METROPOLITAN DEVELOPMENT
AND HOUSING AGENCY

NASHVILLE, TENNESSEE

ANNUAL FINANCIAL REPORT
AND OTHER FINANCIAL INFORMATION

SEPTEMBER 30, 2018

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

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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, 2018.

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.

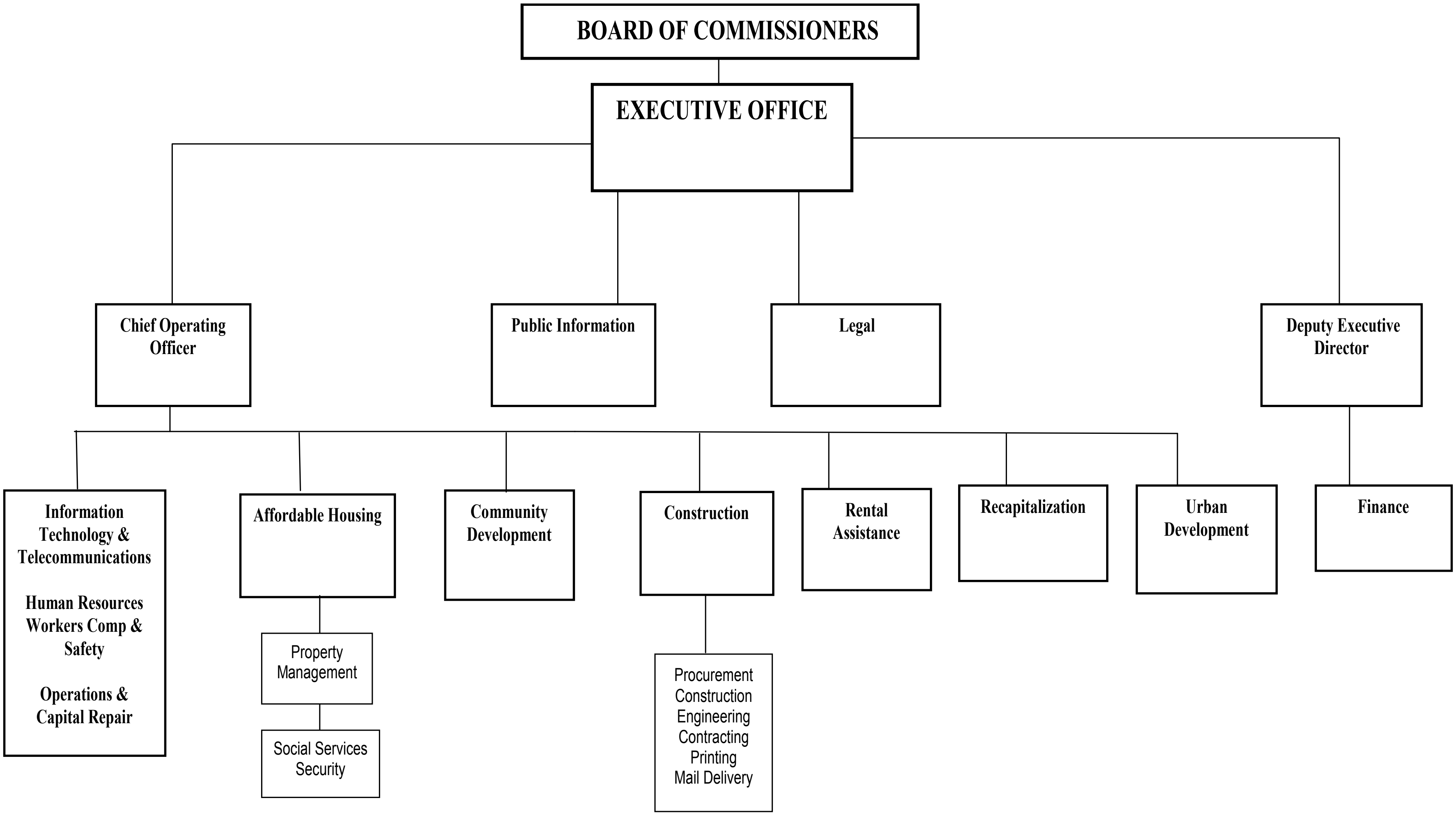
Management believes that its policies and procedures provide guidance and reasonable assurance that MDHA's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position of MDHA as of September 30, 2018, 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, 2018, financial statements is included in this report.

ORGANIZATIONAL CHART

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY



METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

BOARD OF COMMISSIONERS

September 30, 2018

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, 2018, 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 three of the discretely presented component units - Preston Taylor Homes, LLC, Levy Place LP, and Ryman Lofts at Rolling Mill Hill, L.P. 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 the discretely presented component units 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.

Kentucky
Indiana
Ohio

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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 of the discretely presented component units, 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, 2018, 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.

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.

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 accompanying schedule of actual costs for the specified project from inception of the project through completion is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.

Independent Auditor's Report (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019, 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 15, 2019

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, 2018 and 2017. Please read this analysis in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

Fiscal year 2018:

The Agency's total net position increased $21.5 million or 6.18%, in part as a result of the following:

- Cash and Investments increased $7.3 million (+6.97%)
- Bonds, Notes and Other Liabilities increased $17.0 million (+12.66%)
- Operating Revenues increased $7.3 million (+5.74%)
- Operating Expenses increased $3.5 million (+3.00%)
- Net Operating Income increased $3.8 million (+35.42%)
- Governmental Capital Contributions decreased $-7.4 million (-100.00%)

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of two parts: management's discussion and analysis and the basic financial statements. 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.

The Agency is supported by rentals, fees, and federal and state grants and 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 to control and manage money for particular purposes or to demonstrate that the Agency is properly using specific grants.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position

Fiscal year 2018 as compared to fiscal year 2017:

	2018	2017	% Increase (Decrease)
Current Assets	$113,510,442	$105,698,042	7.4 %
Noncurrent Assets			
Capital Assets	310,057,526	306,608,584	1.1 %
Other Assets	96,847,662	69,596,360	39.2 %
Total Assets	520,415,630	481,902,986	8.0 %
Current Liabilities	22,805,535	17,709,617	28.8 %
Long Term Liabilities	128,899,335	116,952,060	10.2 %
Total Liabilities	151,704,870	134,661,677	12.7 %
Net investment in Capital Assets	228,894,225	226,292,917	1.1 %
Restricted Net Position	44,980,162	32,080,023	40.2 %
Unrestricted Net Position	94,836,373	88,868,369	6.7 %
Total Net Position	$368,710,760	$347,241,309	6.2 %

The Agency's total net position increased $21.5 million, or 6.18%, in part as a result of the following:

- Current assets increased due to restricted cash escrows for Post RAD rehab and Replacement Reserves on hand from the RAD converted properties. Thirteen public housing properties converted to project based rental assistance units using the HUD Rental Assistance Demonstration (RAD) program. Capital Fund Grants funds of $8.6 million were utilized and transferred to the Asset Management Properties (AMPs) for operations and for funding Rental Assistance Demonstration (RAD) escrow accounts required at closing.

  Noncurrent assets increased due to new notes receivable from partnerships entered into during the year. On August 15, 2018, the Boscobel I, L.P. obtained financing from Pinnacle Bank and MDHA to provide funding for the construction of 96 housing units. MDHA contributed $6.6 in the form of a note receivable to the Boscobel I, L.P. for the project. On September 24, 2018, MDHA closed its first New Market Tax Credit deal to build a K-8 charter school. Notes were issued to MOB Nashville Investment Fund, LLC for $19,725,800 for the construction of the new Explore School.

  Total liabilities increased due to HUD 223(f) loan proceeds of $1.7 million for the MDHA Kirkpatrick Park LLC project, $14.9 million loan proceeds from Community Development Entities (CDE) for the Explore School, $324,000 loan proceeds for the Bordeaux Townhome project and $587,000 to complete the MDHA 10th and Jefferson LLC project.

