



Financial Statements
December 31, 2016

Housing Authority of the City of Lakewood

dba

Metro West Housing Solutions



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Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
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Independent Auditor's Report

To the Board of Commissioners
Metro West Housing Solutions
Lakewood, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Housing Authority of the City of Lakewood dba Metro West Housing Solutions (the Authority), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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 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 and the discretely presented component units of the Housing Authority of the City of Lakewood dba Metro West Housing Solutions, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The accompanying combining statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements.

The combining statements 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements 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 a report dated May 8, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
May 8, 2017

The following discussion and analysis of the financial statements of the Housing Authority of the City of Lakewood dba Metro West Housing Solutions (MWHS), provides an overview of the financial activities for the fiscal year ended December 31, 2016. Please consider the following information in addition to your review of the information in the basic financial statements.

Financial Highlights

Metro West Housing Solutions continues to have a strong financial outlook.

- ✓ The end of the year net position for the Primary Government and the Discretely Presented Component Units was \$58,682,217 and \$66,900,807 respectively.
- ✓ Housing Choice Voucher expenditures were \$10,693,422 representing an increase from 2015 in the amount of \$555,374.
- ✓ Housing Choice Voucher Annual Contributions from HUD for 2016 were \$11,352,619 representing an increase in the amount of \$707,936 from fiscal year 2015.
- ✓ Total Primary Government Cash and Cash Equivalents were \$5,075,824 and \$4,344,336 at December 31, 2016 and 2015, respectively.
- ✓ Primary Governmental Total Assets increased from \$90,083,963 to \$90,819,786 at December 31, 2016.

Agency Overview

MWHS contracts with the United States Department of Housing and Urban Development (HUD) for the Housing Choice Voucher (HCV) Program. The HCV program is authorized by HUD to administer 1,411 units of affordable, safe, and sanitary housing. MWHS develops and manages a portfolio of Low Income Housing Tax Credit properties as well as operating market rate properties. All business-type activities are consolidated into one agency-wide total. Separate accounts are maintained for each activity or grant to control and manage funds for particular purposes.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the MWHS's basic financial statements. The basic financial statements are comprised of two components: 1) government-wide financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. In accordance with requirements as described in the U.S. Office of Management and Budget Uniform Guidance, an Independent Auditor's Report on compliance and a report on Internal Control is included.

The basic financial statements consist of Primary Government activities and the Discretely Presented Component Units.

The Primary Government activities encompasses: Housing Choice Vouchers; Portable Vouchers; Rental Assistance; Resident Services; Lakewood Housing Corporation; Paloma I; Paloma II; the MWHS equity portion of Low Income Housing Tax Credit properties; Belmont Manor; Development Department; Housing Corporation for the City of Lakewood; Independence; Marston Pointe Apartments; Property Management; Retail Properties; Ridgemoor; Union; Van Gordon; and Youngfield and Colfax Avenue.

The Discretely Presented Component Units activities encompasses: Kings Row Apartments LLLP; LHA Willow Glen LLC; 5100 Alameda Holdings LLC; MWHS Lamar Station LLLP; MWHS Cityscape LLLP; MWHS Creekside West LLLP; Paloma Villas III LLLP; Wolff Street Development LLLP; LHA Maplewood LLLP; and LHA Pierce Street LLLP.

Government-Wide Financial Statements

The Statement of Net Position presents information on all the assets and liabilities of MWHS. Under GASB 34, the difference between the 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 MWHS is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Position shows the reader operating revenues and expenses for MWHS as a whole. 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 the net increase (decrease) in Net Position (profit/loss). Operating income is made up of tenant rents, management fees, HUD operating subsidies, and other income. Operating expenses are Section 8 landlord payments, salaries and benefits, office expenses, insurance, utilities, maintenance and depreciation. The difference between Operating Revenue and Operating Expenses is Net Operating Income (Loss) allowing us to see if the operations of MWHS are generating an increase or decrease.

The Statement of Cash Flows converts the accrual accounting to cash to let the reader know if MWHS, as a whole, increased or decreased cash position this year and what the sources or uses of the cash were.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Primary Government and Discretely Presented Component Units financial statements. The notes to the financial statements can be found immediately after the basic financial statements.

Combining Financial Statements

A program is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MWHS keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

In addition to the reporting of the financial statements, MWHS is also required to file these financial statements electronically to HUD through the Real Estate Assessment Center (REAC). Financial and other information must be submitted to REAC electronically by MWHS through FASS (REAC) using templates specifically designed by HUD. REAC utilizes the information filed electronically to conduct a multi-tiered assessment in order to foster transparency and enhance public trust by creating a comprehensive management tool that effectively and fairly measures performance based on standards that are objective, uniform, and verifiable. The electronic filing of these reports must be approved by HUD. These reports will not be approved until they are certified that they agree to the audited financial statements conducted by an accredited independent certified public accountant.

Primary Government Financial Analysis

Changes in net position may serve as a useful indicator of changes in the financial position of an organization. On December 31, 2016, the Primary Government assets exceeded liabilities by \$58,682,217. This amount is broken down to \$8,527,280 that is net investment in capital assets, \$23,159 restricted by HUD, and \$50,131,778 available to fund the operations of MWHS. Assets consist of \$39,144,095 of capital assets, which make up 43% of total assets. Cash and cash equivalents represent 6% of assets at \$5,075,824; notes and accrued interest receivable represent 36% of assets at \$33,135,036. The increase in total assets and the corresponding increase in liabilities due to debt are the result of the purchase and acquisition of the general partnership in two tax credit properties and the purchase of two future development sites. The tax credit properties are Paloma I and Paloma II and the development sites are 5800 W. Alameda Ave. and 12157 W. Cedar Dr.

CONDENSED STATEMENTS OF NET POSITION

	2016	2015	Percent Change
Assets			
Current Assets	\$ 9,140,561	\$ 9,293,122	-1.6%
Noncurrent Assets	81,679,225	80,790,841	1.1%
Total Assets	<u>90,819,786</u>	<u>90,083,963</u>	<u>0.8%</u>
Liabilities			
Current Liabilities	2,774,455	1,847,918	50.1%
Noncurrent Liabilities	29,363,114	29,838,973	-1.6%
Total Liabilities	<u>32,137,569</u>	<u>31,686,891</u>	<u>1.4%</u>
Net Position			
Net Investment in Capital Assets	8,527,280	8,617,839	-1.1%
Restricted for Housing Assistance Payments	23,159	27,230	-15.0%
Unrestricted	50,131,778	49,752,003	0.8%
Total Net Position	<u>\$ 58,682,217</u>	<u>\$ 58,397,072</u>	<u>0.5%</u>

Revenue, including non-operating revenue and capital contributions, outpaced operating expenses by \$285,145. HUD Voucher funding had a substantial increase in 2016. The increase in rental income is the result of increases in property rents as well as the addition of rents not previously reported for the entire year for CityScape, Paloma I, Paloma II, and 5800 W. Alameda Ave. The increase in operating expenses is attributable to costs associated with operations and debt service for the properties mentioned earlier. Paloma I, II, and CityScape are occupied affordable housing properties and West Alameda Ave. and 12157 West Cedar Dr. are both properties slated for future development as affordable housing.

CONDENSED STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

	2016	2015	Percent Change
Operating Revenue			
Grants	\$ 11,593,414	\$ 12,906,121	-10.2%
Rental	3,698,359	3,486,690	6.1%
Developer Fees	-	2,611,935	-100.0%
Other	1,222,408	986,452	23.9%
Total Operating Revenue	16,514,181	19,991,198	-17.4%
Operating Expenses	16,270,856	15,606,259	4.3%
Operating Income	243,325	4,384,939	-94.5%
Nonoperating Revenue	41,820	1,716,950	-97.6%
Change in Net Position	285,145	6,101,889	-95.3%
Net Position, Beginning, as previously reported	58,397,072	47,946,228	21.8%
Prior Period Adjustments	-	4,348,955	-100.0%
Net Position, Ending	<u>\$ 58,682,217</u>	<u>\$ 58,397,072</u>	<u>0.5%</u>

Capital Assets

During 2016, there was \$882,013 in additions to the Primary Government Capital Assets. The 2016 increases resulted from the purchase of land at 9998 W. Jewell Ave. and improvements at Marston Pointe Apartments. The land on Jewell Ave. is a possible future affordable housing development site. Further information on Capital Assets may be found in Note 6 in the financial statements.

Long-Term Debt

The long-term debt balance was \$30,616,815 on December 31, 2016. During 2016, there were \$234,012 in debt issuances and \$735,342 in payments on long-term debt. Further information on long-term debt may be found in Note 7 in the financial statements.

Future Plans for 2017

- ✓ In the year to come, Metro West Housing Solutions plans on continuing its mission of “providing an opportunity for a healthy, affordable, decent and safe living environment for the Lakewood community” through its programs, development activities, and partnerships.
- ✓ Housing Choice Vouchers – Continue to administer as many vouchers as are available with HUD funding and to utilize HUD held housing assistance payment reserves. This is accomplished by continually monitoring HUD funding vs. leasing to determine available units.
- ✓ Development – Explore the development of projects through the use of various financing alternatives and partnerships. Pursue purchase opportunities of development sites to expand the real estate portfolio.
- ✓ Marston Pointe, Paloma I, Paloma II, and Belmont Manor – Continue to manage and operate the complexes so that they remain a popular and enjoyable family residence by maintaining their community spirit and upkeep. Continue to schedule preventive and regular maintenance to maintain the properties and fund planned rehabilitation projects with budgeted reserve replacement funds.

