



## MEMORANDUM

**DATE:** February 15, 2017

**TO:** Todd Hileman, City Manager

**FROM:** John Cabrales, Assistant City Manager

**SUBJECT:** Denton Housing Authority Housing Tax Credit Resolution Issues

### ISSUE

The Denton Housing Authority (DHA) has been before council in two recent work session discussions to ask the council not to issue any resolutions of support for any housing tax credit development applications in Denton, unless the developer and DHA have executed a Memorandum of Understanding (MOU) related to the proposed development. These discussions have raised several questions with council and below are answers to some of those questions. The information was provided by DHA, Denton ISD, Denton County and the Community Development Division. There is another council work session discussion scheduled for Feb. 21 and two germane action items that are resolutions of support for 9% housing tax credit development applications.

### QUESTIONS

#### **How is the funding from DHA derived from these projects?**

DHA enters into an MOU with a private housing tax credit developer, that among other things allows DHA to share in the developer fees and other cash flow that are derived from the sale of low income housing tax credits (if awarded) and bond revenues. These developer fees are usually deferred over a 15-17 year period. DHA has partnered with private developers on three of the eleven tax credit developments in the City. Currently DHA has Pecan Place (1993), Renaissance Courts (2004) and The Veranda (2015) (Exhibit 1).

In the MOU agreement for the 150 unit Renaissance Courts, DHA owned the land and negotiated to receive 50% of the developer fees and 100% of the cash flow after 10 years. In total DHA has received \$700,000 in developer fees from this project and has used it to pay asset management and loan refinancing fees. Renaissance Courts is expected to complete payment of loan to DHA by 2018. DHA does have the right of first refusal to purchase Renaissance Courts at the end of the 15 year compliance period, which is estimated to be 2020-21, and will need approximately \$2 million for this purchase.

In 2016 DHA entered into an MOU (Exhibit 3) on the 322 unit residential development known as The Veranda. As a result of the agreement, DHA will receive 35% of the developer fees and 50% of the other cash flow. On page 11 of Exhibit 3, there is a breakdown of the annual payments to DHA over a 17 year period. For year one of this agreement, DHA received approximately \$122,500 for developer fees in the FY 2015-16. They will not receive any more developer fees until The Veranda reaches “stabilization” or “lease up,” defined by the state as 90% of the units leased for three consecutive months. When stylization is reached, which is estimated to be November 2018, then they can resume collection of a portion of the developer fees annually, which are scheduled to end by the tenth year. However, in the tenth year, the cash flow payments begin and go until year 17, of which DHA receives 50%. DHA has the right of first refusal to purchases the property in year 15, and if they do purchase the property they will get 100% of the cash flow.

Of the developer fees received thus far from The Veranda MOU, DHA has used these revenues to pay for construction monitoring and other repairs and upgrades at other DHA properties. DHA expects to receive additional developer fees in 2018. Some of these fees will be used to go towards the purchase of Renaissance Courts and other development opportunities.

**What is the funding that DHA is expecting to get for the two 9% tax credit projects?**

DHA has been in MOU discussion with Palladium for the proposed 180 unit Palladium development, and with MV Residential for the 120 Reserve at Sherman development. The proposed agreements have a 15 to 17 year developer fee and cash flow pay out with the following breakdown:-

- Developer = 50%
- DHA = 35%
- Historically Underutilized Business (HUB) = 15% (This is a state mandated percentage if a HUB is brought on as a partner.)

The two developers want to bring on a HUB as a partner because under the Texas Department of Housing & Community Affairs (TDHCA) scoring of housing tax credit applications, the developer will get an additional point for having a HUB partner. This will also impact the cash flow breakdown to the following.

- Developer 48%
- DHA 28%
- HUB 14%
- Tax Credit Investor 10%

If DHA had land to offer up for these types of developments, then they would be able to negotiate a higher percentage of the developer fees or cash flow. For example, the Fort Worth Housing Authority (FWHA) has been able to negotiate 50% in developer fees and 50% in cash flow because they have used land owned by FWHA for the development.

FWHA also has taken advantage of a Department of Housing and Urban Development (HUD) program to convert existing public housing units into Rental Assistance Demonstration (RAD) units. Under RAD, Housing Authorities are able to raise substantial amounts of capital to rehabilitate or redevelop deteriorating public housing developments. The RAD program operates by converting public housing subsidies into Section 8 vouchers that are attached to some of the units in the housing tax credit development. Also, the City of Ft Worth has approved a policy that all applicants for housing tax credits, partner with the housing authority or another public entity, require a percentage of RAD units or supportive housing units, and a minimum of market rate units.

Denton Housing Authority does not have or own public housing units so they do not qualify for the RAD credits.

**How would the 5% funds the DHA mentioned going to United Way be used? How was 5% derived? Why not 10%, 50%?**

DHA has a need for programs and services to better improve the lives of the families they serve and to foster independence and self-sufficiency. These programs could include financial management, budget training, job training, childcare classes, counseling, help with utilities, etc. These programs are already available here in Denton, and DHA does not want to duplicate them. They also know that a lot of these agencies are losing local, state, and federal funds. However, revenues from developer fees could be used to keep families from becoming homeless. For example, if a voucher family's utilities are shut off, DHA is required to terminate them from the program, which could result in the family becoming homeless. Funds received from non-federal sources, such as developer fees, could be used to pay for utility bill and for other services that will help families stay in stable housing.

DHA's ability to partner with a developer allows them to earn additional revenue streams, and not just rely on the federal funding. Their ability to negotiate developer fees and cash flow from these types of projects also allows some of these funds to remain here locally. DHA understands that partnering with the United Way of Denton County and other non-profits makes sense because many of their clients are supported by local non-profit programs and services. An amount of 5% of annual revenues was being discussed, because DHA feels that they will need most of the funding from these agreements to purchase the development after the 15 years.

They are already partnering with United Way by the providing the land for a new office building & community center and United Way in turn will provide space for DHA to use for meetings with their clients. DHA is also working with United Way to provide funds for Supportive Housing needs in the community. They also already partner with Giving HOPE, Inc. to provide funds for a Security Deposit & Application Fee program for clients searching for better housing.

DHA proposes to allocate some of total developer fees (\$1,265,000) for their current fiscal year (Exhibit 4, page 2) in the following way.

- \$63,250 to United Way agencies that provide services to DHA clients
- \$150,000 to United Way to develop a Pilot Housing Program

- \$5,000 to Giving Hope for Security Deposit payments
- \$450,000 reserve towards the purchase of Renaissance Courts
- The remaining balance will be used for DHA operations

**Is it true that in the past five years, no new affordable housing built?**

Since 1993, Denton has had eleven housing tax credit developments (see exhibit 1) with the last one being 322 multifamily unit development known as The Veranda. The Texas Department of Housing & Community Affairs (TDHCA) scores all housing tax credit applications within the rules outlined in their Qualified Action Plan (QAP). According to the QAP any housing tax credit development proposed in a community, whose population is greater than 100,000, and has more than 20 percent Housing Tax Credit Units per capita, shall be considered ineligible unless the Governing Body of the municipality passes a resolution of support. In other words, if a city has two times or more than the state average of affordable housing units ratio to the total household units in a city, then the developer will not get any points towards their application, unless they convince the city council to pass a resolution of support.

At one time the City of Denton was over the threshold and resolutions of support were required by TDHCA, the City of Denton has been at two times or higher of said state average so we were not an attractive community for housing tax credit developers looking to score points on their application. However, due to the growth in population in Denton we recently dropped below this state average so developers are coming back to Denton to try and build these types of developments.

Construction of Housing Tax Credit properties has been only one method used to support affordable housing in the Denton community. Over the past 32 years, the City of Denton has supported affordable housing by providing grants and very low-interest loans to low income homeowners who would probably not have been able to stay in their homes or may have been in a unit that had some significant and possibly dangerous problems. HUD funding has also been used to assist low and moderate-income households to purchase homes by providing funding for down payment and closing costs. Over the years, the City has worked with the Denton Affordable Housing Corporation, Habitat for Humanity and Cumberland Presbyterian Children's Home to provide affordable housing either through renovation, purchase and rehabilitation, or new construction. Habitat currently has a funding agreement with the City to build a unit on Alexander St. and DAHC has funding to renovate a six-plex on Bolivar Street. Though HUD funding has been reduced significantly in the last few years, the City continues to use the funds to support affordable housing in a variety of ways.

Also, the QAP changes each year so developers must locate available land in a qualified census tract (QCT) in order to score enough points to receive an award. DHA has submitted pre-applications in previous years, but could never score enough points, based on the location of the land they owned near downtown and in northern Denton.

According to the Census Bureau's 2015 American Community Survey (ACS), there are a total of 48,282 "housing units" in Denton. Occupied "Housing units" in Denton are listed at 45,529 and

comprise 94.3%. Renter occupied units amount to 23,744 and comprise 52.2% of the occupied units (45,529). The ACS also shows an increase in rental households earning \$15,000 - \$49,000 from 2010 to 2015. There were 15,098 households in 2010, and 16,654 in 2015 for an increase of 1,556 households or 10.31%. Employment growth shows demand for 3,937 new rental units over the next five years based on a conservative 3.0% annual employment growth estimate.

DHA current voucher holders experience a difficult time locating units to use the voucher, especially 1& 2 bedroom units. DHA has 3,000 families on their waiting list. They are expecting a reduction in HUD funding and may have to reduce their program from 1536 vouchers/assisted families to 1420.

### **What amount of taxes is the city forgoing for each project?**

It is not known what the value of either the 180 unit Palladium development or the 120 unit Reserve at Sherman development will be. However, if we use the value of The Veranda development in the financial documents (Exhibit 3) it shows that the cost of the land acquisition and building is \$47,568,010 million. Because of the developer's partnership with DHA, this development is tax exempt. Had the City been able to collect taxes for this property we estimate that had the development been completed for FY 2016-17 the taxes would have been approximately \$325,051.

Our Building Inspections (BI) Division uses a multiplier from the International code council as a way to provide values for different types of buildings. According to BI, they have given The Veranda project a multiplier of \$107.72 per square foot, which gives the buildings a value of \$45,953,760. The financials from this agreement estimate the land acquisition costs at \$2,500,000 so when we add these two together for a total of \$48,453,760, which is close to the values in the financial documents.

It is important to note that a housing tax credit development only becomes tax exempt when it partners with a housing authority. Also, under state law DHA is only allowed to partner with two 9% developments per year, but it is not limited to the number of partnerships it can have with 4% developments.

### **Financials for DHA**

Some additional financial information was requested from DHA. They have provided us with a one page overview of their FY 2016-17 Budget (Exhibit 4), their accountant's compilation report on their balance sheet as of January 31, 2017 (Exhibit 5) and their year-end auditor's report for FY 2014-15 (Exhibit 6), and their negotiation activities with housing tax credit developers (Exhibit 7).

DHA's current budget shows total operating income of \$3,643,160. Current budgeted expenses are \$2,972,949, leaving a net operating income of \$670,211. They also receive \$11,000,000 in Housing Assistance Payments (HAP) funds to distribute annually to landlords, and these are restricted to HAP. DHA financial as of January 2016 (Exhibit 5) show the housing authority's assets and liabilities and income statement for the first four months of the fiscal year. Their total

assets are \$9,056,123. The majority of these assets are restricted (HUD funding) and most of the land is tied to the developments. The operating revenues for each program are listed on page 5 and show operating revenues and expenses for the current fiscal year.

### **Why do Developers want to work with Housing Authorities?**

Private developers choose to work with local housing authorities in order to better structure their deals financially and to have a local connection to the community. Housing Authority's bring a wealth of community knowledge and experience and can better assist them in going through the planning process with the local municipalities. Property and sales tax exemptions allow developers to save thousands of dollars for supplies and materials and real estate tax. Sometimes these expenses alone can make the business perform unattractive for the development. Also, the instability of the current market has lowered the price for the sale of the tax credits, most recently from \$1.06 to \$.85. This means that the revenue from the sale of the credits will be much lower than expected, and thus partnering with a housing authority is much more desirable to a developer. Housing authorities also bring to the table a waiting list of potential applicants already looking for affordable housing and families on the wait list are provided rental opportunities with the development before opening it up to the general public.

### **How are school districts and County allowed input?**

State law does not require applicants for tax credits to get "support" from the schools or the county. However, DHA does try to notify and work with the school so that they will know of potential population increase in the school in which the development will be located. DHA did receive a letter of support from the school superintendent for The Veranda.

Staff did reach out to Denton County and Denton ISD (DISD) to solicit any concerns or input regarding the proposed 180 unit Palladium development and the 120 Reserve at Sherman development. Denton County Judge Mary Horn stated that she was not in support of the developments, and Commissioner Bobbie Mitchell stated that she was in support. DISD is supportive of affordable housing and is not opposed to these developments, but they do have concerns about the impact that the amount of children that these developments would place in their schools. They are also concerned about the impact to some of their programs such as the free and reduced lunch and Communities in Schools. As of the drafting of this memo, they had not submitted their letter they were drafting for council consideration.

# EXHIBIT 1

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
Inventory of Developments Placed in Service or Under Construction  
as of January 26, 2017 Board Meeting

TDHCA #	Program Type	Original TDHCA#	Year	Board Approval	Development Name	Project Address	Project City	Project County	Zip Code	LIHTC Amt Awarded	Total Units	LIHTC Units	Population Served	Apt. Phone #
93010	9% HTC		1993	1993	Pecan Place	302 S. Locust St.	Denton	Denton	76201	\$209,406	24	24	Elderly	(940) 484-9535
94138	9% HTC		1994	1994	Country Park Apartments	1606 East McKinney St.	Denton	Denton	76209	\$701,222	120	120	General	(940) 243-0007
96003	9% HTC		1996	1996	The Waterford at Spencer Oaks	2100 Spencer Rd.	Denton	Denton	76205	\$1,128,301	208	156	General	(940) 591-8400
98-02T	4% HTC		1998	1998	Pebblebrook Apartments	191 Dutchess Dr.	Denton	Denton	76208	\$650,859	250	250	General	(940) 243-2098
01408	4% HTC		2001	04/26/01	Rosemont @ Pecan Creek (fka Knoll)	3500 E. McKinney	Denton	Denton	76205	\$932,246	276	276	General	(940) 383-9400
01409	4% HTC		2001	04/26/01	Primrose @ Sequoia Park (fka Bluffview)	1400 E. University Dr.	Denton	Denton	76209	\$728,563	250	250	General	(940) 383-4344
02474	4% HTC		2002	04/10/03	Quail Creek North	3500 Quail Creek Drive	Denton	Denton	76201	\$1,039,028	264	264	General	(972) 733-3399
04151	9% HTC		2004	07/28/04	Renaissance Courts*	1224 E. Hickory St.	Denton	Denton	76205	\$993,822	150	120	General	(940) 383-3039
05616	4% HTC	05447	2005	09/16/05	Providence Place II	3500 Quail Creek Dr.	Denton	Denton	76208	\$1,071,070	252	252	Elderly	972-239-8500
07037	9% HTC	04151	2007	10/12/06	Renaissance Courts	1224 E. Hickory St.	Denton	Denton	76205	\$65,771	0	0	General	(940) 383-3039
11248	9% HTC		2011	07/28/11	The Roxton	307 N Loop 288	Denton	Denton	76209	\$1,362,651	126	122	General	(305) 854-7100
15411	4% HTC		2015	12/17/15	The Veranda	2420 E. McKinney Street	Denton	Denton	76209	\$1,666,107	322	322	General	(940) 383-3039
						Denton Count*	11							

\*TDHCA REPORT LISTS 12 - Renaissance Court (04151 to 07037) listed twice due to second tax credit award. One was removed.



# EXHIBIT 2

**MEMORANDUM OF UNDERSTANDING  
BETWEEN  
DENTON PUBLIC FACILITY CORPORATION  
AND  
NRP HOLDINGS LLC  
"Denton Apartments"**

This Memorandum of Understanding (the "MOU") is between Denton Public Facility Corporation ("DPFC"), a Texas public facility corporation, and NRP Holdings LLC ("NRP"), an Ohio limited liability company, and is dated effective as of \_\_\_\_\_ 2015.

NRP is a developer of affordable housing in the State of Texas. DPFC is a public facility corporation whose mission, in part, is to provide safe, decent and sanitary housing for low-income persons. NRP and DPFC hereby agree to work cooperatively to develop affordable housing at the following location, in accordance with the terms of this MOU:

Denton Apartments, a 322 unit multifamily apartment development to be located in the 2400 block of East McKinney Street, Denton, Denton County, Texas 76209 (the "Project").

In order to accomplish this purpose, the parties agree as follows:

**AGREEMENTS:**

**A. Definitions.**

1. Class B LP -An affiliate of NRP that, to the extent permitted by applicable law, will be admitted to the Partnership.
2. Closing -- The initial closing and funding of Construction Loan and Equity financing to the Partnership.
3. Construction Loan - The loan identified in Section E.1 hereof for the construction of the Project.
4. Developer - NRP Holdings LLC.
5. Development Fee - The fee paid to Developer in the amount set forth in Section L.1 hereof.
6. Equity - The equity financing of the Project identified in Section E.2 hereof.

7. General Partner - A single purpose entity affiliated with DPFC that will be admitted to the Partnership as general partner.
8. Guarantor - One or more affiliates of the Class B LP which will guarantee the Construction Loan and Permanent Loan and Equity that shall be reasonably acceptable to the General Partner.
9. Investor LP -The provider of the Equity through a purchase of an Investment in the Partnership entitling the Investor LP to the Tax Credits. The Investor LP may, at Developer's option and with the consent of the General Partner, be a limited partnership formed by Developer.
10. Keystone - Keystone Services LLC, an Ohio limited liability company.
11. Manager - NRP Management LLC, an Ohio limited liability company.
12. Management Agreement - Property Management Agreement between the Partnership and Manager, the form of which is attached hereto as Exhibit "A".
13. MOU - This Memorandum of Understanding between DPFC and NRP.
14. NRP - NRP Holdings LLC, an Ohio limited liability company.
15. NRPC - NRP Contractors LLC, an Ohio limited liability company.
16. Partnership - McKinney Denton Apartments, Ltd. to be formed Texas limited partnership, which will be the limited partnership formed for the purpose of owning the Project.
17. Partnership Agreement - The Amended and Restated Partnership Agreement to be entered into among the General Partner, Class B LP, Developer and Guarantor and the Investor LP, to be drafted by counsel for the Investor LP.
18. Permanent Loan - The loan identified in Section E.1.
19. Pre-Development Loan-The loan identified in Section P.2.
20. QAP - Qualified Allocation Plan for 2015 Tax Credits issued by TDHCA.
21. Subordinate Loan(s) - The loan(s) identified in Section E.1, if any, which will be subordinate to the Construction Loan and Permanent Loan.
22. Tax Credits - Low Income Tax Credits allocated by TDHCA.
23. TDHCA - Texas Department of Housing and Community Affairs.

