (DECREASE) IN NET POSITION BEFORE CONTRIBUTIONS AND OTHER LOSSES	11,306,588	(1,062,639)
Members capital contributions	-	4,387,264
Other special items	(503,877)	6,059,794
CHANGES IN NET POSITION	10,802,711	9,384,419
NET POSITION - BEGINNING OF YEAR AS PREVIOUSLY REPORTED	371,716,820	20,150,406
PRIOR PERIOD ADJUSTMENT	5,000,000	-
NET POSITION - BEGINNING OF YEAR AS RESTATED	376,716,820	20,150,406
NET POSITION - END OF YEAR	$ 387,519,531	$ 29,534,825

See accompanying notes.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from rental operations	$ 19,919,609
Receipts from program income	271,367
Receipts from government subsidy for operations	107,503,436
Receipts from local governmental development activities	9,823,357
Receipts from other sources	14,756,101
Payments to and on behalf of employees	(25,524,808)
Payments for other administrative expenses	(4,684,132)
Payments for other direct program costs, including housing assistance payments	(91,950,624)
Program loan activities:	
Cash expended for program loans	(17,321,247)
Principal collections on notes receivable	2,801,708
Interest income collections	(48,224)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,546,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(14,738,144)
Proceeds from capital debt	10,043,726
Principal paid on capital debt	(2,910,354)
Interest paid on capital debt	(4,855,356)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(12,460,128)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments, including reinvested interest	(12,540)
Interest received	862,195
NET CASH PROVIDED BY INVESTING ACTIVITIES	849,655
CASH FLOW FROM SPECIAL ITEMS	
Payments for special items	(613,896)
NET CASH USED BY SPECIAL ITEMS	(613,896)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,322,174
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	96,411,932
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 99,734,106

Supplemental disclosure of noncash investing and financing activities:

Additions to debt composed of accrued interest	$ 1,441,221
Retirements of debt composed of accrued interest	$ 1,579,217
Prior period adjustment to recognize note receivable	$ 5,000,000
Change in capital asset additions in accounts payable	$ (1,667,233)
Net additions to notes receivable composed of interest	$ 1,744,308

See accompanying notes.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 15,292,158
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	13,590,600
Bad debt expense	676,695
Changes in assets and liabilities	
Accounts receivable	(4,158,374)
Prepaid expenses and other assets	1,307,725
Due to tenants	90,477
Accounts payable, funds held for others, contract retention and amounts due to other governments	1,662,598
Deferred revenue and other deposits	934,336
Accrued liabilities and compensated absences	669,867
Program loan activities:	
Cash expended for program loans	(17,321,247)
Principal collections on notes receivable	2,801,708
TOTAL ADJUSTMENTS	254,385
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 15,546,543
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:	
Cash and cash equivalents	$ 37,860,119
Restricted cash and cash equivalents	61,873,987
	$ 99,734,106

Changes in assets and liabilities included in cash flows from capital and other financing activities:

Accounts receivable - insurance proceeds	$ 823,682
Accounts receivable - interest	$ 104,478
Prepaid expenses and other assets - unamortized costs	$ 9,757
Accrued liabilities - interest for various properties	$ 130,687

See accompanying notes.

NOTE 1 - NATURE OF THE AGENCY

The Metropolitan Development and Housing Agency of Nashville, Tennessee ("MDHA" or the "Agency"), a public corporate body, was organized in 1938 under the laws of the State of Tennessee and is a discretely presented component unit of the Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government"). The Agency was created for the purpose of providing affordable housing opportunities in a safe environment. MDHA has administrative responsibility for various other community development programs whose primary purpose is the development of viable urban communities.

The governing body of the Agency is its Board of Commissioners, composed of seven members appointed by the Mayor and confirmed by the Metropolitan Council of Nashville and Davidson County, Tennessee.

See additional information in NOTE 2 for reporting entity regarding both the primary government and discretely presented component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America ("GAAP"), the Agency has elected to apply all relevant Government Accounting Standards Board ("GASB") pronouncements.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from grant agreements, providing services, and producing and delivering goods in connection with the ongoing principal operations. The principal operating revenues of the Agency include program specific grants, rental income from tenants of the various single and multi-family housing projects and development fees for the administration of various community development programs and capital projects of the Metropolitan Government. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Reporting Entity

As described in GASB Statement No. 34, paragraph 134, the Agency is considered a primary government and meets the definition of a special purpose government ("SPG"). MDHA is a legally separate entity that is engaged in only business-type activities. Business-type activities are defined as activities that are financed in whole or in part by fees charged to external parties for goods or services. SPGs engaged only in business-type activities are required to present only the financial statements required for proprietary funds, which includes Management's Discussion and Analysis ("MD&A"), basic financial statements, and Required Supplemental Information ("RSI"). All inter-program activities have been eliminated in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The Agency has included, as discretely presented component units, the activity for Preston Taylor Homes, LLC, Ryman Lofts at Rolling Mill Hill, L.P., and Levy Place, L.P. as of and for the year ended December 31, 2019. These entities are shown as discretely presented component units because the Agency is financially accountable for them; however, it does not have full ownership over the entities. During the Agency's fiscal year ended September 30, 2019, Preston Taylor Homes, LLC was merged into the housing authority. Additionally, the Agency has included the activity for Boscobel I, L.P., CP II, L.P., Boscobel III L.P., Victory Hall, L.P., and Randee Rogers, L.P. as of September 30, 2020. These entities also meet the criteria to be included as discretely presented component units; however, construction on the properties is not complete and the properties are not yet subject to a separate audit requirement. The MDHA Housing Trust Corporation, which is included in the Primary Government, has a .01% general partner interest in Ryman Lofts, Levy Place and Boscobel I, and is considered a blended component unit. Total assets and net position of MDHA Housing Trust Corporation were approximately $34,700 at September 30, 2020. Total operating activity was approximately a net income of $28,900 for the year ended September 30, 2020. The accounting for these component units are such that they have elected to apply all relevant Accounting Standard Codification ("ASC") pronouncements as issued by the Financial Accounting Standards Board.

Requests for the full financial information of Ryman Lofts at Rolling Mill Hill, L.P., and Levy Place, L.P. (the Discretely Presented Component Units) as of December 31, 2019 should be addressed to The Metropolitan Development and Housing Agency, 701 South Sixth Street, Nashville, Tennessee, 37206.

The financial activity of MDHA J. Henry Hale, LLC, MDHA 10th & Jefferson, LLC, MDHA Madison Towers, LLC and MDHA Kirkpatrick Park LLC has been included in the Primary Government column of Statement of Net Position and the Statement of Activities as blended component units in accordance with the requirements of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The accounting for these component units are such that they have elected to apply all relevant Accounting Standard Codification ("ASC") pronouncements as issued by the Financial Accounting Standards Board; however, no adjustments were necessary to conform to the standards promulgated by the Government Accounting Standards Board.

Proprietary Fund Types - The Funds are Consolidated into a Single Fund for Reporting Purposes

PROJECT BASED RENTAL ASSISTANCE PROGRAM
This fund is used to account for all Agency owned RAD converted properties and any mixed finance public housing properties (which are not owned by the Agency.) It is the largest and most active of the funds and is controlled through annual HAP contracts renewed by HUD.

CENTRAL OFFICE COST CENTER
This program contains all the income and expenses associated with the Agency's centralized functions (e.g. executive, finance, human resources, information technology, purchasing, central maintenance, etc.). The establishment of the program was required by HUD regulations relating to asset management.

SECTION 8 VOUCHER PROGRAM
This fund is used to account for the administration of the Agency's Section 8 voucher program. It is funded by HUD and seeks to provide prospective residents with greater choice in selection of assisted housing.

CONSOLIDATED ANNUAL ACTION PLAN PROGRAMS
This fund has been created to account for the administration of programs funded by HUD. The goals of these programs are to address the problems of affordable housing, homelessness, community development needs, and economic opportunities for all citizens, particularly for very low-income and low-income persons.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types - The Funds are Consolidated into a Single Fund for Reporting Purposes (Continued)

LOCAL PROGRAMS
This fund accounts for the state funded programs and grants and programs administered on behalf of the local government by the Agency

BUSINESS ACTIVITIES
This fund accounts for all programs that are neither federal, state nor local that are administered by the Agency.

Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are stated at fair value.

Allowance for Doubtful Accounts

The Agency uses the allowance for bad debts method of valuing doubtful receivables which is based on historical experience, coupled with a review of the status of existing receivables. As of September 30, 2020, an allowance for doubtful tenant receivables in the amount of $6,442,816 has been provided by management.

Investments

Investments consist primarily of certificates of deposit and are stated at cost, which approximates fair value given the nature of the investments.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets with an initial, individual cost of more than $5,000 and an estimated useful life of one year or more. Capital assets are stated at cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The costs of U. S. Department of Housing and Urban Development ("HUD") "Capital Fund" projects are reported as construction-in-progress until audited cost certification reports are approved by HUD, at which time such costs are transferred to appropriate fixed assets categories. Depreciation is provided by the straight-line method over the following estimated useful lives of the assets:

Building and improvements	10 to 40 years
Infrastructure	10 to 40 years
Furniture and Equipment	3 to 15 years

Additionally, the Agency holds certain capital assets under agreements with the Metropolitan Government. Under the agreements, the proceeds from the sale of such assets revert to the Metropolitan Government. As of September 30, 2020, the value of these assets totaled $21,500,000. The assets are recorded in capital assets at fair value at the date of transfer.

Inventory

MDHA's inventory consists of vacant properties that have been purchased or received as contributions from the Metropolitan Government. Inventory also includes single-family homes that were constructed with federal or state funds and are available for sale to qualified agencies or individuals. Properties purchased or constructed are reported at historical cost. Properties contributed by the Metropolitan Government are recorded at fair value at the date of gift. These costs are reported as inventory until such time as the property is sold or used.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for Uncollectible Notes

A note receivable is considered impaired when, based on current information, it is probable that all amounts of principal and interest due will not be collected according to the terms of the note agreement. Uncollectible notes are charged to the allowance account in the period such determination is made. The provision for uncollectible notes receivable was $15,335,302 at September 30, 2020.

Compensated Absences

Most employees earn annual leave at a rate ranging from 12 days per year for the first five years of service, up to a maximum of 25½ days per year after 20 years. There is no requirement that annual leave be taken; however, the maximum permissible accumulation is 76½ days. Sick leave is accumulated at the rate of one work day per month. Unused sick leave may accumulate to an unlimited amount. At termination, employees are paid for any accumulated annual leave, and employees who have completed 15 years or more of service will be paid 20% of unused sick leave. All annual leave and vested sick leave are accrued in the period incurred.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Restricted Assets

Restricted assets consist of cash and certificate of deposits, which are legally restricted. The restricted assets primarily are to be used for purposes specified under the Housing Choice Voucher, Family Self Sufficiency or Project Based Rental Assistance programs. When restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Tenant Accounts Receivable Net of Bad Debt Expense

The State of Tennessee Comptroller's Office review of the 2004 audited financial statements cited that in accordance with Governmental Accounting Standards Board Statement No. 34, revenues in proprietary funds should be reported as net of all related allowances, which include amounts pertaining to uncollectible accounts. Therefore, the increase and decrease in the estimate of uncollectible accounts should be reported net of revenue instead of bad debt expense. The Agency's bad debt expense charged against revenue was $676,695 for the year ended September 30, 2020.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with GASB Statement No. 40 "Deposits and Investment Risk Disclosures," information related to cash, cash equivalents and investments is as follows:

A. Custodial Credit Risk

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Agency may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. The policy of the Agency is to invest, on a daily basis, all idle funds in financial institutions that are secured by collateral of identifiable United States government securities. All cash and investments are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC") or other equivalent insurance company of depository financial institutions. The deposits exceeding the insured or registered limits are collateralized with securities held by the Agency's financial institution. (See Deposit and Investment Policy on page 23.)