Requests for Information

The financial report is designed to provide a general overview of the Metro West Housing Solutions' finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

The Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
575 Union Blvd., Suite 100
Lakewood, Colorado 80228-1240

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Statement of Net Position
December 31, 2016

	Primary Government	Discretely Presented Component Units
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,075,824	\$ 2,306,085
Restricted cash and cash equivalents	574,104	3,725,128
Accounts receivable		
Tenants	48,810	38,701
Other	1,993,443	-
Developer fees	179,423	-
Due from discretely presented component units	1,114,307	-
Prepaid expenses	112,197	174,829
Notes receivable - current portion	42,453	-
Total Current Assets	<u>9,140,561</u>	<u>6,244,743</u>
Accrued Interest Receivable - Long-Term	<u>4,472,442</u>	<u>-</u>
Developer Fees Receivable - Long-Term	<u>1,799,783</u>	<u>-</u>
Equity Method Investments	<u>7,632,369</u>	<u>-</u>
Notes Receivable	<u>28,620,141</u>	<u>-</u>
Other Assets, Net of Accumulated Amortization	<u>10,395</u>	<u>342,967</u>
Capital Assets		
Non-depreciable	14,153,982	11,841,856
Depreciable, net	<u>24,990,113</u>	<u>115,550,139</u>
Total Capital Assets	<u>39,144,095</u>	<u>127,391,995</u>
Total Assets	<u><u>\$ 90,819,786</u></u>	<u><u>\$ 133,979,705</u></u>

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Statement of Net Position
December 31, 2016

	Primary Government	Discretely Presented Component Units
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 123,863	\$ 326,755
Due to Metro West Housing Solutions	-	1,114,307
Developer fee payable	-	179,423
Accrued liabilities	272	26,651
Accrued compensated absences	279,629	40,813
Accrued interest payable	-	4,441,825
Advanced revenues	967,426	64,030
Tenant security deposits payable	143,046	382,177
Notes, mortgages and bonds payable - current portion	1,260,219	693,511
Total Current Liabilities	2,774,455	7,269,492
Long-Term Liabilities		
Tenants FSS escrow	6,518	-
Developer fee payable - long-term	-	1,799,783
Notes, mortgages and bonds payable - net of current portion	29,356,596	58,009,623
Total Long-Term Liabilities	29,363,114	59,809,406
Total Liabilities	32,137,569	67,078,898
Net Position		
Net investment in capital assets	8,527,280	68,688,861
Restricted	23,159	-
Unrestricted	50,131,778	(1,788,054)
Total Net Position	58,682,217	66,900,807
Total Liabilities and Net Position	\$ 90,819,786	\$ 133,979,705

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2016

	Primary Government	Discretely Presented Component Units
Operating Revenues		
HUD PHA grants	\$ 11,352,619	\$ -
Other grants	240,795	-
Rental income	3,698,359	8,807,684
Management fees	483,074	-
Other	739,334	22,405
Total operating revenues	<u>16,514,181</u>	<u>8,830,089</u>
Operating Expenses		
Housing assistance payments	10,693,422	-
Administrative salaries and benefits	2,719,087	981,870
Maintenance salaries and benefits	217,607	674,908
Regular and extraordinary maintenance	448,994	1,142,834
Other administrative	311,040	760,944
Depreciation and amortization	992,453	4,097,629
Utilities	286,454	766,830
Insurance	183,977	338,894
Other expenses	417,822	426,600
Total operating expenses	<u>16,270,856</u>	<u>9,190,509</u>
Operating Income (Loss)	<u>243,325</u>	<u>(360,420)</u>
Non-Operating Revenues (Expenses)		
Interest income	1,336,418	1,680
Gain on equity method investments	73,604	-
Interest expense	(1,368,202)	(2,922,183)
Total Non-Operating Revenues (Expenses)	41,820	(2,920,503)
Income (Loss) Before Other		
Contributions and Distributions	<u>285,145</u>	<u>(3,280,923)</u>
Contributions and Distributions		
Equity contributions (net of syndication costs)	-	11,365,683
Distributions	-	(288,737)
Total Contributions and Distributions	<u>-</u>	<u>11,076,946</u>
Change in Net Position	285,145	7,796,023
Net Position - Beginning of Year	<u>58,397,072</u>	<u>59,104,784</u>
Net Position - End of Year	<u><u>\$ 58,682,217</u></u>	<u><u>\$ 66,900,807</u></u>

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Statement of Cash Flows
Year Ended December 31, 2016

	Primary Government
Operating Activities	
HUD PHA grants	\$ 12,279,888
Other grants	240,795
Receipts from tenants	3,688,453
Management fee income	367,578
Developer fee income	1,798,854
Other income	(208,976)
Housing assistance payments	(10,693,422)
Payments to employees	(2,915,050)
Payments to suppliers	(1,616,425)
Net Cash from Operating Activities	<u>2,941,695</u>
Capital and Related Financing Activities	
Contributions to equity method investments	(983,552)
Distributions from equity method investments	287,846
Principal payments on long-term debt	(735,342)
Proceeds from long-term debt borrowings	234,012
Interest paid on long-term debt	(1,368,202)
Acquisition of capital assets	(876,435)
Net Cash used for Capital and Related Financing Activities	<u>(3,441,673)</u>
Investing Activities	
Issuance of notes receivable	(5,000)
Payments received on notes receivable	174,239
Interest income	1,121,992
Net Cash from Investing Activities	<u>1,291,231</u>
Net Change in Cash and Cash Equivalents	791,253
Cash and Cash Equivalents, Beginning of Year	<u>4,858,675</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,649,928</u></u>

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Statement of Cash Flows
Year Ended December 31, 2016

	Primary Government
Reconciliation of Cash and Cash Equivalents	
Cash	\$ 5,075,824
Restricted Cash	<u>574,104</u>
Total Cash and Cash Equivalents	<u><u>\$ 5,649,928</u></u>
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 243,325
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization	992,453
Changes in assets and liabilities	
(Increase) decrease in receivables	727,282
(Increase) decrease in prepaid expenses	26,627
Increase (decrease) in accounts payable	5,221
Increase (decrease) in accrued expenses	21,658
Increase (decrease) in advanced revenues	921,016
Increase (decrease) in security deposits payable	6,722
Increase (decrease) in tenant FSS escrow	<u>(2,609)</u>
Net Cash from Operating Activities	<u><u>\$ 2,941,695</u></u>

	Kings Row Apartments LLLP	LHA Willow Glen LLC	5100 W Alameda Holdings LLC	MWHS Lamar Station, LLLP	MWHS CityScape LLLP
Assets					
Current Assets					
Cash and cash equivalents	\$ 68,869	\$ 182,897	\$ 31,387	\$ 747,973	\$ 57,568
Restricted cash and cash equivalents	460,407	280,148	291,480	579,153	503,590
Accounts receivable					
Tenants	14,941	-	10,941	1,749	3,790
Prepaid expenses	19,547	10,728	11,133	20,321	27,284
Total Current Assets	563,764	473,773	344,941	1,349,196	592,232
Other Assets, net of accumulated amortization	5,428	4,918	36,896	94,123	89,693
Capital Assets					
Non-depreciable	1,050,000	1,039,163	665,232	1,280,672	2,672,818
Depreciable, net	9,962,964	5,772,754	6,976,399	18,183,405	24,428,525
Total Capital Assets	11,012,964	6,811,917	7,641,631	19,464,077	27,101,343
Total Assets	<u>\$ 11,582,156</u>	<u>\$ 7,290,608</u>	<u>\$ 8,023,468</u>	<u>\$ 20,907,396</u>	<u>\$ 27,783,268</u>
Liabilities and Net Position					
Current Liabilities					
Accounts payable	\$ 21,092	\$ 49,741	\$ 1,796	\$ 29,792	\$ 33,475
Due to Lakewood Housing Authority	874,548	86,462	-	21,788	50,750
Developer fee payable	-	-	-	-	129,423
Accrued liabilities	6,503	7,129	-	-	-
Accrued compensated absences	4,945	4,432	933	4,209	6,206
Accrued interest payable	636,685	701,906	-	299,604	289,973
Advanced revenues	666	47	240	272	6,491
Tenant security deposits payable	46,832	20,731	22,350	57,964	53,115
Notes, mortgages and bonds payable - current portion	125,435	47,189	35,633	83,809	141,083
Total Current Liabilities	1,716,706	917,637	60,952	497,438	710,516
Long-Term Liabilities					
Developer fee payable - long-term	-	-	-	-	1,678,258
Notes, mortgages and bonds payable - net of current portion	7,263,202	2,955,977	3,949,114	9,129,832	12,622,592
Total Long-Term Liabilities	7,263,202	2,955,977	3,949,114	9,129,832	14,300,850
Total Liabilities	8,979,908	3,873,614	4,010,066	9,627,270	15,011,366
Net Position					
Net investment in capital assets	3,624,327	3,808,751	3,656,884	10,250,436	14,337,668
Unrestricted	(1,022,079)	(391,757)	356,518	1,029,690	(1,565,766)
Total Net Position	2,602,248	3,416,994	4,013,402	11,280,126	12,771,902
Total Liabilities and Net Position	<u>\$ 11,582,156</u>	<u>\$ 7,290,608</u>	<u>\$ 8,023,468</u>	<u>\$ 20,907,396</u>	<u>\$ 27,783,268</u>