**B. Summary of Compensation and Fees.**

1. DPFC shall receive thirty-five percent (35%) of the Developer Fee. (See Section L.1 hereof)
2. Developer shall receive sixty-five percent (65%) of the Developer Fee. (See Section L.1.)
3. NRPC shall receive a general contractor fee, overhead, profit and general conditions as set forth in Section F.6.
4. Manager shall receive a Management Fee as set forth in Section G.1.
5. Keystone shall receive the fee set forth in Section H.

**C. Ownership Structure.**

1. The Partnership will be formed by Developer for the purpose of owning the Project.
2. The General Partner will become the sole general partner and will be admitted to the Partnership at Closing. To the extent permitted by applicable law as amended between the date hereof and Closing, the Class B LP will have certain control oversight and approval rights. Any such rights must be agreed to by DPFC and may not, in the opinion of DPFC's counsel, result in the Special LP being deemed a General Partner for exercising its rights under the Partnership Agreement (as hereinafter defined).
3. The duties of the General Partner and the Class B LP shall be set forth in the Partnership Agreement.
4. Title to the land for the Project shall be taken in the name of DPFC, or a subsidiary of DPFC, and DPFC, or such subsidiary shall then enter into a long-term ground lease (the "Ground Lease") with the Partnership as tenant holding an interest in the improvements that constitute the Project. Funding for the acquisition of the land will come from the financing of the Project, and may be paid to DPFC in the form of an up-front Ground Lease payment. Upon termination of the Ground Lease, ownership of the improvements constituting the Project shall revert to DPFC.

D. Due Diligence

1. As a condition to DPFC's participation with the Project, DPFC requires NRP to provide all due diligence information on the Project and its proposed financing and operations.

2. A proforma budget of the Project is attached to this MOU as Exhibit "B" entitled "Proforma Development Budget". DPFC and NRP acknowledge that the proforma is subject to change. DPFC further acknowledges that NRP shall be responsible for maintaining and updating the proforma budget, which shall be subject to review and approval by DPFC.

E. Financing.

1. On behalf of the Partnership, Developer has applied for a reservation of up to Twenty Three Million Nine Hundred Fifteen Thousand Dollars (\$23,915,000) in private activity bonds (the "Bonds") to be issued by DPFC ("Issuer"). If the Partnership receives a reservation of Bonds, Developer shall be responsible for selecting the manner in which the Bonds will be sold to facilitate debt financing for the Project and negotiating the Bond financing terms on behalf of the Partnership, provided that DPFC shall have the right to review and approve the financing arrangements and the terms and conditions of any Bond or loan document.

2. The Partnership will require a taxable bridge loan in the approximate amount of Fourteen Million Five Hundred Eighty Three Thousand Seven Hundred Eighty Seven Dollars (\$14,583,787). NRP shall identify financing sources for the taxable bridge loan on behalf of the Partnership and coordinate all interaction with the lender. The General Partner shall have the right to review and approve the financing arrangements and the terms and conditions of the financing arrangements of the taxable bridge loan, such approval not to be unreasonably withheld, conditioned or delayed. A commitment for the taxable bridge loan shall be in place prior to Closing (as hereinafter defined). The General Partner shall timely review and comment upon any documents related to the taxable bridge loan and shall timely execute any and all such documentation.

3. On behalf of the Partnership, Developer has applied for approximately One Million Six hundred Twenty One Thousand One Hundred Seventy Six Dollars (\$1,621,176) in Tax Credits from TDHCA. The parties anticipate that the Investor LP will provide Equity in return for the benefit of the Tax Credits. NRP shall negotiate equity financing for the Project on behalf of the Partnership and coordinate all interaction with the Investor LP. DPFC shall have the right to review and approve the financing arrangements of the Equity, such approval not to be unreasonably withheld, conditioned or delayed. The Equity financing documents are expected to include the Partnership Agreement. The General Partner shall timely review and comment upon any documents related to the Equity and shall timely execute any and all such documentation at Closing.

4. Developer shall pay all costs and fees associated with applying for the Bonds, the Loan, and Tax Credits, which costs, along with all other pre-development costs incurred by Developer (to the extent included within the approved budget), shall be reimbursed at Closing from the proceeds of the Bonds and Equity. In the event this MOU is terminated or the transaction fails to close as contemplated herein, Developer shall be solely responsible for all costs described above and DPFC and its affiliates shall have no responsibility for payment or reimbursement of such costs.

5. Guarantor shall provide any guarantees that may be required in conjunction with the Loan financing or the Equity referenced in paragraphs E.1 and E.2 above.

Because NRP is providing any ongoing compliance or other guaranties, NRP and DPFC shall enter into a Master Agreement, the form of which is attached hereto as Exhibit "C" providing for NRP's right to control certain decisions of the Partnership (including, but not limited to, those which could affect Guaranty liability) and for reimbursement of sums expensed by NRP as guarantor from sources available to the Partnership as provided in the Partnership Agreement.

The Project will undergo audits from the Investor LP, provider of the Permanent Loan, provider of the Subordinate loan(s), and from the Partnership. The Partnership shall facilitate providing the necessary documents requested by the various parties to allow for the aforementioned third party audits. DPFC shall have reasonable access to records and financial reports for inspection and review.

F. Design and Construction.

1. Developer shall provide comprehensive development services to the Partnership pursuant to a Development Agreement to be entered into by the Partnership and Developer.

2. NRP has provided DPFC a detailed pro forma budget for the Project, a current copy of which is attached hereto as Exhibit "B".

3. NRP shall be responsible for obtaining the services of design professionals for the design of the site plan and design of the project. DPFC will be provided copies of the final plans and specifications for the Project, including all construction contracts. DPFC will have the right to review, comment and approve such plans, and specifications.

4. In order to secure an exemption from state sales tax for the acquisition of building materials, DPFC shall serve as the general contractor and enter into a master subcontractor agreement for the construction of the Project with NRPC.

5. The sub-contractor of the project will be NRPC, an affiliate of NRP. NRP shall provide the Partnership a standard AIA form Lump Sum contract in an amount and otherwise on terms and conditions acceptable to all parties, each acting reasonably,

the form of which is attached to this MOU at Exhibit "D". In no event shall the amount of the general contract be less than shown in the Project proforma attached hereto. The lump sum payable to NRPC shall be an expense of the Partnership and shall be inclusive of a typical 6-2-6 construction profit (i.e., 6% builder profit, 2% overhead and 6% general conditions) all of which will be drawn on a percent complete based on the percent of work complete. The fixed price amount of the contract will also include a contractor's contingency of 5% solely for the use of NRPC and to be drawn as needed by approved change order to complete the work as needed. Any unused contingency at the completion of the project will be used to pay deferred development fee; provided, however, that General Partner shall not unreasonably withhold its approval of any construction draw request involving release of contingency.

6. NRP shall be responsible for obtaining all governmental approvals and permits needed in order to construct and operate the Project.

7. NRPC shall guarantee to the Partnership, the Investor LP and any lender, delivery of the Project on time and within the approved budget (as it may be amended or revised from time to time with appropriate approvals).

8. The Project shall be constructed so as to comply with ADA and Section 504 requirements, as applicable under federal and state law.

9. The Partnership will not accept any financing source which requires a bond from the general contractor or master subcontractor without DPFC's and NRP's approval.

10. In no event will the Project require a contingency in excess of five percent (5%) of hard costs without the approval of NRPC.

11. NRP shall be responsible for the preparation of the construction loan draws for the Project.

12. Ramel Consulting ("Consultant") shall participate in the construction loan draw meetings and monitor the design and construction activities for the Project.

G. Management and Operation.

NRP Management, LLC or such other Developer designated affiliate shall serve as the property manager ("Manager") for the Project, which will be memorialized in a management agreement (the "Management Agreement"), the form of which is attached hereto as Exhibit "A". At any time that there are compliance guaranties executed by any affiliate of NRP, the General Partner shall (i) have consent in any removal of the Manager and (ii) shall have approval of any subsequent Manager. Any approval of any subsequent Manager while there are compliance guaranties executed by any affiliate of NRP shall be accomplished by NRP presenting up to three (3) acceptable property management firms to the General Partner for review and approval. The amount of the

Management Fee shall be four and 75/100 percent (4.75%) of effective collected gross income and paid as outlined in the Property Management Agreement. Because the Project consists of new construction, prior to the receipt of a Certificate of Occupancy for the first residential building, the Manager will be compensated by monthly fees equal to Twenty Dollars (\$20) per unit commencing with the first complete month after the first community employee commences to work at the Project, provided such date is typical for when an employee would commence working at similar projects. The parties understand that in no event shall the first community employee commence work any earlier than three to four months prior to the receipt of a Certificate of Occupancy.

H. Accounting.

Subject to termination for reasonable cause, Keystone, an affiliate of NRP, shall provide accounting services (including but not limited to : (i) bookkeeping, monitoring reporting requirements and processing construction loan draws and change orders, and (ii) preparation of and/or coordinating preparation of cost certification, carryover, 10% test, tax returns and the Partnership's audit and audited financial statements for filing or certification by the Partnership's outside accountants,) to the Project until the later of: (i) conversion to the Permanent Loan; (ii) receipt of the final installment of the Equity Financing; and (iii) receipt of Form 8609. Keystone shall receive a fee from the Partnership of Two Hundred dollars (\$200) per unit per year for such services, but in no event more than Twenty Thousand Dollars (\$20,000) annually.

I. Supportive Services.

NRP will identify an appropriate provider of supportive services. The scope of such supportive services shall be consistent with the committed to services in the application for the Tax Credits. The fee for such supportive services will be as shown in the final proforma. Pursuant to the approved budget, DPFC shall monitor and approve the provision of such supportive services during the Tax Credit compliance period. Developer shall be responsible for providing any evidence of supportive services which may be required for the Tax Credit application.

J. Community Support.

DPFC and NRP shall be jointly responsible for interfacing with the local governmental officials in connection with support for the Project. The parties will consult with each other and coordinate the response to any media inquiries and/or public opposition to the Project that may arise.

K. Tax Exemption.

The ownership structure contemplated herein is expected to generate an ad valorem tax exemption for the Project. DPFC, on behalf of the Partnership, shall work with the applicable appraisal district to obtain confirmation of the availability of such exemption.



L. Fees and Expenses.

1. As consideration for the services of the Developer in connection with the construction and development of the Project, Partnership shall in accordance with Partnership Agreement, pay a fee (the "Developer Fee") of up to Five Million Twenty Thousand Dollars (\$5,020,000) or such maximum amount as may be permitted by all applicable laws, rules and regulations including those of TDHCA and lender, which Developer Fee shall include any Developer's overhead charged to the Project.

NRP will receive 65% of the Developer Fee and DPFC will receive 35% of the Developer Fee.

The obligations of the Partnership to pay the Developer Fee shall be non-recourse to the Partners of the Partnership but recourse to the assets of the Partnership.

2. The General Partner may be entitled to receive certain fees or priority distributions for its services in such capacity as set forth in the Partnership Agreement. Such amounts shall be payable from the Partnership's net cash flow, as provided in the Partnership Agreement.

3. After payment of the Developer Fee, the General Partner's fee, if any, and any other priority net cash flow payments established in the Partnership Agreement, the General Partner and the Class B LP shall split any remaining net cash flow distribution, 50% to the Class B LP and 50% to General Partner.

4. Neither party shall enter into any contractual relationship or agreement relating to the Project that would cause either financial or legal liability to the other, without the other party's prior written consent.

M. Long Term Ownership and Right of First Refusal Designation.

At the end of the 15-year Tax Credit compliance period, the General Partner, DPFC, or DPFC's designated affiliate shall have a right of first refusal to acquire the Project for a price equal to the outstanding indebtedness secured by the Project plus any exit taxes. In addition, the General Partner, or other DPFC affiliate shall have an option to acquire the Project at any time as necessary to obtain the required property tax exception on terms acceptable to the Equity and NRP.

N. NRP Expenses.

1. To the extent that NRP has advanced sums for the benefit of the Project which have not been reimbursed, DPFC may not take any action regarding the ownership, development, construction, management or finances of the Project (whether prior to or after Closing) without NRP's prior consent. NRP shall be entitled to priority reimbursement for all bona-fide reasonable out-of-pocket pre-development costs associated with the development of the Project (including any interest paid by NRP) upon the earlier of (i) Closing of the Construction Loan and Equity and (ii) the Project

receiving any pre-development loan or equity advance.

2. NRP shall have the right to identify Pre-Development Loan financing to the Partnership for reimbursement of Project expenses incurred by NRP, to be guaranteed by NRP subject to DPFC's review and approval. If NRP identifies and DPFC approves such a Pre-Development Loan, NRP shall execute loan documents evidencing the Pre-Development Loan on behalf of the Partnership without creating any liability to DPFC or its affiliates. The fees and interest of such Pre-Development Loan shall be expenses of the Partnership.

O. DPFC Expenses.

NRP acknowledges that it is the parties' intent that DPFC bear no out of pocket expenses in connection with the Project, provided that such reasonable expenses shall be considered Project expenses and shall be shown in the Development Budget. DPFC shall provide the amount of the fee for the Consultant to NRP for inclusion in the Proforma Development Budget. DPFC shall have reasonable access to records and financial reports for inspection and review.

P. Miscellaneous.

1. This MOU reflects the entire understanding between the parties and may only be amended by DPFC or NRP in writing, signed by both parties. This MOU is not merely an "agreement to agree".

2. Each party hereto is prohibited from assigning any of its interests, benefits or responsibilities hereunder to any third party or related third party, without the prior written consent of the other party, such consent not to be unreasonably withheld, conditioned or delayed.

3. The parties agree to execute such documents and do such things as may be necessary or appropriate to facilitate the development of the Project and the consummation of their agreement herein.

4. This MOU may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

5. THIS MOU SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS, EXCLUSIVE OF CONFLICT OF LAWS PRINCIPLES.

6. In case any one or more of the provisions contained in this MOU for any reason are held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision hereof, and this MOU

will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

7. The parties hereto submit exclusively to the jurisdiction of the state and federal courts of Denton County, Texas, and venue for any cause of action arising hereunder shall lie exclusively in the state and federal courts of Denton County, Texas.

8. Should any party employ an attorney or attorneys to enforce any of the provisions hereof, to protect its interest in any manner arising under this MOU, or to recover damages for the breach of this MOU, the non-prevailing party in any action pursued in courts of competent jurisdiction (the finality of which is not legally contested) agrees to pay to the prevailing party all reasonable costs, damages and expenses, including specifically, but without implied limitation, attorneys' fees, expended or incurred by the prevailing party in connection therewith.

9. The subject headings contained in this MOU are for reference purposes only and do not affect in any way the meaning or interpretation hereof.

10. This MOU shall continue until terminated upon the occurrence of one of the following conditions:

- (i) DPFC and NRP sign a mutual consent to terminate this Agreement;
- (ii) The transactions contemplated hereby are not closed by July 31, 2016;
- (iii) The terms of the Loan and Equity financing for the Project are unacceptable to DPFC, in its sole discretion, and DPFC provides Developer notice of such fact and a 30-day opportunity to provide financing terms that are acceptable to DPFC and Developer, but Developer does not do so;
- (iv) DPFC's Board of Directors does not approve the Project;
- (v) Developer fails to deliver Checklist items as required herein;
- (vi) Either party breaches its obligations under this MOU, the non-binding party provides the breaching party notice of such fact and a 15-day opportunity to cure, and the breaching party fails to do so; or
- (vii) Either party files for bankruptcy protection, makes an assignment for the benefit of creditors, has a receiver appointed as to its assets or generally becomes insolvent.

Upon termination of this MOU for DPFC's breach hereof, or DPFC's violation of item (vii) above, DPFC shall reimburse NRP for all of its bonafide reasonable out of pocket pre development costs associated with development of the Project, with interest as indicated above. Upon termination of this MOU for any other reason, neither party shall have any ongoing obligation to the other with respect to this MOU and the Project.

13. In addition, the provisions of this MOU with respect to the Project, other than those provisions which expressly survive the termination hereof, will be terminated and suspended when the General Partner is admitted to the Partnership Agreement and DPFC and NRP and their affiliates, as applicable, enter into definitive agreements with respect to the governance of the Partnership and the development, construction, financing, and operation of the Project as contemplated herein.

If this MOU is terminated for any reason and neither DPFC nor any of its affiliates (i) acts as General Partner in regard to the Project or (ii) acquires any ownership interest in the Project, NRP shall retain all rights to control the Project, including the right to identify any alternate general partners, guarantors, and developers and to re-apply for an allocation of tax credits for the Project. DPFC agrees, upon termination of this MOU, to execute any document reasonably requested by NRP to give effect to the provisions of this paragraph. The provisions of this paragraph shall survive termination of this MOU.

14. The parties acknowledge that, the General Partner, DPFC and its affiliates will be represented in this transaction by Coats Rose Yale Ryman & Lee, PC ("General Partner Counsel"). All costs of General Partner Counsel and Consultant will be considered Costs hereunder and paid as provided herein. The Partnership, Developer, the Special LP, and their affiliates will be represented by separate counsel whose fees will also be an expense of the Partnership reflected in the Proforma Development Budget and will not be entitled to rely on General Partner Counsel for representation in this matter.

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EXECUTED to be effective as of the date above shown.