FINANCIAL ANALYSIS OF THE AGENCY (CONTINUED)

Revenues, Expenses and Changes in Net Position

Fiscal year 2018 as compared to fiscal year 2017:

	2018	2017	% Increase (Decrease)
Operating Revenues			
Rentals	$16,995,630	$16,354,997	3.9 %
Other tenant revenue	843,272	933,240	(9.6) %
Governmental Operating Revenue	100,150,706	96,240,149	4.1 %
Local Government Development Activities	3,074,443	6,908,602	(55.5) %
Other	14,020,398	7,320,285	91.5 %
Total Operating Revenues	135,084,449	127,757,273	5.7 %
Operating Expenses:			
Administrative expenses	19,700,289	18,718,124	5.2 %
Other	100,802,313	98,271,454	2.6 %
Total Operating Expenses	120,502,602	116,989,578	3.0 %
Operating Gain	14,581,847	10,767,695	35.4 %
Nonoperating Revenues (Expenses)	4,994,610	(1,474,450)	>100 %
Capital Fund Grant	34,202	7,442,748	(99.5) %
Other Changes	1,858,792	(5,320,662)	(>100) %
Change in Net Position	$21,469,451	$11,415,331	88.1 %

Other revenue primarily increased due to funds received for the parking garage operations of $2.3 million, $4.5 million received from US Treasury for the 2012 Operating Subsidy recapture settlement, and $1.4 million developer fees earned from current construction projects.

Proceeds from the sale of MDHA owned property of $9.4 million resulted in a net increase in nonoperating revenues(expenses).

CAPITAL ASSETS

Fiscal year 2018 as compared to fiscal year 2017:

	2018	2017
Land	$ 96,292,274	$ 97,644,590
Infrastructure	21,899,113	21,171,543
Buildings	373,104,159	364,804,529
Equipment	5,810,230	5,088,429
Construction in progress	14,598,699	7,593,091
Total	511,704,475	496,302,182
Less accumulated depreciation	(201,646,949)	(189,693,598)
Net Capital Assets	$310,057,526	$306,608,584

Net capital assets increased $3.4, or 1.1% during fiscal year 2018. During fiscal year 2018, the Agency expended $15.2 million on capital activities. The capital expenditures included $10.9 million for the construction dwelling units at MDHA Kirkpatrick Park; $1.7 million for the site work for the Boscobel II project; $464,000 for the 10th and Jefferson project; $802,000 for the construction of Bordeaux Townhomes; $359,000 for sewer improvements at Cheatham Place; $676,000 security cameras at MDHA J. Henry Hale; and HVAC, roofing and vehicle replacements. On January 17, 2018, MDHA sold land at 45 Peabody for $9.4 million resulting in a net gain of $7.66 million.

Projects completed during 2018 were transferred from construction in progress to depreciable assets for the MDHA 10th & Jefferson apartment building.

Capital asset acquisitions are capitalized at cost. Acquisitions are funded from federal grants, metro government capital improvement funds and operating subsidy.

Depreciation expense on capital assets totaled $12 million during fiscal year 2018.

DEBT ADMINISTRATION

Fiscal year 2018 as compared to fiscal year 2017:

	2018	2017
Total Notes Payable - other	$ 132,124,034	$ 117,353,608

As of September 30, 2018, the Agency's note principal and interest outstanding totaled $132.1 million - an increase of 12.6% from the prior year. The Agency incurred $18.8 million in new debt for the ongoing construction of the MDHA Kirkpatrick Park 94 apartment buildings, 40 townhomes in Bordeaux, K-8 Explore Charter School and the completion of 54 unit apartment complex at 10th and Jefferson.

AFFILIATE AGREEMENTS

The Agency has included, as discretely presented component units, the activity for Preston Taylor Homes, LLC, Levy Place LP and Ryman Lofts at Rolling Mill Hill, L.P. These entities are shown as discretely presented component units because the Agency is financially accountable for them; however, they do 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 Preston Taylor, Levy Place and Ryman Lofts. Levy Place LP was added as a discretely presented component during 2017 and Boscobel I LP was added during 2018.

Requests for the full financial information of the Preston Taylor Homes, LLC, 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.

NEW BUSINESS

The Agency assisted in the financing of the new construction of 96 mixed income affordable and market rate housing in the form of loans and equity contributions to Boscobel I, LP. The MDHA Housing Trust Corporation has a .01% general partner interest in Boscobel I, LP, which closed August 15, 2018. Construction and closing activity through September 30, 2018 for Boscobel I LP, has been included and presented as discretely presented component units.

The Agency began construction of 40 townhomes in May 2018, with funding from CDBG Disaster funds approved by HUD and a $5.4 million construction loan. MDHA will own and manage these affordable housing units upon completion.

MDHA worked with Community Development Entities (CDE) and Community Development Financial Institutions (CDFI) to finance the construction of the Explore Community School, which will be operated by the Martha O'Bryan Center to compliment the Envision Cayce master plan. The financing closed September 24, 2018 which consisted of $14.88 million in source loans to MDHA from CDFI lenders, new market tax credits from CDEs, and a $5 million equity contribution from Martha O'Bryan. Using the proceeds of the source loans, MDHA made leverage notes totaling $14.88 to be repaid by sublease payments from Martha O'Bryan. MDHA funded the $5 million equity contribution for Martha O'Bryan as a leverage note receivable to be repaid over a three year period with capital fundraising.

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, 2018

ASSETS

	Primary Government	Discretely Presented Component Units
CURRENT ASSETS		
Cash and cash equivalents	$ 47,359,454	$ 7,360,563
Restricted cash and cash equivalents	55,299,724	2,885,879
Investments, at fair value	2,540,272	-
Receivables:		
Tenant, net of allowances	156,819	38,822
Amounts due from other governmental agencies	4,634,553	-
Current portion of notes receivable, net of allowances	216,283	-
Other	1,444,261	-
Inventory	1,527,110	-
Prepaid expenses	331,966	57,053
TOTAL CURRENT ASSETS	113,510,442	10,342,317
CAPITAL ASSETS, NET	310,057,526	47,244,879
NONCURRENT ASSETS		
Other Assets	38,828,165	839,447
Notes receivable, net of allowances	22,234,090	-
Notes receivable between the primary government and its discretely presented component units, net of allowances	35,785,407	-
TOTAL NONCURRENT ASSETS	96,847,662	839,447
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS	$ 520,415,630	$ 58,426,643

See accompanying notes.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF NET POSITION (CONTINUED)

SEPTEMBER 30, 2018

LIABILITIES

	Primary Government	Discretely Presented Component Units
CURRENT LIABILITIES		
Funds held for others	$ 6,821,601	$ -
Accounts payable	6,486,051	1,896,645
Contract retention payable	41,103	-
Compensated absences payable	645,862	23,398
Accrued liabilities	933,192	50,044
Due to tenants	1,362,370	137,131
Unearned revenue	593,740	306,298
Due to other governments	40,572	493,328
Current portion of long-term debt	5,881,044	1,568,476
TOTAL CURRENT LIABILITIES	22,805,535	4,475,320
NONCURRENT LIABILITIES		
Deposits	995,401	1,150,198
Long-term debt, less current maturities	126,242,990	6,948,640
Long-term debt between the primary government and its discretely presented component units	-	35,637,283
Long-term compensated absences payable	1,660,944	63,260
TOTAL NONCURRENT LIABILITIES	128,899,335	43,799,381
TOTAL LIABILITIES	151,704,870	48,274,701
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Net investment in capital assets	228,894,225	2,973,651
Restricted for other purposes	44,980,162	6,148,353
Unrestricted net position	94,836,373	1,029,938
TOTAL NET POSITION	368,710,760	10,151,942
TOTAL LIABILITIES AND NET POSITION	$ 520,415,630	$ 58,426,643

See accompanying notes.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED SEPTEMBER 30, 2018