See Notes to Financial Statements

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Combining Statement of Net Position – Component Units
December 31, 2016

MWHS Creskide West, LLLP	Paloma Villas III, LLLP	Wolff Street Development LLLP	LHA Maplewood, LLLP	LHA Pierce Street, LLLP	Total
\$ 555,236	\$ 31,881	\$ 67,420	\$ 146,658	\$ 416,196	\$ 2,306,085
317,233	91,332	340,500	628,732	232,553	3,725,128
1,716	88	1,362	1,899	2,215	38,701
21,216	11,155	10,868	19,768	22,809	174,829
895,401	134,456	420,150	797,057	673,773	6,244,743
23,750	21,741	19,516	29,303	17,599	342,967
1,000,000	905,787	1,417,684	1,060,500	750,000	11,841,856
11,984,171	5,967,735	6,751,744	12,913,602	12,608,840	115,550,139
12,984,171	6,873,522	8,169,428	13,974,102	13,358,840	127,391,995
<u>\$ 13,903,322</u>	<u>\$ 7,029,719</u>	<u>\$ 8,609,094</u>	<u>\$ 14,800,462</u>	<u>\$ 14,050,212</u>	<u>\$ 133,979,705</u>
\$ 46,673	\$ 46,764	\$ 13,839	\$ 9,436	\$ 74,147	\$ 326,755
-	75,000	-	-	5,759	1,114,307
50,000	-	-	-	-	179,423
-	-	-	7,260	5,759	26,651
1,846	1,442	3,394	9,865	3,541	40,813
603,935	-	-	399,620	1,510,102	4,441,825
2,724	258	295	192	52,845	64,030
26,878	22,610	28,850	65,852	36,995	382,177
42,453	25,587	35,260	57,379	99,683	693,511
774,509	171,661	81,638	549,604	1,788,831	7,269,492
121,525	-	-	-	-	1,799,783
5,331,681	1,216,505	1,561,604	7,888,569	6,090,547	58,009,623
5,453,206	1,216,505	1,561,604	7,888,569	6,090,547	59,809,406
6,227,715	1,388,166	1,643,242	8,438,173	7,879,378	67,078,898
7,610,037	5,631,430	6,572,564	6,028,154	7,168,610	68,688,861
65,570	10,123	393,288	334,135	(997,776)	(1,788,054)
7,675,607	5,641,553	6,965,852	6,362,289	6,170,834	66,900,807
<u>\$ 13,903,322</u>	<u>\$ 7,029,719</u>	<u>\$ 8,609,094</u>	<u>\$ 14,800,462</u>	<u>\$ 14,050,212</u>	<u>\$ 133,979,705</u>

	Kings Row Apartments LLLP	LHA Willow Glen LLC	5100 W Alameda Holdings LLC	MWHS Lamar Station, LLLP
Operating Revenues				
Rental income	\$ 1,251,051	\$ 595,485	\$ 475,362	\$ 1,137,457
Other	50	51	-	-
Total operating revenues	<u>1,251,101</u>	<u>595,536</u>	<u>475,362</u>	<u>1,137,457</u>
Operating Expenses				
Administrative salaries and benefits	96,082	71,778	50,668	119,815
Maintenance salaries and benefits	128,561	49,207	28,013	93,300
Regular and extraordinary maintenance	139,226	132,013	60,768	111,347
Other administrative	92,243	58,503	48,046	93,929
Depreciation and amortization	362,415	235,369	272,736	587,233
Utilities	77,412	65,344	41,421	89,409
Insurance	38,039	20,527	21,001	39,748
Other expenses	76,752	28,124	22,223	49,699
Total operating expenses	<u>1,010,730</u>	<u>660,865</u>	<u>544,876</u>	<u>1,184,480</u>
Operating Income (Loss)	<u>240,371</u>	<u>(65,329)</u>	<u>(69,514)</u>	<u>(47,023)</u>
Non-Operating Revenues (Expenses)				
Interest income	126	80	74	153
Interest expense	(374,308)	(176,988)	(80,639)	(322,758)
Total Non-Operating Revenues (Expenses)	<u>(374,182)</u>	<u>(176,908)</u>	<u>(80,565)</u>	<u>(322,605)</u>
Loss Before Other Contributions and Distributions	<u>(133,811)</u>	<u>(242,237)</u>	<u>(150,079)</u>	<u>(369,628)</u>
Contributions and Distributions				
Equity contributions (net of syndication costs)	983,552	-	-	287,846
Distributions	-	-	(891)	(287,846)
Total Contributions and Distributions	<u>983,552</u>	<u>-</u>	<u>(891)</u>	<u>-</u>
Change in Net Position	<u>849,741</u>	<u>(242,237)</u>	<u>(150,970)</u>	<u>(369,628)</u>
Net Position - Beginning of Year	<u>1,752,507</u>	<u>3,659,231</u>	<u>4,164,372</u>	<u>11,649,754</u>
Net Position - End of Year	<u>\$ 2,602,248</u>	<u>\$ 3,416,994</u>	<u>\$ 4,013,402</u>	<u>\$ 11,280,126</u>

See Notes to Financial Statements

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions

Combining Statement of Revenues, Expenses and Changes in Net Position – Component Units
Year Ended December 31, 2016

MWHS CityScape LLLP	MWHS Creekside West, LLLP	Paloma Villas III, LLLP	Wolff Street Development LLLP	LHA Maplewood, LLLP	LHA Pierce Street, LLLP	Total
\$ 1,253,371	\$ 739,079	\$ 465,221	\$ 567,777	\$ 1,268,109	\$ 1,054,772	\$ 8,807,684
19,256	10	270	-	207	2,561	22,405
<u>1,272,627</u>	<u>739,089</u>	<u>465,491</u>	<u>567,777</u>	<u>1,268,316</u>	<u>1,057,333</u>	<u>8,830,089</u>
170,033	88,860	50,585	65,788	147,720	120,541	981,870
68,704	44,482	38,750	47,217	102,525	74,149	674,908
112,261	123,063	94,332	92,754	119,766	157,304	1,142,834
126,040	68,959	39,237	49,022	92,693	92,272	760,944
846,111	399,900	252,389	273,514	434,940	433,022	4,097,629
101,785	60,954	56,588	66,566	98,769	108,582	766,830
55,838	40,045	20,667	20,943	39,123	42,963	338,894
86,075	10,099	20,272	73,959	29,992	29,405	426,600
<u>1,566,847</u>	<u>836,362</u>	<u>572,820</u>	<u>689,763</u>	<u>1,065,528</u>	<u>1,058,238</u>	<u>9,190,509</u>
<u>(294,220)</u>	<u>(97,273)</u>	<u>(107,329)</u>	<u>(121,986)</u>	<u>202,788</u>	<u>(905)</u>	<u>(360,420)</u>
796	285	3	13	140	10	1,680
(649,807)	(303,710)	(89,399)	(117,194)	(422,900)	(384,480)	(2,922,183)
<u>(649,011)</u>	<u>(303,425)</u>	<u>(89,396)</u>	<u>(117,181)</u>	<u>(422,760)</u>	<u>(384,470)</u>	<u>(2,920,503)</u>
<u>(943,231)</u>	<u>(400,698)</u>	<u>(196,725)</u>	<u>(239,167)</u>	<u>(219,972)</u>	<u>(385,375)</u>	<u>(3,280,923)</u>
10,018,046	-	-	-	-	76,239	11,365,683
-	-	-	-	-	-	(288,737)
<u>10,018,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,239</u>	<u>11,076,946</u>
<u>9,074,815</u>	<u>(400,698)</u>	<u>(196,725)</u>	<u>(239,167)</u>	<u>(219,972)</u>	<u>(309,136)</u>	<u>7,796,023</u>
<u>3,697,087</u>	<u>8,076,305</u>	<u>5,838,278</u>	<u>7,205,019</u>	<u>6,582,261</u>	<u>6,479,970</u>	<u>59,104,784</u>
<u>\$ 12,771,902</u>	<u>\$ 7,675,607</u>	<u>\$ 5,641,553</u>	<u>\$ 6,965,852</u>	<u>\$ 6,362,289</u>	<u>\$ 6,170,834</u>	<u>\$ 66,900,807</u>

Note 1 - Nature of Operations and Significant Accounting Policies

General

The Housing Authority of the City of Lakewood dba Metro West Housing Solutions (the Authority) is a corporate body politic created in 1974 and uses available federal, state and local resources to serve the residents of the City of Lakewood, Colorado, and surrounding areas, by upgrading and maintaining the existing housing stock, encouraging the construction of new housing affordable to low and moderate income households, and providing low and moderate income families and senior households with decent, safe, and affordable rental housing opportunities. The Authority owns and operates 1,254 units of affordable housing in Lakewood, Colorado and administers 1,411 housing choice vouchers.

The Authority is governed by a five-member Board of Commissioners.

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separated (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization's board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority

Blended Component Unit

Lakewood Housing Corporation is included in the financial reporting entity of the Authority as a blended component unit. Lakewood Housing Corporation was created in December 1978 for the purpose of owning and operating various housing projects in Lakewood, Colorado, and the surrounding area. The sole member of Lakewood Housing Corporation is Metro West Housing Solutions which is able to impose its will on the organization. Accordingly, the activities and ending balances of Lakewood Housing Corporation are reported within the proprietary funds of the Authority.