DENTON PUBLIC FACILITY  
CORPORATION

By:

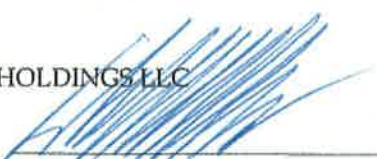
Name:

Title:

Sally Rishel  
Sally Rishel  
President

NRP HOLDINGS LLC

By:



Name: Daniel B. Markson

Title: Authorized Representative

**EXHIBIT "A"**  
**FORM OF MANAGEMENT AGREEMENT**  
**(TO BE ATTACHED)**

**EXHIBIT "B"**  
**PROFORMA DEVELOPMENT BUDGET**  
**(TO BE ATTACHED)**

**EXHIBIT "C"**  
**FORM OF MASTER AGREEMENT**  
**(TO BE ATTACHED)**



**EXHIBIT "D"**  
**PARTNERSHIP STANDARD AIA FORM STIPULATED SUBCONTRACT**  
**AND MASTER SUBCONTRACT**  
**(TO BE ATTACHED)**

# EXHIBIT 3

**THE NRP GROUP LLC**  
**Denton Apartments, Denton, TX**  
**Scenario: 4% LIHTC**

**Final Closing Model****Sources & Uses****Sources of Funds**

	<b>Construction</b>	<b>Permanent</b>
Construction: 6.00% interest only	\$ 27,000,000	
Permanent: 4.30% for 35 Years		\$ 27,000,000
Loan #2: BofA Bridge Loan 4.00% for 30 Years	13,500,000	-
Loan #3: 0.00% for 30 Years	-	-
Tax Credit Equity - Federal	2,553,584	17,807,419
Tax Credit Equity - State	-	-
Income during Construction Period	-	-
Soft Loan #1: Local Funds 1.00% for 30 years	-	-
Soft Loan #2: Source 1.00% for 30 years	-	-
Soft Loan #3: Source 0.00% for 30 years	-	-
GLC Interest	-	-
Deferred Development Fee	-	2,760,591
	<b>43,053,584</b>	<b>47,568,010</b>

63.34% depreciable basis plus land

**Uses of Funds**

Acquisition Costs	2,500,000	2,500,000
Construction Costs	28,181,918	28,181,918
Architect/Engineering	1,282,500	1,282,500
Permits & Fees	1,755,000	1,755,000
Title & Survey	315,000	315,000
Construction Period Expenses	545,000	545,000
Financing Costs	5,237,650	5,247,650
Professional Services	461,500	516,500
Tax Credit Fees	92,860	118,620
Development Fee	350,000	5,234,000
Reserves & Other	913,000	1,871,822
	<b>41,634,428</b>	<b>47,568,010</b>

15.0% of Eligible Basis

**Surplus (Deficit) Cash**

	<b>\$ 1,419,156</b>	<b>\$ -</b>
Source Paid Developer Fees	\$ 350,000	\$ 2,473,409
15-Year Cash Flow after 1st Mortgage DS	6,795,396	6,795,396
Deferred Developer/GC Fee	-	2,760,591
15-Year Cash Flow available for Deferred Developer Fee	-	6,633,404

**Project Statistics:**

Units	322
5th Year Cash-Flow	\$ 338,914
Construction Cost/Unit	\$ 83,844
GC/Unit	\$ 87,521
Source Paid Dev Fees	2,473,409
Market Rate	0%

Prevailing Wage Required:	No
Sales Tax Exemption:	Yes
Construction Start Date:	4/15/2016
Club House Delivery Date:	5/1/2017
Construction Completion Date:	3/1/2018
Stabilization/Perm Conversion:	11/1/2018

The analysis contained herein is preliminary and based on information gathered from sources that have not been independently verified. This analysis is not a commitment by The NRP Group, LLC to provide any specific financial results or specific financing execution. This analysis is confidential and cannot be released to any other party without the written consent of The NRP Group, LLC. The assumptions used herein are subject to change without notice.

**THE NRP GROUP LLC**  
**Denton Apartments, Denton, TX**  
**Scenario: 4% LIHTC**

	<b>Total</b>	<b>Eligible Basis</b>	<b>Good Costs</b>	<b>Bad Costs</b>	<b>Depreciable</b>	<b>Construction</b>
<b>Development Costs</b>						
<b>Acquisition Costs</b>						
Land	\$ 2,500,000	\$ -	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Building Acquisition	-	-	-	-	-	-
Offsite Construction	-	-	-	-	-	-
<b>Construction Costs</b>						
Contingency (5.00%)	1,184,114	1,174,183	-	1,184,114	1,174,183	1,184,114
Site Work	4,480,794	4,480,794	4,480,794	-	4,480,794	4,480,794
New Construction	19,002,875	19,002,875	13,369,206	5,633,669	19,002,875	19,002,875
Demolition	-	-	-	-	-	-
Offsite Construction	198,615	-	-	198,615	-	198,615
Landscaping	-	-	-	-	-	-
Retail Space (Warm White Box)	-	-	-	-	-	-
General Requirements (6.00%)	1,420,937	1,409,020	-	1,420,937	1,409,020	1,420,937
Contractor Overhead (2.00%)	473,646	469,673	-	473,646	469,673	473,646
Contractor Profit (6.00%)	1,420,937	1,409,020	-	1,420,937	1,409,020	1,420,937
<b>Architect/Engineering</b>						
Architect Fee - Design	800,000	800,000	800,000	-	800,000	800,000
Architect Fee - Supervision	87,500	87,500	87,500	-	87,500	87,500
Engineer	325,000	325,000	325,000	-	325,000	325,000
Soils Testing	70,000	70,000	70,000	-	70,000	70,000
<b>Permits &amp; Fees</b>						
Water & Sewer Tap Fees	1,300,000	1,300,000	1,300,000	-	1,300,000	1,300,000
Permits	455,000	455,000	455,000	-	455,000	455,000
Park Dedication/Development Fee	-	-	-	-	-	-
<b>Title &amp; Survey</b>						
Survey/Wetlands	100,000	100,000	-	100,000	100,000	100,000
Other	-	-	-	-	-	-
Title/Recording/Closing	215,000	215,000	-	215,000	215,000	215,000
<b>Construction Period Expenses</b>						
GC Oversight Fee - DPFC	270,000	-	-	270,000	-	270,000
Construction Insurance	250,000	250,000	250,000	-	250,000	250,000
Property Taxes	25,000	25,000	-	25,000	25,000	25,000
<b>Financing Costs</b>						
<b>Bond Costs</b>						
FirstSouthwest Company	-	-	-	-	-	-
Texas Bond Review Board	21,250	-	-	21,250	-	21,250
Texas Department of Aging	27,000	-	-	27,000	-	27,000
Trustee	13,500	-	-	13,500	-	13,500
Trustee Counsel	9,500	-	-	9,500	-	9,500
Bond Printing	-	-	-	-	-	-
Issuer Fee	-	-	-	-	-	-
Issuer Counsel	202,500	-	202,500	-	-	202,500
AG Fee	9,500	-	-	9,500	-	9,500
Coats Rose - DHA Counsel	145,000	-	-	145,000	-	145,000
<b>Mortgage Costs</b>						
Construction Manager Fee	270,000	-	-	270,000	-	270,000
Construction Manager DD	10,000	-	-	10,000	-	10,000
Construction Manager Legal	55,000	-	-	55,000	-	55,000
Construction LC outside of Rate	-	-	-	-	-	-
Misc. Bond Costs	-	-	-	-	-	-
<b>Other Financing Costs</b>						
Bridge Loan Origination	135,000	100,161	-	135,000	100,161	135,000
Bridge Loan Legal	25,000	18,548	-	25,000	18,548	25,000
Letter of Credit	18,900	-	-	18,900	-	18,900
Other	-	-	-	-	-	-
Ramel Consulting	45,000	-	-	45,000	-	45,000

**THE NRP GROUP LLC**  
**Denton Apartments, Denton, TX**  
**Scenario: 4% LIHTC**

JLL - Good Faith Return	-	-	-	-	-	-
Capitalized interest	808,000	404,000	404,000	404,000	404,000	808,000
<b>Bank Loan</b>						
JLL - Origination Fee	270,000	-	270,000	-	-	270,000
JLL - DD & Construction Monitor	32,500	32,500	-	32,500	32,500	32,500
Freddie Mac - Application, Standby, Deposit	108,000	-	-	108,000	-	108,000
JLL - Legal	72,000	-	-	72,000	-	72,000
Construction Draw Review Fee	40,000	40,000	40,000	-	40,000	40,000
Capitalized interest	2,835,000	1,984,500	1,984,500	850,500	1,984,500	2,835,000
<b>Other</b>						
Perm Loan - Conversion Fee	10,000	-	-	10,000	-	-
A&E Development	-	-	-	-	-	-
NRP Line of Credit Reimbursement	45,000	-	-	45,000	-	45,000
P&P Bond	15,000	-	-	15,000	-	15,000
Set-up Fees	25,000	-	-	25,000	-	25,000
<b>Professional Services</b>						
Property Appraisal	6,500	6,500	6,500	-	6,500	6,500
Market Study	35,000	35,000	35,000	-	35,000	35,000
Environmental Report / Soils	20,000	20,000	20,000	-	20,000	20,000
Accounting/Cost Certification	55,000	55,000	-	55,000	55,000	-
Legal	400,000	300,000	-	400,000	300,000	400,000
<b>Tax Credit Fees</b>						
TC Monitoring Fee	25,760	-	-	25,760	-	-
TC Application & Reservation Fee	92,860	-	-	92,860	-	92,860
App Fees	-	-	-	-	-	-
<b>Development Fee</b>	5,234,000	5,234,000	-	5,234,000	5,234,000	350,000
<b>Reserves &amp; Other</b>						
Organizational (e.g., Partnership)	30,000	-	-	30,000	-	30,000
Rent-up Reserve	362,250	-	-	362,250	-	362,250
Operating Reserve	958,822	-	-	958,822	-	-
FFE	300,000	300,000	300,000	-	300,000	300,000
Soft Cost Contingency	100,000	25,000	100,000	-	25,000	100,000
Marketing Reserve	120,750	-	-	120,750	-	120,750
	\$ 47,568,010	\$ 40,128,276	\$ 27,000,000	\$ 20,568,010	\$ 40,128,276	\$ 41,634,428
	\$ -					
<b>Construction Cost Summary</b>						
GC Contract Amount (not including contingency)	\$ 26,997,804					
GC Contract Amount per Unit	83,844					
Total Construction Cost per Sq Ft	81.82					
Total Cost per Unit	147,727					
Total Cost (total less land, demo & reserves) per Sq Ft	127.27					

THE NRP GROUP LLC  
Denton Apartments, Denton, TX  
Scenario: 4% LIHTC

**Tax Credit Equity****Projected Annual Credit**

Eligible Development Costs:	\$ 40,128,276
Percentage Affordable:	100.00%
Qualified Basis:	40,128,276
High Cost Area Adjustment(NA):	1.30
Total Adjusted Qualified Basis:	52,166,758
Applicable Federal Rate:	3.18%
Projected Annual Construction Credit:	1,658,903
Acquisition Basis	-
Applicable Federal Rate:	3.18%
Projected Annual Acquisition Credit:	-
Max Credit Amount	1,649,000
Investor Ownership	99.99%
Projected Annual Credit to ILP:	\$ 1,648,835

**Projected LP Equity**

Projected Annual Credit to ILP:	\$ 1,648,835
# of years available:	10
Total Credit to ILP:	16,488,351
Anticipated price per credit \$1:	1.080
Projected ILP Equity Contribution:	\$ 17,807,419

**Use****Federal  
Calculated****\$ 17,807,419****Installments:**

	Month	Completion	Federal Amount	%	Developer Fee	
Payment 1	Apr-16	0.00%	560,934	3.2%	350,000	6.7%
Payment 2	Oct-17	81.05%	1,992,650	11.2%	-	0.0%
Payment 3	Nov-18	100.00%	14,808,650	83.2%	1,678,224	32.1%
Payment 4	Nov-18	100.00%	445,185	2.5%	445,185	8.5%
Payment 5	Nov-18	100.00%	-	0.0%	-	0.0%
Payment 6	Nov-18	100.00%	-	0.0%	-	0.0%
Payment 7	Nov-18	100.00%	-	0.0%	-	0.0%
			17,807,419	100.0%	2,473,409	Paid
					2,760,591	Deferred

**Availability of Tax Credits:**

2016	0%	-
2017	16%	268,560
2018	88%	1,442,731
2019	100%	1,648,835

THE NRP GROUP LLC  
Denton Apartments, Denton, TX  
Scenario: 4% LIHTC

Unit Mix and Rent Schedule

	Unit Type		Affordability	Description	Units	Sq. Ft. per Unit	Extended Sq. Ft.	Developer Gross Rent	Utility Allowance	Developer Net Rent	Max Net LIHTC	Final Net Rent	Extended Rent	Rent Per Sq. Ft.
	Bedrooms	Baths												
Unit 1	1	1	60%		35	712	24,920	\$ 753	\$ 91	\$ 662	\$ 701	\$ 662	\$ 23,170	0.93
Unit 2	2	2	60%		137	1,015	139,055	951	119	832	832	832	113,984	0.82
Unit 3	2	2	60%		8	1,218	9,744	951	119	832	832	832	6,656	0.68
Unit 4	3	2	60%		123	1,139	140,097	1,098	152	946	946	946	116,358	0.83
Unit 5	4	2	60%		12	1,584	19,008	1,225	190	1,035	1,035	1,035	12,420	0.65
Unit 6	1	1	50%		1	712	712	660	91	569	569	569	569	0.80
Unit 7	2	2	50%		1	1,015	1,015	792	119	673	673	673	673	0.66
Unit 8	3	2	50%		1	1,139	1,139	915	152	763	763	763	763	0.67
Unit 9	4	2	50%		1	1,580	1,580	1,021	190	831	831	831	831	0.53
Unit 10	4	2	60%		3	1,580	4,740	1,225	190	1,035	1,035	1,035	3,105	0.66
					-	-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-	-	-
					322		342,010					\$ 865	\$ 278,529	Monthly GPR
												\$ 3,342,348		Annual GPR

Summary Data

Studios	-		-	
1 BR	36	11.2%	25,632	7.5%
2 BR	146	45.3%	149,814	43.8%
3 BR	124	38.5%	141,236	41.3%
4 BR	16	5.0%	25,328	7.4%
	322	100.0%	342,010	100.0%
Affordable	322	100.0%	342,010	100.0%
Market	-		-	
	322	100.0%	342,010	100.0%
30% AMI	-		-	
35% AMI	-		-	
40% AMI	-		-	
45% AMI	-		-	
50% AMI	4	1.2%	4,446	1.3%
55% AMI	-		-	
60% AMI	318	98.8%	337,564	98.7%
Market	-		-	
	322	100.0%	342,010	100.0%

**THE NRP GROUP LLC**  
**Denton Apartments, Denton, TX**  
**Scenario: 4% LIHTC**

	<i>Annual</i>	<i>%</i>	<i>Per Unit</i>
Inflation			
Revenue	1.00		
Expense	1.00		
Percent of Units Available during Year	100.0%		
Portion of Year Operating	100%		
<b><u>Income Statement</u></b>			
<b>Revenue</b>			
Gross Potential Rent	\$ 3,342,348	100.0%	\$ 10,380
Vacancy Loss	(253,574)	-7.6%	(787)
Delinquency Loss	-	0.0%	-
Total Rental Income	3,088,774	92.4%	9,592
Other Income	38,640	1.2%	120
<b>Total Revenue</b>	<b>3,127,414</b>	<b>93.6%</b>	<b>9,712</b>
<b>Operating Expenses</b>			
Management Fees	148,552	4.75%	\$ 461
Payroll	402,500	12.9%	1,250
Administrative	128,800	4.1%	400
Marketing	32,200	1.0%	100
Cleaning & Decorating	16,100	0.5%	50
Utilities	136,850	4.4%	425
Contract Services	48,300	1.5%	150
Repairs & Maintenance	193,200	6.2%	600
Supportive Services & Coordination	32,200	1.0%	100
Compliance Monitoring / Trustee Fee	17,380	0.6%	54
Insurance	88,550	2.8%	275
Real Estate Taxes / Franchise Tax	17,983	0.6%	56
<b>Total Operating Expense</b>	<b>1,262,615</b>	<b>40.4%</b>	<b>3,921</b>
<b>Replacement Reserves</b>	<b>80,500</b>	<b>2.6%</b>	<b>250</b>
<b>Total Expenses and Reserves</b>	<b>1,343,115</b>	<b>42.9%</b>	<b>4,171</b>
% of Revenue	42.9%		
<b>Net Operating Income</b>	<b>1,784,299</b>	<b>57.1%</b>	<b>5,541</b>
<b>Debt Service</b>	<b>1,493,469</b>	<b>47.8%</b>	<b>4,638</b>
<b>Net Cash Flow</b>	<b>\$ 290,830</b>	<b>9.3%</b>	<b>\$ 903</b>
	9.3%		
<b>Statistics</b>			
Debt Coverage Ratio	1.195		
4 Months Oper. Exp. And Debt Svc.	\$ 945,528		



THE NRP GROUP LLC  
Denton Apartments, Denton, TX  
Scenario: 4% LHTC

Detailed Sources and Uses

## Uses Summary

	Apr-16 0.0% Closing	May-16 3.2% Month 1	Jun-16 10.3% Month 2	Jul-16 17.4% Month 3	Aug-16 24.5% Month 4	Sep-16 31.6% Month 5	Oct-16 35.6% Month 6	Nov-16 39.4% Month 7	Dec-16 43.1% Month 8	Jan-17 46.9% Month 9	Feb-17 50.7% Month 10	Mar-17 54.5% Month 11	Apr-17 58.3% Month 12	May-17 62.1% Month 13	Jun-17 65.9% Month 14	Jul-17 69.7% Month 15	Aug-17 73.5% Month 16
<b>Uses Summary</b>																	
<b>Good Costs</b>																	
Land	\$ 2,492,337	\$ 7,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Construction	-	896,159	1,503,850	1,503,850	1,503,850	1,503,850	1,503,850	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691
Interest	1,360,000	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130	17,130
Other	2,947,587	913,949	5,521	5,521	5,521	5,521	5,521	283,926	5,521	5,521	5,521	5,521	5,521	5,521	5,521	5,521	5,521
	6,800,024	1,834,901	1,526,501	1,526,501	1,526,501	1,526,501	1,526,501	908,747	630,342	630,342	630,342	630,342	683,217	683,217	683,217	683,217	683,217
<b>Bad Costs</b>	2,228,058	169,517	517,893	519,083	544,083	519,083	519,083	519,083	479,360	479,360	479,360	479,360	550,235	550,235	598,535	598,535	598,535
	\$ 9,028,082	\$ 2,004,418	\$ 2,044,394	\$ 2,045,585	\$ 2,070,585	\$ 2,045,585	\$ 1,427,831	\$ 1,109,703	\$ 1,109,703	\$ 1,109,703	\$ 1,109,703	\$ 1,233,453	\$ 1,233,453	\$ 1,368,453	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753
<b>Tax-Exempt Bonds</b>																	
Beginning Balance	\$ -	\$ 20,199,976	\$ 18,365,075	\$ 16,838,574	\$ 15,312,072	\$ 13,785,571	\$ 12,259,070	\$ 11,350,322	\$ 10,719,980	\$ 10,089,637	\$ 9,459,295	\$ 8,828,952	\$ 8,145,735	\$ 7,462,517	\$ 6,779,300	\$ 6,096,082	\$ 5,412,865
Additions	27,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	27,000,000	20,199,976	18,365,075	16,838,574	15,312,072	13,785,571	12,259,070	11,350,322	10,719,980	10,089,637	9,459,295	8,828,952	8,145,735	7,462,517	6,779,300	6,096,082	5,412,865
Uses	6,800,024	1,834,901	1,526,501	1,526,501	1,526,501	1,526,501	908,747	630,342	630,342	630,342	630,342	683,217	683,217	683,217	683,217	683,217	683,217
Ending Balance	\$ 20,199,976	\$ 18,365,075	\$ 16,838,574	\$ 15,312,072	\$ 13,785,571	\$ 12,259,070	\$ 11,350,322	\$ 10,719,980	\$ 10,089,637	\$ 9,459,295	\$ 8,828,952	\$ 8,145,735	\$ 7,462,517	\$ 6,779,300	\$ 6,096,082	\$ 5,412,865	\$ 4,729,647
Interest Estimate	135,000	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00
<b>GIC Income</b>																	
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Equity Proceeds</b>																	
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	560,934	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	560,934	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uses	560,934	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Hard Subordinate Debt</b>																	
Beginning Balance	\$ -	\$ 1,667,124	\$ 1,836,641	\$ 2,354,534	\$ 2,873,617	\$ 3,417,701	\$ 3,936,784	\$ 4,455,868	\$ 4,935,228	\$ 5,414,588	\$ 5,893,949	\$ 6,373,309	\$ 6,923,544	\$ 7,473,780	\$ 8,159,015	\$ 8,757,550	\$ 9,356,086
Additions	1,667,124	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	1,667,124	1,667,124	1,836,641	2,354,534	2,873,617	3,417,701	3,936,784	4,455,868	4,935,228	5,414,588	5,893,949	6,373,309	6,923,544	7,473,780	8,159,015	8,757,550	9,356,086
Uses	1,667,124	169,517	517,893	519,083	544,083	519,083	519,083	479,360	479,360	479,360	479,360	550,235	550,235	683,217	683,217	683,217	683,217
Ending Balance	\$ 1,667,124	\$ 1,836,641	\$ 2,354,534	\$ 2,873,617	\$ 3,417,701	\$ 3,936,784	\$ 4,455,868	\$ 4,935,228	\$ 5,414,588	\$ 5,893,949	\$ 6,373,309	\$ 6,923,544	\$ 7,473,780	\$ 8,159,015	\$ 8,757,550	\$ 9,356,086	\$ 9,954,621
	\$ 5,557	\$ 6,122	\$ 7,848	\$ 9,579	\$ 11,392	\$ 13,123	\$ 14,853	\$ 16,451	\$ 18,049	\$ 19,646	\$ 21,244	\$ 23,078	\$ 24,913	\$ 27,197	\$ 29,192	\$ 31,187	\$ 33,182
<b>Soft Subordinate Debt</b>																	
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Cash during Construction Period</b>																	
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total</b>																	
Beginning Balance	\$ -	\$ 21,867,100	\$ 20,032,199	\$ 18,505,698	\$ 16,979,196	\$ 15,452,695	\$ 13,926,194	\$ 13,017,446	\$ 12,387,104	\$ 11,756,761	\$ 11,126,419	\$ 10,496,076	\$ 9,812,859	\$ 9,129,641	\$ 8,446,424	\$ 7,763,206	\$ 7,079,989
Additions	29,228,058	169,517	517,893	519,083	544,083	519,083	519,083	479,360	479,360	479,360	479,360	550,235	550,235	683,217	683,217	683,217	683,217
Subtotal	29,228,058	22,036,517	20,550,092	19,024,781	17,523,280	15,971,778	14,445,277	13,496,807	12,866,464	12,236,122	11,605,779	11,046,312	10,363,094	9,814,877	9,044,959	8,361,742	7,678,524
Uses	9,028,082	2,004,418	2,044,394	2,045,585	2,070,585	2,045,585	1,427,831	1,109,703	1,109,703	1,109,703	1,109,703	1,233,453	1,233,453	1,368,453	1,281,753	1,281,753	1,281,753
Ending Balance	\$ 20,199,976	\$ 20,032,199	\$ 18,505,698	\$ 16,979,196	\$ 15,452,695	\$ 13,926,194	\$ 13,017,446	\$ 12,387,104	\$ 11,756,761	\$ 11,126,419	\$ 10,496,076	\$ 9,812,859	\$ 9,129,641	\$ 8,446,424	\$ 7,763,206	\$ 7,079,989	\$ 6,396,771