	Primary Government	Discretely Presented Component Units
OPERATING REVENUES		
Rentals	$ 16,995,630	$ 2,865,697
Other tenant revenue	843,272	3,172
Governmental operating revenue	100,150,706	1,089,773
Program income	274,045	-
Local government development activities	3,074,443	-
Other income	13,746,353	1,295,183
TOTAL OPERATING REVENUES	135,084,449	5,253,825
OPERATING EXPENSES		
Cost of Services:		
Tenant services	953,131	113,051
Utilities	8,607,670	187,666
Ordinary maintenance and operations	17,113,762	1,183,822
Protective services	1,372,378	58,052
Other direct program costs	12,351,102	323,684
Housing assistance payments	48,066,696	-
Administration	19,700,289	1,569,779
Depreciation	12,337,574	1,711,760
TOTAL OPERATING EXPENSES	120,502,602	5,147,814
OPERATING INCOME	14,581,847	106,011
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,378,313	36,259
Gain on disposition of assets and land held for resale	6,820,188	-
Interest expense	(3,203,891)	(253,720)
TOTAL NONOPERATING EXPENSES - NET	4,994,610	(217,461)
INCREASE (DECREASE) IN NET POSITION BEFORE CONTRIBUTIONS AND OTHER LOSSES	19,576,457	(111,450)
Capital fund grant	34,202	-
Members capital contributions	-	7,424,805
Other special items	1,858,792	-
CHANGES IN NET POSITION	21,469,451	7,313,355
NET POSITION (DEFICIT) - BEGINNING OF YEAR	347,241,309	2,838,587
NET POSITION - END OF YEAR	$ 368,710,760	$ 10,151,942

See accompanying notes.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from rental operations	$ 21,477,514
Receipts from program income	504,294
Receipts from government subsidy for operations	91,964,938
Receipts from local governmental development activities	6,507,256
Receipts from other sources	16,864,515
Payments to and on behalf of employees	(22,498,719)
Payments for other administrative expenses	(6,450,663)
Payments for other direct program costs, including housing assistance payments	(81,571,679)
Program loan activities:	
Cash expended for program loans	(26,531,504)
Principal collections on notes receivable	277,405
Interest income collections	58,568
NET CASH PROVIDED BY OPERATING ACTIVITIES	601,925
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from governmental capital grants	34,202
Purchases of capital assets	(16,222,537)
Proceeds from capital debt	17,537,227
Principal paid on capital debt	(2,224,567)
Proceeds from sales of capital assets	9,400,000
Interest paid on capital debt	(3,173,810)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	5,350,515
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments, including reinvested interest	(24,602)
Proceeds from the sales and maturities of investments	775,527
Interest received	1,378,314
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,129,239
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,081,679
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	94,577,499
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 102,659,178

Supplemental Disclosure of Noncash Investing and Financing Activities:

Additions to debt composed of accrued interest	$1,291,694
Retirements of debt composed of accrued interest	$1,833,928
Transfer in of assets related to the special item	$1,330,861

See accompanying notes.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 14,581,847
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	12,337,574
Bad debt expense	493,207
Changes in assets and liabilities	
Accounts receivable	(1,351,903)
Prepaid expenses and other assets	(1,447,386)
Due to tenants	90,333
Accounts payable, funds held for others, contract retention and amounts due to other governments	1,968,449
Deferred revenue and other deposits	258,674
Accrued liabilities and compensated absences	(74,770)
Program loan activities:	
Cash expended for program loans	(26,531,504)
Principal collections on notes receivable	277,404
TOTAL ADJUSTMENTS	(13,979,922)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 601,925

RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:	
Cash and cash equivalents	$ 47,359,454
Restricted cash and cash equivalents	55,299,724
	$102,659,178

Changes in assets and liabilities included in cash flows from capital and other financing activities:	
Accounts receivable - interest for Kirkpatrick Park included in other receivable	$ 7,610
Prepaid expenses and other assets - interest for the Ballpark loan included in other assets	542,234
Accrued liabilities - interest for John Henry Hale included in accrued liabilities	31,081

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See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

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 including the administration of capital projects on behalf of the Metropolitan Government.

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.

The Agency has included, as discretely presented component units, the activity for Preston Taylor Homes, LLC, Ryman Lofts at Rolling Mill Hill, L.P., Levy Place, L.P., and Boscobel I L.P. as of and for the year ended December 31, 2017. These entities are shown as discretely presented component units because the Agency is financially accountable for them; however, they do 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 Preston Taylor, 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 $4,200 at September 30, 2018. Total operating activity was approximately a loss of $8 for the year ended September 30, 2018. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Requests for the full financial information of Preston Taylor Homes, LLC, Ryman Lofts at Rolling Mill Hill, L.P., Levy Place, L.P., Boscobel I L.P. (the Discretely Presented Component Units) 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 and MDHA 10th & Jefferson 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

CONVENTIONAL LOW RENT HOUSING PROGRAM
This fund is used to account for all Agency owned public housing properties, any mixed finance public housing properties (which are not owned by the Agency), and any Capital Funds costs. It is the largest and most active of the funds and is controlled through an annual operating budget, which is approved by the Board of Commissioners.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, an allowance for doubtful tenant receivables in the amount of $5,385,211 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, 2018, 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.

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 $15,333,062 at September 30, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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 or Family Self Sufficiency programs. The restricted assets also include debt service escrow accounts for certain tax increment loans. 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 $493,207 for the year ended September 30, 2018.

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.

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

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 HUD Financial Handbook, 7475.1 Chapter 4.

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 dominated in United States currency.

Schedule of restricted cash with offsetting liability as of September 30, 2018:

Funds held for others	$ 6,821,601
Deposits	742,719
10th & Jefferson Letter of Credit	490,235
J Henry Hale Escrow Accounts	465,340
Due to resident councils	619,651
HAP Reserves	259,043
FSS Escrow Accounts	995,401
Post RAD Rehab Escrows	7,346,204
Replacement Reserve Accounts	35,099,292
MDHA Kirkpatrick Park LLC Escrow	1,804,756
Property management company accounts	655,482
	$ 55,299,724

Funds held for others $6,821,601 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 not-for-profit organizations and affiliate entities and escrow funds held for certain tax increment financing loans.

Tenant security deposits of $742,719 for rental properties managed by MDHA.

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

Letter of Credit held at Pinnacle bank required by HUD for 10th and Jefferson 221(d)4 loan of $490,235.

Deposits of $465,340 held by HUD for the MDHA J Henry Hale LLC replacement reserve and post RAD rehab reserves.

Amounts due to resident councils of $619,651 are tenant participation funds from HUD which are held for use by the duly elected resident councils.

Housing Assistance Payment (HAP) restricted equity totaling $259,043 are excess Section 8 housing assistance funds under the Housing Choice Voucher program.

Deposits of $995,401 are held for participants in the HUD Family Self-Sufficiency program.

Escrow deposits of $7,346,204 required by HUD to cover non-critical repairs identified in Capital Needs Assessment for the RAD converted project based rental assistance properties.

Replacement reserves of $35,099,292 required by HUD for the RAD converted project based rental assistance properties.

Escrow MDHA deposits of $1,804,756 required by HUD for MDHA Kirkpatrick Park off site construction costs.

Tenant deposits and replacement reserves of $655,482 for market rate units managed by a separate management company.

Discretely Presented Component Unit Deposits

As of December 31, 2018, the carrying amount of unrestricted cash and cash equivalents was $7,360,563. 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, 2017, amounts held for tenant security deposits totaled $15,720. 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 as of December 31, 2017:

Replacement Reserves	$ 838,292
Operating Reserves	176,939
FSS Escrow Accounts	119,822
Loan escrow reserves	1,735,106
Tenant security deposits	15,720
	$ 2,885,879

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.

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

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.

As of September 30, 2018, the majority of MDHA's deposits were held by financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregated balance of public fund accounts for MDHA.

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.

Investments

Certificates of deposit were covered by the State bank collateral pool, federal depository insurance or collateralized with securities held by the government's agent in the government's name.

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 as of September 30, 2018 consisting solely of certificates of deposit.

