

**HOUSING AUTHORITY OF THE  
CITY OF ENGLEWOOD**

**FINANCIAL STATEMENTS**

**December 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 9:28 am, Oct 27, 2017*

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD**

December 31, 2016

**Board of Commissioners**

Judi Browne, Chairperson  
Jennifer Haynes, Vice-Chairperson  
Colleen Nebel  
Paula Grimes  
Evelyn Vaughn  
Ernie Arterburn, Alternate Commissioner  
Rick Gillit, Council Liaison  
Steven Yates, Alternate Council Liaison

**Executive Director and Secretary**

Jerry Graber

## TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	
Management's Discussion and Analysis	i - viii
<b>Basic Financial Statements</b>	
Statement of Net Position - Proprietary Funds	1
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	2
Statement of Cash Flows - Proprietary Funds	3
Notes to Financial Statements	4 - 12
<b>Federal Financial Assistance</b>	
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 <i>Government Auditing Standards</i>	13 - 14
Independent Auditors' Report on Compliance for Each Major Federal Program, Internal Control over Compliance, and the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	15 - 16
Schedule of Findings and Questioned Costs	17
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19



Board of Commissioners  
Housing Authority of the City of Englewood  
Englewood, Colorado

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Englewood as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Housing Authority of the City of Englewood, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Englewood as of December 31, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters (Required Supplementary Information)***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents 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 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.

***Report on Summarized Comparative Information***

We have previously audited the Housing Authority of the City of Englewood's financial statements as of and for the year ended December 31, 2015, and we expressed unmodified audit opinions on the business-type activities, each major fund, and the aggregate remaining fund information in our report dated April 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017, on our consideration of the Housing Authority of the City of Englewood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of 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 the Housing Authority of the City of Englewood's internal control over financial reporting and compliance.



May 12, 2017

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
Required Supplementary Information  
**DECEMBER 31, 2016**

As management of the Housing Authority of the City of Englewood, Colorado (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the financial statements.

**Financial Highlights**

- The Authority continues to have a stable outlook with Total Net Position (Equity) at yearend of \$8,280,007, an increase of \$250,631 from 2015.
- With a current ratio at 7.6 the Authority demonstrates liquidity. In other words, the Authority can meet its current obligations 7.6 times; last year's current ratio was 14.2.
- The number of Months Expendable Funds Balance ratio, which shows adequacy of funds or the ability to pay monthly expenses, is 9.0 months; last year was 8.9 months.

**Using the Basic Financial Statements**

The Financial Statements consist of Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Authority as an entire operating entity.

The Statement of Net Position--Proprietary Funds presents information on all the Authority's assets and liabilities. The difference between assets and liabilities is Net Position. Over time, increases and decreases in Net Position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position--Proprietary Funds shows the reader operating revenues and expenses by individual funds and by the Authority as a total. This is reported on a full-accrual basis where income is reported when earned, and expenses are reported as incurred. This report shows the reader operating profit/loss before grants and transfers to/from other funds.

A fund is a self-balancing set of accounts recording cash and other financial resources. It will include all related liabilities and net position and changes. These are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions.

The Statement of Cash Flows--Proprietary Funds provides our third statement which converts accrual-accounting to cash. This lets the reader know, by fund and by the Authority as a whole, whether the Authority increased or decreased its cash position this year and the sources and/or uses of the cash.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
 Required Supplementary Information  
**DECEMBER 31, 2016**

**Using the Basic Financial Statements (cont.)**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements and can be found immediately after them in the audit report.

**Authority Financial Analysis**

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current Assets	\$ 4,888,591	\$ 4,143,905	\$ 744,686	18.0%
Noncurrent Assets	<u>6,020,261</u>	<u>6,295,810</u>	<u>(275,549)</u>	<u>-4.4%</u>
Total Assets	<u><u>10,908,852</u></u>	<u><u>10,439,715</u></u>	<u><u>469,137</u></u>	<u><u>4.5%</u></u>
<b>LIABILITIES</b>				
Current Liabilities	644,572	292,709	351,863	120.2%
Long Term Liabilities	<u>1,984,273</u>	<u>2,117,630</u>	<u>-133,357</u>	<u>-6.3%</u>
Total Liabilities	<u><u>2,628,845</u></u>	<u><u>2,410,339</u></u>	<u><u>218,506</u></u>	<u><u>9.1%</u></u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,651,068	2,861,025	(209,957)	-7.3%
Restricted for Housing Assistance Payments	111,008	14,235	96,773	679.8%
Unrestricted	<u>5,517,931</u>	<u>5,154,116</u>	<u>363,815</u>	<u>7.1%</u>
Total Net Position	<u><u>8,280,007</u></u>	<u><u>8,029,376</u></u>	<u><u>250,631</u></u>	<u><u>3.1%</u></u>
Total Liabilities and Net Position	<u><u>\$ 10,908,852</u></u>	<u><u>\$ 10,439,715</u></u>	<u><u>\$ 469,137</u></u>	<u><u>4.5%</u></u>

- The Current Assets increase of \$744,686 was due mainly to increases in Cash and Investments of \$736,529.
- Noncurrent Assets decreased (\$275,549). There was a decrease in Net Capital Assets by (\$314,434) due mainly to depreciation expense and an increase in Interest Receivable of \$38,885.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
 Required Supplementary Information  
**DECEMBER 31, 2016**

**Authority Financial Analysis (cont.)**

- Current Liabilities increased by \$351,863. This is due to an increase in Accounts Payable of \$51,865 offset with decreases in the Family Self Sufficiency escrows by (\$10,945), accrued interest by (\$260) and increases in security deposit liability by \$4,173, unearned revenues of \$288,509, current portions of notes and leases by \$11,422 and accrued compensated absences of \$7,099.
- Long-Term Liabilities decreased by (\$133,357). There was a decrease in the long term portion of accrued compensated absences of (\$17,458) and reductions in principal paid of (\$115,899) on the Energy Performance Contract (EPC) and Mortgages.

**STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 PROPRIETARY FUNDS**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 5,787,065	\$ 5,350,129	\$ 436,936	8.2%
Operating Expenses	<u>5,669,327</u>	<u>5,221,209</u>	<u>448,118</u>	<u>8.6%</u>
Net Operating Income (Loss)	<u>117,738</u>	<u>128,920</u>	<u>(11,182)</u>	<u>-8.7%</u>
Non-operating Revenues (Expenses)	<u>(55,171)</u>	<u>(54,949)</u>	<u>(222)</u>	<u>0.4%</u>
Net Income (Loss) Before Capital Contributions	62,567	73,971	(11,404)	-15.4%
Capital Contributions and Transfers	<u>188,064</u>	<u>100,383</u>	<u>87,681</u>	<u>87.3%</u>
Change in Net Position	250,631	174,354	76,277	43.7%
Net Position, Beginning	<u>8,029,376</u>	<u>7,855,022</u>	<u>174,354</u>	<u>2.2%</u>
Net Position, Ending	\$ <u><u>8,280,007</u></u>	\$ <u><u>8,029,376</u></u>	\$ <u><u>250,631</u></u>	<u><u>3.1%</u></u>

- Operating Revenues increased this year by \$436,936 due to increases in grant funding from HUD of \$411,730, Tenant Rents of \$44,838 and decreases in Management Fee Revenue of (\$319), and Other Income of (\$19,313).
- Operating Expenses increased by \$448,118 due to increases in HAP costs of \$368,591, General and Administrative of \$49,151, Utilities of \$13,759, Tenant Services Expenses of \$3,042, Insurance and Benefits of \$33,476 and Depreciation of \$8,756. In addition to a decrease in Maintenance and Operation expenses of (\$28,657).

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
 Required Supplementary Information  
**DECEMBER 31, 2016**

**Authority Financial Analysis (cont.)**

- Non-operating Revenues (Expenses) changed this year by a net of (\$222). There was a decrease in grant revenue of (\$41,419) an increase in Interest Expense of \$236 and an increase in Interest Income of \$13,560. There was no loss on the disposal of capital assets this year compared to the loss on the disposal of capital assets last year of (\$27,873) resulting in an increase of \$27,873.
- We received \$87,681 additional Capital Grant income this year.
- The Authority finished the year with a profit of \$250,631, a 43.7% increase of last year's profit of \$174,354.

**CAPITAL ASSETS**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total Capital Assets, Not Being Depreciated	\$ <u>912,279</u>	\$ <u>912,279</u>	\$ <u>-</u>	<u>0.0%</u>
Total Capital Assets, Being Depreciated	<u>14,012,107</u>	<u>13,935,160</u>	<u>76,947</u>	<u>0.6%</u>
Total Depreciation	<u>(10,194,864)</u>	<u>(9,803,483)</u>	<u>(391,381)</u>	<u>4.0%</u>
Total Capital Assets, Net	\$ <u><u>4,729,522</u></u>	\$ <u><u>5,043,956</u></u>	\$ <u><u>(314,434)</u></u>	<u><u>-6.2%</u></u>

As of December 31, 2016, the Authority had \$4,729,522 invested in a broad range of capital assets, including sites, buildings, and equipment. This is a net capital asset decrease of (\$314,434) from 2015's \$5,043,956. We had \$76,947 in capital asset purchases in 2016. Simon Center rebuilt the dock for \$58,475; Simon Center and Public Housing purchased water treatment equipment totaling \$6,024; and a restroom was retiled and a handicapped shower redone for \$12,448. Further information on capital asset activities is provided in Note 5 to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
 Required Supplementary Information  
**DECEMBER 31, 2016**

**Authority Financial Analysis (cont.)**

**CONDENSED STATEMENT OF CHANGES  
 IN LONG TERM DEBT**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Note Payable Current	\$ 9,402	\$ 9,001	\$ 401	N/A
Capital Lease Current	106,603	95,582	11,021	11.5%
Note Payable Long Term	487,638	497,037	(9,399)	N/A
Capital Lease Long Term	<u>1,474,811</u>	<u>1,581,311</u>	<u>(106,500)</u>	<u>-6.7%</u>
Total	<u>\$ 2,078,454</u>	<u>\$ 2,182,931</u>	<u>\$ (104,477)</u>	<u>-4.8%</u>

As of December 31, 2016, the Authority had \$2,078,454 in outstanding Note and Capital Lease Payables. There was a net decrease in total outstanding debt of (\$104,477) from the prior year. Details of the Notes and Capital Lease Payables can be found in Note 6.