**THE NRP GROUP LLC**  
**Denton Apartments, Denton, TX**  
**Scenario: 4% UHTC**

	Sep-17 77.3% Month 17	Oct-17 81.1% Month 18	Nov-17 84.8% Month 19	Dec-17 88.6% Month 20	Jan-18 92.4% Month 21	Feb-18 96.2% Month 22	Mar-18 100.0% Month 23	Apr-18 100.0% Month 24	May-18 100.0% Month 25	Jun-18 100.0% Month 26	Jul-18 100.0% Month 27	Aug-18 100.0% Month 28	Sep-18 100.0% Month 29	Oct-18 100.0% Month 30
	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<b>Detailed Sources and Uses</b>														
<b>Uses Summary</b>														
Good Costs														
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Construction	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691	607,691
Interest	70,005	70,005	70,005	70,005	70,005	70,005	70,005	70,005	70,005	70,005	70,005	70,005	70,005	70,005
Other	5,521	5,521	5,521	5,521	5,521	5,521	5,521	5,521	5,521	5,521	5,521	5,521	5,521	5,521
	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217
Bad Costs	598,535	598,535	598,535	598,535	598,535	598,535	598,535	598,535	598,535	598,535	598,535	598,535	598,535	598,535
	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753	\$ 1,281,753
<b>Tax-Exempt Bonds</b>														
Beginning Balance	\$ 4,729,647	\$ 4,046,430	\$ 3,363,212	\$ 2,679,995	\$ 1,996,777	\$ 1,313,560	\$ 630,342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	4,729,647	4,046,430	3,363,212	2,679,995	1,996,777	1,313,560	630,342	-	-	-	-	-	-	-
Uses	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217	683,217
Ending Balance	\$ 4,046,430	\$ 3,363,212	\$ 2,679,995	\$ 1,996,777	\$ 1,313,560	\$ 630,342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Estimate	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00	135,000.00
<b>GIC Income</b>														
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Equity Proceeds</b>														
Beginning Balance	0%	11%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Additions	-	1,992,650	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	1,992,650	-	-	-	-	-	-	-	-	-	-	-	-
Uses	-	598,535	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ 1,394,115	\$ 795,579	\$ 197,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Hard Subordinate Debt</b>														
Beginning Balance	\$ 9,954,621	\$ 10,553,157	\$ 10,553,157	\$ 10,553,157	\$ 10,553,157	\$ 10,954,648	\$ 11,553,183	\$ 12,080,844	\$ 12,080,844	\$ 12,135,844	\$ 12,135,844	\$ 12,135,844	\$ 12,135,844	\$ 12,135,844
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	9,954,621	10,553,157	10,553,157	10,553,157	10,553,157	10,954,648	11,553,183	12,080,844	12,080,844	12,135,844	12,135,844	12,135,844	12,135,844	12,135,844
Uses	598,535	-	-	-	401,491	598,535	527,660	-	55,000	-	-	-	-	-
Ending Balance	\$ 10,553,157	\$ 10,553,157	\$ 10,553,157	\$ 10,553,157	\$ 10,954,648	\$ 11,553,183	\$ 12,080,844	\$ 12,080,844	\$ 12,135,844	\$ 12,135,844	\$ 12,135,844	\$ 12,135,844	\$ 12,135,844	\$ 12,135,844
	\$ 35,177	\$ 35,177	\$ 35,177	\$ 35,177	\$ 36,515	\$ 36,511	\$ 40,269	\$ 40,269	\$ 40,453	\$ 40,453	\$ 40,453	\$ 40,453	\$ 40,453	\$ 40,453
<b>Soft Subordinate Debt</b>														
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Cash during Construction Period</b>														
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total</b>														
Beginning Balance	\$ 6,396,771	\$ 5,713,554	\$ 6,424,451	\$ 5,142,698	\$ 3,860,945	\$ 2,980,684	\$ 2,297,467	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124
Additions	598,535	1,992,650	-	-	401,491	598,535	527,660	-	55,000	-	-	-	-	-
Subtotal	6,995,307	7,706,204	6,424,451	5,142,698	4,262,437	3,579,219	2,825,127	1,667,124	1,722,124	1,667,124	1,667,124	1,667,124	1,667,124	1,667,124
Uses	1,281,753	1,281,753	1,281,753	1,281,753	1,281,753	1,281,753	1,158,003	-	55,000	-	-	-	-	-
Ending Balance	\$ 5,713,554	\$ 6,424,451	\$ 5,142,698	\$ 3,860,945	\$ 2,980,684	\$ 2,297,467	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124	\$ 1,667,124

THE NRP GROUP LLC  
Denton Apartments, Denton, TX  
Scenario: 4% LIHTC

Construction Completion & Leasing Schedule

Month	Construction Percentage of Completion	Lease-up Units	Lease-up Percent	Month	Affordable Lease-up	Full Buildings	Month of Year	Units in Full Buildings	Units Earning Credits	Percent Delivered	Credits Delivered
Month Closing				Apr-16							
1	3.2%	-	0.0%	May-16	-	-	5	-	-	0.0%	\$ -
2	10.3%	-	0.0%	Jun-16	-	-	6	-	-	0.0%	\$ -
3	17.4%	-	0.0%	Jul-16	-	-	7	-	-	0.0%	\$ -
4	24.5%	-	0.0%	Aug-16	-	-	8	-	-	0.0%	\$ -
5	31.6%	-	0.0%	Sep-16	-	-	9	-	-	0.0%	\$ -
6	35.6%	-	0.0%	Oct-16	-	-	10	-	-	0.0%	\$ -
7	39.3%	-	0.0%	Nov-16	-	-	11	-	-	0.0%	\$ -
8	43.1%	-	0.0%	Dec-16	-	-	12	-	-	0.0%	\$ -
9	46.9%	-	0.0%	Jan-17	-	-	13	-	-	0.0%	\$ -
10	50.7%	-	0.0%	Feb-17	-	-	14	-	-	0.0%	\$ -
11	54.5%	-	0.0%	Mar-17	-	-	15	-	-	0.0%	\$ -
12	58.3%	-	0.0%	Apr-17	-	-	16	-	-	0.0%	\$ -
13	62.1%	-	0.0%	May-17	-	-	17	-	-	0.0%	\$ -
14	65.9%	23	7.1%	Jun-17	23	-	18	23	23	0.0%	\$ -
15	69.7%	46	14.3%	Jul-17	46	1.00	19	29	46	0.0%	\$ -
16	73.5%	69	21.4%	Aug-17	69	2.00	20	59	69	0.0%	\$ -
17	77.3%	92	28.6%	Sep-17	92	3.00	21	88	92	0.0%	\$ -
18	81.0%	115	35.7%	Oct-17	115	3.00	22	88	115	0.0%	\$ -
19	84.8%	138	42.9%	Nov-17	138	4.00	23	117	138	0.0%	\$ -
20	88.6%	161	50.0%	Dec-17	161	5.00	24	146	146	16.3%	\$ 268,560
21	92.4%	184	57.1%	Jan-18	184	6.00	25	176	184	0.0%	\$ -
22	96.2%	207	64.3%	Feb-18	207	7.00	26	205	207	0.0%	\$ -
23	100.0%	230	71.4%	Mar-18	230	7.00	27	205	230	0.0%	\$ -
24	100.0%	253	78.6%	Apr-18	253	8.00	28	234	253	0.0%	\$ -
25	100.0%	276	85.7%	May-18	276	9.00	29	263	276	0.0%	\$ -
26	100.0%	299	92.9%	Jun-18	299	10.00	30	283	299	0.0%	\$ -
27	100.0%	322	100.0%	Jul-18	322	11.00	31	322	322	0.0%	\$ -
28	100.0%	322	100.0%	Aug-18	322	11.00	32	322	322	0.0%	\$ -
29	100.0%	322	100.0%	Sep-18	322	11.00	33	322	322	0.0%	\$ -
30	100.0%	322	100.0%	Oct-18	322	11.00	34	322	322	0.0%	\$ -
31	100.0%	322	100.0%	Nov-18	322	11.00	35	322	322	0.0%	\$ -
32	100.0%	322	100.0%	Dec-18	322	11.00	36	322	322	87.5%	\$ 1,442,731
33	100.0%	322	100.0%	Jan-19	322	11.00	37	322	322	0.0%	\$ -
34	100.0%	322	100.0%	Feb-19	322	11.00	38	322	322	0.0%	\$ -
35	100.0%	322	100.0%	Mar-19	322	11.00	39	322	322	0.0%	\$ -
36	100.0%	322	100.0%	Apr-19	322	11.00	40	322	322	0.0%	\$ -

322	Units
11	Buildings
29.27	Units/Building

THE NRP GROUP LLC  
Denton Apartments, Denton, TX  
Scenario: 4% LHTC

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
Inflation																	
Revenue	1.00	1.02	1.04	1.06	1.08	1.10	1.13	1.15	1.17	1.20	1.22	1.24	1.27	1.29	1.32	1.35	1.37
Expense	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34	1.38	1.43	1.47	1.51	1.56	1.60
RR Expense	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34	1.38	1.43	1.47	1.51	1.56	1.60
Percent of Units Available during Year	0.0%	39.3%	98.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Portion of Year Operating	-8%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Income Statement</b>																	
Revenue																	
Gross Potential Rent	\$ -	\$ 1,313,065	\$ 3,348,316	\$ 3,477,378	\$ 3,546,826	\$ 3,617,865	\$ 3,690,222	\$ 3,764,026	\$ 3,839,307	\$ 3,916,093	\$ 3,994,415	\$ 4,074,303	\$ 4,155,789	\$ 4,238,905	\$ 4,323,683	\$ 4,410,157	\$ 4,498,360
Vacancy Loss	-	(98,480)	(251,124)	(260,803)	(266,019)	(271,340)	(276,767)	(282,302)	(287,948)	(293,707)	(299,581)	(305,573)	(311,684)	(317,918)	(324,276)	(330,762)	(337,377)
Delinquency Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Rental Income	-	1,214,585	3,097,192	3,216,575	3,280,807	3,346,526	3,413,455	3,481,724	3,551,359	3,622,386	3,694,834	3,768,730	3,844,105	3,920,987	3,999,407	4,078,395	4,160,983
Other Income	-	15,180	39,483	41,005	41,825	42,662	43,515	44,385	45,273	46,178	47,102	48,044	49,005	49,985	50,985	52,004	53,044
Total Revenue	-	1,229,765	3,136,675	3,257,580	3,322,732	3,389,187	3,456,970	3,526,109	3,596,632	3,668,564	3,741,936	3,816,774	3,893,110	3,970,972	4,050,392	4,131,399	4,214,027
Operating Expenses																	
Management Fees	-	70,840	148,992	154,735	157,830	160,966	164,208	167,490	170,840	174,257	177,742	181,297	184,923	188,621	192,394	196,241	200,166
Payroll	(33,542)	414,575	427,012	438,822	453,017	466,608	480,606	495,024	509,875	525,171	540,926	557,154	573,869	591,085	608,818	627,083	645,895
Administrative	(10,733)	132,664	136,644	140,743	144,965	149,314	153,793	158,407	163,159	168,054	173,096	178,289	183,638	189,147	194,821	200,666	206,686
Marketing	(2,683)	33,166	34,161	35,186	36,242	37,329	38,449	39,602	40,790	42,014	43,274	44,572	45,909	47,286	48,705	50,166	51,671
Cleaning & Decorating	-	8,325	16,287	17,081	17,583	18,121	18,685	19,225	19,802	20,396	21,008	21,638	22,287	22,956	23,645	24,354	25,085
Utilities	(11,404)	140,956	146,185	149,541	154,027	158,648	163,407	168,309	173,358	178,559	183,916	189,433	195,116	200,969	206,998	213,208	219,604
Contract Services	(4,025)	49,749	51,241	52,778	54,361	55,992	57,672	59,402	61,184	63,020	64,911	66,858	68,864	70,930	73,058	75,250	77,508
Repairs & Maintenance	-	75,900	195,443	204,966	211,115	217,448	223,971	230,690	237,611	244,739	252,061	259,643	267,432	275,455	283,719	292,231	300,998
Supportive Services & Coordination	(2,683)	33,166	34,161	35,186	36,242	37,329	38,449	39,602	40,790	42,014	43,274	44,572	45,909	47,286	48,705	50,166	51,671
Compliance Monitoring / Trustee Fee	(1,448)	17,901	18,438	18,991	19,561	20,146	20,752	21,375	22,016	22,676	23,356	24,057	24,779	25,522	26,288	27,077	27,889
Insurance	-	34,788	69,578	93,943	96,761	99,664	102,654	105,734	108,906	112,173	115,538	119,004	122,574	126,251	130,039	133,940	137,958
Real Estate Taxes / Franchise Tax	-	7,065	18,191	19,677	19,649	20,238	20,845	21,470	22,114	22,777	23,460	24,164	24,888	25,630	26,400	27,197	28,013
Total Operating Expense	(98,519)	1,017,094	1,315,333	1,382,949	1,401,363	1,441,820	1,483,459	1,526,330	1,570,445	1,615,890	1,662,582	1,710,681	1,760,189	1,811,144	1,863,595	1,917,579	1,973,144
Net Operating Income	66,519	212,671	1,821,342	1,895,531	1,921,369	1,947,362	1,973,501	1,999,779	2,026,187	2,052,714	2,079,354	2,106,093	2,132,921	2,159,838	2,186,797	2,213,820	2,240,883
Depreciation																	
Personal Property	-	635,630	1,017,007	610,204	366,123	356,123	183,061	-	-	-	-	-	-	-	-	-	-
Site Work	-	319,010	606,120	545,508	491,276	442,148	397,487	376,432	376,432	377,070	376,432	377,070	376,432	377,070	376,432	376,432	198,858
Building	-	764,248	764,248	764,248	764,248	764,248	764,248	764,248	764,248	764,248	764,248	764,248	764,248	764,248	764,248	764,248	764,248
Total Depreciation	-	1,718,888	2,387,375	1,919,960	1,621,647	1,572,519	1,344,796	1,140,680	1,140,680	1,141,318	1,140,680	1,141,318	1,140,680	1,141,318	1,140,680	1,140,680	953,106
Interest Expense																	
Hard Debt Interest Expense	-	810,000	1,389,004	1,147,012	1,131,818	1,115,956	1,099,400	1,082,117	1,064,076	1,045,243	1,025,585	1,005,065	983,645	961,285	937,945	913,581	888,148
Investor AM Fee Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Property Management Fee Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Soft Debt 1 Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Soft Debt 2 Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Soft Debt 3 Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Interest Expense	-	810,000	1,389,004	1,147,012	1,131,818	1,115,956	1,099,400	1,082,117	1,064,076	1,045,243	1,025,585	1,005,065	983,645	961,285	937,945	913,581	888,148
Net Income before Syn. Expenses	66,519	(2,316,217)	(1,955,036)	(1,171,442)	(832,096)	(741,114)	(470,694)	(223,018)	(178,569)	(133,647)	(86,911)	(40,290)	8,588	57,225	108,172	159,559	399,629
Partnership Expenses																	
Investor Asset Management Fee	-	-	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	10,079	10,382	10,693	11,014	11,344
Subordinated Property Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Partnership Management Fee	-	-	-	-	-	-	-	-	-	94,389	421,766	463,632	484,532	505,390	526,192	546,926	567,600
Investor Cash	-	-	7,500	7,725	7,957	8,195	8,441	8,695	8,955	114,100	478,130	501,681	525,228	548,751	572,237	595,672	619,040
Total Partnership Expenses	-	-	7,500	7,725	7,957	8,195	8,441	8,695	8,955	114,100	478,130	501,681	525,228	548,751	572,237	595,672	619,040
Net Income	66,519	(2,316,217)	(1,962,636)	(1,179,167)	(840,053)	(743,309)	(479,136)	(231,712)	(187,524)	(247,347)	(565,841)	(541,971)	(516,639)	(491,526)	(464,865)	(436,113)	(219,411)
Add Back: Depreciation	-	1,718,888	2,387,375	1,919,960	1,621,647	1,572,519	1,344,796	1,140,680	1,140,680	1,141,318	1,140,680	1,141,318	1,140,680	1,141,318	1,140,680	1,140,680	953,106
Investing Activities																	
Replacement Reserves	-	(32,574)	(83,877)	(86,394)	(88,966)	(91,656)	(94,406)	(97,238)	(100,155)	(103,160)	(106,255)	(109,443)	(112,726)	(116,108)	(119,591)	(123,179)	(126,874)
Financing Activities																	
Cash from Development Sources	(66,519)	629,902	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hard Debt Principle Reduction	-	-	(167,731)	(346,457)	(361,652)	(377,513)	(394,070)	(411,352)	(429,393)	(448,226)	(467,884)	(488,404)	(509,824)	(532,184)	(555,524)	(578,888)	(605,321)
Change in Accrued Asset Management Fee	-	-	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Change in Accrued Management Fee	-	-	(234,996)	(306,442)	(329,457)	(352,541)	(375,665)	(398,877)	(422,107)	(445,455)	(468,844)	(492,282)	(515,769)	(539,305)	(562,890)	(586,524)	(610,207)
Change in Developer Fee Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Soft Debt 1 Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Soft Debt 2 Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Soft Debt 3 Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Financing Activities	(66,519)	629,902	(404,227)	(654,399)	(692,608)	(731,554)	(771,254)	(811,730)	(853,001)	(790,211)	(469,384)	(489,904)	(511,324)	(533,684)	(557,024)	(581,388)	(606,821)
Net Cash Flow	\$ -	\$ -	\$ (63,265)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Statistics																	
Cash Available for Debt Service	66,519	180,098	1,737,465	1,808,137	1,832,383	1,855,706	1,879,095	1,902,541	1,926,032	1,949,554	1,973,099	1,996,650	2,020,195	2,043,720	2,067,206	2,090,641	2,114,009
Hard Debt Service	-	-	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)	(1,493,469)
Debt Coverage Ratio	-	-	1.16	1.21	1.24	1.26	1.27	1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.36	1.37
Cash Flow After Hard Debt Service	-	243,998	315,667	318,914	342,237	362,237	385,626	409,072	432,563	456,085	479,630	503,181	526,726	550,251	573,737	597,172	620,540
Operating Expense per Unit	\$ -	\$ -	\$ 4.085	\$ 4.230	\$ 4.352	\$ 4.478	\$ 4.607	\$ 4.740	\$ 4.877	\$ 5.018	\$ 5.163	\$ 5.313	\$ 5.466	\$ 5.625	\$ 5.788	\$ 5.955	\$ 6.128