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The Agency's investment policy limits investments to provide the optimum return on the investment consistent with the cash management program of the Agency.

Investments are made based upon prevailing market conditions at the time of the transaction. The Agency reviews its cash and investment needs in order to maintain adequate liquidity to meet its cash flow needs. Investments will typically be limited to securities maturing in periods of up to one year, or such lesser period that coincides with expected disbursements by the Agency.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely and (c) reasonable action is taken to control any adverse developments. The Agency's investment policy requires investments to be made in accordance with the laws of the State of Tennessee and HUD guidelines.

D. Concentration of Credit Risk

The Agency's investment policy does not limit the amount it may invest with one financial institution as long as all funds are secured by the FDIC or identifiable United States government securities.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect fair value of an investment or a deposit. All of the Agency's deposits and investments are denominated in United States currency.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Schedule of restricted cash with offsetting liability as of September 30, 2020:

Funds held for others	$ 855,697
Deposits	1,069,949
MDHA 10th & Jefferson LLC Escrow	351,149
MDHA Kirkpatrick Park LLC Escrow	58,836
MDHA J Henry Hale LLC Escrow	534,108
MDHA Madison Towers LLC Escrow	815,665
MDHA Housing Trust Fund Deferred Grants	29,102
Due to resident councils	619,987
HAP reserves	5,590,379
FSS Escrow accounts	1,400,439
Post RAD Rehab escrows	2,569,668
Replacement reserve accounts	47,084,500
Property management company accounts	894,508
	$ 61,873,987

Funds held for others $855,697 are cash and cash equivalents held in MDHA's name and managed by the Agency under a 'Memorandum of Understanding' ("MOU") for the benefit of certain affiliate entities and escrow funds held for certain tax increment financing loans.

Tenant security deposits of $1,069,949 for rental properties managed by MDHA.

Deposits of $351,149 held by HUD for the MDHA 10th & Jefferson LLC replacement reserve and construction hold out escrow.

MDHA deposits of $58,836 required by HUD for MDHA Kirkpatrick Park replacement reserve.

Deposits of $534,108 held by HUD for the MDHA J Henry Hale LLC replacement reserve.

Deposits of $815,665 held by HUD for the MDHA Madison Towers LLC replacement reserve.

Amounts due to resident councils of $619,987 are tenant participation funds from HUD which are held for use by the duly elected resident councils.

Housing Assistance Payment ("HAP") restricted equity totaling $5,590,379 are excess Section 8 housing assistance funds under the Housing Choice Voucher program.

Deposits of $1,400,439 are held for participants in the HUD Family Self-Sufficiency program.

Escrow deposits of $2,569,668 required by HUD to cover non-critical repairs identified in Capital Needs Assessment for the RAD converted project based rental assistance properties.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Replacement reserves of $47,084,500 required by HUD for the RAD converted project based rental assistance properties.

Tenant deposits and replacement reserves of $894,508 for market rate units managed by a separate management company.

Discretely Presented Component Unit Deposits

The carrying amount of unrestricted cash and cash equivalents was $11,703,385. The bank balances held with financial institutions are entirely insured and are classified as cash and cash equivalents on the statement of net position.

Restricted Deposits - Regulations of HUD require that security deposits be segregated from cash. Accordingly, the discretely presented component units hold all security deposits in a separate account. At December 31, 2019, amounts held for tenant security deposits totaled $157,981. Pursuant to various agreements, the discretely presented component units must hold amounts in reserves and escrow in separate cash accounts. The following is a summary of the restricted cash of the Discretely Presented Component Units:

Construction escrow reserves	$ 7,349,342
Replacement reserves	1,654,544
Operating reserves	783,440
Tenant security deposits	157,981
FSS escrow accounts	79,631
	$ 10,024,938

Deposit and Investment Policy

MDHA's deposit and investment policy is governed by the laws of the State of Tennessee and HUD guidelines. Permissible investments include direct obligations of the U.S. Government and Agency securities, certificates of deposit, savings accounts, repurchase agreements and the State of Tennessee Local Government Investment Pool.

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's bank collateral pool.

The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure in accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments

Certificates of deposit were covered by the Certificate of Deposit Account Registry Service ("CDARS") to stay below the Federal Deposit Insurance ("FDIC") limits at any given bank.

The Agency has not established a limit on the amount it may invest in any one issuer. Citizens Bank has 100% of the Agency's investments through the CDARS program as of September 30, 2020 consisting solely of certificates of deposit.

At September 30, 2020, the future maturities of MDHA's investments are as follows:

Type of investment	Carrying amount	Maturity fiscal 2021	Not subject to maturity
Certificates of deposit	$ 2,266,713	$ 2,266,713	$ -
Total	$ 2,266,713	$ 2,266,713	$ -

NOTE 4 - CAPITAL ASSETS

	September 30, 2019	Additions	Retirements	Transfers	September 30, 2020
Capital assets, not being depreciated:					
Land	$ 97,846,870	$ 1,625,000.00	$ (4,300)	$ 1,486,561	$ 100,954,131
Construction in progress	10,006,258	12,224,023	(1,662,718)	(9,180,754)	11,386,809
Total capital assets, not being depreciated	107,853,128	13,849,023	(1,667,018)	(7,694,193)	112,340,940
Capital assets, being depreciated:					
Buildings	412,470,993	441,212	(7,152,473)	7,117,753	412,877,485
Infrastructure	26,016,108	-	-	488,440	26,504,548
Furniture, equipment, & machinery - dwellings	6,124,933	374,762	(93,378)	88,000	6,494,317
Furniture, equipment, & machinery - administrative	931,931	73,146	(17,032)	-	988,045
Total capital assets, being depreciated	445,543,965	889,120	(7,262,883)	7,694,193	446,864,395
Less accumulated depreciation for:					
Buildings	(198,643,976)	(12,395,116)	6,370,950	-	(204,668,142)
Infrastructure	(18,577,088)	(755,576)	-	-	(19,332,664)
Furniture, equipment, & machinery - dwellings	(4,815,639)	(401,333)	93,379	-	(5,123,593)
Furniture, equipment, & machinery - administrative	(831,486)	(38,575)	16,425	-	(853,636)
Total accumulated depreciation	(222,868,189)	(13,590,600)	6,480,754	-	(229,978,035)
Total capital assets, being depreciated, net	222,675,776	(12,701,480)	(782,129)	7,694,193	216,886,360
Total capital assets, net	$ 330,528,904	$ 1,147,543	$ (2,449,147)	$ -	$ 329,227,300

Total depreciation expense for the year ended September 30, 2020 was $13,590,600.

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Units

	Prior Year Balance	Additions	Retirements	Transfers	Current Year Balance
Capital assets, not being depreciated:					
Land	$ 7,494,373	$ -	$ (278,320)	$ -	$ 7,216,053
Construction in progress	43,054,647	53,270,038	-	-	96,324,685
Total capital assets, not being depreciated	50,549,020	53,270,038	(278,320)	-	103,540,738
Capital assets, being depreciated:					
Buildings	45,989,371	-	(23,383,097)	-	22,606,274
Infrastructure	1,366,363	-	(1,366,363)	-	-
Furniture, equipment, & machinery	3,183,478	-	(937,640)	-	2,245,838
Total capital assets, being depreciated	50,539,212	-	(25,687,100)	-	24,852,112
Less accumulated depreciation for:					
Buildings	(12,983,936)	(1,047,334)	10,658,660	-	(3,372,610)
Infrastructure	(332,623)	(29,588)	-	-	(362,211)
Furniture, equipment, & machinery	(1,455,727)	(26,884)	898,913	-	(583,698)
Total accumulated depreciation	(14,772,286)	(1,103,806)	11,557,573	-	(4,318,519)
Total capital assets, being depreciated, net	35,766,926	(1,103,806)	(14,129,527)	-	20,533,593
Total capital assets, net	$ 86,315,946	$ 52,166,232	$ (14,407,847)	$ -	$ 124,074,331

Total Depreciation expense for the discretely presented component units was $1,103,806.

NOTE 5 - NOTES RECEIVABLE

Notes receivable, including related accrued interest, consisted of the following as of September 30, 2020:

Notes receivable from discretely presented component units		
Boscobel I LP	$	24,251,222
Ryman Lofts LP		424,239
Levy Place LP		7,284,706
Victory Hall LP		1,029,166
CP II LP		9,661,250
Boscobel III LP		16,228,138
Randee Rogers LP		10,196,556
Total notes receivable from discretely presented component units		69,075,277
Notes receivable from third parties		
Boscobel Heights Development Co		19,725,800
Martha O'Bryan Explore School		4,534,844
Rehabilitation loans		2,129,715
Business district loans		53,704
Façade loans		116,704
Neighborhood Stabilization promissory notes		14,514,864
Other		27,999
Allowance for doubtful accounts		(15,335,302)
Total notes receivable from third parties		25,768,328
Total notes receivable		94,843,605
Less current portion		(11,761,857)
Net notes receivable and accrued interest receivable, less current portion	$	83,081,748

Boscobel Heights Development Co Loans were made to MOB Nashville Investment Fund, LLC for the construction of the K-8 charter school facility. Financing was provided by Community Development Entities ("CDE"). The loans are secured by the CDE interest and security interest in the charter school. Interest accrues at an annual rate of 4.604% commencing September 24, 2018. Interest only shall be due and payable quarterly on Leverage Loan A for $14,880,000 with outstanding principal due on the maturity date of September 24, 2025. Interest only shall be due and payable quarterly on Leverage Loan B for $4,845,800 through September 2025, with quarterly principal and interest payable through maturity date of October 10, 2048.

NOTE 5 - NOTES RECEIVABLE (CONTINUED)

Rehabilitation Loans are made from the Community Development Block Grant and Home Investment Trust programs to aid homeowners in rehabilitating substandard housing or historic homes. The loans are secured by the property deeds of trust. Loan repayments on rental properties are made monthly, for a maximum of 10 years, together with interest at 3% per annum, with a maximum loan amount set at $35,000 for projects rehabbing one to two units, $50,000 for three to four units, and $75,000 for five or more units. Effective March 2003, the Board of Commissioners approved 3% loans for new construction of rental properties; forgivable loans for rehabilitation of rental projects with five or more units; and forgivable loans for rehabilitation of rental projects with one-half or more of the total number of units containing four or more bedrooms. The four-bedroom units must be rented for a low rental rate over the 10-year loan period. The loans are forgiven at the rate of 10% on each anniversary date. Management has provided an allowance for doubtful accounts totaling $725,030 related to these loans.