Discretely Presented Component Units

The component unit column of the combined financial statements includes the financial data of the Authority's discretely presented component units as of December 31, 2016. These units are reported in a separate column to emphasize that they are legally separate from the Authority.

Discretely presented component units consist of the following:

Kings Row Apartments LLLP (Belmar Apartments) was formed for the purpose of owning and operating Belmar Apartments, a 118-unit multifamily housing project in Lakewood, Colorado. The managing general partner of Kings Row Apartments LLLP is wholly owned by the Authority. LHA Kings Row GP, LLC has an ownership percentage of .01%.

LHA Willow Glen LLC (Willow Glen Apartments) was formed for the purpose of owning and operating Willow Glen Apartments, a 70-unit multifamily housing project in Lakewood, Colorado. The managing general partner of LHA Willow Glen LLC is wholly owned by the Authority. LHA Willow Glen Management LLC has an ownership percentage of .01%.

5100 W Alameda Holdings LLC (Los Altos de Alameda) was formed for the purpose of owning and operating Los Altos de Alameda, a 50-unit multifamily housing project in Denver, Colorado. The managing general partner of 5100 W Alameda Holdings LLC is wholly owned by the Authority. MWHS Los Altos LLC has an ownership percentage of .009%.

MWHS Lamar Station, LLLP (Lamar Station Crossing) was formed for the purpose of owning and operating Lamar Station Crossing, a 110-unit multifamily housing project in Lakewood, Colorado. The managing general partner of MWHS Lamar Station, LLLP is wholly owned by the Authority. MWHS Lamar Station, LLC has an ownership percentage of .01%.

MWHS CityScape, LLLP (CityScape at Belmar) was formed for the purpose of owning and operating CityScape at Belmar, a 130-unit multifamily housing project in Lakewood, Colorado. The managing general partner (MWHS CityScape, LLC) and the administrative general partner (Lakewood Housing Corporation) of MWHS CityScape, LLLP are wholly owned by the Authority. MWHS CityScape, LLC and Lakewood Housing Corporation each have an ownership percentage of .005%.

MWHS Creekside West, LLLP (Creekside West) was formed for the purpose of owning and operating Creekside West, an 82-unit multifamily housing project in Lakewood, Colorado. The managing general partner of MWHS Creekside West, LLLP is wholly owned by the Authority. MWHS Creekside West, LLC has an ownership percentage of .01%.

Paloma Villas III, LLLP (Paloma Villas III) was formed for the purpose of owning and operating Paloma Villas III, a 50-unit multifamily housing project in Denver, Colorado. The managing general partner of Paloma Villas III, LLLP is wholly owned by the Authority. MWHS Morrison/Colfax II, LLC has an ownership percentage of .005%.

Wolff Street Development LLLP (Villas at Sloan's Lake) was formed for the purpose of owning and operating Villas at Sloan's Lake, a 63-unit multifamily housing project in Denver, Colorado. The managing general partner of Wolf Street Development LLLP is wholly owned by the Authority. MWHS Morrison/Colfax II, LLC has an ownership percentage of .005%.

LHA Maplewood, LLLP (Maplewood Apartments) was formed for the purpose of owning and operating Maplewood Apartments, a 132-unit multifamily housing project in Lakewood, Colorado. The managing general partner of LHA Maplewood, LLLP is wholly owned by the Authority. LHA Maplewood, LLC has an ownership percentage of .01%.

LHA Pierce Street, LLLP (Residences at Creekside) was formed for the purpose of owning and operating Residences at Creekside, a 118-unit multifamily housing project in Lakewood, Colorado. The managing general partner of LHA Pierce Street, LLLP is wholly owned by the Authority. LHA Pierce Street, LLC has an ownership percentage of .01%.

Basis of Accounting and Measurement Focus

The Department of Housing and Urban Development Real Estate Assessment Center (REAC) assesses the financial condition of Public Housing Authorities (PHA's). To uniformly and consistently assess the PHAs, REAC requires that PHA's financial statements conform to Generally Accepted Accounting Principles (GAAP).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statement of revenues, expenses and changes in net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Revenues are recorded when earned and are reported as accounts receivable until collected. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. Management has established an allowance for doubtful accounts for amounts that may not be collectible in the future. Receivables are reported net of the related allowance.

Notes and Interest Receivable

Notes and interest receivable are carried at amounts advanced, net of reserve for uncollectable accounts, if any. As of December 31, 2016, the Authority considered all notes and interest receivables to be fully collectable.

Capital Assets

Land, buildings and improvements, and equipment are recorded at cost, including indirect development costs. The Authority uses a capitalization threshold of \$5,000. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Depreciation is computed using the straight line method over the estimated useful lives of the assets as follows:

Land improvements	5-25 years
Buildings and improvements	5-30 years
Equipment	3-10 years

Long-lived assets held and used by an entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment loss has been recognized for the year ended December 31, 2016.

Fraud Recovery

HUD requires the Authority to account for monies recovered from tenants who committed fraud or misrepresentation in the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

Operating Revenues and Expenses

The Authority considers all revenues and expenses (including HUD intergovernmental revenues and expenses) as operating items with the exception of interest expense, interest revenue, and gain/loss on disposal of capital assets which are considered non-operating for financial reporting purposes.

Restricted and Unrestricted Resources

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Accrued Compensated Absences

The Authority provides paid leave for its regular full-time employees for vacations, holidays, illness and certain other qualifying absences. Employees are limited to a maximum number of hours based upon years of service. These compensated absences are recognized as salary costs in the financial statements when earned. Compensated absences which have been earned but not paid as of year-end have been accrued in the accompanying financial statements. Any accrued vacation amounts are paid out to employees upon termination of employment. Exempt employees hired prior to 1992 will be paid for 50% of accrued sick time upon termination of employment.

The amount of accumulated unpaid leave at December 31, 2016, was \$279,629 for the Authority and \$40,813 for the discretely presented component units.

Advanced Revenues

As of December 31, 2016, the Authority's advanced revenues consisted of prepaid rents of \$36,691, prepaid portability of \$3,466, and funds received in advance from HUD from the Housing Choice Voucher program of \$927,269. At December 31, 2016, the discretely presented component units' advanced revenue consisted of prepaid rents of \$11,186 and deferred grant revenue of \$52,844.

Components of Net Position

Components of net position include the following:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
- Restricted Net Position – Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the Statement of Net Position that are subject to restraints on their use by HUD or other outside third party or enabling legislation.
- Unrestricted Net Position – Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the Statement of Net Position that are not subject to restraints on their use.

Business and Credit Risk

The Authority provides housing on account to clients which are located in Lakewood and Denver, Colorado.

Budgetary

The Authority's annual budgets are the annual contracts, which are with, and approved by, HUD. No budget to actual statements are presented in this report, as housing authorities are not legally required to adopt a budget under the Local Government Budget Law of Colorado.

Accounting Estimates

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

Equity Method Investments

Investments in partnerships, limited liability companies, and joint ventures are accounted for under the equity method. Investments are stated as cost less any distributions received.

Note 2 - Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the 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 aggregate uninsured deposits. The general depository agreement required by the annual contract with HUD has additional requirements, which the Authority met in 2016.

Primary Government

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2016, the Authority's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with PDPA.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments.

Investments

Authorized Investments

Metro West Housing Solutions' investment policy follows the general provisions of the Colorado Revised Statutes (C.R.S. 24-75-601) and HUD regulations, whichever is more restrictive.

The Colorado Revised Statutes limit investment maturities to three years or five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of December 31, 2016, investments held by the Authority are held in a local government investment pool totaling \$526,104. These funds are classified as cash and cash equivalents on the Statement of Net Position.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market mutual fund and the local government investment pool investment owned by the Authority are rated AAA by Standard & Poor's.

At December 31, 2016, the Authority had \$526,104 invested in Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00.

Discretely Presented Component Units

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the deposits of the discretely presented component units may not be returned to the entities. As of December 31, 2016, the deposits of the discretely presented component units were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with PDPA.

Note 3 - Restricted Cash

Primary Government

Restricted cash consists of cash and cash equivalents balances restricted for use in the Housing Choice Voucher program; held in escrow to comply with the requirements of HUD programs; held to comply with bond requirements; and held for tenant security deposits.

Discretely Presented Component Units

Restricted cash consists of cash and cash equivalents balances held for tenant security deposits and held in escrow to comply with partnership requirements.