**THE NRP GROUP LLC**  
**Denton Apartments**  
**Scenario: 4% LIHTC**

	Project Total			NRP Group			Denton Housing Authority		
	Developer Fee (+ Interest)	Cash Available for Def. Fee	Cash Distribution (Partnership Mgmt Fee)	Developer Fee	Distributed Cash Flow	Total	Developer Fee	Distributed Cash Flow	Total
Closing	350,000	-	-	65% 227,500	50% -	227,500	35% 122,500	50% -	122,500
Construction	-	-	-	-	-	-	-	-	-
Lease-up	2,123,409	-	-	1,380,216	-	1,380,216	743,193	-	743,193
Year 3	234,996	234,996	-	152,747	-	152,747	82,248	-	82,248
Year 4	306,442	306,442	-	199,188	-	199,188	107,255	-	107,255
Year 5	329,457	329,457	-	214,147	-	214,147	115,310	-	115,310
Year 6	352,541	352,541	-	229,152	-	229,152	123,389	-	123,389
Year 7	375,685	375,685	-	244,195	-	244,195	131,490	-	131,490
Year 8	398,877	398,877	-	259,270	-	259,270	139,607	-	139,607
Year 9	422,107	422,107	-	274,370	-	274,370	147,738	-	147,738
Year 10	340,485	340,485	94,389	221,315	47,194	268,509	119,170	47,194	166,364
Year 11	-	-	421,766	-	210,883	210,883	-	210,883	210,883
Year 12	-	-	442,706	-	221,353	221,353	-	221,353	221,353
Year 13	-	-	463,632	-	231,816	231,816	-	231,816	231,816
Year 14	-	-	484,532	-	242,266	242,266	-	242,266	242,266
Year 15	-	-	505,390	-	252,695	252,695	-	252,695	252,695
Year 16	-	-	526,192	-	263,096	263,096	-	263,096	263,096
Year 17	-	-	546,926	-	273,463	273,463	-	273,463	273,463
	5,234,000	2,760,591	3,485,532	3,402,100	1,742,766	5,144,866	1,831,900	1,742,766	3,574,666

**Denton Apartments, Denton, TX****DEPRECIATION SCHEDULE****(With 50% Bonus Depreciation if applicable)**

Total Construction Costs	28,181,918
Total Depreciable Basis	40,128,276

	Ratio Asset/ Depr Basis	Allocated
Personal Property - 5 year	7.9200%	3,178,148
Site Work - 15 year	15.8995%	6,380,209
Total		9,558,357

## With Soft Cost Allocation

	Allocated Personal Property	Allocated Site Work	Total Per Allocated
1st Year Depreciation	635,630	319,010	954,640
2nd Year	1,017,007	606,120	1,623,127
3rd Year	610,204	545,508	1,155,712
4th Year	366,123	491,276	857,399
5th Year	366,123	442,148	808,271
6th Year	183,061	397,487	580,548
7th Year		376,432	376,432
8th Year		376,432	376,432
9th Year		377,070	377,070
10th Year		376,432	376,432
11th Year		377,070	377,070
12th Year		376,432	376,432
13th Year		377,070	377,070
14th Year		376,432	376,432
15th Year		376,432	376,432
16th Year		188,858	188,858
	3,178,148	6,380,209	9,558,357

**THE NRP GROUP LLC**  
**Denton Apartments, Denton, TX**  
**Scenario: 4% LIHTC**

	<u>Compliance</u>	<u>Date</u>	<u>Note</u>	<u>Capital</u>	<u>Tax Credits</u>	<u>Cash Distrib.</u>	<u>Losses</u>	<u>Tax Savings</u>	<u>Combined Net</u>	<u>Cumulative Net</u>	<u>Ending Capital</u>
	<u>Period</u>			<u>Contribution</u>			<u>(Income)</u>	<u>(Cost)</u>	<u>Benefits</u>	<u>Benefits</u>	<u>Account</u>
1		2016		\$ (560,934)	\$ -	\$ -	\$ (66,519)	\$ (23,283)	\$ (584,217)	\$ (584,217)	627,453
2		2017		(1,992,650)	268,560	-	2,316,217	810,676	(913,414)	(1,497,631)	303,886
3	Start	2018		(15,253,835)	1,442,731	-	1,962,536	686,888	(13,124,216)	(14,621,847)	13,595,185
4	2	2019		-	1,648,835	-	1,179,167	412,708	2,061,543	(12,560,304)	12,416,018
5	3	2020		-	1,648,835	-	840,053	294,020	1,942,855	(10,617,449)	11,575,965
6	4	2021		-	1,648,835	-	749,309	262,257	1,911,092	(8,706,357)	10,826,656
7	5	2022		-	1,648,835	-	479,136	167,696	1,816,531	(6,889,826)	10,347,520
8	6	2023		-	1,648,835	-	231,712	81,100	1,729,935	(5,159,891)	10,115,808
9	7	2024		-	1,648,835	-	187,524	65,632	1,714,467	(3,445,423)	9,928,284
10	8	2025		-	1,648,835	10,488	247,947	86,780	1,735,615	(1,709,808)	9,669,849
11	9	2026		-	1,648,835	46,863	565,041	197,764	1,846,599	136,791	9,057,945
12	10	2027		-	1,380,275	49,190	541,971	189,691	1,569,966	1,706,757	8,466,785
13	11	2028		-	206,104	51,515	516,630	180,821	386,925	2,093,682	7,898,640
14	12	2029		-	-	53,837	491,526	172,033	172,033	2,265,715	7,353,277
15	13	2030		-	-	56,154	464,065	162,424	162,424	2,428,139	6,833,058
16	14	2031		-	-	58,466	436,113	152,640	152,640	2,580,779	6,338,479
17	End	2032		-	-	60,769	6,277,710	2,197,198	2,197,198	4,777,977	(0)
		2033									
				\$ (17,807,419)	\$ 16,488,351	\$ 387,281	\$ 17,420,138	\$ 6,097,045	\$ 4,777,977		
								IRR	5.44%		

# EXHIBIT 4



**Denton Housing Authority**  
**Fiscal Year 2016-17**  
**Budget**

**INCOME**

Veranda Bond Issuance	162,000
Veranda Annual Income	27,000
Developer Fee (Ojala)	566,000
Bond Issuance (Ojala)	464,000
Annual Income (Ojala)	46,000
Section 8 Admin Fees	1,175,891
Tenant Rental Income	920,460
Other Revenue	<u>281,809</u>
<b>Total Operating Income</b>	<b>3,643,160</b>

**EXPENSES**

Administration	2,211,634
Tenant Services	7,200
Utilities	97,500
Maintenance	260,300
Other General Expenses	154,314
Non-Routine Expense	<u>41,000</u>
<b>Total Operating Expense</b>	<b>2,771,949</b>

**CAPITAL EXPENSES**

Repairs and Replacement	<u>201,000</u>
<b>Total Capital Expense</b>	<b>201,000</b>

<b>Net Operating Income</b>	<b>670,211</b>
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**Denton Housing Authority  
Fiscal Year 2016-17  
Budget**

**Proposed Distribution of Earned Developer Fees**

**DEVELOPER FEES**

Veranda Bond Issuance	162,000
Veranda Annual Income	27,000
Developer Fee (Ojala)	566,000
Bond Issuance (Ojala)	464,000
Annual Income (Ojala)	46,000
<b>Total Developer Fees</b>	<b>1,265,000</b>

**COMMUNITY CONTRIBUTIONS**

United Way Partnership (5%)	63,250
Pilot Housing Assistance Program	150,000
Giving Hope Partnership (Deposits)	5,000
<b>Total Community Contributions</b>	<b>218,250</b>

<b>Reserve for Purchase of Renaissance Courts @ 15 years</b>	<b>450,000</b>
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<b>Net Income</b>	<b>1,961</b>
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# EXHIBIT 5



**Urlaub & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

**Accountant's Compilation Report**

To the Board of Directors:  
Denton Housing Authority  
1225 Wilson Street  
Denton, TX 76205

We have compiled the accompanying balance sheet of the Denton Housing Authority as of January 31, 2017, and the related income statement for the 1 Month and 4 Months then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles accepted in the United States of America require for the accrual of revenues and expenses to be recorded in the period incurred. The Denton Housing Authority has elected not to record these accruals in the accompanying interim financial statements. The income statement includes capital expenditures for presentation purposes. The effects of these departures on the financial statements have not been determined.

The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed that supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Management has elected to omit substantially all of the disclosures, the management's discussion and analysis, and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures, analysis, and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Denton Housing Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Denton Housing Authority.

Urlaub & Co., PLLC  
February 16, 2017

**Denton Housing Authority  
Balance Sheet - Combining  
As of January 31, 2017**

**Assets**

	Section 8	Management Fund	Heritage Oaks	Disaster Funds	Pecan Place	DPFC	Total
<b>Current Assets</b>							
Cash-unrestricted	\$ 628,415.42	\$ 683,994.02	\$ 946,944.15	\$ 0.00	\$ 12,248.40	\$ 0.00	\$ 2,271,601.99
Cash-other restricted	0.00	0.00	0.00	81,827.31	0.00	0.00	81,827.31
Accounts receivable - PHA projects	67,563.23	0.00	0.00	0.00	0.00	0.00	67,563.23
Accounts receivable - miscellaneous (net)	(35,264.12)	217,202.93	0.00	0.00	0.00	0.00	181,938.81
Accounts receivable - tenants (net)	0.00	0.00	459.10	0.00	233.00	0.00	692.10
Fraud recovery (net)	2,084.00	0.00	0.00	0.00	0.00	0.00	2,084.00
Accrued interest receivable	0.28	11.08	0.00	0.00	0.00	0.00	11.36
Investments - unrestricted	0.00	192,607.22	0.00	0.00	0.00	0.00	192,607.22
Prepaid expenses and other assets	4,810.96	63.16	118.51	0.00	0.00	0.00	4,992.63
Inventories (net)	0.00	986.65	6,591.61	0.00	999.73	0.00	8,577.99
Inter program - due from	17,507.32	70,722.74	0.00	0.00	0.00	0.00	88,230.06
<b>Total Current Assets</b>	<u>685,117.09</u>	<u>1,165,587.80</u>	<u>954,113.37</u>	<u>81,827.31</u>	<u>13,481.13</u>	<u>0.00</u>	<u>2,900,126.70</u>
<b>Property and Equipment</b>							
Land	0.00	509,949.32	334,002.00	0.00	159,009.13	2,470,000.00	3,472,960.45
Buildings	205,955.95	1,837,624.92	3,858,627.68	0.00	2,358,240.87	0.00	8,260,449.42
Furniture, equipment and machinery - dwellings	0.00	0.00	0.00	0.00	51,461.80	0.00	51,461.80
Furniture, equipment and machinery - administration	170,701.73	36,076.58	62,090.68	0.00	10,059.64	0.00	278,928.63
Accumulated depreciation	(255,622.08)	(895,925.49)	(3,192,329.89)	0.00	(1,722,933.33)	0.00	(6,066,810.79)
Construction in progress	0.00	1,561.59	0.00	0.00	7,445.35	0.00	9,006.94
Notes, loans & mortgages receivable - non-current	0.00	150,000.00	0.00	0.00	0.00	0.00	150,000.00
<b>Net Property and Equipment</b>	<u>121,035.60</u>	<u>1,639,286.92</u>	<u>1,062,390.47</u>	<u>0.00</u>	<u>863,283.46</u>	<u>2,470,000.00</u>	<u>6,155,996.45</u>
<b>Total Assets</b>	<u>\$ 806,152.69</u>	<u>\$ 2,804,874.72</u>	<u>\$ 2,016,503.84</u>	<u>\$ 81,827.31</u>	<u>\$ 876,764.59</u>	<u>\$ 2,470,000.00</u>	<u>\$ 9,056,123.15</u>

**Denton Housing Authority  
Balance Sheet - Combining  
As of January 31, 2017**

**Liabilities and Net Position**

	Section 8	Management Fund	Heritage Oaks	Disaster Funds	Pecan Place	DPFC	Total
<b>Current Liabilities</b>							
Accrued wage/payroll taxes payable	\$ 1,175.58	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,175.58
Accrued compensated absences - current portion	19,844.86	1,397.76	6,257.33	0.00	893.71	0.00	28,393.66
Tenant security deposits	0.00	0.00	21,150.00	0.00	3,900.00	0.00	25,050.00
Unearned revenue	1,469.00	0.00	0.00	0.00	0.00	2,458,564.81	2,460,033.81
Inter program - due to	12,140.78	0.00	2,171.67	0.00	73,917.61	0.00	88,230.06
<b>Total Current Liabilities</b>	<u>34,630.22</u>	<u>1,397.76</u>	<u>29,579.00</u>	<u>0.00</u>	<u>78,711.32</u>	<u>2,458,564.81</u>	<u>2,602,883.11</u>
<b>Long-Term Liabilities</b>							
Accrued compensated absences - non-current	12,363.67	1,521.42	5,835.98	0.00	907.56	0.00	20,628.63
<b>Total Long-Term Liabilities</b>	<u>12,363.67</u>	<u>1,521.42</u>	<u>5,835.98</u>	<u>0.00</u>	<u>907.56</u>	<u>0.00</u>	<u>20,628.63</u>
<b>Total Liabilities</b>	<u>46,993.89</u>	<u>2,919.18</u>	<u>35,414.98</u>	<u>0.00</u>	<u>79,618.88</u>	<u>2,458,564.81</u>	<u>2,623,511.74</u>
<b>Net Position</b>							
Investment in capital assets	99,105.60	1,479,706.13	1,059,290.47	0.00	853,183.21	2,470,000.00	5,961,285.41
Unrestricted	526,335.99	1,302,402.35	869,479.41	0.00	(41,555.82)	(2,458,564.81)	198,097.12
Restricted	23,945.39	0.00	0.00	81,827.31	0.00	0.00	105,772.70
Capital expenditures-contra	16,630.00	9,580.79	3,100.00	0.00	10,100.25	0.00	39,411.04
Net income (loss)	93,141.82	10,266.27	49,218.98	0.00	(24,581.93)	0.00	128,045.14
<b>Total Net Position</b>	<u>759,158.80</u>	<u>2,801,955.54</u>	<u>1,981,088.86</u>	<u>81,827.31</u>	<u>797,145.71</u>	<u>11,435.19</u>	<u>6,432,611.41</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 806,152.69</u>	<u>\$ 2,804,874.72</u>	<u>\$ 2,016,503.84</u>	<u>\$ 81,827.31</u>	<u>\$ 876,764.59</u>	<u>\$ 2,470,000.00</u>	<u>\$ 9,056,123.15</u>