**The Funds**

**Public Housing**

Public Housing consists of 110 low-rent dwelling units. Public Housing operations are funded by HUD through an annual Operating Subsidy. HUD Capital Fund Program grants provide additional funding for upgrades and improvements. At Orchard Place in 2016, patio and balcony shades were purchased in order to moderate the temperature of the units. The building was power washed removing 10 years of grime. The common area halls, community room and library were all painted, as well as the exterior screen walls around the generator and the patio. A leak prevention system was installed in all high rise water lines. Seven vacant units were repaired for new tenants, of which two were full remodels. Bathroom and shower floors were rebuilt in two handicap units. The heat recirculating pumps purchased in 2015 were installed in 2016. Two public housing duplex units were totally rehabbed. All trees on Englewood Housing Authority properties were trimmed and one very large cottonwood was removed at one of the duplex sites.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
Required Supplementary Information  
**DECEMBER 31, 2016**

**The Funds (cont.)**

The Public Housing program provided 1,315 unit months of occupancy out of the 1,320 unit months available (110 units' times 12 months) a 99.6% occupancy rate. The Net Position was \$1,474,905 at yearend, a decrease of (\$65,215) from 2015. Included in the decrease in Net Position is Depreciation of (\$138,548).

**Housing Choice Voucher Program**

Three types of funding are received from HUD: 1) HAP; for rent and home-ownership subsidies, utility reimbursements and Family Self-Sufficiency (FSS) escrow deposits, 2) Administrative Fees; for program administrative costs, and 3) FSS Coordinator Grants which pay for case management of the Family Self-Sufficiency program. Funding is not fungible either within or outside the Voucher program. The Authority has 393 Vouchers and 28 Tenant Protection Vouchers for a total of 421 Vouchers. The Tenant Protection Vouchers were given to the Housing Authority in 2016 to administer. The Authority continues the contract to manage the 177 Vouchers for the City of Sheridan. This brings the total number of Vouchers managed by the Authority to 598. Monthly Management Fees are received from the contract agencies. The Board approved a newly revised and updated Administrative Plan.

The Authority was able to utilize 80% of the 5,052 unit months available for its program of 421 Vouchers or 4,042 unit months, an average of 337 vouchers issued to low income clients in the City of Englewood. The Voucher program had Net Position at yearend of \$132,405, an increase of \$67,322 from the prior year.

**Simon Center**

Simon Center is a 105-unit apartment building which is operated under HUD's Section 8 New Construction program. The monthly subsidies or HAPs are managed through the Colorado Housing and Finance Authority (CHFA). In 2016 the Simon Center, loading dock was rebuilt with new stairs and heated slabs. A new concrete patio was built in the dog run and a new stairway from the south patio was built. The common area hallways and community room were repainted. The hallways between the lobby and the community room, as well as the public restrooms were tiled. Four vacant units were remodeled for new tenants. An office space was provided for the property managers, with new internet and phone service added as well as new furniture and a copier for the conference room.

Simon Center had 100% occupancy for 2016, with 1,248 unit months leased out of 1,248 available. This program had a Net Position at yearend of \$3,322,842 a profit of 156,448 from the prior year's \$3,166,394. Included in the yearend gain is Depreciation expense of (\$190,321).

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
Required Supplementary Information  
**DECEMBER 31, 2016**

**The Funds (cont.)**

**Office Building**

Each Authority program pays a monthly rent to the Office Building. Additionally, three offices are leased on the second floor. The Office Building had the phone and internet service upgraded.

The Office Building had Net Position of \$264,167 at yearend a profit of \$8,764 from 2015's \$255,403. Included in the year end profit is Depreciation Expense (\$14,944).

**Market Rate Rentals**

Market Rate Rentals is a triplex, and a single family home. They had a 90% occupancy rate in 2016 with 43 unit months leased out of the 48 unit months available. They are expected to be fully leased in 2017.

The Market Rate Rentals had a Net Position of \$835,693 finishing the year with a profit of \$8,674 including depreciation expense of (\$45,523) up from 2015's \$827,019.

**Management Fund**

The Management Fund provides general administration for special programs and contracts. The Management Fund receives a management fee from Simon Center and the Office Building in addition to managing the Sheridan Voucher Program. The Management Fund consists of the Sheridan Housing Authority Vouchers, the Housing and Community Development Fund (HCD), a Resident Event Fund for Orchard Place and an emergency maintenance agreement for the House of Hope Family Resource Center. Recognizing the need for affordable housing the Management Fund continues to develop affordable units in Englewood as opportunities are presented.

The Management Fund had a Net Position at yearend of \$2,249,995, increased by the profit of \$74,638 including depreciation expense of (\$2,045). It's Net Position at 2015 yearend was \$2,175,357.

**The Future of the Housing Authority of the City of Englewood -- 2017**

Orchard Place common area hallways and the lounge areas on six floors will receive new carpet. The west parking lot is scheduled to be repaved. Two duplex units will be rehabbed. Simon Center will have new carpeting installed in the common area hallways. An enclosed lift will be constructed along with new hand and safety rails. Landscaping will be added around the concrete construction of the dock, the patio and stairs will be completed. The Office Building will have the handicap ramp upgraded with heat will be added to the walk surface. Two of the second floor rental units will be upgraded.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
Required Supplementary Information  
**DECEMBER 31, 2016**

Federal programs continue to be funded below historical levels. HUD's cash management system will continue to retain housing authority reserves at the Federal level rather than local. HUD disbursements continue to be reduced. Local housing authority reserves have been recaptured and only one month's reserve is allowed. HUD is estimating prorates of 85% for Public Housing Operating Subsidy, 74% for Housing Choice Voucher Earned Administrative Fees and 97% for Section 8 Voucher rent subsidies (HAPS). The Authority continues to explore means to generate additional sources of revenue to cover budget shortfalls of administrative funds.