Note 4 - Notes Receivable

Primary Government

	Principal	Accrued Interest	Total
<u>Notes Receivable from Discretely Presented Component Units:</u>			
5.00% note receivable from Kings Row Apartments LLLP, for the purchase and rehabilitation of Belmar Apartments, loan was funded from Series 2004 bond proceeds with interest rates ranging from 4.22% to 5.59%, due in varying monthly principal and interest installments, with a maturity date of January 2022, secured by a deed of trust and regulatory agreement on the Belmar Apartments property	\$ 5,894,275	\$ -	\$ 5,894,275
5.00% note receivable from Kings Row Apartments LLLP, unpaid principal and interest due December 31, 2021, secured by a deed of trust and security agreement on the Belmar Apartments property	800,000	636,685	1,436,685
0.00% note receivable from Kings Row Apartments LLLP, unpaid principal due January 2022	742,159	-	742,159
3.00% note receivable from LHA Willow Glen LLC, payments due to the extent the Company generates cash flow, remaining principal and accrued interest due December 2020, secured by a deed of trust and security agreement on the Willow Glen property	1,179,895	599,388	1,779,283
3.00% note receivable from LHA Willow Glen LLC, payments due to the extent the Company generates cash flow, remaining principal and accrued interest due December 2020, secured by a deed of trust and security agreement on the Willow Glen property	200,000	102,518	302,518

Housing Authority of the City of Lakewood
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Notes to Financial Statements
December 31, 2016

	Principal	Accrued Interest	Total
2.00% note receivable from MWHS Lamar Station, LLLP, principal may be drawn to a total of \$4,112,500, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December 2042, secured by a deed of trust, security agreement and financing statement on the Lamar Station Crossing property	3,612,500	207,813	3,820,313
2.00% note receivable from MWHS Lamar Station, LLLP, (CDOH), principal may be drawn to a total of \$500,000, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December 2042, secured by a deed of trust, security agreement and financing statement on the Lamar Station Crossing property	500,000	31,186	531,186
2.00% note receivable from MWHS Lamar Station, LLLP, (HOME), payments due to the extent the Partnership generates cash flow, remaining principal and interest due December 2042, secured by a deed of trust, security agreement and financing statement on the Lamar Station Crossing property	750,000	60,605	810,605
4.00% note receivable from MWHS CityScape, LLLP, (County HOME), principal may be drawn to a total of \$900,000, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December, 2044, secured by a deed of trust on the CityScape at Belmar property	900,000	46,225	946,225
4.00% note receivable from MWHS CityScape, LLLP, (CDOH), principal may be drawn to a total of \$500,000, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December, 2044, secured by a deed of trust on the CityScape at Belmar property	500,000	34,909	534,909
4.00% note receivable from MWHS CityScape, LLLP, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December, 2044, secured by a deed of trust on the CityScape at Belmar property	2,262,836	208,839	2,471,675
7.35% note receivable from MWHS Creekside West, LLLP, due in monthly installments of \$19,196, including interest, through the maturity date of March 2030, secured by a deed of trust and security agreement on the Creekside West property	2,540,807	-	2,540,807

Housing Authority of the City of Lakewood
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Notes to Financial Statements
December 31, 2016

	Principal	Accrued Interest	Total
0.00% note receivable from MWHS Creekside West, LLLP (Land Loan) payments due to the extent the Partnership generates cash flow, remaining principal balance due December 2040, secured by a deed of trust and security agreement on the Creekside West property	1,000,000	-	1,000,000
4.25% note receivable from MWHS Creekside West, LLLP (Development), payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2040, secured by a deed of trust and security agreement on the Creekside West property	608,765	196,758	805,523
4.25% note receivable from MWHS Creekside West, LLLP (AHP), payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2029, secured by a deed of trust and security agreement on the Creekside West property	300,000	95,865	395,865
4.25% note receivable from MWHS Creekside West, LLLP (CDOH HOME), payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2040, secured by a deed of trust and security agreement on the Creekside West property	500,000	141,839	641,839
4.25% note receivable from MWHS Creekside West, LLLP (City HOME), payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2040, secured by a deed of trust and security agreement on the Creekside West property	500,000	165,531	665,531
4.60% note receivable from LHA Maplewood, LLLP, interest compounded annually, payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2058, secured by a deed, security agreement and financing statement on the Maplewood Apartments property	1,000,000	48,224	1,048,224
4.60% note receivable from LHA Maplewood, LLLP, interest compounded annually, payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2058, secured by a deed, security agreement and financing statement on the Maplewood Apartments property	105,000	5,065	110,065
4.60% note receivable from LHA Maplewood, LLLP, interest compounded annually, payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2058, secured by a deed, security agreement and financing statement on the Maplewood Apartments property	843,254	45,036	888,290

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December 31, 2016

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
4.60% note receivable from LHA Maplewood, LLLP, interest compounded annually, payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2058, secured by a deed, security agreement and financing statement on the Maplewood Apartments property	300,000	97,905	397,905
4.60% note receivable from LHA Maplewood, LLLP, interest compounded annually, payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2058, secured by a deed, security agreement and financing statement on the Maplewood Apartments property	500,000	203,390	703,390
4.80% note receivable from LHA Pierce Street, LLLP (FHLB-AHP), payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2045, secured by a deed of trust, security agreement and financing statement on the Residences at Creekside property	300,000	187,111	487,111
4.80% note receivable from LHA Pierce Street, LLLP (HOME), payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2045, secured by a deed of trust, security agreement and financing statement on the Residences at Creekside property	510,000	62,810	572,810
4.80% note receivable from LHA Pierce Street, LLLP (CDOH), payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2045, secured by a deed of trust, security agreement and financing statement on the Residences at Creekside property	700,000	410,153	1,110,153
4.80% note receivable from LHA Pierce Street, LLLP, payments due to the extent the Partnership generates cash flow, remaining principal and accrued interest balance due December 2045, secured by a deed of trust, security agreement and financing statement on the Residences at Creekside property	1,123,699	850,028	1,973,727
Total Notes Receivable from Discretely Presented Component Units	28,173,190	4,437,883	32,611,073

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	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
<u>Notes Receivable - Other:</u>			
3.00% note receivable from Fairfield Ridgemoor L.P. for the development and rehabilitation of Ridgemoor Apartments, due in annual installments equal to the lesser of \$30,785 or 75% of the property's residual annual cash flow, unpaid principal and accrued interest due March 2035, secured by a deed of trust on the property	476,278	30,617	506,895
Non-interest-bearing Rental Rehabilitation Program notes receivable, issued for the purpose of rehabilitation of affordable housing, no monthly payments required, loan balance is due when property is sold, secured by a lien on the property	13,126	-	13,126
Total Notes Receivable - Other	<u>489,404</u>	<u>30,617</u>	<u>520,021</u>
Total Notes Receivable	28,662,594	4,468,500	33,131,094
Less current portion	(42,453)	-	(42,453)
Total Notes Receivable, Net of Current Portion	<u>\$ 28,620,141</u>	<u>\$ 4,468,500</u>	<u>\$ 33,088,641</u>

In addition to interest on notes receivable, the Authority charges interest on developer fees receivable from MWHS Creekside West, LLLP. At December 31, 2016, the Authority was owed accrued interest \$3,942 from MWHS Creekside West, LLLP – Note 12.

At December 31, 2016, the balance of accrued interest receivable consisted of the following:

Accrued interest on notes receivable	\$ 4,468,500
Accrued interest on developer fees	<u>3,942</u>
Total interest receivable	<u>\$ 4,472,442</u>

Note 5 - Equity Method Investments

At December 31, 2016, the Authority's equity method investments consisted of the following:

Discretely Presented Component Units:

Kings Row Apartments LLLP	\$ 1,204,652
LHA Willow Glen LLC	1,252,753
5100 W Alameda Holdings LLC	773,269
MWHS Lamar Station, LLLP	1,452,512
MWHS CityScape, LLLP	1,200,000
Paloma Villas III, LLLP	421,289
Wolff Street Development LLLP	684,139
LHA Maplewood, LLLP	876
LHA Pierce Street, LLLP	146,401

7,135,891

Other:

Cedars Joint Venture - see (A) below	496,378
Foothills Green, LP - see (B) below	100

496,478

\$ 7,632,369

- (A) The Authority has entered into a joint venture with Jefferson County Housing Authority to purchase and rehabilitate two multifamily housing projects, Cedar Gardens Apartments and Cedar Avenue Apartments. Each partner's investment share is an equal 50/50 split. Profits and losses from the projects' operations are divided equally between the partners.
- (B) The Authority is a special limited partner in Foothills Green, LP, a limited partnership formed to construct an affordable housing project in the City of Lakewood. According to the Partnership agreement, the Authority is not financially obligated to the Partnership except to \$100 as a capital contribution. The Authority may receive cash payments from the Partnership in future years, subject to the availability of net cash flow of the project.

Note 6 - Capital Assets

The following is a summary of property, structures and equipment for the year ended December 31, 2016:

Primary Government

	Balance January 1	Additions	Disposals	Transfers	Balance December 31
Nondepreciable assets					
Land	\$ 13,254,466	\$ 400,000	\$ -	\$ -	\$ 13,654,466
Construction in progress	438,304	89,790	(5,578)	(23,000)	499,516
Total capital assets not being depreciated	13,692,770	489,790	(5,578)	(23,000)	14,153,982
Depreciable assets					
Buildings and improvements	30,741,943	392,223	-	23,000	31,157,166
Equipment and furniture	666,280	-	(530,274)	-	136,006
Total buildings and improvements	31,408,223	392,223	(530,274)	23,000	31,293,172
Accumulated depreciation	(5,846,078)	(987,255)	530,274	-	(6,303,059)
Total capital assets being depreciated	25,562,145	(595,032)	-	23,000	24,990,113
Total capital assets, net	\$ 39,254,915	\$ (105,242)	\$ (5,578)	\$ -	\$ 39,144,095

Discretely Presented Component Units

	Balance January 1	Additions	Disposals	Balance December 31
Nondepreciable assets				
Land	\$ 11,841,856	\$ -	\$ -	\$ 11,841,856
Construction in progress	1,003	-	(1,003)	-
	11,842,859	-	(1,003)	11,841,856
Depreciable assets				
Buildings and improvements	134,394,904	507,583	-	134,902,487
Equipment	4,824,731	111,372	(202,713)	4,733,390
Total buildings and improvements	139,219,635	618,955	(202,713)	139,635,877
Accumulated depreciation	(20,229,902)	(4,058,549)	202,713	(24,085,738)
Total capital assets being depreciated	118,989,733	(3,439,594)	-	115,550,139
Total capital assets, net	\$ 130,832,592	\$ (3,439,594)	\$ (1,003)	\$ 127,391,995