**Denton Housing Authority**  
**Income Statement-Combining**  
4 Months Ended 1/31/2017

	Section 8	Management Fund	Heritage Oaks	Disaster Funds	Pecan Place	DPFC	Total
<b>Operating Revenues</b>							
Net tenant rental revenue	\$ 0.00	\$ 0.00	\$ 240,838.00	\$ 0.00	\$ 43,876.00	\$ 0.00	\$ 284,714.00
Tenant revenue - other	0.00	0.00	1,079.75	0.00	36.00	0.00	1,115.75
HUD PHA operating grants	4,180,561.00	0.00	0.00	0.00	0.00	0.00	4,180,561.00
Management fees	0.00	19,692.79	0.00	0.00	0.00	0.00	19,692.79
Investment income - unrestricted	99.66	163.86	894.94	0.00	2.60	0.00	1,161.06
Fraud recovery	1,967.00	0.00	0.00	0.00	0.00	0.00	1,967.00
Other revenue	210,612.82	128,260.00	1,112.75	0.00	3,000.00	0.00	342,985.57
Gain or loss on disposition of capital assets	5,300.00	0.00	0.00	0.00	0.00	0.00	5,300.00
<b>Total Operating Revenues</b>	<u>4,398,540.48</u>	<u>148,116.65</u>	<u>243,925.44</u>	<u>0.00</u>	<u>46,914.60</u>	<u>0.00</u>	<u>4,837,497.17</u>
<b>Operating Expenses</b>							
Administrative salaries	163,332.48	32,332.83	26,353.45	0.00	15,775.55	0.00	237,794.31
Management fees	0.00	0.00	16,621.47	0.00	3,071.32	0.00	19,692.79
Advertising and marketing	344.25	96.67	297.84	0.00	5.09	0.00	743.85
Employee benefits - administrative	55,198.06	8,900.84	10,569.37	0.00	3,454.51	0.00	78,122.78
Office expenses	61,171.50	7,599.58	4,800.61	0.00	2,729.10	0.00	76,300.79
Legal expenses	0.00	2,195.50	0.00	0.00	0.00	0.00	2,195.50
Travel	6,142.80	5,232.84	416.23	0.00	170.32	0.00	11,962.19
Other admin.	9,815.84	28,307.62	1,351.98	0.00	1,073.46	0.00	40,548.90
<b>Total Administrative</b>	<u>296,004.93</u>	<u>84,665.88</u>	<u>60,410.95</u>	<u>0.00</u>	<u>26,279.35</u>	<u>0.00</u>	<u>467,361.11</u>
Tenant services - other	0.00	0.00	1,892.23	0.00	747.24	0.00	2,639.47
<b>Total Tenant Services</b>	<u>0.00</u>	<u>0.00</u>	<u>1,892.23</u>	<u>0.00</u>	<u>747.24</u>	<u>0.00</u>	<u>2,639.47</u>
Water	0.00	2,484.15	3,475.28	0.00	850.94	0.00	6,810.37
Electricity	0.00	4,600.05	2,983.28	0.00	2,743.69	0.00	10,327.02
Gas	0.00	0.00	1,873.83	0.00	1,337.83	0.00	3,211.66
Sewer	0.00	478.45	4,795.34	0.00	956.76	0.00	6,230.55
<b>Total Utilities</b>	<u>0.00</u>	<u>7,562.65</u>	<u>13,127.73</u>	<u>0.00</u>	<u>5,889.22</u>	<u>0.00</u>	<u>26,579.60</u>
Maintenance labor	0.00	10,003.27	36,203.68	0.00	4,283.84	0.00	50,490.79
Maintenance materials	290.55	3,830.24	20,327.20	0.00	4,073.38	0.00	28,521.37
Maintenance contracts	1,175.00	8,710.76	37,483.69	0.00	12,308.08	0.00	59,677.53
Employee benefits - maintenance	0.00	2,526.78	13,414.64	0.00	4,114.85	0.00	20,056.27
<b>Total Maintenance</b>	<u>1,465.55</u>	<u>25,071.05</u>	<u>107,429.21</u>	<u>0.00</u>	<u>24,780.15</u>	<u>0.00</u>	<u>158,745.96</u>

**Denton Housing Authority**  
**Income Statement-Combining**  
4 Months Ended 1/31/2017

	Section 8	Management Fund	Heritage Oaks	Disaster Funds	Pecan Place	DPFC	Total
Property insurance	657.00	3,360.17	4,181.09	0.00	1,015.80	0.00	9,214.06
Liability insurance	467.43	459.74	142.91	0.00	39.17	0.00	1,109.25
Workmen's compensation	2,068.15	1,957.47	3,048.34	0.00	512.34	0.00	7,586.30
All other insurance	357.71	753.12	465.45	0.00	100.61	0.00	1,676.89
<b>Total Insurance</b>	<u>3,550.29</u>	<u>6,530.50</u>	<u>7,837.79</u>	<u>0.00</u>	<u>1,667.92</u>	<u>0.00</u>	<u>19,586.50</u>
Protective services - other contract costs	0.00	1,988.08	908.55	0.00	2,032.40	0.00	4,929.03
<b>Total Protective Services</b>	<u>0.00</u>	<u>1,988.08</u>	<u>908.55</u>	<u>0.00</u>	<u>2,032.40</u>	<u>0.00</u>	<u>4,929.03</u>
Other general expenses	5,571.89	339.00	0.00	0.00	0.00	0.00	5,910.89
Payments in lieu of taxes	0.00	2,112.43	0.00	0.00	0.00	0.00	2,112.43
<b>Total General Expenses</b>	<u>5,571.89</u>	<u>2,451.43</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>8,023.32</u>
Housing assistance payments	3,778,513.00	0.00	0.00	0.00	0.00	0.00	3,778,513.00
HAP portability-in	203,663.00	0.00	0.00	0.00	0.00	0.00	203,663.00
<b>Total Housing Assistance Payments</b>	<u>3,982,176.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,982,176.00</u>
<b>Total Operating Expenses</b>	<u>4,288,768.66</u>	<u>128,269.59</u>	<u>191,606.46</u>	<u>0.00</u>	<u>61,396.28</u>	<u>0.00</u>	<u>4,670,040.99</u>
<b>Operating Income (Loss)</b>	<u>109,771.82</u>	<u>19,847.06</u>	<u>52,318.98</u>	<u>0.00</u>	<u>(14,481.68)</u>	<u>0.00</u>	<u>167,456.18</u>
<b>Other Financial Items</b>							
Replacement of equipment	16,630.00	0.00	0.00	0.00	0.00	0.00	16,630.00
Property betterments & additions	0.00	9,580.79	3,100.00	0.00	10,100.25	0.00	22,781.04
<b>Total Other Financial Items</b>	<u>16,630.00</u>	<u>9,580.79</u>	<u>3,100.00</u>	<u>0.00</u>	<u>10,100.25</u>	<u>0.00</u>	<u>39,411.04</u>
<b>Net Income (Loss)</b>	<u>\$ 93,141.82</u>	<u>\$ 10,266.27</u>	<u>\$ 49,218.98</u>	<u>\$ 0.00</u>	<u>\$ (24,581.93)</u>	<u>\$ 0.00</u>	<u>\$ 128,045.14</u>



# EXHIBIT 6

HOUSING AUTHORITY  
OF THE CITY OF DENTON, TEXAS

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2015 AND 2014

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TONN & SEAY**  
A PROFESSIONAL CORPORATION  

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**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Housing Authority of the City of Denton, Texas  
Denton, Texas

**Report of the Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of the City of Denton, Texas ("the Authority"), which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

**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 an opinion on these financial statements based on our audits. We conducted our audits 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.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Denton, Texas as of September 30, 2015 and 2014, and the changes in its net position and its cash flows for the years 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 the *management's discussion and analysis* on pages 3 through 7 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 an opinion on the financial statements that collectively comprise Housing Authority of the City of Denton, Texas' basic financial statements. The HUD Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The HUD Financial Data Schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the HUD Financial Data Schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016 on our consideration of Housing Authority of the City of Denton, Texas' internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Housing Authority of the City of Denton, Texas' internal control over financial reporting and compliance.

*Hankins, Eastup, Deaton, Tonn & Seay*  
Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

June 24, 2016

## **HOUSING AUTHORITY OF THE CITY OF DENTON, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The following is an analysis of the financial performance of the Housing Authority of the City of Denton, Texas (the "Authority"). It is intended to provide the reader with an overview of the Authority's financial activities for the fiscal year ended September 30, 2015. The information contained in this MD&A should be considered in conjunction with the Authority's basic financial statements.

### **Financial Highlights**

The Authority's total assets decreased from \$6,989,951 to \$6,259,781, a decrease of \$730,170 or 10.4%.

The unrestricted net position balance is \$2,012,275 at September 30, 2015. This represents a decrease of \$229,259, or 10.2% from the previous year. Unrestricted net position represents the amount of available funds for future appropriations.

Operating revenues decreased from \$12,762,871 to \$10,973,856, a decrease of \$1,789,015 or 14.0% primarily due to the decrease in the Section 8 Voucher funding.

Operating expenses increased by \$33,585 to \$11,840,527 for the current year. The increase was primarily due to increased maintenance costs.

### **Using this Annual Report**

This annual report consists of basic financial statements and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the Authority's financial performance and activities for the year ended September 30, 2015. The basic statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

1. The Statement of Net Position provides information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving.
2. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
3. The Statement of Cash Flows presents information showing how the Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

The Authority's housing programs include the Housing Choice Voucher Program, Management Program, and DHAP. The Housing Choice Voucher Program provides rental assistance to aid low income families to afford decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The DHAP program ended, however, the Authority still holds funds totaling \$81,827 related to that program that are currently restricted. The Authority currently has 1,526 baseline units available. Funds are provided by HUD to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis. The Authority administers a management fund designed to perform asset management responsibilities for additional properties. Payment for the Authority's administrative office and other rental properties support the Management Program.

The Authority organized the Denton Public Facility Corporation (DPFC) in December 2012 to receive and operate a twenty-four unit low-income housing facility. The Authority owned a portion of the general partner of Denton Senior Housing Development, L.P. which held the facility. After the fifteen-year compliance period related to tax credits expired, the limited partner transferred the entire interest in the facility to DPFC. The Authority must operate the facility under the supervision of the Texas Department of Housing and Community Affairs for an additional fifteen years.

Renaissance Courts is a multi-family project that received a tax credits award from Texas Department of Housing and Community Affairs for the development of a 150 unit town-home style, affordable housing project. The development provides for mixed income and market rate rents. The Authority formed Renaissance Courts Public Facility Corporation to serve as the general partner of Renaissance Courts, L.P. a limited partnership to fund and operate the project. Funding comes from the limited partners purchasing the tax credits and a HUD insured 221 (d)4 mortgage. Operation of Renaissance Courts is managed by an outside management group and funded from rental revenues. The Authority received a developer fee this fiscal year and is still to receive additional deferred developer fees in the future, based on the project's cash flow.

### Authority Activities & Highlights

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the years ended September 30, 2015 and September 30, 2014.

### ***Statement of Net Position***

<b>Category</b>	<b>FYE 2015</b>	<b>FYE 2014</b>	<b>Change %</b>
Current Assets – Unrestricted	\$ 1,937,382	\$ 2,150,768	-9.9%
Current Assets - Restricted	257,421	1,035,522	-75.1%
Capital Assets (Net of Depreciation)	3,851,376	3,590,058	7.3%
Other Non-Current Assets	213,603	213,603	0.0%
<b>Total Assets</b>	<b>6,259,782</b>	<b>6,989,951</b>	<b>-10.4%</b>
Current Liabilities	109,355	99,895	9.5%
Non-Current Liabilities	29,356	22,942	28.0%
<b>Total Liabilities</b>	<b>138,711</b>	<b>122,837</b>	<b>12.9%</b>
Unrestricted	2,012,275	2,241,534	-10.2%
Net Investment in Capital Assets	3,851,375	3,590,058	7.3%
Restricted	257,421	1,035,522	-75.1%
<b>Total Net Position</b>	<b>\$ 6,121,071</b>	<b>\$ 6,867,114</b>	<b>-10.9%</b>

### *Assets*

The decrease in current assets-unrestricted was due to a decrease in cash as a result of lower administrative fee income. The decrease in current assets-restricted, is due the Authority receiving less funds from HUD than it expended for tenant rents. The increase in capital assets was due to technology purchases and major renovations at Heritage Oaks Apartments. Other non-current assets is a receivable from a related housing development. The Authority advanced funds to refinance existing debt on the development.

### *Liabilities*

Current liabilities increased primarily due to an increase in accounts payable and accrued compensated absences.

### *Net Position*

The Authority's unrestricted net position decreased slightly as the Authority spent unrestricted cash on fixed assets. The net investment in capital assets increased due to major renovations at Heritage Oaks. Restricted net position decreased due to a decrease in housing assistance funding from HUD.



### **Statement of Revenues & Expenses**

<b>Category</b>	<b>FYE 2015</b>	<b>FYE 2014</b>	<b>Change %</b>
HUD Operating Grants	\$ 9,931,026	\$ 11,082,544	-10.4%
Tenant Revenue	770,371	687,096	12.1%
Interest Income	1,703	2,263	-24.7%
Other Revenue	391,384	993,231	-60.6%
Total Revenue	11,094,484	12,765,134	-13.1%
Administration	1,118,295	1,181,798	-5.4%
Tenant Services	5,144	5,661	-9.1%
Utilities	107,162	100,673	6.4%
Ordinary Maintenance	467,062	372,318	25.4%
General Expense	26,181	57,942	-54.8%
Depreciation	239,676	221,126	8.4%
Housing Assistance Payments	9,877,007	9,867,424	0.1%
Loss on disposition of asset	-	2,029	-100.0%
Total Expenses	\$ 11,840,527	\$ 11,808,971	0.3%

### **Results of Operations**

#### **Revenues**

Operating revenues of the Authority are generated principally from dwelling rents, Section 8 Administrative fees, HUD grants, and rental assistance payments. The Authority's revenues decreased by \$1,670,650. The primary reason for the decrease in revenue was a decrease in Section 8 voucher funding, decreased payments from other housing authorities and less insurance proceeds from storm damages, partially offset by an increase in tenant revenue. Tenant revenue increased due to an improved lease out percentage at Heritage Oaks. Interest income decreased due to decreasing interest rates paid by banks. The decrease in other revenue is due to decreased payments received from other housing authorities with clients living in the Authority's boundaries and a decrease in insurance payments due to prior year storms.

#### **Expenses**

Total expenses increased by \$31,556 over the prior year. Administrative expenses decreased due to broad cost cutting across several areas including salaries, legal, postage and others. Utilities increased as North Texas had a warmer summer than the previous year. Ordinary maintenance increased due to additional maintenance issues with Heritage Oaks. The decrease in general expense was due to a decrease in bad debt. The increase in depreciation expense was due to technology purchases and renovations at Heritage Oaks. Housing assistance payments barely changed as the Authority continued working on keeping their vouchers utilized.

### *Capital Assets*

As of September 30, 2015, the Authority's investment in capital assets was \$ 3,851,375. This investment includes land, building, building improvements, office equipment, and maintenance equipment. The increase in capital assets is the result of technology purchases and renovations at Heritage Oaks.

<b>Category</b>	<b>FYE 2015</b>	<b>FYE 2014</b>	<b>Change %</b>
Land	\$ 1,203,916	\$ 1,203,916	0.0%
Buildings and improvements	8,167,699	7,694,337	6.2%
Equipment	348,378	329,863	5.6%
Construction in progress	9,116	-	100.0%
Accumulated Depreciation	(5,877,734)	(5,638,058)	4.3%
<b>Total Net Fixed Assets</b>	<b>\$ 3,851,375</b>	<b>\$ 3,590,058</b>	<b>7.3%</b>

### **Future Economic Factors**

The Authority will continue to use excess HAP funds and HUD held reserves to cover funding shortfalls from HUD. The Authority will continue to receive developer fee revenues from Renaissance Courts and income from commercial buildings. The Authority has formed Denton Public Facility Corporation to develop 322 multi-family units of affordable housing using tax credits and tax-exempt bonds. The Authority expects to earn developer and management fees and bond issuance fees from this development. The Authority will work with developers to construct more affordable housing to earn additional developer fee revenues. The Authority also plans to sell vacant land that cannot be used for affordable housing development and use those funds for operational and development purposes.

### **Request for Information**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, contact the Executive Director at Denton Housing Authority, 1225 Wilson Street, Denton, TX 76205.

HOUSING AUTHORITY OF THE CITY OF DENTON, TEXAS

STATEMENTS OF NET POSITION - PROPRIETARY FUND TYPE  
SEPTEMBER 30, 2015 AND 2014

ASSETS

	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 1,465,866	\$ 1,720,687
Cash and cash equivalents - restricted	257,421	1,035,522
Accounts receivable - net	5,809	6,133
Accounts receivable - HUD	66,270	24,007
Investments	380,234	379,450
Prepaid expenses	19,203	20,491
Total Current Assets	<u>2,194,803</u>	<u>3,186,290</u>
Non-Current Assets:		
Due from related party - net	213,603	213,603
Capital assets		
Land	1,203,916	1,203,916
Building and improvements	8,167,700	7,694,337
Furniture and equipment	348,378	329,863
Construction in progress	9,116	-
Accumulated depreciation	<u>(5,877,734)</u>	<u>(5,638,058)</u>
Total Capital assets	3,851,376	3,590,058
Total Non-Current Assets	4,064,979	3,803,661
Total Assets	<u>6,259,782</u>	<u>6,989,951</u>

LIABILITIES

Current Liabilities:		
Accounts payable	33,478	27,763
Accrued salaries payable	50,377	50,082
Security deposits payable	25,500	22,050
Total Current Liabilities	<u>109,355</u>	<u>99,895</u>
Long-Term Liabilities:		
Accrued compensated absences - non-current	29,356	22,942

NET POSITION

Net investment in capital assets	3,851,376	3,590,058
Restricted	257,421	1,035,522
Unrestricted	2,012,274	2,241,534
Total Net Position	<u>\$ 6,121,071</u>	<u>\$ 6,867,114</u>

The accompanying notes are an integral part of this statement

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

STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - PROPRIETARY FUND TYPE  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenue:		
Tenant revenue	\$ 770,371	\$ 687,096
Federal housing grants	9,931,026	11,082,544
Management income and other operating revenue	272,459	993,231
Total Operating Revenues	<u>10,973,856</u>	<u>12,762,871</u>
Operating Expenses:		
Administration	1,118,295	1,181,798
Housing assistance payments	9,877,007	9,867,424
Tenant services	5,144	5,661
Utilities	107,162	100,673
Maintenance	467,062	372,318
Insurance	26,066	26,346
Bad debt expense	115	31,596
Depreciation	239,676	221,126
Total Operating Expenses	<u>11,840,527</u>	<u>11,806,942</u>
Operating Income (Loss)	<u>(866,671)</u>	<u>955,929</u>
Non-Operating Revenues (Expenses)		
Interest income	1,703	2,263
Insurance proceeds	118,925	-
Gain/(loss) on disposition of asset	<u>-</u>	<u>(2,029)</u>
Total Non-Operating Revenues (Expenses)	<u>120,628</u>	<u>234</u>
Change in net position	<u>(746,043)</u>	<u>956,163</u>
Net Position, Beginning of Year	6,867,114	5,910,951
Net Position, End of Year	<u>\$ 6,121,071</u>	<u>\$ 6,867,114</u>

The accompanying notes are an integral part of this statement

# HOUSING AUTHORITY OF THE CITY OF DENTON, TEXAS

## STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Cash received from HUD	\$ 9,888,763	\$ 11,027,103
Cash received from tenants and other housing authorities	1,013,328	1,217,797
Cash received from other sources	33,276	435,848
Cash payments for rent and utility assistance	(9,877,048)	(9,867,424)
Cash payments for administrative and operating expenses	<u>(1,710,091)</u>	<u>(1,722,630)</u>
Net cash provided (used) by operating activities	(651,772)	1,090,694
Cash Flows From Investing Activities		
Interest on investments	1,703	2,263
Cash from special item	118,925	-
Acquisition of capital assets	(500,994)	(207,385)
Sale (Purchase) of investments	<u>(784)</u>	<u>(902)</u>
Net cash provided (used) by investing activities	(381,150)	(206,024)
Cash Flows From Capital and Related Financing Activities		
Cash advanced to related party	-	(213,603)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(213,603)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,032,922)</u>	<u>671,067</u>
Cash and Cash Equivalents, Beginning of Year	2,756,209	2,085,142
Cash and Cash Equivalents, End of Year (includes restricted cash of \$257,421 and \$1,035,522 at September 30, 2015 and 2014, respectively)	<u>\$ 1,723,287</u>	<u>\$ 2,756,209</u>

The accompanying notes are an integral part of this statement

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

**STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE (CONTINUED)**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Reconciliation of Net Operating Income to Cash Provided by Operating Activities:		
Net operating income (loss)	\$ (866,671)	\$ 955,929
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	239,676	221,126
Decrease (increase) in accounts receivable-net	324	1,465
Decrease (increase) in accounts receivable-HUD	(42,263)	(24,007)
Decrease (increase) in prepaid expenses	1,288	(16,633)
Increase (decrease) in accounts payable	5,715	(20,992)
Increase (decrease) in accounts payable - HUD	-	(31,434)
Increase (decrease) in accrued salaries payable	6,709	1,790
Increase (decrease) in security deposits payable	3,450	3,450
Net Cash Provided by Operating Activities	\$ <u>(651,772)</u>	\$ <u>1,090,694</u>

The accompanying notes are an integral part of this statement

## HOUSING AUTHORITY OF THE CITY OF DENTON, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Reporting Entity

The Housing Authority of the City of Denton, Texas (the "Authority") is a governmental entity with the purpose of providing low income families with reasonable assistance for housing, giving consideration and care for their well-being, and promoting family self-sufficiency to all families without discrimination. The Authority primarily serves the residents of Denton County, Texas. The Authority's primary funding source is the U.S. Department of Housing and Urban Development under the Section 8 Rental Voucher Program.