**Requests for Information**

The financial report is designed to provide a general overview of the Housing Authority of the City of Englewood's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Housing Authority of the City of Englewood  
3460 S. Sherman Street, Suite #101  
Englewood, Colorado 80113

## **BASIC FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2016

	<u>PUBLIC HOUSING</u>	<u>VOUCHERS</u>	<u>MANAGEMENT</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 770,032	\$ 361,029	\$ 974,868
Restricted Cash and Investments	-	111,008	-
Accounts Receivable			
Tenants	4,734	5,320	-
HUD	17,053	-	-
Other	-	2,424	6,053
Prepaid Expenses	10,072	2,171	1,696
<b>TOTAL CURRENT ASSETS</b>	<u>801,891</u>	<u>481,952</u>	<u>982,617</u>
<b>NONCURRENT ASSETS</b>			
Notes Receivable	-	-	951,437
Interest Receivable	-	-	318,177
Capital Assets, Not Being Depreciated	478,994	-	-
Capital Assets, Net of Accumulated Depreciation	851,794	-	6,732
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,330,788</u>	<u>-</u>	<u>1,276,346</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,132,679</u>	<u>\$ 481,952</u>	<u>\$ 2,258,963</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 49,105	\$ 24,108	\$ 7,394
Unearned Revenues	576	290,048	-
Accrued Interest Payable	1,284	-	-
Tenant Security Deposits	33,563	-	-
Escrow Deposits	-	29,124	-
Accrued Compensated Absences - Current Portion	3,063	1,630	409
Note Payable - Current Portion	-	-	-
Lease Payable - Current Portion	37,844	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>125,435</u>	<u>344,910</u>	<u>7,803</u>
<b>LONG-TERM LIABILITIES</b>			
Accrued Compensated Absences	8,714	4,637	1,165
Note Payable	-	-	-
Lease Payable	523,625	-	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>532,339</u>	<u>4,637</u>	<u>1,165</u>
<b>TOTAL LIABILITIES</b>	<u>657,774</u>	<u>349,547</u>	<u>8,968</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	769,319	-	6,732
Restricted for Housing Assistance Payments	-	111,008	-
Unrestricted	705,586	21,397	2,243,263
<b>TOTAL NET POSITION</b>	<u>1,474,905</u>	<u>132,405</u>	<u>2,249,995</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,132,679</u>	<u>\$ 481,952</u>	<u>\$ 2,258,963</u>

The accompanying notes are an integral part of the financial statements.

SIMON CENTER	MARKET RATE RENTALS	NONMAJOR OFFICE BUILDING	TOTALS	
			2016	2015
\$ 2,327,957	\$ 78,684	\$ 203,265	\$ 4,715,835	\$ 4,076,079
-	-	-	111,008	14,235
966	50	-	11,070	10,932
-	-	-	17,053	19,358
-	-	729	9,206	10,631
9,567	153	760	24,419	12,670
<u>2,338,490</u>	<u>78,887</u>	<u>204,754</u>	<u>4,888,591</u>	<u>4,143,905</u>
21,125	-	-	972,562	972,562
-	-	-	318,177	279,292
208,409	199,466	25,410	912,279	912,279
1,850,175	1,067,191	41,351	3,817,243	4,131,677
<u>2,079,709</u>	<u>1,266,657</u>	<u>66,761</u>	<u>6,020,261</u>	<u>6,295,810</u>
\$ <u>4,418,199</u>	\$ <u>1,345,544</u>	\$ <u>271,515</u>	\$ <u>10,908,852</u>	\$ <u>10,439,715</u>
\$ 29,377	\$ 164	\$ 3,099	\$ 113,247	\$ 61,382
845	85	610	292,164	3,655
2,461	1,812	-	5,557	5,817
34,427	10,750	2,065	80,805	76,632
-	-	-	29,124	40,069
2,159	-	409	7,670	571
-	9,402	-	9,402	9,001
68,759	-	-	106,603	95,582
<u>138,028</u>	<u>22,213</u>	<u>6,183</u>	<u>644,572</u>	<u>292,709</u>
6,143	-	1,165	21,824	39,282
-	487,638	-	487,638	497,037
951,186	-	-	1,474,811	1,581,311
<u>957,329</u>	<u>487,638</u>	<u>1,165</u>	<u>1,984,273</u>	<u>2,117,630</u>
<u>1,095,357</u>	<u>509,851</u>	<u>7,348</u>	<u>2,628,845</u>	<u>2,410,339</u>
1,038,639	769,617	66,761	2,651,068	2,861,025
-	-	-	111,008	14,235
<u>2,284,203</u>	<u>66,076</u>	<u>197,406</u>	<u>5,517,931</u>	<u>5,154,116</u>
<u>3,322,842</u>	<u>835,693</u>	<u>264,167</u>	<u>8,280,007</u>	<u>8,029,376</u>
\$ <u>4,418,199</u>	\$ <u>1,345,544</u>	\$ <u>271,515</u>	\$ <u>10,908,852</u>	\$ <u>10,439,715</u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended December 31, 2016