At September 30, 2018, the future maturities of MDHA's investments are as follows:

Type of Investment	Carrying Amount	Maturity Fiscal 2019	Not Subject to Maturity
Certificates of Deposit	$ 2,540,272	$ 2,540,272	$ -
TOTAL	$ 2,540,272	$ 2,540,272	$ -

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets of the Agency for the year ended September 30, 2018 follows:

	September 30, 2017	Additions	Retirements	Transfers	September 30, 2018
Capital assets, not being depreciated:					
Land	$ 97,644,590	$ 656,318	$ (1,743,270)	$ (265,364)	$ 96,292,274
Construction in progress	7,593,091	13,728,572	-	(6,722,964)	14,598,699
Total capital assets, not being depreciated	105,237,681	14,384,890	(1,743,270)	(6,988,328)	110,890,973
Capital assets, being depreciated:					
Buildings	364,804,529	98,651	(131,338)	8,332,317	373,104,159
Infrastructure	21,171,543	-	-	727,570	21,899,113
Furniture, equipment, & machinery - dwellings	4,192,101	729,424	(210,622)	127,241	4,838,144
Furniture, equipment, & machinery - administrative	896,328	16,949	(65,875)	124,684	972,086
Total capital assets, being depreciated	391,064,501	845,024	(407,835)	9,311,812	400,813,502
Less accumulated depreciation for:					
Buildings	(167,719,143)	(11,336,007)	112,542	-	(178,942,608)
Infrastructure	(17,371,760)	(610,882)	(2,019)	-	(17,984,661)
Furniture, equipment, & machinery - dwellings	(3,731,762)	(360,849)	208,867	-	(3,883,744)
Furniture, equipment, & machinery - administrative	(870,933)	(29,836)	64,833	-	(835,936)
Total accumulated depreciation	(189,693,598)	(12,337,574)	384,223	-	(201,646,949)
Total capital assets, being depreciated, net	201,370,903	(11,492,550)	(23,612)	9,311,812	199,166,553
Total capital assets, net	$ 306,608,584	$ 2,892,340	$ (1,766,882)	$ 2,323,484	$ 310,057,526

Total depreciation expense for the year ended September 30, 2018 was $12,337,574.

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in capital assets of the Discretely Presented Component Units for the year ended December 31, 2017 follows:

	December 31, 2016	Additions	Retirements	Transfers	December 31, 2017
Capital assets, not being depreciated:					
Land	$ 2,870,081	$ 810,479	$ -	$ 3,141,643	$ 6,822,203
Construction in progress	5,892,683	8,440,449	-	(11,424,035)	2,909,097
Total capital assets, not being depreciated	8,762,764	9,250,928	-	(8,282,392)	9,731,300
Capital assets, being depreciated:					
Buildings	39,502,293	181,689	-	6,305,389	45,989,371
Infrastructure	1,366,363	-	-	-	1,366,363
Furniture, equipment, & machinery	1,184,265	11,635	-	1,977,003	3,172,903
Total capital assets, being depreciated	42,052,921	193,324	-	8,282,392	50,528,637
Less accumulated depreciation for:					
Buildings	(10,184,327)	(1,652,318)	-	-	(11,836,645)
Infrastructure	(118,353)	(29,588)	-	-	(147,941)
Furniture, equipment, & machinery	(1,000,618)	(29,854)	-	-	(1,030,472)
Total accumulated depreciation	(11,303,298)	(1,711,760)	-	-	(13,015,058)
Total capital assets, being depreciated, net	30,749,623	(1,518,436)	-	8,282,392	37,513,579
Total capital assets, net	$ 39,512,387	$ 7,732,492	$ -	$ -	$ 47,244,879

Total Depreciation expense for the year ended December 31, 2017 was $1,711,760.

NOTE 5 - NOTES RECEIVABLE

Notes receivable, including related accrued interest, consisted of the following as of September 30, 2018:

	2018
Boscobel I LP	$ 6,607,550
Boscobel Heights Development Co	19,725,800
Levy Place LP	8,281,627
Preston Taylor Homes Loans - Phase I	13,084,617
Preston Taylor Homes Loans - Phase II	7,811,613
Rehabilitation Loans	2,743,007
Business District Loans	53,704
Façade Loans	122,954
Neighborhood Stabilization Promissory Notes	14,514,864
Other	623,106
Allowance for doubtful accounts	(15,333,062)
Net notes receivable and accrued interest receivable	58,235,780
Less current portion	(216,283)
Net notes receivable and accrued interest receivable, less current portion	$ 58,019,497

Boscobel I Loans were made to Boscobel I, L.P. for the construction and development of the Boscobel I project. Financing was 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 accrues at an annual rate of 3.05% commencing August 15, 2018. Principal and accrued interest shall be due and payable within 90 days at the end of the calendar year to the extent of Available Cash Flow, as defined in the Partnership Agreement. Cumulative accrued, unpaid interest earned totaled $25,650 at September 30, 2018, and has been added to the note receivable balance. The entire principal balance, as well as accrued and unpaid interest, is due and payable in August 2048.

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.

Preston Taylor Homes Loans - Phase I were made to Preston Taylor Homes, LLC on December 29, 2000 in the amount of $13,020,515 for the construction and development of the Preston Taylor project. The loans were funded by various federal grant programs, including HOPE VI, and UDAG repayment funds. The nonrecourse loans are secured by a leasehold deed of trust. The outstanding loan balance accrues interest at the rate of 0.1% per annum. Accrued but unpaid interest shall be due and payable within sixty days after the end of each calendar quarter to the extent of cash flow, as defined in the Amended and Restated Operating Agreement. Cumulative accrued, unpaid interest earned totaled $205,001 at September 30, 2018, and has been added to the note receivable balance. The notes mature on December 29, 2040. Under a certain Purchase Option Agreement entered into by MDHA and Preston Taylor Homes, LLC, subsequent to the Tax Credit Compliance Period ending in October 2018, MDHA has the right of first refusal to acquire the Preston Taylor Phase I project at the greater of the total outstanding debt on the property or the fair market value of the property.

NOTE 5- NOTES RECEIVABLE (CONTINUED)

Preston Taylor Homes Loans - Phase II were made to Preston Taylor Homes, LLC on January 2, 2002 in the amount of $7,901,728 for the construction and development of the Preston Taylor project. The loans were funded by various federal grant programs, including HOPE VI, Capital Fund Grant, and UDAG repayment funds. The nonrecourse loans are secured by a leasehold deed of trust. The outstanding loan balance accrues interest at the rate of .1% per annum. Accrued but unpaid interest shall be due and payable within sixty days after the end of each calendar quarter to the extent of cash flow, as defined in the Amended and Restated Operating Agreement. Cumulative accrued, unpaid interest earned totaled $114,811 at September 30, 2018, and has been added to the note receivable balance. The notes mature on January 4, 2042. Under a certain Purchase Option Agreement entered into by MDHA and Preston Taylor Homes, LLC, subsequent to the Tax Credit Compliance Period ending in October 2018, MDHA has the right of first refusal to acquire the Preston Taylor Phase II project at the greater of the total outstanding debt on the property or the fair market value of the property.

Levy Place, L.P. Loans - On July 28, 2016, MDHA sold Levy Place Apartments, a 226-unit property, to Levy Place, L.P. Permanent financing was 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 accrues at an annual rate 2.24% commencing July 28, 2016. Principal and accrued interest shall be due and payable within 90 days at the end of the calendar year to the extent of Available Cash Flow, as defined in the Amended and Restated Partnership Agreement. Cumulative accrued, unpaid interest earned totaled $383,331 at September 30, 2018, and has been added to the note receivable balance. The entire principal balance, as well as accrued and unpaid interest, is due and payable in July 2056.

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 $716,540 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 $77,954 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, 2018.

NOTE 5- NOTES RECEIVABLE (CONTINUED)

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 $623,106 balance, $574,072 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.