Note 7 - Long-Term Debt

During the year ended December 31, 2016, the following changes occurred in long-term debt:

Primary Government

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	\$31,118,145	\$ 234,012	\$ (735,342)	\$30,616,815	\$ 1,260,219

Discretely Presented Component Units

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes Payable	\$49,728,756	\$ 9,552,693	\$ (578,315)	\$58,703,134	\$ 693,511

Long-term debt as of December 31, 2016, consists of the following:

Primary Government

Notes and Mortgages Payable

2.00% note payable, due in quarterly installments of \$93,750, including interest, with a maturity date of May 2018, unsecured	\$ 562,500
3.95% note payable, due in monthly installments of \$26,754, including interest, with a maturity date of May 2024, secured by a deed of trust on the Marston Pointe property	5,327,905
6.25% note payable, due in monthly installments of \$12,314, including interest, with a maturity date of October 2018, by a deed of trust on the Marston Pointe property	1,935,075
3.95% note payable, due in monthly installments of \$47,759, including interest, with a maturity date of May 2024, secured by a deed of trust on the Marston Pointe property	9,510,746
5.75% note payable, due in monthly installments of \$3,633, including interest, with a maturity date of March 2017, secured by a deed of trust on the Belmont Manor property	340,615

4.50% note payable, interest rate set through September 2018, 3.9% for the next two years, thereafter adjusted to the Wall Street Journal Prime rate with a floor of 3.9% and a ceiling of 6.5%, due in monthly installments of \$9,856, including interest, with a maturity date of September 2023, secured by a deed of trust and assignment of rents on the Paloma I property	1,927,976
4.50% note payable, due in monthly installments of \$5,692, including interest, with a maturity date of September 2023, secured by a deed of trust and assignment of rents on the Paloma II property	1,154,125
4.06% note payable, interest due in quarterly installments, with a maturity date of February 2020 or prior if note is replaced with permanent financing or property is sold, secured by a deed of trust on the 5800 W Alameda property	2,880,000
4.50% note payable, due in monthly installments of \$6,211, including interest, with a maturity date of November 2040, secured by a deed of trust on the Van Gordon property	1,083,598
	<u>24,722,540</u>

Bonds Payable:

Series 2004 Multifamily Housing Revenue Bonds, interest at 5.00% percent, varying monthly payments of principal and interest, until January 2022 at which time a balloon payment of \$5,221,049 is due, secured by a deed of trust on the Belmar Apartments property	5,894,275
Total Notes, Mortgages and Bonds Payable	<u><u>\$ 30,616,815</u></u>

Discretely Presented Component Units

Notes and Mortgages Payable

	Principal	Accrued Interest	Total
<u>Notes and Mortgages Payable to Primary Government:</u>			
5.00% note payable to the Authority, for the purchase and rehabilitation of Belmar Apartments, loan was funded from Series 2004 bond proceeds with interest rates ranging from 4.22% to 5.59%, due in varying monthly principal and interest installments, with a maturity date of January 2022, secured by a deed of trust and regulatory agreement on the Belmar Apartments property, net of unamortized debt issuance costs of \$47,797, based upon effective interest rate of 5.18%	\$ 5,846,478	\$ -	\$ 5,846,478

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	Principal	Accrued Interest	Total
5.00% note payable to the Authority, unpaid principal and interest due December 31, 2021, secured by a deed of trust and security agreement on the Belmar Apartments property	800,000	636,685	1,436,685
0.00% note payable to the Authority, unpaid principal due January 2022	742,159	-	742,159
3.00% note payable to the Authority, payments due from cash flow, remaining principal and interest due December 31, 2020, secured by a deed of trust and security agreement on the Willow Glen Apartments property	1,179,895	599,388	1,779,283
3.00% note payable to the Authority, payments due from cash flow, remaining principal and interest due December 31, 2020, secured by a deed of trust and security agreement on the Willow Glen Apartments property	200,000	102,518	302,518
2.00% note payable to the Authority, principal may be drawn to a total of \$4,112,500, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December 2042, secured by a deed of trust, security agreement and financing statement on the Lamar Station Crossing property	3,612,500	207,813	3,820,313
2.00% note payable to the Authority, (CDOH), principal may be drawn to a total of \$500,000, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December 2042, secured by a deed of trust, security agreement and financing statement on the Lamar Station Crossing property	500,000	31,186	531,186
2.00% note payable to the Authority, (HOME), payments due to the extent the Partnership generates cash flow, remaining principal and interest due December 2042, secured by a deed of trust, security agreement and financing statement on the Lamar Station Crossing property	750,000	60,605	810,605
4.00% note payable to the Authority (County HOME), principal may be drawn to a total of \$900,000, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December, 2044, secured by a deed of trust on the CityScape at Belmar property	900,000	46,225	946,225
4.00% note payable to the Authority (CDOH), principal may be drawn to a total of \$500,000, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December, 2044, secured by a deed of trust on the CityScape at Belmar property	500,000	34,909	534,909

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	Principal	Accrued Interest	Total
4.00% note payable to the Authority, payments due to the extent the Partnership generates cash flow, remaining principal and interest due December, 2044, secured by a deed of trust on the CityScape at Belmar property	2,262,836	208,839	2,471,675
7.35% note payable to the Authority, due in monthly installments of \$19,196, including interest, through the maturity date of March 2030, secured by a deed of trust and security agreement on the Creekside West property, net of unamortized debt issuance costs of \$75,438, based upon effective interest rate of 8.01%	2,465,369	-	2,465,369
0.00% note payable to the Authority (Land Loan), payments due from cash flow, remaining principal due December 2040, secured by a deed of trust and security agreement on the Creekside West property	1,000,000	-	1,000,000
4.25% note payable to the Authority (Development), payments due from cash flow, unpaid principal and interest due December 2040, secured by a deed of trust and security agreement on the Creekside West property	608,765	196,758	805,523
4.25% note payable to the Authority (AHP), payments due from cash flow, unpaid principal and interest due December 2029, secured by a deed of trust and security agreement on the Creekside West property	300,000	95,865	395,865
4.25% note payable to the Authority (CDOH HOME), payments due from cash flow, unpaid principal and interest due December 2040, secured by a deed of trust and security agreement on the Creekside West property	500,000	141,839	641,839
4.25% note payable to the Authority (City HOME), payments due from cash flow, unpaid principal and interest due December 2040, secured by a deed of trust and security agreement on the Creekside West property	500,000	165,531	665,531
4.60% note payable to the Authority, payments due from available cash flow, unpaid principal and interest (compounded annually) due December 2058, secured by a deed of trust, security agreement and financing statement on the Maplewood Apartments property	1,000,000	48,224	1,048,224
4.60% note payable to the Authority, payments due from available cash flow, unpaid principal and interest (compounded annually) due December 2058, secured by a deed of trust, security agreement and financing statement on the Maplewood Apartments property	105,000	5,065	110,065

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	Principal	Accrued Interest	Total
4.60% note payable to the Authority, payments due from available cash flow, unpaid principal and interest (compounded annually) due December 2058, secured by a deed of trust, security agreement and financing statement on the Maplewood Apartments property	843,254	45,036	888,290
4.60% note payable to the Authority, payments due from available cash flow, unpaid principal and interest (compounded annually) due December 2058, secured by a deed of trust, security agreement and financing statement on the Maplewood Apartments property	300,000	97,905	397,905
4.60% note payable to the Authority, payments due from available cash flow, unpaid principal and interest (compounded annually) due December 2058, secured by a deed of trust, security agreement and financing statement on the Maplewood Apartments property	500,000	203,390	703,390
4.80% note payable to the Authority (FHLB-AHP), payments due from available cash flow, remaining principal and interest due December 2045, secured by a deed of trust, security agreement and financing statement on the Residences at Creekside property	300,000	187,111	487,111
4.80% note payable to the Authority (HOME), payments due from available cash flow, remaining principal and interest due December 2045, secured by a deed of trust, security agreement and financing statement on the Residences at Creekside property	510,000	62,810	572,810
4.80% note payable to the Authority (CDOH), payments due from available cash flow, remaining principal and interest due December 2045, secured by a deed of trust, security agreement and financing statement on the Residences at Creekside property	700,000	410,153	1,110,153
4.80% note payable to the Authority (Development), payments due from available cash flow, remaining principal and interest due December 2045, secured by a deed of trust, security agreement and financing statement on the Residences at Creekside property	1,123,699	850,028	1,973,727
Total Notes Payable to Primary Government:	28,049,955	4,437,883	32,487,838

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Notes and Mortgages Payable - Other:

	Principal	Accrued Interest	Total
5.05% note payable to First Bank, due in monthly installments of \$51,716, including interest, through the maturity date of September 2034, secured by a deed of trust on the CityScape at Belmar property, net of unamortized debt issuance costs of \$388,592, based on effective interest rate of 5.43%	9,100,839	-	9,100,839
6.85% mortgage note payable to U.S. Bank NA, due in monthly installments of \$13,238, including interest, with a maturity date of December 10, 2022, secured by a deed of trust and security agreement on the Willow Glen Apartments property, net of unamortized debt issuance costs of \$6,005 based upon effective interest rate of 7.08%	1,623,271	-	1,623,271
0.00% TCAP note payable to Colorado Housing and Finance Authority, unpaid principal due January 2041, secured by a deed of trust on the Los Altos de Alameda property, net of unamortized debt issuance costs of \$28,235 based upon effective interest rate of 0.06%	2,189,992	-	2,189,992
4.00% note payable to First Bank, due in monthly installments of \$9,043, including interest, through the maturity date of September 2027, secured by a deed of trust on the Los Altos de Alameda property, net of unamortized debt issuance costs of \$42,350 based upon effective interest rate of 4.39%	1,794,755	-	1,794,755
4.55% mortgage note payable to FirstBank of Colorado, due in monthly installments of \$24,141, including interest, with a maturity date of June 2032, secured by a deed of trust, security agreement, and assignment of rents on the Lamar Station Crossing property, net of unamortized debt issuance costs of \$150,575 based upon effective interest rate of 5.01%	4,351,141	-	4,351,141
6.85% note payable to Colorado Housing and Finance Authority, due in monthly installments of \$9,285, including interest, through the maturity date of January 2029, secured by a deed of trust on the Paloma Villas III property, net of unamortized debt issuance costs of \$22,528 based upon effective interest rate of 7.13%	1,242,092	-	1,242,092
6.875% note payable to Colorado Housing and Finance Authority, due in monthly installments of \$12,219, including interest, through the maturity date of April 2028, secured by a deed of trust on the Villas at Sloan's Lake property, net of unamortized debt issuance costs of \$38,980, based upon effective interest rate of 7.27%	1,596,864	-	1,596,864

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	Principal	Accrued Interest	Total
6.70% note payable to Colorado Housing and Finance Authority (Mortgage 1), due in monthly installments of \$25,027, including interest, through the maturity date of June 2027, secured by a deed of trust, security agreement, financing statement, and an assignment of rents and leases on the Maplewood Apartments property, net of unamortized debt issuance costs of \$21,826, based upon effective interest rate of 6.80%	3,789,257	-	3,789,257
3.00% note payable to Colorado Housing and Finance Authority (Mortgage 2), due in monthly installments of \$2,117, including interest, through the maturity date of June 2027, secured by a deed of trust, security agreement, financing statement, and an assignment of rents and leases on the Maplewood Apartments property net of unamortized debt issuance costs of \$2,964, based upon effective interest rate of 3.09%	482,346	-	482,346
0.00% TCAP note payable to Colorado Housing and Finance Authority, principal due September 2028, secured by a deed of trust, security agreement and financing statement on the Maplewood Apartments property, net of unamortized debt issuance costs of \$5,017, based upon effective interest rate of .06%	926,091	-	926,091
4.95% note payable to First Bank of Colorado, due in monthly installments of \$23,224, including interest, through the maturity date of January 2026, secured by a deed of trust and security agreement on the Residences at Creekside property, net of unamortized debt issuance costs of \$56,000, based upon effective interest rate of 5.28%	3,556,531	-	3,556,531
Total Notes Payable - Other:	30,653,179	-	30,653,179
Total Notes and Mortgages Payable	\$ 58,703,134	\$ 4,437,883	\$ 63,141,017

At December 31, 2016, the balance of accrued interest payable for the discretely presented component units consisted of the following:

Accrued interest on notes payable	\$ 4,437,883
Accrued interest on developer fees - Notes 4 and 12	3,942
Total accrued interest payable	\$ 4,441,825

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The estimated debt requirements to maturity for the year ending December 31, 2016 are as follows:

Primary Government

	Principal	Interest	Total
2017	\$ 1,260,219	\$ 1,319,276	\$ 2,579,495
2018	2,678,756	1,262,388	3,941,144
2019	744,506	1,133,096	1,877,602
2020	3,655,173	994,582	4,649,755
2021	801,953	980,068	1,782,021
2022-2026	20,709,578	1,670,397	22,379,975
2027-2031	221,577	151,084	372,661
2032-2036	278,216	94,445	372,661
2037-2041	266,837	25,058	291,895
Total	<u>\$ 30,616,815</u>	<u>\$ 7,630,394</u>	<u>\$ 38,247,209</u>

Discretely Presented Component Units

	Principal	Interest	Total
2017	\$ 693,511	\$ 2,841,067	\$ 3,534,578
2018	730,049	2,838,239	3,568,288
2019	771,171	2,833,291	3,604,462
2020	2,187,922	2,833,401	5,021,323
2021	1,661,757	2,749,498	4,411,255
2022-2026	13,459,348	11,467,807	24,927,155
2027-2031	12,196,098	9,042,519	21,238,617
2032-2036	9,106,246	7,817,222	16,923,468
2037-2041	4,827,082	8,300,732	13,127,814
2042-2046	11,159,035	6,687,507	17,846,542
2047-2051	-	3,059,406	3,059,406
2052-2056	-	3,830,854	3,830,854
2057	2,748,254	1,790,392	4,538,646
Unamortized debt issuance costs	(837,339)	-	(837,339)
Total	<u>\$ 58,703,134</u>	<u>\$ 66,091,935</u>	<u>\$ 124,795,069</u>

Note 8 - Conduit Debt

The Authority is allowed by State statutes to provide private activity bonding authority to private sector entities for projects that serve the public interest. The Authority has issued Multifamily Housing Revenue Bonds to finance the acquisition and rehabilitation of a 252-unit multifamily housing project known as Mountain View Village Apartments, a 200-unit multifamily housing project known as The Cliffs at Lakewood Apartments, and a 48-unit multifamily housing project known as Kendall Apartments. The bonds are secured by the property being financed and are payable solely from revenues of the property. Upon repayment of the bonds, ownership of the property transfers to the private sector entity. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The original bond issuance was \$32,950,000. At December 31, 2016, the outstanding principal balance of the bonds was \$32,680,302.

Note 9 - Restricted Net Position

As of December 31, 2016, restricted net position consisted of \$23,159 in housing choice vouchers received, but not yet paid to eligible individuals.

Note 10 - Annual Contributions Contract

The Authority has an annual contributions contract for housing choice vouchers and adjustments vary based on requirements. The maximum contract was \$9,933,884 for the year ended December 31, 2016.

Note 11 - Employee Pension Plans

Defined Contribution Plan

The Authority has established a 401(a) defined contribution plan for employees. The Authority contributes 10% of each eligible employee's base salary, and each eligible employee contributes 8% of base salary. The plan is administered by Great West Life and Annuity Insurance Company. All full and part-time staff are eligible to participate upon employment. The Authority's contributions for each employee (and earnings allocated to the employee's account) begin to vest with the employee after three years of service and are fully vested after five years of service. Non-vested Authority contributions and earnings thereon for employees who leave employment before five years of service are used to reduce the Authority's contribution requirement.

During 2016, employer contributions to the plan totaled \$351,174.

Deferred Compensation Plan

The Authority has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Managers Association Retirement Corporation (ICMA-RC). Participation in the plan is optional for all employees. The plan allows employees to defer a portion of their salary until future years.

Note 12 - Related Party Transactions

Management Fees and Reimbursed Expenses

The Authority has entered into management agreements with the various related entities to provide management services for their respective projects. Under the agreements, the Authority is to be paid management fees totaling 5% of gross monthly collections. In addition, the Authority receives a monthly bookkeeping fee equal to \$4 per unit per month from LHA Willow Glen LLC, 5100 W Alameda Holdings LLC, and MWHS Creekside West, LLLP.

The Authority is periodically reimbursed for various office expenses, property manager payroll and benefits, and other maintenance costs incidental to the operations of the project.

During 2016, the Authority received the following management fees, accounting fees and reimbursed expenses from the various related entities:

	Bookkeeping Fees	Management Fees	Reimbursed Expenses
Kings Row Apartments, LLLP	\$ -	\$ 60,867	\$ 211,500
LHA Willow Glen LLC	3,360	29,017	84,960
5100 W Alameda Holdings LLC	2,400	22,803	85,300
MWHS Lamar Station, LLLP	-	53,687	241,700
MWHS CityScape LLLP	-	62,812	285,800
MWHS Creekside West, LLLP	3,936	35,424	138,400
Paloma Villas III, LLLP	-	22,341	161,500
Wolff Street Development LLLP	-	27,779	132,500
LHA Maplewood, LLLP	-	61,854	251,800
LHA Pierce Street, LLLP	-	50,692	146,600
	<u>\$ 9,696</u>	<u>\$ 427,276</u>	<u>\$ 1,740,060</u>

Developer Fees

Kings Row Apartments LLLP – A developer fee of \$1,170,000 to the Authority has been capitalized as part of the building costs. During 2016, the Partnership paid the remaining balance of \$912,425 for developer fees and the remaining balance of \$71,127 for accrued interest on developer fees.

MWHS Lamar Station, LLLP – A developer fee of \$1,930,000 to the Authority has been capitalized as part of the building costs. During 2016, the Partnership paid the remaining balance of \$12,874 for developer fees.

MWHS CityScape, LLLP – A developer fee of \$2,534,935 to the Authority has been capitalized as part of the building costs. The developer fee is to be paid out of capital contributions, per the development agreement and any remaining developer fee payable is to be paid from available cash flows. Unpaid developer fee amounts will incur interest at a rate of 4% annually. All unpaid developer fees shall be paid in full on or before December 31, 2030. During 2016, the Partnership paid \$777,254 for developer fees. As of December 31, 2016, the Partnership owed \$1,807,681 to the Authority for developer fees. No interest was incurred during 2016. Interest will begin to accrue after the final capital contribution is received.