##### Basis of Presentation

The activities of the Authority are similar to those of proprietary funds of local cities and therefore are reported as an enterprise fund in accordance with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB). Accordingly, transactions are accounted for using the accrual basis of accounting. Under Alternative 1 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all standards issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB), in addition to all GASB standards.

##### Capital Assets and Depreciation

The Authority records capital assets at cost and provides for depreciation using the straight-line method over the respective estimated useful lives. Furniture and equipment are depreciated over five years. Buildings and improvements are depreciated over thirty to forty years. The cost of normal maintenance and repairs is charged to operating expenses as incurred.

##### Income Taxes

The Authority is not subject to income taxes.

##### Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents – restricted represents excess HAP and DHAP funds. See Restricted Net Position.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Net Position**

The Authority receives payments from the U.S. Department of Housing and Urban Development ("HUD") in monthly installments as determined at the beginning of the year based on anticipated needs. At the end of the year, HUD determines how much of the advanced funds were earned by the Authority. Differences in the amounts advanced and the amount earned create excess HAP funds. The Authority must calculate the excess HAP funds, but keeps the excess funds to use towards any funding shortages in future periods. The funds may only be used in connection with the rental voucher program. The Authority calculated the excess funding of \$257,421 and \$1,035,522 as of September 30, 2015 and 2014, respectively, which it shows as restricted net position in the statement of net position and as cash and cash equivalents – restricted.

The balances of the restricted net position accounts for voucher programs are as follows:

	2015	2014
Excess HAP – Section 8 Voucher	\$ 175,594	\$ 953,695
Excess HAP – DHAP	<u>81,827</u>	<u>81,827</u>
 Total restricted assets – voucher programs	 \$ <u>257,421</u>	 \$ <u>1,035,522</u>

See also Note 3.

**Compensated Absences**

Regular, full-time employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. Compensated absences, which have been earned but not paid, have been accrued in the accompanying basic financial statements. For all compensated absences, the liability is valued using pay rates in effect at the end of the Authority's fiscal year.

**Prepaid Expenses**

Payments made to vendors for services that will benefit future fiscal periods are recorded as prepaid expenses.



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair Value of Financial Instruments**

The Authority values cash, cash equivalents, investments, receivables and current liabilities at their carrying amounts reported in the financial statements due to the short maturities of those instruments.

**Date of Management's Review**

Management has evaluated subsequent events through June 24, 2016, the date on which the financial statements were available to be issued.

**NOTE 2 – REPORTING ENTITY**

The Authority, for financial purposes, includes all of the accounts relevant to the operations of the Authority. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Authority. The Authority is governed by a five member Board of Commissioners, who are appointed by the City of Denton, Texas City Council.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits**

Deposits, including those in restricted assets, are defined as cash or cash equivalents on deposit with financial institutions. At September 30, 2015, the carrying amount of the Authority's deposits was \$1,723,287 and the bank balance was \$1,743,348. The bank deposits were held with financial institutions and are required to be insured or collateralized with securities held by banks in their trust departments, not in the Authority's name. At September 30, 2015, all of the Authority's deposits were covered by FDIC insurance or pledged securities. At September 30, 2014, the carrying amount of the Authority's deposits was \$2,756,209 and the bank balance was \$2,765,115. The bank deposits were held with financial institutions and are required to be insured or collateralized with securities held by banks in their trust departments, not in the Authority's name. At September 30, 2014, all of the Authority's deposits were covered by FDIC insurance or pledged securities.

HOUSING AUTHORITY OF THE CITY OF DENTON, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

Cash and cash equivalents consist of the following at September 30:

	2015	2014
Cash and cash equivalents – unrestricted	\$ 1,465,866	\$ 1,720,687
Cash and cash equivalents - restricted	257,421	1,035,522
Total cash and cash equivalents	\$ 1,723,287	\$ 2,756,209

Investments

The Authority's investments consist of bank certificates of deposit. The certificates of deposit total \$380,234 and \$379,450 at September 30, 2015 and 2014, respectively. The certificates of deposit are insured up to \$250,000 per financial institution.

Custodial Credit Risk

Custodial credit risk, for deposits and investments that are certificates of deposits, is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. As of September 30, 2015 and 2014, the Authority's deposits were either collateralized or covered by FDIC insurance. For sixteen days during the fiscal year ended September 30, 2015 deposits exceeded FDIC insurance and pledged collateral. The largest amount exceeding FDIC insurance and pledged collateral was \$881,868. For sixteen days during the fiscal year ended September 30, 2014 deposits exceeded FDIC insurance and pledged collateral. The largest amount exceeding FDIC insurance and pledged collateral was \$799,682.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an instrument. The Authority's investments were in certificates of deposits with maturities no longer than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The Authority's deposits and investments exceeded FDIC insurance and pledged securities coverage sixteen days during the years ended September 30, 2015 and 2014, respectively.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority's deposits and investments exceeded FDIC insurance and pledged securities coverage sixteen days during the years ended September 30, 2015 and 2014, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**NOTE 4 – Capital Asset Activity**

Capital asset activity for the Authority for the year ended September 30, 2015, was as follows:

	Balance Oct. 1	Additions	Retirement/ Adjustment	Balance Sept. 30
Capital assets not being depreciated:				
Land	\$ 1,203,916	\$ -	\$ -	\$ 1,203,916
Construction in progress		9,116	-	9116
Total assets not being depreciated	1,203,916	9,116	-	1,213,032
Capital assets being depreciated:				
Buildings and improvements	7,694,337	473,363	-	8,167,700
Furniture and equipment	329,863	18,515	-	348,378
Total capital assets being depreciated	8,024,200	491,878	-	8,516,078
Less accumulated depreciation for:				
Buildings and improvements	(5,391,063)	(203,752)	-	(5,594,815)
Furniture and equipment	(246,995)	(35,924)	-	(282,919)
Total accumulated depreciation	(5,638,058)	(239,676)	-	(5,877,734)
Total capital assets being depreciated, net	2,386,142	252,202	-	2,638,344
Total capital assets, net	\$ 3,590,058	\$ 261,318	\$ -	\$ 3,851,376

**NOTE 5 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority manages its risk of these types of losses through the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year, nor have there been settlements in excess of insurance coverage for any of the past three fiscal years.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

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**NOTE 6 – EMPLOYEE RETIREMENT PLAN**

The Authority maintains an employee retirement plan for all full-time employees after 90 days of employment. The plan is a defined contribution plan. The Authority contributes 7% of eligible employees' compensation, and employees may make voluntary contributions of up to 10% of their compensation. For the year ended September 30, 2015 and 2014, the authority recorded \$36,513 and \$43,670, respectively, as retirement contribution expense.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

In October of 2004, the Authority formed Renaissance Courts Public Facility Corporation, a not-for-profit entity, to become a general partner in Renaissance Courts, L.P. The Authority transferred low-income housing credits obtained from the Texas Department of Housing and Community Affairs to Renaissance Courts Public Facility Corporation, who in turn, transferred them to Renaissance Courts, L.P. Renaissance Courts, L.P. is a partnership formed to build and operate a 150 unit housing project in Denton, Texas. An outside management group manages the housing project which opened in the summer of 2006. In the event Renaissance Courts Public Facility Corporation is dissolved, any remaining assets, after all of the obligations of the corporation are paid, will be transferred to the Authority. The Authority's directors are also the directors of the Renaissance Courts Public Facility Corporation. In 2014, the Authority advanced funds to the project to facilitate refinancing debt on the project. The advance totaled 213,603 and is shown as due from related party on the statement of net position.

**NOTE 8 – ACCOUNTS RECEIVABLE**

Accounts receivable at September 30, 2015 and 2014 consists of the following:

	2015	2014
Tenant receivables	\$ 1,331	\$ 2
Receivables due from other Housing Authorities	9,043	9,742
Receivables due from tenants from fraudulent activity	16,674	20,459
Other receivables	2,946	-
Less allowance for doubtful accounts	(24,185)	(24,070)
Total	\$ 5,809	\$ 6,133

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**Note 9 – Inter-program Receivables and Payables**

Inter-program balances at September 30, 2015 and 2014 consisted of the following individual program receivables and payables:

<u>Program</u>	<u>2015</u>		<u>2014</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
Housing Choice Voucher Program:				
Business Activities	\$ -	\$ 6,013	\$ -	\$ 4,630
New Construction Program	3,442	-	-	117
Senior Housing Program	504	-	-	-
Senior Housing Program:				
Business Activities	-	35,698	-	82,764
Housing Choice Voucher Program	-	504	-	-
New Construction Program:				
Housing Choice Voucher Program	-	3,442	117	-
Business Activities:				
Housing Choice Voucher Program	6,013	-	4,630	-
Senior Housing Program	35,698	-	82,764	-
	<u>\$ 45,657</u>	<u>\$ 45,657</u>	<u>\$ 87,511</u>	<u>\$ 87,511</u>

These accounts were eliminated in the preparation of the general-purpose financial statements.

**Note 10 – Special Item**

The Authority was a majority owner in Denton Housing Partners, Inc. the general partner to the Denton Senior Housing Development, L.P. which owned and operated a twenty-four (24) unit low income housing facility for tenants meeting certain income qualifications and are at least sixty-three (63) years of age.

Effective December 20, 2012, the limited partner transferred and assigned 100% of its limited partner interest in the partnership to Denton Public Facility Corporation (DPFC). DPFC agreed to accept the transfer and assignment and to release the limited partner from certain of its obligations. DPFC is a public facility corporation and instrumentality of the Housing Authority of the City of Denton, Texas.

The Authority now accounts for the assets and liabilities in DPFC as its own as a separate program.

**FEDERAL AWARDS SECTION**

Members:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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TONN & SEAY**  
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CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners  
Housing Authority of the City of Denton, Texas  
Denton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Denton, Texas (the "Authority") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 24, 2016.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a 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 Authority's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

June 24, 2016



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TEXAS SOCIETY OF CERTIFIED  
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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  

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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners  
Housing Authority of the City of Denton, Texas  
Denton, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Housing Authority of the City of Denton, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Denton, Texas' major federal programs for the year ended September 30, 2015. Housing Authority of the City of Denton, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Denton, Texas' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Housing Authority of the City of Denton, Texas' 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 Housing Authority of the City of Denton, Texas' compliance.

### Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Denton, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

### Report on Internal Control Over Compliance

Management of Housing Authority of the City of Denton, Texas 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 Housing Authority of the City of Denton, Texas' 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 OMB Circular A-133, 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 Housing Authority of the City of Denton, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

June 24, 2016

HOUSING AUTHORITY OF THE CITY OF DENTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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1. Summary of Auditors' Results

- a. Type of auditors' report issued on the financial statements: Unmodified.
- b. Financial statements – internal control over financial reporting:  
Material weakness (es) identified: No  
Significant deficiencies identified that are not considered to be material weakness:  
No
- c. Noncompliance which is material to the financial statements: None
- d. Federal Awards – internal control over major programs:  
Material weakness (es) identified: No  
Significant deficiencies identified that are not considered to be material weakness:  
No
- e. Type of auditors' report issued on compliance for major federal award programs:  
Unmodified.
- f. Did the audit disclose findings which are required to be reported under Section .510(a)2-7 of OMB Circular A-133: No
- g. Major programs include: Section 8 – Rental Voucher Program, CFDA number 14.871
- h. Dollar threshold used for distinguishing between Type A and Type B programs: \$300,000.
- i. Low risk auditee: Yes

2. Findings Related to the Financials Statements

None

3. Other Findings

None

HOUSING AUTHORITY OF THE CITY OF DENTON, TEXAS

CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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CORRECTIVE ACTION PLAN

N/A

HOUSING AUTHORITY OF THE CITY OF DENTON, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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FINDING/NONCOMPLIANCE

N/A

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b><u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Federal Expenditures</u></b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Section 8 – Rental Voucher Program	14.871	\$ <u>9,931,026</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>9,931,026</u>
<b>Total Expenditures of Federal Awards</b>		\$ <u>9,931,026</u>

HOUSING AUTHORITY OF THE CITY OF DENTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Denton, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Denton Housing Authority (TX392)**

**Denton, TX**

**Entity Wide Balance Sheet Summary**

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
111 Cash - Unrestricted	\$334,359	\$852,153		\$388,428	\$1,574,940
112 Cash - Restricted - Modernization and Development	\$0				\$0
113 Cash - Other Restricted	\$175,593		\$81,827		\$257,420
114 Cash - Tenant Security Deposits	\$0	\$25,500			\$25,500
115 Cash - Restricted for Payment of Current Liabilities	\$0				\$0
100 Total Cash	\$509,952	\$877,653	\$81,827	\$388,428	\$1,857,860
121 Accounts Receivable - PHA Projects	\$9,043				\$9,043
122 Accounts Receivable - HUD Other Projects	\$66,270				\$66,270
124 Accounts Receivable - Other Government	\$0				\$0
125 Accounts Receivable - Miscellaneous	\$160	\$37		\$216,351	\$216,548
126 Accounts Receivable - Tenants	\$0	\$1,331			\$1,331
126.1 Allowance for Doubtful Accounts - Tenants	\$0	-\$593			-\$593
126.2 Allowance for Doubtful Accounts - Other	-\$7,234	\$0		\$0	-\$7,234
127 Notes, Loans, & Mortgages Receivable - Current	\$0				\$0
128 Fraud Recovery	\$16,674				\$16,674
128.1 Allowance for Doubtful Accounts - Fraud	-\$16,357				-\$16,357
129 Accrued Interest Receivable	\$601			\$865	\$1,466
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$69,157	\$775	\$0	\$217,216	\$287,148
131 Investments - Unrestricted	\$53,189			\$192,472	\$245,661
132 Investments - Restricted	\$0				\$0
135 Investments - Restricted for Payment of Current Liability	\$0				\$0
142 Prepaid Expenses and Other Assets	\$10,729	\$987		\$494	\$12,210
143 Inventories	\$0	\$6,141			\$6,141



## Denton Housing Authority (TX392)

Denton, TX

## Entity Wide Balance Sheet Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
143.1 Allowance for Obsolete Inventories	\$0	-\$614			-\$614
144 Inter Program Due From	\$3,946			\$41,711	\$45,657
145 Assets Held for Sale	\$0				\$0
150 Total Current Assets	\$646,973	\$884,942	\$81,827	\$840,321	\$2,454,063
161 Land	\$0	\$493,011		\$710,905	\$1,203,916
162 Buildings	\$205,956	\$6,168,171		\$1,793,573	\$8,167,700
163 Furniture, Equipment & Machinery - Dwellings	\$0	\$51,462			\$51,462
164 Furniture, Equipment & Machinery - Administration	\$212,340	\$48,498		\$36,077	\$296,915
165 Leasehold Improvements	\$0				\$0
166 Accumulated Depreciation	-\$295,626	-\$4,755,851		-\$826,256	-\$5,877,733
167 Construction in Progress	\$0			\$9,116	\$9,116
168 Infrastructure	\$0				\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$122,670	\$2,005,291	\$0	\$1,723,415	\$3,851,376
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0				\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past	\$0				\$0
173 Grants Receivable - Non Current	\$0				\$0
174 Other Assets	\$0				\$0
176 Investments in Joint Ventures	\$0				\$0
180 Total Non-Current Assets	\$122,670	\$2,005,291	\$0	\$1,723,415	\$3,851,376
200 Deferred Outflow of Resources	\$0				\$0
290 Total Assets and Deferred Outflow of Resources	\$769,643	\$2,890,233	\$81,827	\$2,563,736	\$6,305,439

Denton Housing Authority (TX392)

Denton, TX

Entity Wide Balance Sheet Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
311 Bank Overdraft	\$0				\$0
312 Accounts Payable <= 90 Days	\$3,281	\$4,942		\$11,956	\$20,179
313 Accounts Payable >90 Days Past Due	\$0				\$0
321 Accrued Wage/Payroll Taxes Payable	\$23,719	\$8,294		\$1,054	\$33,067
322 Accrued Compensated Absences - Current Portion	\$18,220	\$4,350		\$1,118	\$23,688
324 Accrued Contingency Liability	\$0				\$0
325 Accrued Interest Payable	\$0				\$0
331 Accounts Payable - HUD PHA Programs	\$265				\$265
332 Account Payable - PHA Projects	\$0				\$0
333 Accounts Payable - Other Government	\$0				\$0
341 Tenant Security Deposits	\$0	\$25,500			\$25,500
342 Unearned Revenue	\$0	\$3,298			\$3,298
343 Current Portion of Long-term Debt - Capital	\$0				\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0				\$0
345 Other Current Liabilities	\$0				\$0
346 Accrued Liabilities - Other	\$0	\$1,265		\$2,094	\$3,359
347 Inter Program - Due To	\$6,013	\$39,644			\$45,657
348 Loan Liability - Current	\$0				\$0
310 Total Current Liabilities	\$51,498	\$87,293	\$0	\$16,222	\$155,013
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$0				\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0				\$0
353 Non-current Liabilities - Other	\$0				\$0
354 Accrued Compensated Absences - Non Current	\$22,198	\$5,850		\$1,307	\$29,355
355 Loan Liability - Non Current	\$0				\$0
356 FASB 5 Liabilities	\$0				\$0

Denton Housing Authority (TX392)

Denton, TX

Entity Wide Balance Sheet Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
357 Accrued Pension and OPEB Liabilities	\$0				\$0
350 Total Non-Current Liabilities	\$22,198	\$5,850	\$0	\$1,307	\$29,355
300 Total Liabilities	\$73,696	\$93,143	\$0	\$17,529	\$184,368
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$122,670	\$2,005,291		\$1,723,415	\$3,851,376
511.4 Restricted Net Position	\$175,593		\$81,827		\$257,420
512.4 Unrestricted Net Position	\$397,684	\$791,799	\$0	\$822,792	\$2,012,275
513 Total Equity - Net Assets / Position	\$695,947	\$2,797,090	\$81,827	\$2,546,207	\$6,121,071
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$769,643	\$2,890,233	\$81,827	\$2,563,736	\$6,305,439