NOTE 6 - OTHER ASSETS

The following is a summary of other assets of the Primary Government for the year ended September 30, 2018:

Tax Increment revenues due for The Sports Authority Debt repayment (See Note 7)	$ 29,444,799
Downtown Parking Garage unamortized bond issuance costs and capitalized interest	6,448,000
MDHA 10th & Jefferson LLC Other Assets	493,066
CP II LLC Other Assets	446,762
Boscobel III Other Assets	120,806
MDHA Kirkpatrick Park LLC Other Assets	1,356,463
Bordeaux Project Other Assets	32,975
J. Henry Hale bond issuance costs	391,014
Nance Place Apartments unamortized costs	94,280
	$ 38,828,165

NOTE 7 - LONG-TERM DEBT

A summary of changes in MDHA's long-term debt for the year ended September 30, 2018 is presented below:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due within one year
Notes Payable	$ 117,353,608	$ 18,828,923	$ (4,058,497)	$ 132,124,034	$ 5,881,044

NOTE 7 - LONG-TERM DEBT (CONTINUED)

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.	$	540,398
$7,875,600 HUD 221(d)4 Substantial Rehabilitation 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 total $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.		7,067,539
$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, 2018 interest accrued on the loan totaled $1,444,798. (Included in other noncurrent assets is a corresponding amount totaling $29,444,798 - see Note 6)		29,444,798
$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, 2018 was 5.25%). The note is collateralized by the Nance Place apartment complex and assignment of rents and will mature in December of 2026.		1,776,029
$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.		6,901,187

NOTE 7 - LONG-TERM DEBT (CONTINUED)

$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.	$ 3,444,386
$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, 2015. 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.	1,640,284
$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%.	42,205,241
$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.	20,142,702
$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.	2,011,418
$13,776,500 HUD 221(d)4 Substantial Rehabilitation 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.	1,745,325

NOTE 7 - LONG-TERM DEBT (CONTINUED)

$5,400,000 construction loan with First Advantage Bank dated May 30, 2018, advances under this loan shall be used for the construction of 40 townhomes in Bordeaux. Monthly interest payments are due until the earlier of final closing or May 30, 2020 and interest accrues at a fixed rate equal to the US Treasury note rate, plus 2.5%, not to exceed 3.75%	$	324,727
$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
$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
	$	132,124,034

A schedule of principal maturities of the Agency's long-term debt at September 30, 2018 is as follows:

Year Ending September 30	Principal	Interest	Total
2019	$ 5,881,044	$ 5,515,215	$ 11,396,259
2020	3,455,395	5,345,928	8,801,323
2021	3,225,894	5,237,273	8,463,167
2022	3,741,831	5,118,839	8,860,670
2023	3,906,733	4,980,907	8,887,640
2024 - 2028	34,224,482	20,324,480	54,548,962
2029- 2033	17,159,495	15,264,368	32,423,863
2034 - 2038	20,047,913	11,181,804	31,229,717
2039 - 2043	26,167,589	6,095,977	32,263,566
2044 - 2048	8,397,361	1,845,633	10,242,994
2049 - 2053	5,255,030	721,795	5,976,825
2054 - 2058	661,267	57,721	718,988
Total	$ 132,124,034	$ 81,689,940	$ 213,813,974

NOTE 7 - LONG-TERM DEBT (CONTINUED)

A summary of changes in long-term debt, before loan cost adjustment of $46,934 of the Discretely Presented Component Units for the year ended December 31, 2017 is presented below:

	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017	Due within one year
Notes Payable	$ 46,091,209	$ 6,826,281	$ (8,646,262)	$ 44,271,228	$ 1,568,476

Preston Taylor Homes, LLC

HOPE VI Note - Phase I - MDHA is providing mortgage financing in the amount of $12,020,515 through the HOPE VI Program administered by HUD. As of December 31, 2017, advances totaling $11,879,616 have been received on this note. Such advances accrue simple interest at the rate of 0.1% per annum from the date which is the earlier of (i) the occurrence of a default or event of default under the note or any document which secures the indebtedness evidenced by the note or (ii) issuance of final certificates of occupancy for the last of the dwelling units to be constructed with the proceeds of the note and shall not be due and payable except at maturity or on acceleration after default. This note is secured by a leasehold deed of trust, assignment of rents and leases, and security agreement and fixture filing on the property. Interest only is payable quarterly from Cash Flow, as defined. All principal and unpaid interest are due 40 years from the date of the note, December 29, 2040. As of December 31, 2017, interest of $180,174 was accrued, of which $11,880 was incurred in 2017.	$ 12,059,793
HOPE VI Note - Phase II - MDHA is providing mortgage financing in the amount of $4,420,742 through the HOPE VI Program administered by HUD. As of December 31, 2017, advances totaling $4,420,742 have been received on this note. Such advances accrue simple interest at the rate of 0.1% per annum from the date which is the earlier of (i) the occurrence of a default or event of default under the note or any document which secures the indebtedness evidenced by the note or (ii) issuance of final certificates of occupancy for the last of the dwelling units to be constructed with the proceeds of the note and shall not be due and payable except at maturity or on acceleration after default. This note is secured by a leasehold deed of trust, assignment of rents and leases, and security agreement and fixture filing on the property. Interest only is payable quarterly from Cash Flow, as defined. All principal and unpaid interest are due 40 years from the date of the note, January 4, 2042. As of December 31, 2017, interest of $62,627 was accrued, of which $4,421 was incurred in 2017.	4,483,365
UDAG Repayment Funds -Phase I - Additional financing in the amount of $1,000,000 is being provided by MDHA through UDAG repayment funds. This note is secured by a leasehold deed of trust, assignment of rents and leases, and security agreement and fixture filing on the property and accrues simple interest at the rate of 0.1% per annum. No payments for principal or interest are due until December 29, 2040, 40 years from the date of the note. As of December 31, 2017, advances totaling $1,000,000 have been received. As of December 31, 2017, interest of $15,167 was accrued, of which $1,000 was incurred in 2017.	1,015,167

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Preston Taylor Homes, LLC (Continued)

UDAG Repayment Funds -Phase II - Additional financing in the amount of $1,000,000 is being provided by MDHA through UDAG repayment funds. This note is secured by a leasehold deed of trust, assignment of rents and leases, and security agreement and fixture filing on the property and accrues simple interest at the rate of 0.1% per annum. No payments for principal or interest are due until January 4, 2042, 40 years from the date of the note. As of December 31, 2017, advances totaling $1,000,000 have been received. As of December 31, 2017, interest of $14,167 was accrued, of which $1,000 was incurred in 2017.	$ 1,014,167
Comp Grant Loan -Phase II - MDHA is also providing additional financing in the form of a $1,580,986 comp grant loan. This note is secured by a leasehold deed of trust, assignment of rents and leases, and security agreement and fixture filing on the property and accrues simple interest at the rate of 0.1% per annum. No payments for principal or interest are due until January 4, 2042, 40 years from the date of the note. As of December 31, 2017, advances of $1,580,986 have been received. As of December 31, 2017, interest of $22,397 was accrued, of which $1,581 was incurred in 2017.	1,603,383
CDBG Block Grant Loan -Phase II - MDHA is also providing additional financing in the form of a $500,000 CDBG block grant loan. This note is secured by a leasehold deed of trust, assignment of rents and leases, and security agreement and fixture filing on the property and accrues simple interest at the rate of 0.1% per annum. No payments for principal or interest are due until January 4, 2042, 40 years from the date of the note. As of December 31, 2017, advances of $500,000 have been received. As of December 31, 2017, interest of $7,083 was accrued, of which $500 was incurred in 2017.	507,083
Section 8 Refinancing Grant Loan -Phase II - MDHA is also providing additional financing in the form of a $400,000 Section 8 refinancing grant loan. This note is secured by a leasehold deed of trust, assignment of rents and leases, and security agreement and fixture filing on the property and accrues simple interest at the rate of 0.1% per annum. No payments for principal or interest are due until January 4, 2042, 40 years from the date of the note. As of December 31, 2017, advances of $400,000 on the grant loan have been received and repayments of $204,927 were made in 2005, leaving a balance outstanding of $195,073 at December 31, 2017. As of December 31, 2017, interest of $2,764 was accrued, of which $195 was incurred in 2017.	197,840

NOTE 7 - LONG-TERM DEBT (CONTINUED)

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, 2017 was 4.5%. 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.	$	864,702
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, 2017, interest of $129,148, remained payable. During 2017, interest expense of $21,233 was incurred.		529,147

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 (4.5% as of December 31, 2017) 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, 2017. The entire principal balance, as well as all accrued and unpaid interest, is due and payable on July 28, 2035.		5,778,989
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 2017, interest expense of $221,152 was incurred and $250,639 remains payable as of December 31, 2017. The entire principal balance, as well as accrued and unpaid interest, is due and payable in July 2056.		8,148,935

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Levy Place, L.P. (Continued) Construction financing is being provided by Pinnacle Bank under a loan commitment of $10,000,000. The recourse 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 (4.5% as of December 31, 2017) minus 4%, with a floor of 0% and a cap of 5%. There was no accrued interest at December 31, 2017. The entire principal balance, as well as any accrued and unpaid interest, was due and payable on July 31, 2017. As of July 31, 2017, payments of $3,228,176 had been made on the loan, and an extension was granted requiring monthly payments of interest only, and a principal payment in the amount of $5,818,338 due and payable by December 31, 2017. The remaining principal balance, as well as any accrued and unpaid interest, is due and payable August 10, 2018.	$ 1,461,107
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 2018, interest expense of $25,650 was incurred and remains payable as of September 30, 2018. The entire principal balance, as well as accrued and unpaid interest, is due and payable in August 2048.	6,607,550
	44,271,228
Less loan costs	(116,829)
	$ 44,154,399

A schedule of principal maturities of the Discretely Presented Component Unit's long-term debt before the loan cost adjustment of $46,934 at December 31, 2017 is as follows:

Year Ending December 31,	Principal
2019	$ 1,566,678
2020	107,369
2021	107,369
2022	107,369
2023	107,369
Thereafter	42,275,074
Total	$ 44,271,228

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 $116.3 million at September 30, 2018.