Business District Loans are made from the Community Development Block Grant program to promote small business and provide incentive for reinvestment in areas of general commercial deterioration. The loans are for a maximum of $20,000 at the prime interest rate for a term of five to ten years. Management has provided an allowance for doubtful accounts totaling $23,704 related to these loans.

Facade Loans are made from the Community Development Block Grant program to aid businesses in repairing and renovating the exterior of buildings in the commercial neighborhood strategy areas. The non-interest bearing loans are for a maximum of $35,000 per building with a five-year repayment term. Management has provided an allowance for doubtful accounts totaling $71,704 related to these loans.

Neighborhood Stabilization Promissory Notes were executed between MDHA and non-profit entities that received NSP funds for the acquisition, rehabilitation and redevelopment of foreclosed or vacant properties. The properties have an affordability period per the grant agreements of 25 years. If the borrower complies with all of the terms and requirements of the restrictions, the entire balance of the Note will be forgiven at the end of the affordability period. No interest shall be due or payable on this Note. The provision for uncollectible notes includes 100% of the NSP notes which total $14,514,864 as of September 30, 2020.

Other notes receivable consist of business loans to local development agencies for affordable housing development and loans made from the Technical Assistance Program Fund to promote privately owned small businesses in low-income areas and loans related to the sale of properties. Of the $452,238 balance, $424,239 is due from Ryman Lofts at Rolling Mill Hill, L.P. The loan bears interest at 5% and matures on September 1, 2041. Principal and interest are payable from the cash flow of Ryman Lofts at Rolling Mill Hill, L.P on an annual basis, on or before the 90th day following the end of each calendar year.

Explore School Loans were made to the Martha O'Bryan Center, Inc., September 24, 2018, for the construction and operations of the K-8 charter school facility. The Agency loaned $5 million with interest accruing at an annual rate of 3%. The Fundraising Note shall be repaid and remitted to MDHA over a three-year period, with $1.2 million paid November 2019, an additional $1.3 million due November 2020 and the final $2.5 million, plus any unpaid accrued interest, due November 1, 2021, the maturity date. The balance with accrued interest as of September 30, 2020 was $4,079,500. The Martha O'Bryan Center, Inc. entered into an Accrued Rent Note with MDHA, not to exceed $3.5 million with interest accruing at an annual rate of 3%. Sublease payments calculated using the number of pupils at the beginning of the school year by Martha O'Bryan, Rental Gross Revenues, are paid monthly to MDHA to be applied to the Base Rent payments owed by MDHA. MDHA monthly note proceeds are equal to the excess of the Base Rent over the Rental Gross Revenues. The outstanding principal and accrued interest shall be due and payable on the maturity date of March 22, 2026. The balance with accrued interest as of September 30, 2020 was $455,344.

NOTE 5 - NOTES RECEIVABLE (CONTINUED)

The Agency has made various loans to the discretely presented component units, Levy Place, L.P., Boscobel I, L.P., CP II, L.P., Boscobel III, L.P., Victory Hall, L.P and Randee Rogers L.P. See Note 7 for the detailed information regarding the terms and conditions of each loan made by the Agency to the discretely presented component units.

NOTE 6 - OTHER ASSETS

The following is a summary of other assets of the Primary Government for the year ended September 30, 2020:

Tax increment revenues due for The Sports Authority Debt repayment (See Note 7)	$ 28,972,819
Downtown Parking Garage unamortized bond issuance costs and capitalized interest	5,952,000
Madison Tower bond issuance costs	215,214
Boscobel IV other assets	70,280
MDHA Kirkpatrick Park LLC other assets	334,663
Boscobel Heights Library other assets	18,000
J. Henry Hale bond issuance costs	367,958
Nance Place Apartments unamortized costs	69,480
	$ 36,000,414

NOTE 7 - LONG-TERM DEBT

A summary of changes in MDHA's long-term debt for the year ended September 30, 2020 is presented below:

	Balance 9/30/2019	Additions	Retirements	Balance 9/30/2020	Due within one year
Notes Payable	$ 161,792,141	$ 11,484,947	$ (4,489,571)	$ 168,787,517	$ 16,414,784

Primary Government

$1,400,000 promissory note with Bank of Tennessee, dated May 24, 2012, payable in monthly installments of principal of $7,780 plus accrued interest through the maturity date of June 25, 2024. Interest accrues at the variable rate of the Prime Rate minus two percentage points, but not less than zero. The note is collateralized by a 76-unit apartment complex and assignment of rents and leases.	$ 353,678
$7,875,600 HUD 221(d)4 Construction Note with Walker & Dunlop, LLC, for the construction of a 54 unit apartment building. Interest only payments shall be due monthly beginning November 1, 2015 up to April 1, 2017, thereafter monthly principal and interest payments totaling $34,150 are due. The loan bears an interest rate of 4.25%. The loan is collateralized by the 10th & Jefferson apartment complex and assignment of rents and will mature in April of 2057.	7,485,929

NOTE 7 - LONG-TERM DEBT (CONTINUED)

$28,000,000 promissory loan with The Sports Authority of the Metropolitan Government of Nashville and Davidson County for TIF eligible expenses related to the property acquisition and construction of the new ballpark facility on the "Sulphur Dell" site. The loan bears an interest rate of 4.55% per annum and interest payments will begin on July 1, 2014 and principal payments on July 1, 2017 or after previously accrued interest has been fully paid. The loan is securitized by revenues from tax increment revenue generated by certain properties in the Phillips Jackson Redevelopment District. The loan will mature on July 1, 2043. As of September 30, 2020 interest accrued on the loan totaled $972,819. (Included in other noncurrent assets is a corresponding amount totaling $28,972,819 - see Note 6)	$ 28,972,819
$2,300,000 promissory note with the Bank of Tennessee, for the construction of a 109 unit apartment building. This loan was previously a construction loan that converted to permanent financing on December 1, 2011. Monthly principal payments total $6,390 and interest accrues at a variable rate of the Prime Rate each month minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2020 was 3.25%). The note is collateralized by the Nance Place apartment complex and assignment of rents and will mature in December of 2026.	1,622,668
$9,076,327 loan commitment with the Tennessee Housing & Development Agency ("THDA") through the TCR Program, pursuant to Section 1602 of the American Recovery and Reinvestment Act of 2009, for the construction of a 109 unit apartment building. The note is noninterest bearing and forgivable over the term of the loan provided all covenants and agreements set forth in the loan agreement are met. The note is collateralized by the Nance Place apartment complex and assignment of rents and will mature in November of 2024.	5,690,405
$3,508,629 Flexible Subsidy Operating Assistance loan with the Secretary of Housing and Urban Development assumed by MDHA at the purchase of CWA apartments December 19, 2014. The note has an interest rate of 1% with monthly principal and interest payments totaling $19,029 for a twenty-year term maturing September 30, 2034. The loan is collateralized by CWA I Apartments, a 178 unit apartment complex and assignment of rents.	3,053,255
$1,659,585 Flexible Subsidy Operating Assistance loan with the Secretary of Housing and Urban Development assumed by MDHA at the purchase of CWA apartments December 19, 2014. The note has an interest rate of 1% with monthly principal and interest payments totaling $9,059 for a twenty-year term, maturing September 30, 2034. The loan is collateralized by CWA II Apartments, a 76 unit apartment complex and assignment of rents.	1,454,576

NOTE 7 - LONG-TERM DEBT (CONTINUED)

$42,900,000 Lease Financing Contract with Gates/Parking Real Estate II dated November 14, 2014, for the purchase of 505 Church Street and construction of a parking garage. Monthly payments are required beginning December 2016 through November 2044 and interest accrues at a rate equal to 4.839%. The financing contract is collateralized by the 5th Avenue of the Arts Garage and assignment of revenues.	$ 40,578,369
$20,478,300 HUD with Walker & Dunlop, LLC, to establish a Board controlled Strategic Reserve to be utilized for MDHA Recapitalization. Monthly principal and interest payments totaling $83,571 are due. The loan bears an interest rate of 3.41%. The loan is collateralized by the MDHA J Henry Hale apartment complex and assignment of rents and will mature in August of 2052.	19,489,653
$2,945,072 promissory note with the Bank of Tennessee dated April 19, 2014, for the construction of a 72 unit apartment building. This loan was previously an interest only loan that converted to permanent financing on April 19, 2014. Monthly principal and interest payments total $24,202 and interest accrues at a rate equal of 5.51%. The note is collateralized by the Uptown Flats apartment complex and assignment of rents and will mature in January of 2024.	1,635,769
$13,776,500 HUD 221(d)4 Construction Note with Walker & Dunlop, LLC, for the construction of a 94 unit apartment building. Interest only payments shall be due monthly beginning December 1, 2017 up to June 1, 2019, thereafter monthly principal and interest payments total $56,723 are due. The loan bears an interest rate of 3.90%. The loan is collateralized by the Kirkpatrick Park apartment complex and assignment of rents and will mature in June of 2059.	13,593,116
$5,400,000 construction loan with Reliant Bank dated May 30, 2018, advances under this loan shall be used for the construction of 40 townhomes in Bordeaux. Monthly interest payments were due until May 30, 2020, thereafter monthly principal and interest payments total $25,327 and interest accrues at a fixed rate equal to the US Treasury note rate, plus 2.5%, not to exceed 3.75%. The loan is collateralized by the Harper Cove Flats complex and assignment of rents and will Mature May 2030.	5,353,747
$4,960,000 note with the Low Income Investment Fund dated September 24, 2018. Quarterly interest payments are accrued at a 6% fixed rate through August 30, 2021, thereafter quarterly principal and interest payments total $106,880. The note is collateralized by a K-8 charter school facility and assignment of rents and will mature September 24, 2025.	4,960,000

NOTE 7 - LONG-TERM DEBT (CONTINUED)

\$4,960,000 note with the Nonprofit Finance Fund dated September 24, 2018. Quarterly interest payments are accrued at a 6% fixed rate through August 30, 2021, thereafter quarterly principal and interest payments total \$106,880. The note is collateralized by a K-8 charter school facility and assignment of rents and will mature September 24, 2025.	\$	4,960,000
\$4,960,000 note with the Reinvestment Fund, Inc. dated September 24, 2018. Quarterly interest payments are accrued at a 6% fixed rate through August 30, 2021, thereafter quarterly principal and interest payments total \$106,880. The note is collateralized by a K-8 charter school facility and assignment of rents and will mature September 24, 2025.		4,960,000
\$6,986,400 HUD with Walker & Dunlop, LLC, to establish a Board controlled Strategic Reserve to be utilized for MDHA Recapitalization. Monthly principal and interest payments totaling \$28,632 are due. The loan bears an interest rate of 3.44%. The loan is collateralized by the MDHA Madison Towers apartment complex and assignment of rents and will mature in September of 2054.		6,881,507
\$1,684,554 note with Pinnacle Bank dated August 15, 2018. Monthly interest payments are payable at a variable rate of the Prime Rate minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2020 was 3.25%). Unpaid principal and accrued interest is due and payable in full at maturity, January 4, 2021. The note is collateralized by Boscobel I, a 96 unit mixed income property and assignment of rents.		1,684,554
\$7,000,000 note with Pinnacle Bank dated August 15, 2018. Monthly interest payments are payable at a variable rate of the Prime Rate minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2020 was 3.25%).Beginning, February 15, 2021, monthly principal payments will be due with the monthly interest payments. The note is collateralized by Boscobel I, a 96 unit mixed income property and assignment of rents and will mature August 15,2033.		7,000,000
\$8,557,622 note with Pinnacle Bank dated August 15, 2018. Monthly interest payments are payable at a variable rate equal to the Prime Rate (September 30, 2020 was 3.25%). Unpaid principal and accrued interest is due and payable in full at maturity, January 4, 2021. The note is collateralized by Boscobel I, a 96 unit mixed income property and assignment of rents.		8,557,622