	PUBLIC HOUSING	VOUCHERS	MANAGEMENT
<b>OPERATING REVENUES</b>			
Rental	\$ 404,132	\$ -	\$ -
Grants	220,344	3,757,078	-
Management Fees	-	-	191,324
Other	21,548	569	7,758
<b>TOTAL OPERATING REVENUES</b>	<b>646,024</b>	<b>3,757,647</b>	<b>199,082</b>
<b>OPERATING EXPENSES</b>			
Housing Assistance Payments	-	3,390,055	-
General and Administrative	224,843	252,772	134,152
Utilities	100,724	-	-
Maintenance and Operation	288,322	151	4,577
Tenant Services Expense	-	-	-
Insurance and Benefits	117,737	48,058	28,833
Depreciation	138,548	-	2,045
<b>TOTAL OPERATING EXPENSES</b>	<b>870,174</b>	<b>3,691,036</b>	<b>169,607</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>(224,150)</b>	<b>66,611</b>	<b>29,475</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grants	-	-	-
Interest Income	2,794	711	45,163
Interest Expense	(31,923)	-	-
Loss on Disposal of Capital Assets	-	-	-
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>(29,129)</b>	<b>711</b>	<b>45,163</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(253,279)</b>	<b>67,322</b>	<b>74,638</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Grants	188,064	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>(65,215)</b>	<b>67,322</b>	<b>74,638</b>
<b>NET POSITION, Beginning</b>	<b>1,540,120</b>	<b>65,083</b>	<b>2,175,357</b>
<b>NET POSITION, Ending</b>	<b>\$ 1,474,905</b>	<b>\$ 132,405</b>	<b>\$ 2,249,995</b>

The accompanying notes are an integral part of the financial statements.

SIMON CENTER	MARKET RATE RENTALS	NONMAJOR OFFICE BUILDING	TOTALS	
			2016	2015
\$ 384,245	\$ 81,760	\$ 84,666	\$ 954,803	\$ 909,965
612,234	-	-	4,589,656	4,177,926
-	-	-	191,324	191,643
18,374	1,455	1,578	51,282	70,595
<u>1,014,853</u>	<u>83,215</u>	<u>86,244</u>	<u>5,787,065</u>	<u>5,350,129</u>
-	-	-	3,390,055	3,021,464
253,620	935	29,066	895,388	846,237
85,628	2,037	14,785	203,174	189,415
181,718	4,116	12,602	491,486	520,143
-	-	6,527	6,527	3,485
96,688	-	-	291,316	257,840
190,321	45,523	14,944	391,381	382,625
<u>807,975</u>	<u>52,611</u>	<u>77,924</u>	<u>5,669,327</u>	<u>5,221,209</u>
<u>206,878</u>	<u>30,604</u>	<u>8,320</u>	<u>117,738</u>	<u>128,920</u>
-	-	-	-	41,419
7,563	-	444	56,675	43,115
(57,993)	(21,930)	-	(111,846)	(111,610)
-	-	-	-	(27,873)
<u>(50,430)</u>	<u>(21,930)</u>	<u>444</u>	<u>(55,171)</u>	<u>(54,949)</u>
<u>156,448</u>	<u>8,674</u>	<u>8,764</u>	<u>62,567</u>	<u>73,971</u>
-	-	-	188,064	100,383
-	-	-	-	1,450
-	-	-	-	(1,450)
<u>156,448</u>	<u>8,674</u>	<u>8,764</u>	<u>250,631</u>	<u>174,354</u>
<u>3,166,394</u>	<u>827,019</u>	<u>255,403</u>	<u>8,029,376</u>	<u>7,855,022</u>
\$ <u><u>3,322,842</u></u>	\$ <u><u>835,693</u></u>	\$ <u><u>264,167</u></u>	\$ <u><u>8,280,007</u></u>	\$ <u><u>8,029,376</u></u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended December 31, 2016

	PUBLIC HOUSING	VOUCHERS	MANAGEMENT
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Tenants	\$ 401,725	\$ -	\$ -
Cash Received from Grants	220,344	4,047,126	-
Cash Received from Others	21,548	569	202,141
Housing Assistance Payments	-	(3,389,366)	-
Cash Payments to Employees	(238,794)	(167,654)	(113,327)
Cash Payments to Suppliers	(483,486)	(121,492)	(72,541)
Net Cash Provided (Used) by Operating Activities	<u>(78,663)</u>	<u>369,183</u>	<u>16,273</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash Received from Grants	-	-	-
Payments from Other Funds	-	-	-
Payments to Other Funds	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash Received from Grants	190,369	-	-
Purchases of Property and Equipment	(5,832)	-	-
Debt Principal Payments	(33,828)	-	-
Debt Interest Payments	(32,049)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>118,660</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	<u>2,794</u>	<u>711</u>	<u>6,278</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	42,791	369,894	22,551
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>727,241</u>	<u>102,143</u>	<u>952,317</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 770,032</u>	<u>\$ 472,037</u>	<u>\$ 974,868</u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Net Operating Income (Loss)	\$ (224,150)	\$ 66,611	\$ 29,475
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	138,548	-	2,045
Capital Asset Disposals	-	-	-
Changes in Assets and Liabilities			
Accounts Receivable	(3,612)	(7,339)	3,116
Prepaid Expenses	(4,354)	(1,751)	(1,304)
Accounts Payable	12,732	15,876	(14,030)
Unearned Revenues	127	290,048	-
Tenant Security Deposits	1,078	-	(57)
Escrow Deposits	-	8,028	-
Accrued Compensated Absences	968	(2,290)	(2,972)
Total Adjustments	<u>145,487</u>	<u>302,572</u>	<u>(13,202)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (78,663)</u>	<u>\$ 369,183</u>	<u>\$ 16,273</u>

The accompanying notes are an integral part of the financial statements.