A summary of changes in MDHA's conduit debt for the year ended September 30, 2018 is presented below:

Company	Project Description	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Accrued Interest
3501	Castner Knott	$ 1,850,000	$ -	$ -	$ 1,850,000	$ 839,363
3501	Cohen Bldg	300,000	-	-	300,000	204,776
3501	Cumberland apts	6,000,000	-	-	6,000,000	244,005
3501	Hermitage- Historic Hotels	1,500,000	-	(1,500,000)	-	-
3501	Kress	359,522	-	(63,452)	296,070	4,924
3501	Viridian	1,338,682	-	(867,385)	471,297	7,632
3501	ACME Feed Building	297,309	-	(70,509)	226,800	4,788
3501	Omni Hotel (10/4/2013)	-	-	-	-	-
	Regions Bank	37,406,409	-	(9,019,413)	28,386,996	276,015
3501	Omni Hotel	-	-	-	-	-
	Downtown Parking Garage	801,440	-	(190,672)	610,768	6,021
3501	Omni Hotel - 21C Hotel	1,477,333	-	(399,531)	1,077,802	10,680
3501	Parmenter Garage	1,423,716	-	(331,699)	1,092,017	17,292
3501	505 CST	12,500,000	-	-	12,500,000	1,761,735
3501	21C Hotel Project	4,800,000	-	-	4,800,000	183,661
3501	4Pant Dream Hotel	-	3,250,000	(9,795)	3,240,205	9,451
3501	Joseph Hotel	-	4,500,000	-	4,500,000	109,250
3504	Rolling Mill Hill	2,262,401	-	(294,588)	1,967,813	54,659
3504	Trolley Barn	360,270	-	(141,098)	219,172	5,704
3504	SWHR Hermitage (Terra House)	17,230	-	(17,230)	-	-
3504	205 Demonbreun	3,000,000	-	(823,005)	2,176,995	63,206
3504	SWH River House	525,000	-	-	525,000	60,375
3504	Eakin The Peabody Plaza	-	7,900,000	-	7,900,000	224,988
3507	Ballpark Project	6,451,737	-	(770,066)	5,681,671	55,294
3510	1821 Jefferson Street	628,000	-	(14,441)	613,559	29,640
3510	1712 Jefferson Street	350,000	-	(109,468)	240,532	32,202
3511	1101 Dickerson Pike	140,000	-	(11,653)	128,347	2,940
3515	5th & MAIN	5,807,570	-	-	5,807,570	1,907,618
3515	East Side Apartments	264,711	-	(111,045)	153,666	3,520
3518	Ash-McNiel	175,754	-	(59,360)	116,394	3,194
3518	Braid Electric	264,521	-	(145,826)	118,695	1,774
3518	Javanco/Waggoner	647,372	-	(410,925)	236,447	7,180
3518	Laurel House 2002	71,924	-	(71,924)	-	-
3518	Velocity	4,686,021	-	(517,121)	4,168,900	133,247
3518	Gulch Infrastructure (Laurel Property)	1,596,220	-	(1,393,472)	202,748	4,049
3518	Gulch Crossing	2,648,803	-	(742,670)	1,906,133	44,265
3518	Westin Hotel	16,000,000	-	(1,208,175)	14,791,825	253,850
3518	Thompson Hotel	4,000,000	-	(12,787)	3,987,213	96,801
	Total	$ 119,951,945	$ 15,650,000	$ (19,307,310)	$ 116,294,635	$ 6,664,099

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, 2018:

	Balance at October 1, 2017	Additions	Adjustment/ Payments	Balance at September 30, 2018	Current Portion
Compensated absences	$ 2,465,176	$ 1,262,718	$ (1,421,088)	$ 2,306,806	$ 645,862
FSS escrow deposit	$ 1,006,687	$ -	$ (11,286)	$ 995,401	$ -

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, 2018, 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 principally a defined contribution plan for employees who were participants in the MDHA Retirement Plan as of September 30, 2000. Based on an actuarial study performed as of July 1, 2013, the Agency had no required contribution due related to the defined benefit portion of the Plan. 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, 2018 amounted to $2,045,306, which equaled the amount of required employer contributions. Employee voluntary contributions were $228,150 in 2018. MDHA's payroll for employees covered by the Plan for the fiscal year ended September 30, 2018 was $15,733,123. Total payroll for MDHA during the fiscal year ended September 30, 2018 amounted to $16,734,666.

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, 2018 were $66,783.

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 $792,191 for the year ended September 30, 2018.

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, 2018.

At September 30, 2018, the Agency had outstanding construction commitments of approximately $31.57 million. These outstanding commitments will be paid by grants committed to the Agency by the U.S. Department of Housing and Urban Development and the Metropolitan Government of Nashville and Davidson County, Tennessee.

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.

NOTE 14 - AFFILIATE AGREEMENTS

MDHA has also assisted in the financing of mixed income affordable and market rate residential housing in the form of loans to Preston Taylor Homes, LLC. Preston Taylor Homes Phase I consisted of the demolition of 300 units of housing on the north side of the Preston Taylor site and the new construction of 51 rental duplex and townhouse buildings comprising 182 units of rental housing. Of the 182 units, 170 shall be public housing units eligible to receive the benefits of operating subsidies provided to MDHA by HUD. The remaining 12 units shall be market units. Phase I of the project was completed in November 2002. Preston Taylor Homes Phase II consisted of the demolition of 250 units of housing and the new construction of 116 units, of which 104 are public housing units and 12 are market rate units. Phase II of the project was completed in October 2003. (See Note 6.)

The apartment project is managed by MDHA which receives a fee of 6% of the gross revenues of the Project with respect to the nonpublic housing units. A ninety-nine year ground lease has been executed with MDHA. Upon expiration of the agreement, Preston Taylor shall have an option to purchase the land for $100, provided the development notes have been paid in full. (See Note 5.)

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.

NOTE 14 - AFFILIATE AGREEMENTS (CONTINUED)

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 $179,163 were charged to operations in 2018. There were no fees outstanding as of September 30, 2018.

MDHA guarantees certain financial obligations of Preston Taylor Homes, LLC and Levy Place, LP 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.

Boscobel I, 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 I, LP will consist of new construction of 96 of rental housing. Of the 96 units, 50 shall be public housing units eligible to receive the benefits of PBRA HAP subsidies provided to the partnership by HUD. The remaining 46 units shall be workforce and market units. Estimated completion date is November 2019.

MDHA guarantees certain financial obligations of Preston Taylor Homes, LLC, Levy Place, LP, and Boscobel I, LP 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".