NOTE 7 - LONG-TERM DEBT (CONTINUED)

$500,000 note with Tennessee Housing Development dated August 2, 2019. The note bears a 0% interest rate and shall be forgiven annually over five years. The note is collaterized by Victory Hall and assignment of rents. The amount drawn as of September 30, 2020 was $375,000	$	375,000
$6,000,000 construction note with Synergy Bank dated July 31, 2020. Beginning September 1, 2020, monthly interest payments are payable at a variable rate equal to the Prime Rate less 4% (September 30, 2020 was 0%). Unpaid principal and accrued interest is due and payable in full at maturity, October 31, 2022. The note is collateralized by Red Oak Townhomes, a 44 unit mixed income property and assignment of rents. The amount drawn as of September 30, 2020 was $124,850.		124,850
	$	168,787,517

A schedule of principal maturities of the Agency's long-term debt at September 30, 2020 is as follows:

Year ending September 30	Principal	Interest	Total
2021	$ 16,414,784	$ 6,257,816	$ 22,672,600
2022	4,492,046	6,083,975	10,576,021
2023	4,676,660	5,929,165	10,605,825
2024	4,766,598	5,766,976	10,533,574
2025	17,887,646	5,594,300	23,481,946
2026 - 2030	27,010,014	21,593,250	48,603,264
2031- 2035	25,203,969	16,938,780	42,142,749
2036 - 2040	23,962,485	11,946,354	35,908,839
2041 - 2045	24,561,808	6,043,479	30,605,287
2046 - 2050	9,284,192	2,907,503	12,191,695
2051 - 2055	7,540,432	1,217,107	8,757,539
2056 - 2059	2,986,883	203,877	3,190,760
Total	$ 168,787,517	$ 90,482,582	$ 259,270,099

NOTE 7 - LONG-TERM DEBT (CONTINUED)

A summary of changes in long-term debt, before loan cost adjustment of ($75,590) of the Discretely Presented Component Units for the year ended December 31, 2019 is presented below:

	Prior year balance	Additions	Retirements	Current year balance	Due within one year
Notes Payable	$ 87,309,547	$ 35,462,318	$ (21,357,798)	$ 101,414,067	$ 20,047,524

Ryman Lofts at Rolling Mill Hill, L.P.

Construction and permanent financing is being provided by Bank of Tennessee under loan commitments of $3,900,000 (the construction loan) and $1,000,000 (the permanent loan), respectively. The loans bear interest at a variable interest rate of the prime rate minus 2% and may not fall below 0%. The prime rate at December 31, 2019 was 4.75%. The loans are secured by a leasehold deed of trust and an assignment of rents and leases. Interest only payments are due monthly through March 1, 2014, the maturity date of the construction loan. Beginning August 1, 2014, monthly principal and interest payments of $3,332 began on the permanent loan, and increased to $5,561 in September 2014. In February 2015, monthly payments of $4,304 began on the permanent loan and are due until maturity in June 2029.	$ 813,866
Construction and permanent financing is being provided by Metropolitan Development Housing Agency ("MDHA") under a loan commitment of $400,000. The nonrecourse loan is secured by a second leasehold deed of trust and bears interest at a rate of 5% of the outstanding principal balance per annum. No principal payments are due until the maturity date in September 2041. As of December 31, 2019, interest of $171,611, remained payable. During 2019, interest expense of $21,232 was incurred.	571,611

Levy Place, L.P.

Construction and permanent financing is being provided by Pinnacle Bank under a loan commitment of $5,850,000. The nonrecourse loan is secured by a leasehold deed of trust and an assignment of rents and leases. Interest shall accrue at an annual rate of the Wall Street Journal prime rate (5.5% as of December 31, 2019) minus 4% with a floor of 0% and a cap of 5%. Commencing on August 28, 2016, monthly payments of interest only shall be due and payable until, and including, June 8, 2017, the Conversion Date. After conversion, monthly payments of principal and interest shall be due and payable. There was no accrued interest at December 31, 2019. The entire principal balance, as well as all accrued and unpaid interest, is due and payable on July 28, 2035.	5,512,000

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Levy Place, L.P. (Continued)

Permanent financing is being provided by MDHA under a loan commitment of $7,898,296. The nonrecourse loan is secured by an agency leasehold deed of trust and an assignment of rents and leases. Interest shall accrue at an annual rate of 2.24% commencing July 28, 2016. Principal and accrued interest shall be due and payable within 90 days after the end of each calendar year to the extent of Available Cash Flow, as defined in the Amended and Restated Partnership Agreement. During 2019, interest expense of $176,922 was incurred and $293,670 remains payable as of December 31, 2019. The entire principal balance, as well as accrued and unpaid interest, is due and payable in July 2056.	$	8,191,966
Boscobel I, L.P.		
Permanent financing is being provided by MDHA under a loan commitment of $6,581,900. The nonrecourse loan is secured by an agency leasehold deed of trust and an assignment of rents and leases. Interest shall accrue at an annual rate of 3.05% commencing August 15, 2018. Principal and accrued interest shall be due and payable within 90 days after the end of each calendar year to the extent of Available Cash Flow, as defined in the Partnership Agreement. During 2020, interest expense of $401,496 was incurred and $427,146 remains payable as of September 30, 2020. The entire principal balance, as well as accrued and unpaid interest, is due and payable in August 2048.		7,009,046
$1,684,554 note with MDHA dated August 15, 2018. Monthly interest payments are payable at a variable rate of the Prime Rate minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2020 was 3.25%). Unpaid principal and accrued interest is due and payable in full at maturity, January 4, 2021. The note is collateralized by Boscobel I, a 96 unit mixed income property and assignment of rents.		1,684,554
$7,000,000 note with MDHA dated August 15, 2018. Monthly interest payments are payable at a variable rate of the Prime Rate minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2020 was 3.25%). Beginning, February 15, 2021, monthly principal payments will be due with the monthly interest payments. The note is collateralized by Boscobel I, a 96 unit mixed income property and assignment of rents and will mature August 15, 2033.		7,000,000
$8,557,622 note with MDHA dated August 15, 2018. Monthly interest payments are payable at a variable rate equal to the Prime Rate (September 30, 2020 was 3.25%). Unpaid principal and accrued interest are due and payable in full at maturity, January 4, 2021. The note is collateralized by Boscobel I, a 96 unit mixed income property and assignment of rents.		8,557,622

NOTE 7 - LONG-TERM DEBT (CONTINUED)

CP II, L.P.

$7,400,000 note with Pinnacle Bank dated December 12, 2018. Monthly interest payments are payable at a variable rate of the Prime Rate minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2020 was 3.25%). Beginning, June 15, 2021, monthly principal payments will be due with the monthly interest payments. The note is collateralized by CP II, a 102 unit mixed income property and assignment of rents and will mature November 15, 2033.	$ 7,400,000
$459,589 note with Pinnacle Bank dated December 12, 2018. Monthly interest payments are payable at a variable rate of the Prime Rate minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2020 was 3.25%). Unpaid principal and accrued interest are due and payable in full at maturity, January 4, 2021. The note is collateralized by CP II, a 102 unit mixed income property and assignment of rents.	459,589
$9,000,000 note with MDHA dated December 11, 2018. Note shall bear interest at a fixed rate equal to 1%. Principal and interest shall be based upon a 40-year amortization and paid annually from the Cash Flow as described in the Partnership Agreement. During 2020, interest expense of $161,250 was incurred and remains payable as of September 30, 2020. The note is collateralized by CP II, a 102 unit mixed income property and assignment of rents and will mature December 11, 2048.	9,161,250
$500,000 note with MDHA dated December 11, 2018. Proceeds from the note shall be used in accordance with the rules and regulations of the HOME Investment Partnership Programs. No interest is payable, provided the principal is paid by the due date set forth in the note, twenty years from the Project Completion date. The note is collateralized by CP II, a 101 unit mixed income property and assignment of rents.	500,000
$9,782,587 note with Pinnacle Bank dated December 12, 2018. Monthly interest payments are payable at a variable rate equal to the Prime Rate (September 30, 2020 was 3.25%). Unpaid principal and accrued interest are due and payable in full at maturity, January 4, 2021. The note is collateralized by CP II, a 101 unit mixed income property and assignment of rents. The amount drawn as of September 30, 2020 was $7,666,927.	7,666,927

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Boscobel III, L.P.

$15,594,609 note with MDHA dated August 9, 2019. Note shall bear interest at a fixed rate equal to 0.75%. Principal and interest shall be based upon a 30-year amortization and paid annually from the Cash Flow as described in the Partnership Agreement. During 2020, interest expense of $133,529 was incurred and remains payable as of September 30, 2020.The note is collateralized by Boscobel III, a 102 unit mixed income property and assignment of rents and will mature August 9, 2048.	$ 15,728,138
$7,400,000 note with Pinnacle Bank dated August 9, 2019. Monthly interest payments are payable at a variable rate of the Prime Rate minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2020 was 3.25%). Beginning, March 15, 2022, monthly principal payments will be due with the monthly interest payments. The note is collateralized by Boscobel III, a 102 unit mixed income property and assignment of rents and will mature August 8, 2034.	7,400,000
$669,822 note with Pinnacle Bank dated August 9, 2019. Monthly interest payments are payable at a variable rate of the Prime Rate minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2020 was 3.25). Unpaid principal and accrued interest are due and payable in full at maturity, January 5, 2022. The note is collateralized by Boscobel III, a 102 unit mixed income property and assignment of rents.	669,822
$10,270,684 note with MDHA dated August 9, 2019. Monthly interest payments are payable at a variable rate equal to the Prime Rate (September 30, 2020 was 3.25%). Unpaid principal and accrued interest are due and payable in full at maturity, January 5, 2022. The note is collateralized by Boscobel III, a 102 unit mixed income property and assignment of rents. The amount drawn as of September 30, 2020 was $100.	100
$500,000 note with MDHA dated August 9, 2019. Proceeds from the note shall be used in accordance with the rules and regulations of the HOME Investment Partnership Programs. No interest is payable, provided the principal is paid by the due date set forth in the note, twenty years from the Project Completion date. The note is collateralized by Boscobel III, a 102 unit mixed income property and assignment of rents.	500,000

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Victory Hall L.P.