SIMON CENTER	MARKET RATE RENTALS	NONMAJOR OFFICE BUILDING	TOTALS	
			2016	2015
\$ 392,948	\$ 83,595	\$ 84,736	\$ 963,004	\$ 917,337
612,234	-	-	4,879,704	4,177,926
18,374	1,455	1,578	245,665	268,320
-	-	-	(3,389,366)	(3,030,448)
(228,253)	(280)	(23,446)	(771,754)	(752,906)
(383,655)	(6,797)	(37,382)	(1,105,353)	(1,058,009)
<u>411,648</u>	<u>77,973</u>	<u>25,486</u>	<u>821,900</u>	<u>522,220</u>
-	-	-	-	42,189
-	-	-	-	1,450
-	-	-	-	(1,450)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,189</u>
-	-	-	190,369	89,791
(71,115)	-	-	(76,947)	(154,688)
(61,651)	(8,998)	-	(104,477)	(96,241)
(58,094)	(21,963)	-	(112,106)	(109,959)
<u>(190,860)</u>	<u>(30,961)</u>	<u>-</u>	<u>(103,161)</u>	<u>(271,097)</u>
7,563	-	444	17,790	5,102
228,351	47,012	25,930	736,529	298,414
<u>2,099,606</u>	<u>31,672</u>	<u>177,335</u>	<u>4,090,314</u>	<u>3,791,900</u>
\$ <u>2,327,957</u>	\$ <u>78,684</u>	\$ <u>203,265</u>	\$ <u>4,826,843</u>	\$ <u>4,090,314</u>
\$ 206,878	\$ 30,604	\$ 8,320	\$ 117,738	\$ 128,920
190,321	45,523	14,944	391,381	382,625
-	-	-	-	31,397
8,439	(50)	733	1,287	9,318
(3,715)	(153)	(472)	(11,749)	(1,051)
16,369	164	1,781	32,892	(26,908)
(1,088)	85	(663)	288,509	1,913
1,352	1,800	-	4,173	8,104
-	-	-	8,028	(14,865)
(6,908)	-	843	(10,359)	2,767
<u>204,770</u>	<u>47,369</u>	<u>17,166</u>	<u>704,162</u>	<u>393,300</u>
\$ <u>411,648</u>	\$ <u>77,973</u>	\$ <u>25,486</u>	\$ <u>821,900</u>	\$ <u>522,220</u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Housing Authority of the City of Englewood (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

**Reporting Entity**

The financial reporting entity consists of the Authority, organizations for which the Authority is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Authority. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. Legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the Authority.

Based on the application of this criteria, the Authority does not include additional organizations within its reporting entity.

The Authority participates in various benefit plans of the City of Englewood. However, the Authority is not a component unit of the City of Englewood.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Authority uses funds to report its financial position and activities. Fund accounting is designed to segregate transactions related to certain functions or activities. All of the Authority’s funds are classified as enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where fees are charged to external users for goods or services.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund’s principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

When both restricted and unrestricted resources are available for a specific use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

Major individual funds are reported as separate columns in the financial statements. The Authority reports the following major proprietary funds:

The *Public Housing Fund* accounts for the financial activities of Orchard Place, a 100-unit housing complex for individuals who are seniors, handicapped or disabled, and five family duplex housing units.

The *Vouchers Fund* accounts for the financial activities of the Authority's Section 8 Housing Choice Voucher program. The program has been allocated 421 vouchers by the U.S. Department of Housing and Urban Development (HUD).

The *Management Fund* accounts for the general administration and operations of the Authority and the management of market-rent properties.

The *Simon Center Fund* accounts for the financial activities of the Simon Center Apartments, a 105-unit housing complex for individuals who are seniors, handicapped or disabled.

The *Market Rate Rentals Fund* was established to account for the financial activities of four market-rate rental properties.

**Assets, Liabilities and Net Position**

*Cash and Investments* - Cash equivalents are defined as short-term investments with an original maturity of three months or less.

*Accounts Receivable* - Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible and are approved by the Board of Commissioners. Management has established an allowance for doubtful accounts for amounts that may not be collectible in the future.

*Prepaid Expenses* - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

*Capital Assets* - Property and equipment are recorded at cost or at estimated cost where no historical records exist. Contributed assets are valued at the acquisition value on the date received. The Authority capitalizes all assets with a cost of \$2,500 or greater and a useful life of more than one year.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position** (Continued)

Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the capital assets, as follows.

Land Improvements	5 - 20 years
Buildings and Improvements	5 - 25 years
Equipment	3 - 10 years

*Unearned Revenues* - Unearned revenues arise when resources are received by the Authority before it has a legal claim to them, including when cash is received before the eligibility requirements imposed by the grantor have been met, or when rent is received in advance.

*Escrow Deposits* - The Authority holds deposits in escrow for participants of the family self-sufficiency program. The deposits are returned to the participants upon the satisfaction of all program requirements.