The changes in the Agency's net position for the year ended September 30, 2018 are as follows:

	Net Investment in Capital Assets	Restricted	Unrestricted	Totals
Net Position - September 30, 2017	$ 226,292,917	$ 32,080,023	$ 88,868,369	$347,241,309
Changes in net position - 2018	2,601,308	12,900,139	5,968,004	21,469,451
Net Position - September 30, 2018	$ 228,894,225	$ 44,980,162	$ 94,836,373	$368,710,760

NOTE 15 - NET POSITION (CONTINUED)

A breakdown of the Agency's restricted net position as of September 30, 2018 is as follows:

Replacement Reserve Accounts	$ 35,099,292
Post RAD Rehab Escrows	7,351,731
MDHA Kirkpatrick Park LLC Escrow	1,804,756
J Henry Hale Escrow Accounts	465,340
Section 8 HAP Reserves	259,043
	$ 44,980,162

The changes in net position for the Discretely Presented Component Units for the year ended December 30, 2017 are as follows:

	Net Investment in Capital Assets	Restricted	Unrestricted	Totals
Net Position (Deficit) - January 1, 2017	$ (6,578,818)	$ 6,667,229	$ 2,750,176	$ 2,838,587
Changes in net position - 2017	9,552,469	(518,876)	(1,720,238)	7,313,355
Net Position (Deficit) - December 31, 2017	$ 2,973,651	$ 6,148,353	$ 1,029,938	$ 10,151,942

NOTE 16 - MEMBERS CAPITAL CONTRIBUTIONS

Contingent upon various requirements as outlined in the Partnership Agreement for Levy Place, L.P., the Limited Partner has agreed to contribute $10,760,587 for a 99.989% interest in the Partnership. During the year ended December 31, 2017, capital contributions of $9,038,893 were received.

The Special Limited Partner of Levy Place, L.P. has agreed to contribute $100 in return for 0.001% interest and the General Partner has agreed to contribute $196,720 for a 0.01% interest in the partnership. Both partners fully funded their capital contributions during the year ended December 31, 2016.

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 - MAJOR FUNDING SOURCE

The Agency is substantially funded by Federal awards from the Department of Housing and Urban Development. The amount of future funding cannot be determined at this time by management.

NOTE 19 - SPECIAL ITEMS

Special items reported as of September 30, 2018 consisted of:

MDHA 10th & Jefferson LLC Equity Contributions as the April 2, 2018 Cost Certification	$ 2,646,781
MDHA Equity and Land transferred to Boscobel I, LP at August 15, 2018 closing date	(787,989)
	$ 1,858,792

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, 2018.

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 December 15, 2019.

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.

NOTE 20 - FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The provisions of this statement are effective for fiscal years beginning after June 15, 2018.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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, 2019.

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.

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, 2018.

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.

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 - SUBSEQUENT EVENTS

On December 13, 2018, the Agency assisted in the financing of the new construction of 101 mixed income affordable and market rate housing in the form of loans and equity contributions to CP II, LP. The MDHA Housing Trust Corporation has a .01% general partner interest in CP II, LP. The entity will be presented as a discretely presented component unit in 2019.

On January 1, 2019, the Investor Member and Special Member of the Preston Taylor LLC sold their interests in the Company to MDHA, for $250,000. Effective March 31, 2019, subject to the necessary approvals by HUD and THDA, the Preston Taylor directors and shareholders will terminate all leases, transfer the assets of the Company to MDHA as satisfaction of all indebtedness, and approve the dissolution of the Preston Taylor Corporation and the Preston Taylor, LLC.

NOTE 22 - CONDENSED FINANCIAL STATEMENTS

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF NET POSITION AT DECEMBER 31, 2017

	Discretely Presented Component Units				
	Boscobel I LP	Preston Taylor Homes, LLC	Levy Place LP	Ryman Lofts at Rolling Mill Hill, L.P.	Total
ASSETS					
Current Assets	$ 5,010,012	$ 2,087,112	$ 2,783,613	$ 461,580	$ 10,342,317
Capital Assets, Net	3,719,576	15,050,697	22,382,518	6,092,088	47,244,879
Noncurrent Assets	617,205	2,315	179,451	40,476	839,447
TOTAL ASSETS	9,346,793	17,140,124	25,345,582	6,594,144	58,426,643
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	9,346,793.00	17,140,124	25,345,582	6,594,144	58,426,643
LIABILITIES					
Current Liabilities	1,611,996	660,588	1,875,335	327,401	4,475,320
Noncurrent Liabilities	6,607,550	20,992,599	14,844,863	1,354,369	43,799,381
TOTAL LIABILITIES	8,219,546	21,653,187	16,720,198	1,681,770	48,274,701
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	8,219,546	21,653,187	16,720,198	1,681,770	48,274,701
NET POSITION					
Net investment (deficit) in capital assets	(2,887,974)	(5,830,101)	6,993,487	4,698,239	2,973,651
Unrestricted net position (deficit)	617,205	890,665	(441,393)	(36,539)	1,029,938
Restricted net position	3,398,016	426,373	2,073,290	250,674	6,148,353
TOTAL NET POSITION (DEFICIT)	$ 1,127,247	$ (4,513,063)	$ 8,625,384	$ 4,912,374	$ 10,151,942

NOTE 22 - CONDENSED FINANCIAL STATEMENTS (CONTINUED)

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2017

	Discretely Presented Component Units				
	Boscobel I LP	Preston Taylor Homes, LLC	Levy Place LP	Ryman Lofts at Rolling Mill Hill, L.P.	Total
OPERATING REVENUES					
Rentals	$ -	$ 1,320,881	$ 1,045,092	$ 499,724	$ 2,865,697
Other tenant revenue	-	-	-	3,172	3,172
Governmental operating revenue	-	480,964	608,809	-	1,089,773
Other income	1,127,247	110,805	56,335	796	1,295,183
TOTAL OPERATING REVENUES	1,127,247	1,912,650	1,710,236	503,692	5,253,825
OPERATING EXPENSES					
Cost of Services:					
Tenant services	-	54,025	59,026	-	113,051
Utilities	-	83,818	65,997	37,851	187,666
Ordinary maintenance and operations	-	735,713	362,635	85,474	1,183,822
Protective services	-	-	58,052	-	58,052
Other direct program costs	-	133,744	143,886	46,054	323,684
Administration	-	792,167	641,089	136,523	1,569,779
Depreciation	-	640,142	857,625	213,993	1,711,760
TOTAL OPERATING EXPENSES	-	2,439,609	2,188,310	519,895	5,147,814
OPERATING LOSS	1,127,247	(526,959)	(478,074)	(16,203)	106,011
NONOPERATING REVENUES (EXPENSES)					
Interest income	-	24,708	10,285	1,266	36,259
Interest expense	-	(21,919)	(189,482)	(42,319)	(253,720)
TOTAL NONOPERATING EXPENSES - NET	-	2,789	(179,197)	(41,053)	(217,461)
Members capital contributions	-	-	7,424,805	-	7,424,805
CHANGES IN NET POSITION	1,127,247	(524,170)	6,767,534	(57,256)	7,313,355
NET POSITION (DEFICIT) - BEGINNING OF YEAR	-	(3,988,893)	1,857,850	4,969,630	2,838,587
NET POSITION (DEFICIT) - END OF YEAR	$ 1,127,247	$ (4,513,063)	$ 8,625,384	$ 4,912,374	$ 10,151,942

SUPPLEMENTARY INFORMATION

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	LWx17-09	02-01-16 to 09-30-18	$ 307,661		
Low Income Home Energy Assistance Program	93.568	LWx18-09	06-30-18 to 09-30-19	13,025		
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					$ 320,686	
U.S. DEPARTMENT OF ENERGY						
Weatherization Assistance for Low-Income Persons	81.042	WAP 17-09	07-01-16 to 06-30-18	346,513		
Weatherization Assistance for Low-Income Persons	81.042	WAP 18-09	06-30-18 to 06-30-19	35,015		
TOTAL U.S. DEPARTMENT OF ENERGY					381,528	
U.S. DEPARTMENT OF HEALTH RESOURCES AND SERVICES ADMINISTRATION						
Nursing Workforce Diversity Program	93.178	D19HP29811	07-01-16 to 04-30-18		45,609	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Direct Programs:						
Public and Indian Housing	14.850	A-3777	10-01-17 to 09-30-18		11,733,980	
Housing Voucher Cluster:						
Section 8 Housing Choice Vouchers	14.871	A-3152V	10-01-17 to 09-30-18	48,866,669		
Section 8 5yr Mainstream Vouchers	14.879	TN005DV0001	10-01-17 to 09-30-18	467,313		
					49,333,982	
Section 8 Project Based Cluster:						
Lower-Income Housing Assistance Program:						
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	TN005SR0007	10-01-17 to 09-30-18	580,148		
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	TN005SC0001	10-01-17 to 09-30-18	111,334		
					691,482	
Housing Assistance Payments Program:						
CWA Apartments I	14.195	TN43L000015	12-19-14 to 09-01-18	1,526,339		
CWA Apartments II	14.195	TN43L000016	12-19-14 to 09-01-18	561,224		
MDHA J Henry Hale LLC	14.195	TN43RD00004	07-1-17 to 09-01-18	1,010,767		
Cumberland View	14.195	TN43RD00003	02-01-17 to 09-01-18	1,462,263		
Andrew Jackson	14.195	TN43RD00002	04-01-17 to 09-01-18	1,419,419		
Madion Towers	14.195	TN43RD00007	04-01-17 to 09-01-18	681,133		
Edgefield Manor	14.195	TN43RD00006	05-01-17 to 09-01-18	760,959		
Parkway Terrace	14.195	TN43RD00008	06-01-17 to 09-01-18	465,370		
Napier Place	14.195	TN43RD00011	10-01-17 to 09-01-18	1,811,434		
Sudekum Apartments	14.195	TN43RD00012	10-01-17 to 09-01-18	2,510,628		
Edgehill Apartments	14.195	TN43RD00013	10-01-17 to 09-01-18	1,945,742		
Gernert Studio Apartments	14.195	TN43RD00010	10-01-17 to 09-01-18	440,821		
Hadley Towers	14.195	TN43RD00015	11-01-17 to 09-01-18	445,414		
Parthenon Towers	14.195	TN43RD00014	11-01-17 to 09-01-18	814,179		
Carleen Batson Waller Manor	14.195	TN43RD00016	11-01-17 to 09-01-18	153,137		
					16,008,829	
					16,700,311	