$500,000 note with MDHA dated August 2, 2019 funded by a private donation. Note shall bear interest at a fixed rate equal to 2.5%. No payment of principal or interest shall be due during the construction period, following the construction period, principal and interest shall be based upon a 30-year amortization and paid annually from the Cash Flow as described in the Partnership Agreement. During 2020, interest expense of $14,583 was incurred and remains payable as of September 30, 2020.The note is collateralized by Curb Victory Hall, 39 units set aside for homeless veterans and assignment of rents and will mature August 2, 2049.	$	514,583
$500,000 note with MDHA dated August 2, 2019 funded by the Tennessee Housing Trust Fund grant program. Note shall bear interest at a fixed rate equal to 2.5%. No payment of principal or interest shall be due during the construction period, following the construction period, principal and interest shall be based upon a 30-year amortization and paid annually from the Cash Flow as described in the Partnership Agreement. During 2020, interest expense of $14,583 was incurred and remains payable as of September 30, 2020.The note is collateralized by Curb Victory Hall , 39 units set aside for homeless veterans and assignment of rents and will mature August 2, 2049.		514,583
$1,231,400 note with Pinnacle Bank dated August 2, 2019. Monthly interest payments are payable at a Prime Rate minus 4%, however the interest rate shall not fall below 0% (Prime Rate at September 30, 2019 was 5%). Beginning, August 15, 2021, monthly principal payments will be due with the monthly interest payments. The note is collateralized by Curb Victory Hall , a 39 units set aside for homeless veterans and assignment of rents and will mature August 1, 2034.		1,231,400
$78,600 note with Pinnacle Bank dated August 2, 2019. Monthly interest payments are payable at a variable rate equal to the Prime Rate (September 30, 2020 was 3.25%). The entire unpaid principal and accrued interest shall be due and payable August 1, 2021. The note is collateralized by Curb Victory Hall, 39 units set aside for homeless veterans and assignment of rents.		78,600

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Randee Rogers L.P.

$16,000,000 bond with JP Morgan Chase Bank dated December 1, 2019. During the construction term, interest at the construction interest rate at a variable rate equal to Prime Rate (September 30, 2020 was 3.25%) minus 1.33% on outstanding principal shall be due and payable monthly. The bond note is collaterized by Randee Rogers, a 100 unit mixed income property and assignments of rents. The amount drawn as of September 30, 2020 was $51,854.	$ 51,854
$16,087,813 note with MDHA dated March 19, 2020. The nonrecourse loan is secured by an agency leasehold deed of trust and an assignment of rents and leases. The interest rate is 0% with annual principal due and payable to the extent of Available Cash Flow, as defined in the Limited Partnership Agreement. The entire principal balance is due and payable December 2049. The amount drawn as of September 30, 2020 was $10,196,556.	10,196,556
	$ 101,414,067

A schedule of principal maturities of the Discretely Presented Component Unit's long-term debt before the loan cost adjustment of ($75,590) is as follows:

Year ending December 31,	Principal
2020	$ 496,000
2021	20,047,524
2022	923,279
2023	940,870
2024	959,414
Thereafter	78,046,980
Total	$ 101,414,067

NOTE 8 - CONDUIT DEBT OBLIGATIONS

Tax increment financing ("TIF") is a method of funding certain public investments for redevelopment by recapturing, for a time, all or a portion of the increased tax revenue that may result if private investment can be stimulated to occur. Tax increment can only be generated by the increased taxes resulting from private development on land in a redevelopment district that has been acquired and re-sold or leased by MDHA. The tax increment due to the difference in the tax basis is then diverted to the redevelopment agency which may use those funds to finance public purpose expenditures or to repay bonds or notes that were issued to finance those expenditures. These loans are special limited obligations of MDHA, payable solely from and secured by a pledge of the tax increment revenues designated for the payment of the loan. The loans do not constitute debt or a pledge of credit of MDHA or the Metropolitan Government and, accordingly, are not reported in the accompanying financial statements.

The Tax Increment Financing Loans, including related accrued interest payable, aggregated approximately $135.5 million at September 30, 2020.

NOTE 8 - CONDUIT DEBT OBLIGATIONS (CONTINUED)

A summary of changes in MDHA's conduit debt for the year ended September 30, 2020 is presented below:

Company	Project Description	Balance 9/30/2019	Additions	Retirements	Balance 9/30/2020	Accrued Interest
3501	Castner Knott	$ 1,850,000	$ -	$ -	$ 1,850,000	$ 894,210
3501	Cohen Bldg	300,000	-	-	300,000	228,822
3501	Cumberland apts	5,910,668	-	(115,043)	5,795,625	217,217
3501	Kress	244,351	-	(244,351)	-	-
3501	Viridian	-	-	-	-	-
3501	ACME Feed Building	167,504	-	(62,279)	105,225	2,221
3501	Omni Hotel (10/4/2013)					
	Regions Bank	25,887,073	-	(25,887,073)	-	-
3501	Regions Capital Mall Refinance	-	47,040,951	-	47,040,951	376,121
3501	Omni Hotel Downtown Parking Garage	559,765	-	(559,765)	-	-
3501	Omni Hotel - 21C Hotel	935,729	-	(935,729)	-	-
3501	Parmenter Garage	875,485	-	(875,485)	-	-
3501	505 CST	12,500,000	-	(12,500,000)	-	-
3501	21C Hotel Project	4,800,000	-	-	4,800,000	149,203
3501	4Pant Dream Hotel	6,251,669	-	(93,124)	6,158,545	117,974
3501	Joseph Hotel	4,500,000	-	(4,500,000)	-	-
3501	5th & Broad	7,662,694	-	-	7,662,694	402,514
3501	5th & Broad	17,190,000	-	-	17,190,000	366,877
3504	Regions Rutledge Hill Refinance	-	1,545,315	-	1,545,315	12,356
3504	Rolling Mill Hill	1,487,450	-	(1,487,450)	-	-
3504	Trolley Barn	94,193	-	(94,193)	-	-
3504	205 Demonbreun	1,025,748	-	(1,025,748)	-	-
3504	SWH River House	302,816	-	(302,816)	-	-
3504	Eakin The Peabody Plaza	7,900,000	-	-	7,900,000	828,037
3507	Ballpark Project	5,042,137	-	(5,042,137)	-	-
3507	Regions Phillips Jackson Refinance	-	5,088,510	-	5,088,510	40,686
3510	1821 Jefferson Street	584,298	-	(4,756)	579,542	12,067
3510	1712 Jefferson Street	240,532	-	-	240,532	56,288
3511	1101 Dickerson Pike	120,104	-	(8,789)	111,315	2,550
3515	5th & MAIN	5,807,570	-	-	5,807,570	1,367,077
3515	East Side Apartments	42,115	-	(42,115)	-	-
3518	Regions Arts District Refinance	-	22,826,784	-	22,826,784	182,514
3518	Ash-McNiel	74,381	-	(52,819)	21,562	592
3518	Braid Electric	23,462	-	(23,462)	-	-
3518	Javanco/Waggoner	-	-	-	-	-
3518	Velocity	3,806,783	-	(3,806,783)	-	-
3518	Gulch Infrastructure (Laurel Property)	-	-	-	-	-
3518	Gulch Crossing	1,240,353	-	(702,600)	537,753	12,488
3518	Westin Hotel	14,121,825	-	(14,121,825)	-	-
3518	Thompson Hotel	3,693,864	-	(3,693,864)	-	-
	Total	$ 135,242,569	$ 76,501,560	$ (76,182,206)	$ 135,561,923	$ 5,269,814

NOTE 9 - OTHER LONG-TERM LIABILITIES OTHER THAN DEBT

The activities of compensated absences and other noncurrent liabilities for MDHA consisted of the following at September 30, 2020:

	Balance at October 1, 2019	Additions	Adjustment/ Payments	Balance at September 30, 2020	Current portion
Compensated absences	$ 2,304,868	$ 1,825,034	$ (1,479,472)	$ 2,650,430	$ 874,640
FSS escrow deposit	$ 1,288,770	$ 431,071	$ (319,402)	$ 1,400,439	$ -

NOTE 10 - RISK MANAGEMENT

MDHA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MDHA maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to MDHA. During the year ended September 30, 2020, settled claims have not exceeded this commercial insurance coverage.

NOTE 11 - EMPLOYEE BENEFIT PLANS

The MDHA retirement plan is a 401A Plan administered by the Vanguard Group. The Plan, which is a defined contribution plan for employees who were participants in the MDHA Retirement Plan as of September 30, 2000. Employees are eligible to participate beginning the first day of the month following the date of hire. There are no required contributions by the participants; however, participants may make voluntary contributions from 0.5% to 10% of basic compensation and MDHA contributes 13% of participants' basic compensation. Contributions are invested in any of twenty-two funds as elected by the participant. Investment options and voluntary contributions may be changed daily.

Participants' voluntary contributions plus actual earnings are immediately vested. Participants are also immediately vested in 5.5% of the 13% of MDHA's contributions. Each year of participation in the Plan, participants vest at the rate of 20% of the remaining balance and become fully vested after 5 years.

Benefits are paid in the form of a cash distribution or various other annuity options at normal retirement date, age 65, death or disability. Participants may also elect to roll the vested portion of retirement savings into another qualifying plan or an IRA or leave the amount in the Plan. Early retirement may be elected by employees at age 55 who have at least ten years of service.

MDHA contributions to the Plan for the year ended September 30, 2020 amounted to $2,313,536, which equaled the amount of required employer contributions. Employee voluntary contributions were $260,357 in 2020. MDHA's payroll for employees covered by the Plan for the fiscal year ended September 30, 2020 was $17,796,433. Total payroll for MDHA during the fiscal year ended September 30, 2020 amounted to $18,802,986.

MDHA sponsors a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan permits all employees to defer a portion of salary until future years. Such amounts are not available to them until termination, retirement, death or unforeseeable emergency. No contributions are made to this Plan by MDHA.

NOTE 12 - LEASES

MDHA leases certain office space and equipment under leases accounted for as operating leases. The minimum future rental commitments under these leases are not significant. Total lease expenditures made for the year ended September 30, 2020 were $69,209.

In addition, rental income, other than rent directly related to low-income housing units, is received under various other short-term land and building leases accounted for as operating leases. These leases are either cancelable leases or the future minimum rentals under these leases are insignificant. Rental income from these sources totaled $853,683 for the year ended September 30, 2020.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

MDHA receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and operating subsidies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of MDHA. In the opinion of management, any such disallowed claims would not have a material effect on the financial position of MDHA at September 30, 2020.

At September 30, 2020, the Agency had outstanding construction commitments of approximately $37.69 million. These outstanding commitments will be paid by equity generated by low-income housing tax credits, bank loans and other Agency reserve.

MDHA is a defendant in various lawsuits arising in the ordinary course of operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and MDHA's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of MDHA. Accordingly, no provision for loss, if any, related to these matters has been made in the financial statements.

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date the financial statements were available to be issued, the Agency's operations have not been significantly impacted by the COVID-19 outbreak. The Agency's operations could be adversely affected as a result of COVID-19, but the impact is not known at this point as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.

NOTE 14 - AFFILIATE AGREEMENTS

The Levy Place partnership has entered into a regulatory agreement with MDHA, which regulates, among other things, the rents which may be charged for apartment units in the Project, prohibits the sale of the Project without HUD and MDHA consent, and otherwise regulates the relationship between the Partnership, HUD and MDHA. The Partnership has executed a ground lease agreement (the "Agreement") with MDHA. The lease is subject to various use restrictions and operating requirements, as defined in the Agreement. The term of the Agreement is for 75 years.