*Compensated Absences* - Authority employees are allowed to accumulate unused vacation and sick leave. Employees are limited in the amount of vacation leave they are allowed to accrue, up to a maximum of 160 hours. Sick leave may accrue to 240 hours. Upon termination of employment from the Authority, an employee will be compensated for all accrued vacation leave at their current pay rate. These compensated absences are recognized as a liability in the financial statements when earned.

*Net Position* - Net position is restricted when constraints placed on the use of resources are externally imposed.

**Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of loss.

**Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Budgets are adopted for all funds as a management control device, but are not legally required. Therefore, budgetary information is not presented in the financial statements.

**NOTE 3: CASH AND INVESTMENTS**

A summary of cash and investments at December 31, 2016, follows:

Petty Cash	\$	270
Cash Deposits		2,184,639
Investments		<u>2,641,934</u>
Total	\$	<u><b>4,826,843</b></u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$	4,715,835
Restricted Cash and Investments		<u>111,008</u>
Total	\$	<u><b>4,826,843</b></u>

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the Authority had bank deposits of \$1,994,214 collateralized with securities held by the financial institutions' agents but not in the Authority's name.

**Investments**

The Authority has an investment policy which follows State statutes and the investment guidelines set forth in the HUD Financial Management Handbook. The policy specifies investment instruments meeting defined rating, maturity, custodial, and concentration risk criteria in which the Authority may invest, which include the following.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

*Fair Value Measurements* - The Authority reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2016, the Authority's investment in Colotrust was reported at the net asset value per share, measured utilizing quoted prices in active markets for similar investments (Level 2 inputs).

*Interest Rate Risk* - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes allow investments with specified ratings provided by nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk* - State statutes do not limit the amount the Authority may invest in one issuer of investment securities, except for corporate securities.

*Local Government Investment Pool* - At December 31, 2016, the Authority had \$2,641,934 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**Restricted Cash and Investments**

At December 31, 2016, the Authority had cash and investments of \$111,008 restricted for housing assistance payments under the Section 8 Housing Choice Vouchers program.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4: NOTES RECEIVABLE**

Notes receivable at December 31, 2016, consisted of the following:

**Management Fund**

\$300,000 promissory note from Terraces on Pennsylvania Senior Residences, LLLP, due December 2029, bearing interest at 4.88% per annum. Payments shall be made only from operating cash flow.	\$ 252,891
--	------------

\$355,623 promissory note from Terraces on Pennsylvania Senior Residences, LLLP, due December 2049, bearing interest at 1% per annum. Payments shall be made only from operating cash flow.	355,623
---	---------

\$342,923 promissory note from Terraces on Pennsylvania Senior Residences, LLLP, due October 2027, bearing interest at 5% per annum. Payments shall be made only from operating cash flow.	342,923
--	---------

**Simon Center Fund**

Amount due from Englewood Housing Development Corporation (EHDC), non-interest bearing, due upon dissolution of EHDC.	<u>21,125</u>
---	---------------

Total	<u><u>\$ 972,562</u></u>
-------	--------------------------

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, is summarized below.

	Balances 12/31/15	Additions	Deletions	Balances 12/31/16
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 912,279	\$ -	\$ -	\$ 912,279
Total Capital Assets, Not Being Depreciated	<u>912,279</u>	<u>-</u>	<u>-</u>	<u>912,279</u>
Capital Assets, Being Depreciated				
Land Improvements	1,216,021	-	-	1,216,021
Buildings and Improvements	12,302,595	76,947	-	12,379,542
Equipment	<u>416,544</u>	<u>-</u>	<u>-</u>	<u>416,544</u>
Total Capital Assets, Being Depreciated	<u>13,935,160</u>	<u>76,947</u>	<u>-</u>	<u>14,012,107</u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 5: CAPITAL ASSETS (Continued)**

	<u>Balances</u> 12/31/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/16
<b>Business-Type Activities</b> (Continued)				
Less Accumulated Depreciation				
Land Improvements	(1,159,481)	(14,833)	-	(1,174,314)
Buildings and Improvements	(8,280,236)	(356,810)	-	(8,637,046)
Equipment	(363,766)	(19,738)	-	(383,504)
Total Accumulated Depreciation	<u>(9,803,483)</u>	<u>(391,381)</u>	<u>-</u>	<u>(10,194,864)</u>
Capital Assets, Being Depreciated, Net	<u>4,131,677</u>	<u>(314,434)</u>	<u>-</u>	<u>3,817,243</u>
Total Capital Assets, Net	<u><b>\$ 5,043,956</b></u>	<u><b>\$ (314,434)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 4,729,522</b></u>

**NOTE 6: LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended December 31, 2016, is presented below:

	<u>Balance</u> 12/31/15	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 12/31/16	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 39,853	\$ -	\$ 10,359	\$ 29,494	\$ 7,670
Note Payable	506,038	-	8,998	497,040	9,402
Capital Lease	<u>1,676,893</u>	<u>-</u>	<u>95,479</u>	<u>1,581,414</u>	<u>106,603</u>
Total	<u><b>\$ 2,222,784</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 114,836</b></u>	<u><b>\$ 2,107,948</b></u>	<u><b>\$ 123,675</b></u>