Denton Housing Authority (TX392)

Denton, TX

Entity Wide Balance Sheet Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
111 Cash - Unrestricted	\$0	\$1,574,940
112 Cash - Restricted - Modernization and Development	\$0	\$0
113 Cash - Other Restricted	\$0	\$257,420
114 Cash - Tenant Security Deposits	\$0	\$25,500
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0
100 Total Cash	\$0	\$1,857,860
121 Accounts Receivable - PHA Projects	\$0	\$9,043
122 Accounts Receivable - HUD Other Projects	\$0	\$66,270
124 Accounts Receivable - Other Government	\$0	\$0
125 Accounts Receivable - Miscellaneous	\$0	\$216,548
126 Accounts Receivable - Tenants	\$0	\$1,331
126.1 Allowance for Doubtful Accounts -Tenants	\$0	-\$593
126.2 Allowance for Doubtful Accounts - Other	\$0	-\$7,234
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0
128 Fraud Recovery	\$0	\$16,674
128.1 Allowance for Doubtful Accounts - Fraud	\$0	-\$16,357
129 Accrued Interest Receivable	\$0	\$1,466
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$287,148
131 Investments - Unrestricted	\$0	\$245,661
132 Investments - Restricted	\$0	\$0
135 Investments - Restricted for Payment of Current Liability	\$0	\$0
142 Prepaid Expenses and Other Assets	\$0	\$12,210
143 Inventories	\$0	\$6,141
143.1 Allowance for Obsolete Inventories	\$0	-\$614

## Denton Housing Authority (TX392)

Denton, TX

## Entity Wide Balance Sheet Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
144 Inter Program Due From	-\$45,657	\$0
145 Assets Held for Sale	\$0	\$0
150 Total Current Assets	-\$45,657	\$2,408,406
161 Land	\$0	\$1,203,916
162 Buildings	\$0	\$8,167,700
163 Furniture, Equipment & Machinery - Dwellings	\$0	\$51,462
164 Furniture, Equipment & Machinery - Administration	\$0	\$296,915
165 Leasehold Improvements	\$0	\$0
166 Accumulated Depreciation	\$0	-\$5,877,733
167 Construction in Progress	\$0	\$9,116
168 Infrastructure	\$0	\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$3,851,376
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0	\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past	\$0	\$0
173 Grants Receivable - Non Current	\$0	\$0
174 Other Assets	\$0	\$0
176 Investments in Joint Ventures	\$0	\$0
180 Total Non-Current Assets	\$0	\$3,851,376
200 Deferred Outflow of Resources	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	-\$45,657	\$6,259,782
311 Bank Overdraft	\$0	\$0

Denton Housing Authority (TX392)

Denton, TX

Entity Wide Balance Sheet Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
312 Accounts Payable <= 90 Days	\$0	\$20,179
313 Accounts Payable >90 Days Past Due	\$0	\$0
321 Accrued Wage/Payroll Taxes Payable	\$0	\$33,067
322 Accrued Compensated Absences - Current Portion	\$0	\$23,688
324 Accrued Contingency Liability	\$0	\$0
325 Accrued Interest Payable	\$0	\$0
331 Accounts Payable - HUD PHA Programs	\$0	\$265
332 Account Payable - PHA Projects	\$0	\$0
333 Accounts Payable - Other Government	\$0	\$0
341 Tenant Security Deposits	\$0	\$25,500
342 Unearned Revenue	\$0	\$3,298
343 Current Portion of Long-term Debt - Capital	\$0	\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0
345 Other Current Liabilities	\$0	\$0
346 Accrued Liabilities - Other	\$0	\$3,359
347 Inter Program - Due To	-\$45,657	\$0
348 Loan Liability - Current	\$0	\$0
310 Total Current Liabilities	-\$45,657	\$109,356
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$0	\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0
353 Non-current Liabilities - Other	\$0	\$0
354 Accrued Compensated Absences - Non Current	\$0	\$29,355
355 Loan Liability - Non Current	\$0	\$0
356 FASB 5 Liabilities	\$0	\$0
357 Accrued Pension and OPEB Liabilities	\$0	\$0

Denton Housing Authority (TX392)

Denton, TX

Entity Wide Balance Sheet Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
350 Total Non-Current Liabilities	\$0	\$29,355
300 Total Liabilities	-\$45,657	\$138,711
400 Deferred Inflow of Resources		
508.4 Net Investment in Capital Assets		\$3,851,376
511.4 Restricted Net Position		\$257,420
512.4 Unrestricted Net Position		\$2,012,275
513 Total Equity - Net Assets / Position	\$0	\$6,121,071
600 Total Liabilities, Deferred Inflows of Resources and Equity -	-\$45,657	\$6,259,782

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
70300 Net Tenant Rental Revenue	\$0	\$768,300			\$768,300
70400 Tenant Revenue - Other	\$0	\$2,071			\$2,071
70500 Total Tenant Revenue	\$0	\$770,371	\$0	\$0	\$770,371
70600 HUD PHA Operating Grants	\$9,931,026				\$9,931,026
70610 Capital Grants	\$0				\$0
70710 Management Fee					\$0
70720 Asset Management Fee					\$0
70730 Book Keeping Fee					\$0
70740 Front Line Service Fee					\$0
70750 Other Fees					\$0
70700 Total Fee Revenue					\$0
70800 Other Government Grants	\$0				\$0
71100 Investment Income - Unrestricted	\$480	\$535		\$689	\$1,704
71200 Mortgage Interest Income	\$0				\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0				\$0
71310 Cost of Sale of Assets	\$0				\$0
71400 Fraud Recovery	\$922				\$922
71500 Other Revenue	\$231,794	\$122,228		\$186,956	\$540,978
71600 Gain or Loss on Sale of Capital Assets	\$0				\$0
72000 Investment Income - Restricted	\$0				\$0
70000 Total Revenue	\$10,164,222	\$893,134	\$0	\$187,645	\$11,245,001
91100 Administrative Salaries	\$473,982	\$130,509		\$16,801	\$621,292



Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
91200 Auditing Fees	\$8,925	\$5,100		\$2,975	\$17,000
91300 Management Fee	\$0	\$53,956			\$53,956
91310 Book-keeping Fee	\$0				\$0
91400 Advertising and Marketing	\$1,166	\$173		\$323	\$1,662
91500 Employee Benefit contributions - Administrative	\$136,867	\$34,202		\$4,424	\$175,493
91600 Office Expenses	\$185,298	\$25,438		\$7,313	\$218,049
91700 Legal Expense	\$0			\$10,977	\$10,977
91800 Travel	\$17,760	\$4,180		\$11,657	\$33,597
91810 Allocated Overhead	\$0				\$0
91900 Other	\$29,146	\$10,100		\$22,476	\$61,722
91000 Total Operating - Administrative	\$853,144	\$263,658	\$0	\$76,946	\$1,193,748
92000 Asset Management Fee	\$0				\$0
92100 Tenant Services - Salaries	\$0				\$0
92200 Relocation Costs	\$0				\$0
92300 Employee Benefit Contributions - Tenant Services	\$0				\$0
92400 Tenant Services - Other	\$0	\$5,144			\$5,144
92500 Total Tenant Services	\$0	\$5,144	\$0	\$0	\$5,144
93100 Water	\$0	\$17,420		\$8,545	\$25,965
93200 Electricity	\$0	\$23,636		\$20,730	\$44,366
93300 Gas	\$0	\$12,150			\$12,150
93400 Fuel	\$0				\$0
93500 Labor	\$0				\$0
93600 Sewer	\$0	\$22,871		\$1,810	\$24,681
93700 Employee Benefit Contributions - Utilities	\$0				\$0

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
93800 Other Utilities Expense	\$0				\$0
93000 Total Utilities	\$0	\$76,077	\$0	\$31,085	\$107,162
94100 Ordinary Maintenance and Operations - Labor	\$0	\$115,729		\$13,557	\$129,286
94200 Ordinary Maintenance and Operations - Materials and	\$3,012	\$109,858		\$8,376	\$121,246
94300 Ordinary Maintenance and Operations Contracts	\$3,414	\$117,130		\$27,082	\$147,626
94500 Employee Benefit Contributions - Ordinary Maintenance	\$0	\$39,532		\$5,097	\$44,629
94000 Total Maintenance	\$6,426	\$382,249	\$0	\$54,112	\$442,787
95100 Protective Services - Labor	\$0				\$0
95200 Protective Services - Other Contract Costs	\$0	\$12,664		\$6,024	\$18,688
95300 Protective Services - Other	\$0				\$0
95500 Employee Benefit Contributions - Protective Services	\$0				\$0
95000 Total Protective Services	\$0	\$12,664	\$0	\$6,024	\$18,688
96110 Property Insurance	\$3,329	\$6,658		\$3,329	\$13,316
96120 Liability Insurance	\$216	\$433		\$216	\$865
96130 Workmen's Compensation	\$1,836	\$3,672		\$1,836	\$7,344
96140 All Other Insurance	\$1,135	\$2,270		\$1,135	\$4,540
96100 Total insurance Premiums	\$6,516	\$13,033	\$0	\$6,516	\$26,065
96200 Other General Expenses	\$23,277	\$160		\$817	\$24,254
96210 Compensated Absences	\$33,273	\$9,894		\$2,238	\$45,405
96300 Payments in Lieu of Taxes	\$0				\$0
96400 Bad debt - Tenant Rents	\$0	\$594			\$594
96500 Bad debt - Mortgages	\$0				\$0

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
96600 Bad debt - Other	\$82				\$82
96800 Severance Expense	\$0				\$0
96000 Total Other General Expenses	\$56,632	\$10,648	\$0	\$3,055	\$70,335
96710 Interest of Mortgage (or Bonds) Payable	\$0				\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0				\$0
96730 Amortization of Bond Issue Costs	\$0				\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$922,718	\$763,473	\$0	\$177,738	\$1,863,929
97000 Excess of Operating Revenue over Operating Expenses	\$9,241,504	\$129,661	\$0	\$9,907	\$9,381,072
97100 Extraordinary Maintenance	\$0	\$5,586			\$5,586
97200 Casualty Losses - Non-capitalized	\$0	\$4,846			\$4,846
97300 Housing Assistance Payments	\$9,682,166				\$9,682,166
97350 HAP Portability-In	\$194,841				\$194,841
97400 Depreciation Expense	\$29,093	\$141,148		\$69,435	\$239,676
97500 Fraud Losses	\$0				\$0
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense	\$0				\$0
90000 Total Expenses	\$10,828,818	\$915,053	\$0	\$247,173	\$11,991,044
10010 Operating Transfer In	\$0				\$0
10020 Operating transfer Out	\$0				\$0

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
10030 Operating Transfers from/to Primary Government	\$0				\$0
10040 Operating Transfers from/to Component Unit	\$0				\$0
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss	\$0				\$0
10080 Special Items (Net Gain/Loss)	\$0				\$0
10091 Inter Project Excess Cash Transfer In					\$0
10092 Inter Project Excess Cash Transfer Out					\$0
10093 Transfers between Program and Project - In	\$0				\$0
10094 Transfers between Project and Program - Out	\$0				\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$664,596	-\$21,919	\$0	-\$59,528	-\$746,043
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$1,360,543	\$2,819,009	\$81,827	\$2,605,735	\$6,867,114
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0				\$0
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity	\$520,354				\$520,354
11180 Housing Assistance Payments Equity	\$175,593				\$175,593

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	2 State/Local	1 Business Activities	Subtotal
11190 Unit Months Available	18312	1728			20040
11210 Number of Unit Months Leased	17262	1428			18690
11270 Excess Cash					
11610 Land Purchases					
11620 Building Purchases					
11630 Furniture & Equipment - Dwelling Purchases					
11640 Furniture & Equipment - Administrative Purchases					
11650 Leasehold Improvements Purchases					
11660 Infrastructure Purchases					
13510 CFFP Debt Service Payments					
13901 Replacement Housing Factor Funds					

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
70300 Net Tenant Rental Revenue	\$0	\$768,300
70400 Tenant Revenue - Other	\$0	\$2,071
70500 Total Tenant Revenue	\$0	\$770,371
70600 HUD PHA Operating Grants	\$0	\$9,931,026
70610 Capital Grants	\$0	\$0
70710 Management Fee	\$0	\$0
70720 Asset Management Fee	\$0	\$0
70730 Book Keeping Fee	\$0	\$0
70740 Front Line Service Fee	\$0	\$0
70750 Other Fees	\$0	\$0
70700 Total Fee Revenue	\$0	\$0
70800 Other Government Grants	\$0	\$0
71100 Investment Income - Unrestricted	\$0	\$1,704
71200 Mortgage Interest Income	\$0	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0
71400 Fraud Recovery	\$0	\$922
71500 Other Revenue	-\$149,956	\$391,022
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0
72000 Investment Income - Restricted	\$0	\$0
70000 Total Revenue	-\$149,956	\$11,095,045
91100 Administrative Salaries	\$0	\$621,292
91200 Auditing Fees	\$0	\$17,000

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
91300 Management Fee	-\$53,956	\$0
91310 Book-keeping Fee	\$0	\$0
91400 Advertising and Marketing	\$0	\$1,662
91500 Employee Benefit contributions - Administrative	\$0	\$175,493
91600 Office Expenses	-\$96,000	\$122,049
91700 Legal Expense	\$0	\$10,977
91800 Travel	\$0	\$33,597
91810 Allocated Overhead	\$0	\$0
91900 Other	\$0	\$61,722
91000 Total Operating - Administrative	-\$149,956	\$1,043,792
92000 Asset Management Fee	\$0	\$0
92100 Tenant Services - Salaries	\$0	\$0
92200 Relocation Costs	\$0	\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0
92400 Tenant Services - Other	\$0	\$5,144
92500 Total Tenant Services	\$0	\$5,144
93100 Water	\$0	\$25,965
93200 Electricity	\$0	\$44,366
93300 Gas	\$0	\$12,150
93400 Fuel	\$0	\$0
93500 Labor	\$0	\$0
93600 Sewer	\$0	\$24,681
93700 Employee Benefit Contributions - Utilities	\$0	\$0
93800 Other Utilities Expense	\$0	\$0

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
93000 Total Utilities	\$0	\$107,162
94100 Ordinary Maintenance and Operations - Labor	\$0	\$129,286
94200 Ordinary Maintenance and Operations - Materials and	\$0	\$121,246
94300 Ordinary Maintenance and Operations Contracts	\$0	\$147,626
94500 Employee Benefit Contributions - Ordinary Maintenance	\$0	\$44,629
94000 Total Maintenance	\$0	\$442,787
95100 Protective Services - Labor	\$0	\$0
95200 Protective Services - Other Contract Costs	\$0	\$18,688
95300 Protective Services - Other	\$0	\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0
95000 Total Protective Services	\$0	\$18,688
96110 Property Insurance	\$0	\$13,316
96120 Liability Insurance	\$0	\$865
96130 Workmen's Compensation	\$0	\$7,344
96140 All Other Insurance	\$0	\$4,540
96100 Total insurance Premiums	\$0	\$26,065
96200 Other General Expenses	\$0	\$24,254
96210 Compensated Absences	\$0	\$45,405
96300 Payments in Lieu of Taxes	\$0	\$0
96400 Bad debt - Tenant Rents	\$0	\$594
96500 Bad debt - Mortgages	\$0	\$0
96600 Bad debt - Other	\$0	\$82



Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
96800 Severance Expense	\$0	\$0
96000 Total Other General Expenses	\$0	\$70,335
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0	\$0
96730 Amortization of Bond Issue Costs	\$0	\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0
96900 Total Operating Expenses	-\$149,956	\$1,713,973
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$9,381,072
97100 Extraordinary Maintenance	\$0	\$5,586
97200 Casualty Losses - Non-capitalized	\$0	\$4,846
97300 Housing Assistance Payments	\$0	\$9,682,166
97350 HAP Portability-In	\$0	\$194,841
97400 Depreciation Expense	\$0	\$239,676
97500 Fraud Losses	\$0	\$0
97600 Capital Outlays - Governmental Funds		
97700 Debt Principal Payment - Governmental Funds		
97800 Dwelling Units Rent Expense	\$0	\$0
90000 Total Expenses	-\$149,956	\$11,841,088
10010 Operating Transfer In	\$0	\$0
10020 Operating transfer Out	\$0	\$0
10030 Operating Transfers from/to Primary Government	\$0	\$0

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
10040 Operating Transfers from/to Component Unit	\$0	\$0
10050 Proceeds from Notes, Loans and Bonds		
10060 Proceeds from Property Sales		
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0
10091 Inter Project Excess Cash Transfer In	\$0	\$0
10092 Inter Project Excess Cash Transfer Out	\$0	\$0
10093 Transfers between Program and Project - In	\$0	\$0
10094 Transfers between Project and Program - Out	\$0	\$0
10100 Total Other financing Sources (Uses)		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total		-\$746,043
11020 Required Annual Debt Principal Payments		\$0
11030 Beginning Equity	\$0	\$6,867,114
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0	\$0
11050 Changes in Compensated Absence Balance		
11060 Changes in Contingent Liability Balance		
11070 Changes in Unrecognized Pension Transition Liability		
11080 Changes in Special Term/Severance Benefits Liability		
11090 Changes in Allowance for Doubtful Accounts - Dwelling		
11100 Changes in Allowance for Doubtful Accounts - Other		
11170 Administrative Fee Equity		\$520,354
11180 Housing Assistance Payments Equity		\$175,593
11190 Unit Months Available	0	20040

Denton Housing Authority (TX392)  
Denton, TX  
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2015

	ELIM	Total
11210 Number of Unit Months Leased	0	18690
11270 Excess Cash		
11610 Land Purchases		
11620 Building Purchases		
11630 Furniture & Equipment - Dwelling Purchases		
11640 Furniture & Equipment - Administrative Purchases		
11650 Leasehold Improvements Purchases		
11660 Infrastructure Purchases		
13510 CFFP Debt Service Payments		
13901 Replacement Housing Factor Funds		

# EXHIBIT 7

## DHA Development Activities

DEVELOPMENT	PARTNER	TYPE	# OF UNITS	Market Rate	DHA AFFILIATE	DEVELOPER FEE	ROFR	CASHFLOW	4% or 9%	EST. REV. (15 YEARS)
The Veranda	NRP	Family	322	0	DPFC	65/35	✓	50/50	4%	\$3,574,666
MedPark Standard	Ojala	Family	263	0	DPFC	65/35	✓	50/50	4%	\$2,400,000
MedPark Hudson	Ojala	Elderly	160	0	DPFC	65/35	✓	50/50	4%	\$1,900,000
Palladium	Palladium	Family	180	92	Premier DPFC	50/35/15	✓	48/28/14/10	9%	\$1,564,407
Reserve at Sherman	MV Residential	Family	120	24	Premier DPFC	Pending	✓	Pending	9%	\$2,000,000
Total			1045							\$11,439,073