The Project is managed by MDHA, an affiliate of the General Partner. Under this agreement, MDHA receives a monthly management fee equal to 8.4% of collected subsidies and gross rents, excluding deposits, advance rents, rebilling utilities, and tenant reimbursements. The management fees are capped at 6% of revenue, as an operating expense, and the remainder is payable from Cash Flow. Management fees of $121,365 were charged to operations in 2020. There were no fees outstanding as of September 30, 2020.

NOTE 14 - AFFILIATE AGREEMENTS (CONTINUED)

Boscobel I, LP has entered into a Developer Agreement with MDHA to acquire, construct, and develop mixed income affordable and market rate residential housing. Boscobel I, LP (Mosley on 6^{th}) consists of new construction of 96 of rental housing. Of the 96 units, 50 are public housing units eligible to receive the benefits of PBRA HAP subsidies provided to the partnership by HUD. The remaining 46 units are workforce and market units.

CP II I, LP has entered into a Developer Agreement with MDHA to acquire, construct, and develop mixed income affordable and market rate residential housing. CP II, LP (Manning Place) consists of new construction of 101 of rental housing. Of the 101 units, 45 are public housing units eligible to receive the benefits of PBRA HAP subsidies provided to the partnership by HUD. The remaining 56 units are workforce and market units.

Boscobel III, LP has entered into a Developer Agreement with MDHA to acquire, construct, and develop mixed income affordable and market rate residential housing. After completion, Boscobel III, LP will consist of new construction of 102 units of rental housing. Of the 102 units, 45 shall be public housing units eligible to receive the benefits of PBRA HAP subsidies provided to the partnership by HUD. The remaining 57 units shall be workforce and market units. Estimated completion date is February 2021.

Victory Hall, LP has entered into a Developer Agreement with MDHA to acquire, construct, and develop affordable for homeless veterans. Victory Hall, LP consists of new construction of 38 units of rental housing. The units are 37 public housing units eligible to receive the benefits of Rental Assistance VASH HAP subsidies provided to the partnership by HUD. The remaining unit is a market unit.

Randee Rogers, L.P. has entered into a Developer Agreement with MDHA to acquire, construct, and develop mixed income affordable and market rate residential housing. After completion, Randee Rogers, LP will consist of new construction of 100 units of rental housing. Of the 100 units, 50 shall be public housing units eligible to receive the benefits of PBRA HAP subsidies provided to the partnership by HUD. The remaining 50 units shall be workforce and market units. Estimated completion date is September 2021

MDHA guarantees certain financial obligations of all affiliate entities that include advances of funds, capital contributions, loans, and any and all other payments and options per the Operating Agreements. Tax credit availability and compliance guarantees are also provided by MDHA.

NOTE 15 - NET POSITION

The Agency's net position is categorized as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, capital lease obligations or other borrowings and related interest that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - This component of net position consists of restricted assets, whereby constraints are placed on assets by creditors (such as debt covenants), grantors, laws and regulations.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

NOTE 15 - NET POSITION (CONTINUED)

The changes in the Agency's net position for the year ended September 30, 2020 are as follows:

	Net investment in capital assets	Restricted	Unrestricted	Totals
Net position as previously reported - September 30, 2019	$ 229,100,515	$ 51,396,328	$ 91,219,977	$ 371,716,820
Prior Period Adjustment	-	-	5,000,000	5,000,000
Net position as restated - September 30, 2019	229,100,515	51,396,328	96,219,977	376,716,820
Changes in net position - 2020	(1,757,059)	5,577,887	6,981,883	10,802,711
Net position - September 30, 2020	$ 227,343,456	$ 56,974,215	$ 103,201,860	$ 387,519,531

A breakdown of the Agency's restricted net position as of September 30, 2020 is as follows:

Replacement reserve accounts	$ 47,084,500
Section 8 HAP reserves	4,636,944
Post RAD Rehab escrows	2,569,668
MDHA Kirkpatrick Park LLC Escrow	58,836
MDHA J Henry Hale LLC escrow accounts	534,108
MDHA 10th & Jefferson escrow accounts	351,149
MDHA Madison Towers LLC escrow accounts	815,665
Other reserves & property mgmt deposits	923,345
	$ 56,974,215

The changes in net position for the Discretely Presented Component Units for the year ended December 30, 2019 are as follows:

	Net investment in capital assets	Restricted	Unrestricted	Totals
Net position (deficit) - January 1, 2019	$ 20,788	$ 20,568,667	$ (439,049)	$ 20,150,406
Changes in net position - 2019	22,715,066	(14,389,914)	1,059,267	9,384,419
Net position (deficit) - December 31, 2019	$ 22,735,854	$ 6,178,753	$ 620,218	$ 29,534,825

NOTE 16 - MEMBERS CAPITAL CONTRIBUTIONS

Contingent upon various requirements as outlined in the Amended and Restated Partnership Agreement for Victory Hall, L.P., the Limited Partner has agreed to contribute $6,510,037 for a 99.99% interest in the Partnership. During the period ended September 30, 2020, capital contributions of $3,667,311 were received.

The General Partner of Victory Hall, L.P. has agreed to contribute $100 in return for 0.01% interest in the partnership. This capital contribution was funded during the year ended September 30, 2020.

Contingent upon various requirements as outlined in the First Amended and Restated Partnership Agreement for Randee Rogers, L.P., the Limited Partner has agreed to contribute $4,799,688 for a 99.99% interest in the Partnership. During the period ended September 30, 2020, capital contributions of $719,953 were received.

The General Partner of Randee Rogers L.P., has agreed to contribute $100 in return for 0.01% interest in the partnership. As of September 30, 2020 this capital contribution had not been funded.

NOTE 17 - INCOME TAXES

The Agency is exempt from income taxes as it is a governmental entity and therefore is not subject to taxation. The Agency's blended component units, due to their nature, are not subject to federal and state income taxes at the company level. All income, gains and losses are based through to the members and taxed at their respective level. As such, no provision for current or deferred income taxes has been provided in the accompanying financial statements.

No provision for federal or state income taxes has been made in the Discretely Presented Component Unit's financial statements as the federal and state income tax effect on the Discretely Presented Component Unit's activities accrues to its partners.

NOTE 18 - CONCENTRATIONS

MDHA has entered into a Memorandum of Understanding with the Service Employees International Union, Local 205 for the term July 21, 2015 through September 30, 2018. Approximately 40% of MDHA's non-exempt, non-supervisory employees are members of the union. As of March 5, 2021 the renewal of the Memorandum of Understanding with SEIU has not been finalized.

NOTE 19 - SPECIAL ITEMS

Special items reported as of September 30, 2020 consisted of:

Bifurcation of Cayce Place Replacement Reserves to Boscobel I and CP II	$ (997,599)
Metropolitan Nashville Capital Spending Funds transferred to DCU	110,019
Disaster Grant funds transferred to Harper Cove Flats project	442,667
Freeman Webb managed properties adjustments to Net Position	(58,964)
	$ (503,877)

NOTE 20 - FUTURE ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued statement No. 84, *Fiduciary Activities*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

In June 2017, the GASB issued statement No. 87, *Leases*. The provisions of this statement are effective for fiscal years beginning after June 15, 2021.

This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In June 2018, the GASB issued statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The provisions of this statement are effective for fiscal years beginning after December 15, 2020.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

NOTE 20 - FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - A Amendment of GASB Statements No. 14 and 61*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should generally be measured using the equity method, unless certain specifications are met. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The provisions of this statement are effective for fiscal years beginning after December 15, 2020.

This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with 1. Commitments extended by issuers; 2. Arrangements associated with conduit debt obligations and related note disclosures. The Statement clarifies the existing definition of conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer and establishes standards for accounting and financial reporting of additional commitments extended by issuers.

MDHA is currently evaluating the impact that will result from adopting these Standards and is therefore unable to disclose the impact that these Standards will have on the MDHA'S financial position and the results of its operations when the Statements are adopted.

NOTE 21 - PRIOR PERIOD ADJUSTMENT

In fiscal year 2019, the Agency provided $5,000,000 in funding to the Martha O'Bryan Explore School. These funds were accounted for as a capital contribution. However, during the current fiscal year, additional information was provided that indicated that the funding should have been recorded as a note receivable. Beginning net position and notes receivable has been restated by $5,000,000 to reflect this treatment.

NOTE 22 - CONDENSED FINANCIAL STATEMENTS

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF NET POSITION

	Discretely Presented Component Units								
	Boscobel I LP	CP II I LP	Boscobel III LP	Victory Hall LP	Preston Taylor Homes, LLC	Randee Rogers, L.P.	Levy Place LP	Ryman Lofts at Rolling Mill Hill, L.P.	Total
ASSETS									
Current Assets	$ 1,575,476	$ 590,750	$ 6,240,968	$ 360	$ -	$ 417,645	$ 2,506,607	$ 558,436	$ 11,890,242
Capital Assets, Net	25,917,650	32,600,102	21,879,219	6,859,645	-	10,550,718	20,602,895	5,664,102	124,074,331
Noncurrent Assets	-	-	-	-	-	-	153,815	22,648	176,463
TOTAL ASSETS	27,493,126	33,190,852	28,120,187	6,860,005	-	10,968,363	23,263,317	6,245,186	136,141,036
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	27,493,126	33,190,852	28,120,187	6,860,005	-	10,968,363	23,263,317	6,245,186	136,141,036
LIABILITIES									
Current Liabilities	10,347,007	8,670,238	4,287,512	1,417,548	-	51,854	317,246	106,007	25,197,412
Noncurrent Liabilities	14,009,046	17,070,006	23,628,138	1,566,871	-	10,196,556	13,619,501	1,318,681	81,408,799
TOTAL LIABILITIES	24,356,053	25,740,244	27,915,650	2,984,419	-	10,248,410	13,936,747	1,424,688	106,606,211
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	24,356,053	25,740,244	27,915,650	2,984,419	-	10,248,410	13,936,747	1,424,688	106,606,211
NET POSITION									
Net investment (deficit) in capital assets	1,666,428	7,412,336	(2,418,841)	4,520,479	-	302,308	6,938,019	4,315,125	22,735,854
Unrestricted net position (deficit)	257,116	(447,127)	-	(644,893)	-	-	1,229,794	225,328	620,218
Restricted net position	1,213,529	485,399	2,623,378	-	-	417,645	1,158,757	280,045	6,178,753
TOTAL NET POSITION (DEFICIT)	$ 3,137,073	$ 7,450,608	$ 204,537	$ 3,875,586	$ -	$ 719,953	$ 9,326,570	$ 4,820,498	$ 29,534,825

NOTE 22 - CONDENSED FINANCIAL STATEMENTS (CONTINUED)