See accompanying independent auditor's report.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

GRANT	FEDERAL CFDA NUMBER	GRANTOR'S NUMBER	GRANT PERIOD		EXPENDITURES	SUB-RECIPIENTS
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)						
Direct Programs (Continued):						
Public Housing - Capital Fund Program:						
Public Replacement Housing Capital Fund	14.872	A-3777 (TN43R00550215)	04-12-2015 to 04-12-19	$ 34,202		
Public Housing Capital Fund	14.872	A-3777 (TN43P00550115)	04-12-15 TO 04-12-19	1,439,400		
Public Housing Capital Fund	14.872	A-3777 (TN43P00550116)	04-12-16 TO 04-12-20	3,313,752		
Public Housing Capital Fund	14.872	A-3777 (TN43P00550117)	04-12-17 TO 04-12-21	5,112,599		
					$ 9,899,953	
Shelter Plus Care Program:						
Shelter Plus Care	14.238	TN0070L4J041508	07-01-17 TO 06-30-18	21,013		
Shelter Plus Care	14.238	TN0068L4J041710	07-01-18 TO 06-30-19	396,767		
Shelter Plus Care	14.238	TN0068L4J041609	07-01-17 TO 06-30-18	1,218,944		
Shelter Plus Care	14.238	TN0213L4J041702	07-01-18 TO 06-30-19	13,802		
					1,650,526	
Supportive Housing Program:						
Supportive Housing Program (HMIS)	14.235	TN006L4J041609	07-01-17 TO 06-30-18		7,474	
Resident Opportunity and Supportive Services Program:						
Resident Opportunity and Supportive Services	14.870	TN005RPS070A015	03-24-16 to 03-25-19		207,403	
Choice Neighborhood Planning Grant	14.892	TN4L005CNP115	06/29/2016 to 09/30/2018		293,380	
Family Self-Sufficiency Program	14.896	FSS17TN0485	12/15/17 to 12/31/18		164,210	
Jobs Plus	14.895	TN005FJP000515	01/01/16 to 09/30/2020		725,104	
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	3,513,805		
Community Development Block Grants/Entitlement Grants-Disaster	14.218	B-10-MF-47-0002	04-30-2010 to	570,846		
					4,084,651	
HOME Investment Partnerships Program	14.239	M-XX-MC-47-0203	N/A		2,796,937	
Emergency Shelter Grants Program	14.231	E-XX-MC-47-0004	04-01-13 to 03-31-14		654,641	
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	TN-HXX-F002	04-01-13 to 03-31-14		1,073,474	
Continuum of Care Homeless Assistance	14.267	TN0268L4J041600	07-01-17 to 06-30-18	71,294		
Continuum of Care Homeless Assistance	14.267	TN0289L4J041700	07-01-18 to 06-30-19	39,765		
					111,059	
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					99,437,085	
TOTAL FEDERAL FINANCIAL ASSISTANCE					$ 100,184,908	$ -

See accompanying independent auditor's report.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

CFDA NUMBER		DESCRIPTION	EXPENDITURES
14.871	*	Section 8 Housing Choice Vouchers (HCV cluster)	$ 48,866,669
14.879	*	Section 8 Five Year Mainstream Vouchers (HCV cluster)	467,313
14.195		Housing Assistance Payments Program	16,008,829
14.850		Public and Indian Housing	11,733,980
14.267		Continuum of Care Homeless Assistance	111,059
14.872		Public Housing Capital Fund	9,899,953
14.218		Community Development Block Grants/Entitlement Grants (CDBG cluster)	4,084,651
14.238		Shelter Plus Care	1,650,526
14.239	*	HOME Investment Partnerships Program	2,796,937
14.241		Housing Opportunities for Persons With AIDS	1,073,474
81.042		Weatherization Assistance for Low-Income Persons	381,528
14.249		Section 8 Moderate Rehabilitation - Single Room Occupancy	691,482
93.178		Nursing Workforce Diversity Program	45,609
14.870		Resident Opportunity and Supportive Services	207,403
14.892		Choice Neighborhood Planning Grant	293,380
14.896		Family Self-Sufficiency Program	164,210
14.895		Jobs Plus	725,104
14.231		Emergency Shelter Grants Program	654,641
93.568		Low Income Home Energy Assistance Program	320,686
14.235		Supportive Housing Program	7,474
		TOTAL FEDERAL FINANCIAL ASSISTANCE	$ 100,184,908

*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.

NOTE C - PROCUREMENT

As allowed by the Uniform Guidance, the Agency has elected to delay adopting the procurement requirements specified in the Uniform Guidance.

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SCHEDULE OF ACTUAL COSTS FOR THE SPECIFIED PROJECT

FROM INCEPTION OF THE PROJECT THROUGH COMPLETION

	TN43P005501-15
Funds approved	$ 6,279,592
Funds expended	6,279,592
Excess (deficiency) of funds approved	$ -

	TN43P005501-16
Funds approved	$ 7,001,555
Funds expended	7,001,555
Excess (deficiency) of funds approved	$ -

	TN4L005CNP115
Funds approved	$ 500,000
Funds expended	500,000
Excess (deficiency) of funds approved	$ -

The distribution of costs by project as shown on the Performance and Evaluation Report submitted to the Department of HUD for approval is in agreement with the Agency's records.

All costs and related liabilities have been disbursed.

See accompanying independent auditor's report.

<u>OTHER REPORTS</u>

CPAs & ADVISORS

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, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March15, 2019.

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

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Ohio

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 15, 2019

CPAs & ADVISORS

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

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, 2018. 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 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.

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, 2018.

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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 were not 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 15, 2019

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 / 14.879	Housing Voucher Cluster	$ 49,333,982
14.239	HOME Investments Partnerships Program	$ 1,073,474

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

METROPOLITAN DEVELOPMENT AND HOUSING AGENCY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2018

Finding No.: 2017.001 Eligibility - Significant Deficiency

Section 8 Project Based Cluster: Section 8 Housing Assistance Payments Program (CFDA No. 14.195)

Condition: During testing of tenant files for the CWA I and II Project Based Rental Assistance Properties, we noted the following issues:

- 7 instances where tenant income was not properly verified and supported.
- 1 instance where verification of a tenant's social security number was not performed.
- 1 instance where the declaration of citizenship form was not signed by the tenant.
- 1 instance in which a tenant file which we requested to review could not be found.

Recommendations: The Housing Authority should implement controls to ensure that tenant income verifications are properly performed for each tenant and to ensure all required documentation is properly maintained in tenant files. As part of this process, we recommend that a member of management periodically review a sample of files to ensure a standardized control process is being followed and the controls are operating effectively in order to meet HUD requirements.

Status: This finding has been cleared for the year ended September 30, 2018.