**Note Payable**

In 2014, the Authority obtained a loan from FirstBank in the amount of \$516,750. Proceeds of the loan were used to construct a market-rent triplex. Annual principal and interest payments are due on the loan through September 1, 2044. Interest accrues at the rate of 4.375% per annum through August 31, 2021. On September 1, 2021, and each September 1 thereafter, the interest rate will be calculated by adding 3.25% to the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year. The interest rate will not increase or decrease annually by more than 2% and will never be greater than 9.375%. At December 31, 2016, the weekly average yield on United States Treasury securities was 0.85%. The loan will be paid from resources of the Market Rate Rentals Fund.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 6: LONG-TERM DEBT (Continued)**

**Note Payable (Continued)**

Following is a summary of debt service requirements for the note payable, to maturity, assuming a variable rate of 4.1% per annum beginning September 1, 2021:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 9,402	\$ 21,559	\$ 30,961
2018	9,822	21,139	30,961
2019	10,261	20,700	30,961
2020	10,718	20,243	30,961
2021	11,346	19,390	30,736
2022 - 2026	66,002	85,422	151,424
2027 - 2031	81,092	70,332	151,424
2032 - 2036	99,632	51,792	151,424
2037 - 2041	122,410	29,014	151,424
2042 - 2044	76,355	4,405	80,760
Total	<u><b>\$ 497,040</b></u>	<u><b>\$ 343,996</b></u>	<u><b>\$ 841,036</b></u>

**Capital Lease**

On October 15, 2010, the Authority entered into a \$2,000,000 lease-purchase agreement with Saulsbury Hill Financial, LLC, to finance energy savings improvements at Orchard Place and Simon Center Apartments. Interest accrues on the outstanding balance of the lease at 5.49% per annum. Principal and interest payments are due quarterly beginning on September 15, 2011, with final payment due in June, 2026. Capital assets of \$2,000,000 have been capitalized under the lease. The lease will be paid by the Public Housing and Simon Center Funds.

Capital lease payments, to maturity, are as follows.

<u>Year Ended December 31,</u>	
2017	\$ 191,296
2018	197,793
2019	202,918
2020	208,710
2021	215,757
2022 - 2026	<u>1,047,446</u>
Total Minimum Lease Payments	2,063,920
Less: Interest Portion	<u>(482,506)</u>
Present Value of Future Minimum Lease Payments	<u><b>\$ 1,581,414</b></u>

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 7: RETIREMENT COMMITMENTS**

The Authority participates in a single-employer defined contribution money purchase pension plan on behalf of all employees. Plan investments are managed by the International City/County Management Association Retirement Corporation (ICMA-RC). The contribution requirements are established and may be amended by the Board of Commissioners. Employees are required to participate in the Plan on the date of employment and must contribute 2.5% of their eligible salary. The Authority contributes 5% of the eligible salary. Employees are fully vested in the Authority's contributions after five years. During the year ended December 31, 2016, the Authority contributed \$34,999 to the plan.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgements**

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. At December 31, 2016, significant amounts of grant expenses have not been audited, but management believes that subsequent audits will not have a material effect on the overall financial position of the Authority.

**Litigation**

The Authority has pending litigation. However, management believes the outcome of any litigation will not have a significant impact on the Authority's financial position.

**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. However, management believes the Authority is exempt from the provisions of the Amendment.

**FEDERAL FINANCIAL ASSISTANCE**



Board of Commissioners  
Housing Authority of the City of Englewood  
Englewood, Colorado

**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***

We have audited, 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, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Englewood as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Housing Authority of the City of Englewood, and have issued our report thereon dated May 12, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Englewood's internal control over financial reporting 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 Housing Authority of the City of Englewood's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Englewood's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Housing Authority of the City of Englewood's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 the Housing Authority of the City of Englewood's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Englewood'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 Housing Authority of the City of Englewood's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Englewood's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



May 12, 2017



Board of Commissioners  
Housing Authority of the City of Englewood  
Englewood, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE,  
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

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

We have audited the Housing Authority of the City of Englewood's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Englewood's major federal programs for the year ended December 31, 2016. The Housing Authority of the City of Englewood's 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 federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Englewood's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Englewood's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of Englewood's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Housing Authority of the City of Englewood 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 December 31, 2016.

### **Report on Internal Control Over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 the Housing Authority of the City of Englewood's internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Englewood as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Housing Authority of the City of Englewood. We issued our report thereon dated May 12, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Englewood's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



May 12, 2017

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2016

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

• Material weaknesses identified? \_\_\_\_\_ yes    x    no

• Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes    x    none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes    x    no

*Federal Awards*

Internal control over major federal programs:

• Material weaknesses identified? \_\_\_\_\_ yes    x    no

• Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes    x    none reported

Type of auditors' report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of OMB's Uniform Guidance? \_\_\_\_\_ yes    x    no

Identification of major federal program:

14.871 Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee?    x    yes \_\_\_\_\_ no

**Financial Statement Findings**

The audit of the financial statements did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose fraud, noncompliance, or abuse that were material to those financial statements.

**Federal Awards Findings and Questioned Costs**

The audit of federal awards did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose instances of noncompliance or abuse that were material to those federal awards.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>		
Public and Indian Housing	14.850	\$ 220,344
Section 8 Housing Choice Vouchers	14.871	3,646,908
Section 8 New Construction and Substantial Rehabilitation	14.182	612,234
Public Housing Capital Fund	14.872	188,064
Family Self-Sufficiency Program	14.896	44,128
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 4,711,678

See the accompanying Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The Authority does not charge a de minimus cost rate.