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Discretely Presented Component Units								
	Boscobel I LP	CP II LP	Boscobel III LP	Victory Hall LP	Preston Taylor Homes, LLC	Randee Rogers, L.P.	Levy Place LP	Ryman Lofts at Rolling Mill Hill, L.P.	Total
OPERATING REVENUES									
Rentals	$ 296,886	$ 79,591	$ -	$ 360	$ -	$ -	$ 1,202,831	$ 561,969	$ 2,141,637
Other tenant revenue	-	-	-	-	-	-	62,237	6,769	69,006
Governmental operating revenue	239,092	90,569	-	-	-	-	634,565	-	964,226
Other income	36,619	2,086	-	-	-	-	9,670	4,900	53,275
TOTAL OPERATING REVENUES	572,597	172,246	-	360	-	-	1,909,303	573,638	3,228,144
OPERATING EXPENSES									
Cost of Services:									
Tenant services	64,523	30,750	-	-	-	-	68,312	-	163,585
Utilities	78,020	35,890	-	-	-	-	81,328	32,310	227,548
Ordinary maintenance and operations	45,211	27,314	400	-	-	-	351,449	71,635	496,009
Protective services	-	-	-	-	-	-	58,079	8,700	66,779
Other direct program costs	71,648	7,974	-	-	-	-	118,049	40,638	238,309
Administration	90,003	52,050	-	2,227	-	-	663,629	162,857	970,766
Depreciation	-	-	-	-	-	-	889,812	213,994	1,103,806
TOTAL OPERATING EXPENSES	349,405	153,978	400	2,227	-	-	2,230,658	530,134	3,266,802
OPERATING INCOME (LOSS)	223,192	18,268	(400)	(1,867)	-	-	(321,355)	43,504	(38,658)
NONOPERATING REVENUES (EXPENSES)									
Interest income	285	9	-	-	-	-	27,530	2,477	30,301
Interest expense	(427,146)	(161,250)	(133,529)	(29,166)	-	-	(252,819)	(50,372)	(1,054,282)
TOTAL NONOPERATING EXPENSES - NET	(426,861)	(161,241)	(133,529)	(29,166)	-	-	(225,289)	(47,895)	(1,023,981)
Other special items	516,000	481,599	-	-	4,964,648	-	97,547	-	6,059,794
Members capital contributions	-	-	-	3,667,311	-	719,953	-	-	4,387,264
CHANGES IN NET POSITION	312,331	338,626	(133,929)	3,636,278	4,964,648	719,953	(449,097)	(4,391)	9,384,419
NET POSITION (DEFICIT) - BEGINNING OF YEAR	2,824,742	7,111,982	338,466	239,308	(4,964,648)	-	9,775,667	4,824,889	20,150,406
NET POSITION (DEFICIT) - END OF YEAR	$ 3,137,073	$ 7,450,608	$ 204,537	$ 3,875,586	$ -	$ 719,953	$ 9,326,570	$ 4,820,498	$ 29,534,825

NOTE 22 - CONDENSED FINANCIAL STATEMENTS (CONTINUED)

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF NET POSITION AT SEPTEMBER 30, 2020

	MDHA	MDHA Housing Trust Corp	J Henry Hale LLC	10th & Jefferson LLC	Madison Towers LLC	Kirkpatrick Park LLC	Total
ASSETS							
Current Assets	$ 120,878,669	$ 40,313	$ 1,374,696	$ 1,328,097	$ 1,264,844	$ 663,667	$ 125,550,286
Capital Assets, Net	259,011,772	-	28,023,946	8,329,029	11,173,742	22,688,811	329,227,300
Noncurrent Assets	118,164,327	-	367,958	-	215,214	334,663	119,082,162
TOTAL ASSETS	498,054,768	40,313	29,766,600	9,657,126	12,653,800	23,687,141	573,859,748
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	498,054,768	40,313	29,766,600	9,657,126	12,653,800	23,687,141	573,859,748
LIABILITIES							
Current Liabilities	29,542,676	5,592	572,995	124,131	243,495	302,366	30,791,255
Noncurrent Liabilities	108,712,037	-	19,200,684	7,404,491	6,789,092	13,442,658	155,548,962
TOTAL LIABILITIES	138,254,713	5,592	19,773,679	7,528,622	7,032,587	13,745,024	186,340,217
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	138,254,713	5,592	19,773,679	7,528,622	7,032,587	13,745,024	186,340,217
NET POSITION							
Net investment (deficit) in capital assets	204,739,455	-	8,478,910	816,183	4,257,390	9,051,518	227,343,456
Unrestricted net position (deficit)	100,292,594	5,619	593,908	961,172	516,804	831,763	103,201,860
Restricted net position	54,768,006	29,102	920,103	351,149	847,019	58,836	56,974,215
TOTAL NET POSITION (DEFICIT)	$ 359,800,055	$ 34,721	$ 9,992,921	$ 2,128,504	$ 5,621,213	$ 9,942,117	$ 387,519,531

NOTE 22 - CONDENSED FINANCIAL STATEMENTS (CONTINUED)

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2020

	MDHA	MDHA Housing Trust Corp	J Henry Hale LLC	10th & Jefferson LLC	Madison Towers LLC	Kirkpatrick Park LLC	Total
OPERATING REVENUES							
Rentals	$ 16,076,901	$ -	$ 1,197,534	$ 531,409	$ 644,981	$ 802,128	$ 19,252,953
Other tenant revenue	591,415	-	33,222	-	10,719	51,480	686,836
Governmental operating revenue	106,096,058	-	1,083,154	-	984,140	240,349	108,403,701
Other income	26,545,386	92,500	30,928	12,387	29,407	2,025	26,712,633
TOTAL OPERATING REVENUES	149,309,760	92,500	2,344,838	543,796	1,669,247	1,095,982	155,056,123
OPERATING EXPENSES							
Cost of Services:							
Tenant services	714,890	-	605	4,705	35,080	15,456	770,736
Utilities	9,276,353	-	55,562	47,751	227,708	116,254	9,723,628
Ordinary maintenance and operations	16,904,139	5,527	542,355	81,735	474,002	61,679	18,069,437
Protective services	1,781,778	-	49,457	9,575	82,645	10,574	1,934,029
Other direct program costs and special item	18,284,777	45,726	123,242	148,246	(123,788)	144,387	18,622,590
Housing assistance payments	54,799,354	-	-	-	-	-	54,799,354
Administration	21,170,485	12,500	431,335	120,585	334,601	184,085	22,253,591
Depreciation	10,522,219	-	1,251,983	298,701	818,019	699,678	13,590,600
TOTAL OPERATING EXPENSES	133,453,995	63,753	2,454,539	711,298	1,848,267	1,232,113	139,763,965
OPERATING INCOME (LOSS)	15,855,765	28,747	(109,701)	(167,502)	(179,020)	(136,131)	15,292,158
NONOPERATING REVENUES (EXPENSES)							
Interest income	847,525	157	7,782	27	4,236	2,468	862,195
Gain (loss) on disposition of assets	(15,086)	-	-	52,338	-	-	37,252
Interest expense	(3,126,544)	-	(669,819)	(324,666)	(258,416)	(505,572)	(4,885,017)
TOTAL NONOPERATING EXPENSES - NET	(2,294,105)	157	(662,037)	(272,301)	(254,180)	(503,104)	(3,985,570)
Other Special Items	(503,877)	-	-	-	-	-	(503,877)
Operating/Equity Transfers	(935,229)	-	(4,833)	548,207	-	391,855	-
CHANGES IN NET POSITION	12,122,554	28,904	(776,571)	108,404	(433,200)	(247,380)	10,802,711
NET POSITION (DEFICIT) - BEGINNING OF YEAR AS PREVIOUSLY REPORTED	342,677,501	5,817	10,769,492	2,020,100	6,054,413	10,189,497	371,716,820
PRIOR PERIOD ADJUSTMENT	5,000,000	-	-	-	-	-	5,000,000
NET POSITION - BEGINNING OF YEAR AS RESTATED	347,677,501	5,817	10,769,492	2,020,100	6,054,413	10,189,497	376,716,820
NET POSITION (DEFICIT) - END OF YEAR	$ 359,800,055	$ 34,721	$ 9,992,921	$ 2,128,504	$ 5,621,213	$ 9,942,117	$ 387,519,531

SUPPLEMENTARY INFORMATION

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

GRANT	FEDERAL CFDA NUMBER	GRANTOR'S NUMBER	GRANT PERIOD		EXPENDITURES	SUB-RECIPIENTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through State Department of Human Services:						
Low Income Home Energy Assistance Program	93.568	LWx16-08	02-01-16 to 09-01-20	$ 215,446		
Low Income Home Energy Assistance Program	93.568	LWx16-09	09-01-20 to 08-31-21	2,219		
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					$ 217,665	
U.S. DEPARTMENT OF ENERGY						
Weatherization Assistance for Low-Income Persons	81.042	WAP 18	06-30-19 to 06-30-20	248,993		
Weatherization Assistance for Low-Income Persons	81.042	WAP 19	07-01-20 to 06-30-21	107,642		
TOTAL U.S. DEPARTMENT OF ENERGY					356,635	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Direct Programs:						
Public and Indian Housing	14.850	A-3777	10-1-19 to 9-30-20		264,697	
Housing Voucher Cluster:						
Section 8 Housing Choice Vouchers	14.871	A-3152V	10-1-19 to 9-30-20	55,294,091		
Section 8 Housing Choice Vouchers CARES Act	14.871	CARES	Open	6,244,948		
Section 8 5yr Mainstream Vouchers	14.879	TN005DV0001	10-1-19 to 9-30-20	981,532		
Section 8 5yr Mainstream Vouchers	15.879	CARES	Open	37,103		
					62,557,674	
Section 8 Project Based Cluster:						
Lower-Income Housing Assistance Program:						
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	TN005SR0007	10-1-19 to 9-30-20	541,800		
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	TN005SC0001	10-1-19 to 9-30-20	119,540		
					661,340	
Housing Assistance Payments Program:						
CWA Apartments I	14.195	TN43L000015	10-1-19 to 9-30-20	2,023,779		
CWA Apartments II	14.195	TN43L000016	10-1-19 to 9-30-20	700,486		
MDHA J Henry Hale LLC	14.195	TN43RD00004	10-1-19 to 9-30-20	1,083,154		
Cumberland View	14.195	TN43RD00003	10-1-19 to 9-30-20	1,955,270		
Andrew Jackson	14.195	TN43RD00002	10-1-19 to 9-30-20	2,151,701		
MDHA Madison Towers LLC	14.195	TN43RD00007	10-1-19 to 9-30-20	984,140		
Edgefield Manor	14.195	TN43RD00006	10-1-19 to 9-30-20	1,096,346		
Parkway Terrace	14.195	TN43RD00008	10-1-19 to 9-30-20	636,736		
Napier Place	14.195	TN43RD00011	10-1-19 to 9-30-20	2,759,061		
Sudekum Apartments	14.195	TN43RD00012	10-1-19 to 9-30-20	3,661,688		
Edgehill Apartments	14.195	TN43RD00013	10-1-19 to 9-30-20	2,885,378		
Gernert Studio Apartments	14.195	TN43RD00010	10-1-19 to 9-30-20	611,274		
Hadley Towers	14.195	TN43RD00015	10-1-19 to 9-30-20	639,873		
Parthenon Towers	14.195	TN43RD00014	10-1-19 to 9-30-20	1,142,495		
Carleen Batson Waller Manor	14.195	TN43RD00016	10-1-19 to 9-30-20	200,375		
Vine Hill Towers	14.195	TN43RD00005	10-1-19 to 9-30-20	900,952		
Vine Hill Apartments	14.195	TN43RD00017	10-1-19 to 9-30-20	402,998		
Preston Taylor Neighborhood Housing	14.195	TN43RD00019	10-1-19 to 9-30-20	166,196		
Boscobel Heights	14.195	TN43RD00021	10-1-19 to 9-30-20	3,245,700		
Cheatham Place	14.195	TN43RD00018	10-1-19 to 9-30-20	2,005,783		
Neighborhood Housing	14.195	TN43RD00024	10-1-19 to 9-30-20	1,298,176		
Historic Preston Taylor	14.195	TN43RD00020	10-1-19 to 9-30-20	1,001,234		
MDHA Kirkpatrick Park LLC	14.195	TN43RD00025	10-1-19 to 9-30-20	240,349		
					31,793,144	
Section 8 Project Based Cluster Total					32,454,484	

See accompanying independent auditor's report.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

GRANT	FEDERAL CFDA NUMBER	GRANTOR'S NUMBER	GRANT PERIOD		EXPENDITURES	SUB-RECIPIENTS
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)						
Direct Programs (Continued):						
Shelter Plus Care Program:						
Shelter Plus Care	14.238	TN0213l4J041811	07-01-19 TO 06-30-20	$ 1,255,323		
Shelter Plus Care	14.238	TN0213l4J041912	07-01-20 TO 06-30-21	431,037		
					$ 1,686,360	
Supportive Housing Program:						
Resident Opportunity and Supportive Services Program:						
Resident Opportunity and Supportive Services	14.870	TN005RPS070A015	03-24-16 to		41,267	
Family Self-Sufficiency Program	14.896	FSS18TN2675-01	2/19/19 to 2/18/20	26,075		
Family Self-Sufficiency Program	14.896	FSS20TN3326	1/1/20-12/31/20	204,123		
					230,198	
Jobs Plus	14.895	TN005FJP000515	01/01/16 to 09/30/2020		504,950	
Passed Through Metropolitan Government of Nashville and Davidson County, Tennessee:						
Cluster:						
Community Development Block Grants Program:						
Community Development Block Grants/Entitlement Grants	14.218	B-XX-MC-47-0007	N/A	5,446,144		
Community Development Block Grants/Entitlement Grants CAREs	14.218	B-20-MW-47-0007	07-21-20 to 07-21-2026	47,586		
Community Development Block Grants/Entitlement Grants-Disaster	14.218	B-10-MF-47-0002	04-30-2010 to	670,580		
					6,164,310	
HOME Investment Partnerships Program	14.239	M-XX-MC-47-0203	N/A		1,811,607	
Emergency Shelter Grants Program	14.231	E-XX-MC-47-0004	N/A	473,867		
Emergency Shelter Grants Program CAREs	14.231	E-20-MW-47-0007	07-24-20 to 07-24-22	15,416		
					489,283	
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	TN-HXX-F002	N/A	1,432,991		
Housing Opportunities for Persons with AIDS (HOPWA) CAREs	14.241	TN-HXX-F002	07-24-20 to 07-24-23	10,036		
					1,443,027	
Continuum of Care Homeless Assistance	14.267	TN0304L4J041800	07-01-19 to 06-30-20	126,601		
Continuum of Care Homeless Assistance	14.267	TN0304L4J041900	07-01-20 to 06-30-21	54,943		
					181,544	
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					107,829,401	
TOTAL FEDERAL FINANCIAL ASSISTANCE					$ 108,403,701	$ -

See accompanying independent auditor's report.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

CFDA NUMBER		DESCRIPTION	EXPENDITURES
14.871	*	Section 8 Housing Choice Vouchers (HCV cluster)	$ 61,539,039
14.879	*	Section 8 Five Year Mainstream Vouchers (HCV cluster)	1,018,635
14.195		Housing Assistance Payments Program	31,793,144
14.850		Public and Indian Housing	264,697
14.267		Continuum of Care Homeless Assistance	181,544
14.872		Public Housing Capital Fund	-
14.218		Community Development Block Grants/Entitlement Grants (CDBG cluster)	6,164,310
14.238		Shelter Plus Care	1,686,360
14.239		HOME Investment Partnerships Program	1,811,607
14.241		Housing Opportunities for Persons With AIDS	1,443,027
81.042		Weatherization Assistance for Low-Income Persons	356,635
14.249		Section 8 Moderate Rehabilitation - Single Room Occupancy	661,340
14.870		Resident Opportunity and Supportive Services	41,267
14.896		Family Self-Sufficiency Program	230,198
14.895		Jobs Plus	504,950
14.231		Emergency Shelter Grants Program	489,283
93.568		Low Income Home Energy Assistance Program	217,665
		TOTAL FEDERAL FINANCIAL ASSISTANCE	$ 108,403,701

*Tested as major programs in the current year.

See accompanying independent auditor's report.

NOTE A - BASIS OF PRESENTATION

This schedule of expenditures of federal awards includes the federal grant activity of the Metropolitan Development and Housing Agency and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. 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, Audit Requirements, for Federal Awards ("Uniform Guidance").

NOTE B - INDIRECT COSTS

Pursuant to a cost allocation plan, the indirect expenses are allocated based on salary and fringe benefits. The Agency has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
SEPTEMBER 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 10/1/2019	Issued During Period	Paid and/or Matured During Period	Outstanding 10/1/2020
Affordable Housing Activities								
Lenore Garden Apartments	$ 1,400,000	Variable	5/24/2012	6/25/2024	$ 447,038	$ -	$ (93,360)	$ 353,678
Uptown Flats	2,945,072	5.51 %	4/19/2014	1/1/2024	1,828,697	-	(192,928)	1,635,769
Nance Place Apartments	2,300,000	Variable	12/1/2011	12/1/2026	1,699,348	-	(76,680)	1,622,668
Nance Place Apartments	9,076,327	0.0 %	12/1/2009	11/1/2024	6,295,796	-	(605,391)	5,690,405
CWA Apartments	3,508,629	1.0 %	12/19/2014	9/30/2034	3,249,753	-	(196,498)	3,053,255
CWA II Apartments	1,659,585	1.0 %	12/19/2014	9/30/2034	1,547,873	-	(93,297)	1,454,576
10th & Jefferson Apartments	7,875,600	4.25 %	4/1/2017	4/1/2057	7,567,783	-	(81,854)	7,485,929
J Henry Hale Apartments	20,478,300	3.41 %	7/1/2017	8/1/2052	19,821,735	-	(332,082)	19,489,653
Kirkpatrick Park Apartments	13,776,500	3.9 %	11/1/2017	6/1/2059	12,678,084	1,138,905	(223,873)	13,593,116
Madison Towers	6,986,400	3.44 %	8/1/2019	9/1/2054	6,986,400	-	(104,893)	6,881,507
Harper Cove Townhomes	5,400,000	Variable	5/30/2018	5/30/2030	4,093,005	1,306,995	(46,253)	5,353,747
Red Oak Townhomes	6,000,000	Variable	7/31/2020	10/31/2022	-	124,850	-	124,850
Victory Hall Apartments	500,000	0.0 %	8/2/2019	8/2/2025	-	375,000	-	375,000
Mosley on 6th	1,684,554	Variable	8/15/2018	1/4/2021	1,684,554	-	-	1,684,554
Mosley on 6th	7,000,000	Variable	8/15/2018	8/15/2033	7,000,000	-	-	7,000,000
Mosley on 6th	8,557,622	Variable	8/15/2018	1/4/2021	1,313,658	7,243,964	-	8,557,622
Total Affordable Housing Activity Loans					$ 76,213,724	$ 10,189,714	$ (2,047,109)	$ 84,356,329
Development Activities								
Metro Government of Nashville Sports Authority	$ 28,000,000	4.55 %	7/1/2014	7/1/2043	$ 29,197,790	$ 1,295,233	$ (1,520,204)	$ 28,972,819
5th Ave of the Arts Garage	42,900,000	4.839 %	11/14/2014	11/14/2044	41,412,877	-	(834,508)	40,578,369
K-8 Charter School	4,960,000	6.0 %	9/24/2018	9/24/2025	4,997,000	-	(37,000)	4,960,000
K-8 Charter School	4,960,000	6.0 %	9/24/2018	9/24/2025	4,985,350	-	(25,350)	4,960,000
K-8 Charter School	4,960,000	6.0 %	9/24/2018	9/24/2025	4,985,400	-	(25,400)	4,960,000
Total Development Activity Loans					85,578,417	1,295,233	(2,442,462)	84,431,188
Total Primary Government Debt					$ 161,792,141	$ 11,484,947	$ (4,489,571)	$ 168,787,517

See accompanying independent auditor's report.

OTHER REPORTS

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
Metropolitan Development and Housing Agency

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 and aggregate discretely presented component units of Metropolitan Development and Housing Agency (the "Agency") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 misstate ments on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MCM CPAs & Advisors LLP

Lexington, Kentucky
March 18, 2021

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
Metropolitan Development and Housing Agency

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan Development and Housing Agency's (the "Agency's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended September 30, 2020. The Agency'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 Agency'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, Costs 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 Agency'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 Agency's compliance.

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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 (Continued)

Opinion on Each Major Federal Program

In our opinion, the Agency 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 September 30, 2020

Report on Internal Control over Compliance

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

MCM CPAs & Advisors LLP

Lexington, Kentucky
March 18, 2021

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_yes x no
Significant deficiency(ies) identified not considered to be material weaknesses?	_yes x none reported
Noncompliance material to financial statements noted?	_yes x no

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	_yes x no
Significant deficiency(ies) identified not considered to be material weaknesses?	_ yes x none reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_yes x no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	
14.871	Section 8 Housing Choice Vouchers Cluster	$ 61,539,039
14.879	Section 8 Five Year Mainstream Vouchers Cluster	$ 1,018,635

Dollar threshold used to distinguish between Type A and Type B programs: $ 3,000,000

Auditee qualified as low-risk auditee? X yes _ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARDS

None.

2019-001: Public and Indian Housing (CFDA No. 14.850)

Condition: During testing of tenant files we noted that the Agency's internal control procedures and practices allowed certain deficiencies in the tenant files to occur. We noted the following:

2 instances where 30-days notice was not given prior to a rent increase.
5 instances where income was not correctly calculated.
1 instance where the incorrect ceiling rent was utilized.
1 instance where the value of assets had not been updated for several years.
2 instances where the dependent allowance was incorrectly provided or was not supported by documentation.
1 instance where there was not a current Form 9886 Authorization for Release of Information in the file.
1 instance where the childcare allowance was not calculated correctly.

The Agency has been provided with a listing of individual tenants to whom these conditions applied.

Recommendation: The tenants associated with the files referred to above have since been converted from Public and Indian Housing units to the Section 8 Project Based Housing Assistance Payment Program (CFDA No. 14.195). We recommend that tenant files be reviewed to ensure that, upon conversion to the Housing Assistance Payment Program, files contain all appropriate documentation and income and rent are correctly calculated.

Management's Response: *All Public Housing Units were converted to RAD prior to the audit. We accept the recommendation of the auditors. Those files in question have been reviewed and necessary corrections have been made to ensure accuracy.*

Status: This issue is considered resolved.