MWHS Creekside West, LLLP – A developer fee of \$1,531,052 was capitalized as part of the building costs. During 2016, the Partnership paid \$41,303 on the deferred developer fee and \$7,121 in interest on the deferred developer fee. As of December 31, 2016, the Partnership owed \$171,525 for deferred developer fees. The remaining balance is expected to be paid from available cash flow. All unpaid principal and interest due on the 13th anniversary of the completion date. The deferred developer fee bears an interest rate at the long-term applicable federal rate (AFR) (2.61% as of December 31, 2016), compounding annually. During 2016, the Partnership incurred interest of \$3,942 on the deferred developer fee. As of December 31, 2016, the Partnership owed \$3,942 for accrued interest.

LHA Pierce Street, LLLP – A developer fee of \$27,000 to the Authority was capitalized as part of equipment. During 2016, the Partnership paid the remaining balance of \$27,000 for developer fees.

5100 W Alameda Holdings, LLC – A developer fee totaling \$1,175,308 was capitalized as part of the building costs. During 2016, the Company paid the remaining balance of \$27,998 for developer fees and the remaining balance of \$7,563 for accrued interest on developer fees.

Notes Payable

The Authority has entered into multiple loan agreements with the related entities. Provisions of the notes and balances of interest receivable/payable are detailed in Notes 4 and 7. During 2016, the related entities incurred the following interest amounts on the related party notes:

Kings Row Apartments, LLLP	\$ 366,342
LHA Willow Glen LLC	60,635
MWHS Lamar Station, LLLP	103,066
MWHS CityScape LLLP	147,512
MWHS Creekside West, LLLP	293,733
LHA Maplewood, LLLP	151,313
LHA Pierce Street, LLLP	<u>194,505</u>
	<u><u>\$ 1,317,106</u></u>

Partnership/Company Management Fees

Kings Row Apartments LLLP - Pursuant to the partnership agreement, the Partnership is to pay the Authority an annual, cumulative fee equal of \$25,000, increasing 3% each year. Amounts are paid out of available cash flow. For the year ended December 31, 2016, the Partnership incurred \$34,606 in partnership management fees. As of December 31, 2016, the Partnership owed \$354,804 for this fee.

LHA Willow Glen LLC - Pursuant to the operating agreement, the Company is to pay the Authority an annual fee equal to the lesser of (i) \$35,000 (which shall increase at 3% per annum) and (ii) the remaining gross cash receipts from operations, pursuant to section 5.1 of the operating agreement, for services provided in managing the business of the Company. During 2016, the Company incurred and paid company management fees of \$11,543.

LHA Pierce Street, LLLP - Pursuant to the partnership agreement, the Partnership is to pay the Authority a cumulative partnership management fee equal to \$5,000, adjusted annually by the annual percentage increase in CPI. During 2016, the Partnership incurred asset management fees of \$5,801. As of December 31, 2016, the Partnership owed \$5,759 for this fee.

Partnership Administration Fee

MWHS Lamar Station, LLLP - Pursuant to the partnership agreement, the Partnership is to pay the Authority a cumulative partnership administration fee equal to \$20,537, increasing annually by 3%. During 2016, the Partnership incurred partnership administration fees of \$21,788. As of December 31, 2016, the Partnership owed \$21,788 to the Authority for this fee.

MWHS CityScape, LLLP - Pursuant to the partnership agreement, the Partnership is to pay the Authority a cumulative partnership administration fee equal to \$25,000, increasing annually by 3%. During 2016, the Partnership incurred partnership administration fees of \$25,750. As of December 31, 2016, the Partnership owed \$50,750 to the Authority for this fee.

Paloma Villas III, LLLP - Pursuant to the partnership agreement, the Partnership is to pay the Authority an annual, cumulative fee equal to \$25,000, increasing 3% each year. Amounts are paid out of available cash flow; however, if cash flow is not available, the fee will accumulate but will only be expensed in the year it was paid. For the year ended December 31, 2016, the Partnership did not incur or pay any partnership administration fees to the Authority.

Wolff Street Development LLLP - Pursuant to the partnership agreement, the Partnership is to pay the Authority an annual, cumulative fee, equal to \$40,000, increasing 3% each year. Amounts are paid out of available cash flow. The fee will not be accrued but will be expensed in the year paid. For the year ended December 31, 2016, the Partnership incurred and paid \$55,795 to the Authority.

Operating Deficit Guaranty

Kings Row Apartments LLLP - Pursuant to the operating deficit guaranty, the Authority agreed to loan the Partnership \$519,744. Operating deficit loans are to be repaid as defined in the partnership agreement. As of December 31, 2016, the Partnership owed \$519,744 to the Authority for operating deficit loans.

Incentive Management Fee

LHA Willow Glen LLC – Pursuant to the operating agreement, the Company is to pay the Authority a non-cumulative fee equal to 80% of remaining gross cash receipts from operations, pursuant to section 5.1 of the operating agreement, for services provided in managing the business of the Company. The incentive management fee shall not exceed \$35,000 per year. During 2016, no incentive management fee was paid.

5100 W Alameda Holdings LLC – Pursuant to the operating agreement, the Company is to pay the Authority a non-cumulative fee equal to 80% of net cash flow available, as defined in the operating agreement, for services provided in managing the business of the Company. During 2016, the Company paid incentive management fees of \$3,563 to the Authority.

Due to related party

LHA Willow Glen LLC - The Authority loaned the Company funds to help pay for development costs. The loan is noninterest bearing and shall be paid out of cash flow as defined in the operating agreement. As of December 31, 2016, \$86,462 remained payable to the Authority.

Paloma Villas III, LLLP - The Authority made advances to the Partnership to fund major improvements to the building. As of December 31, 2016, the Partnership owed the Authority \$75,000 for the advances, which are expected to be repaid from available cash flow.

Distributions

Paloma Villas III, LLLP – Pursuant to the partnership agreement, the Partnership is to pay the partners annual distributions to the extent of available cash flow. The Partnership paid no distributions to the Authority in 2016.

Note 13 - Forgivable Loan

During 2015, the Authority received a loan in the amount of \$500,000 from Jefferson County, Colorado, the proceeds of which were loaned to CityScape at Belmar. The loan with Jefferson County is non-interest bearing and will be forgivable March 31, 2029, in exchange for providing affordable housing below market rates to low-income persons as provided in the promissory note.

Since the possibility that the Authority would fail to meet these requirements is remote, this loan is not reported as a liability in the financial statements.

Note 14 - Condensed Component Unit Information

Condensed component unit information for Lakewood Housing Corporation, the Authority's blended component unit, for the year ended December 31, 2016, is as follows:

Condensed Statement of Net Position

ASSETS	
Current Assets	\$ 5,232,635
Equity in Partnerships	1,105,428
Capital Assets	<u>6,692,909</u>
Total Assets	<u><u>\$ 13,030,972</u></u>
LIABILITIES	
Current Liabilities	\$ 128,244
Noncurrent Liabilities	<u>3,021,728</u>
Total Liabilities	3,149,972
NET POSITION	<u>9,881,000</u>
Total Liabilities and Net Position	<u><u>\$ 13,030,972</u></u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

OPERATING REVENUES	
Tenant rent	\$ 719,461
Management fees	38,400
Other	118,777
Total Operating Revenues	<u>876,638</u>
OPERATING EXPENSES	
Administrative	286,589
Maintenance	132,494
Depreciation	286,634
Utilities	62,982
Insurance	30,439
Other	80,695
Total Operating Expenses	<u>879,833</u>
OPERATING LOSS	<u>(3,195)</u>
NONOPERATING INCOME (EXPENSE)	
Interest income	1,687
Interest expense	(141,066)
Total Nonoperating Expense	<u>(139,379)</u>
Change in net position	(142,574)
NET POSITION, Beginning of year	<u>10,023,574</u>
NET POSITION, End of year	<u><u>\$ 9,881,000</u></u>

Condensed Statement of Cash Flows

NET CASH FROM:	
Operating activities	\$ (73,205)
Capital and related financing activities	29,194
Investing activities	1,687
Net decrease in cash and cash equivalents	(42,324)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,468,574</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 3,426,250</u></u>



Supplementary Information
December 31, 2016

Housing Authority of the City of
Lakewood

dba

Metro West Housing Solutions

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	Community Development Block Grants 14.218	Housing Choice Vouchers 14.871	HOME Investment Partnership Program 14.239	Lakewood Housing Corporation
Assets				
Cash and cash equivalents	\$ -	\$ 1,869,795	\$ 15,683	\$ 3,182,455
Restricted cash and cash equivalents	-	29,677	-	243,795
Accounts receivable				
Tenants	-	15,225	918	2,468
Other	-	123,027	28,399	155,639
Developer Fees	-	-	-	-
Due from discretely presented component units	-	-	-	75,000
Interprogram receivable	-	-	-	1,548,129
Prepaid expenses	-	6,010	-	14,754
Notes receivable-current portion	-	-	-	-
Other assets	-	-	-	10,395
Total current assets	-	2,043,734	45,000	5,232,635
Accrued interest receivable - long-term	-	-	-	-
Developer fees receivable - long-term	-	-	-	-
Equity in partnerships	-	-	-	1,105,428
Notes receivable, net	-	-	-	-
Non-depreciable capital assets	-	-	-	804,449
Depreciable capital assets, net	-	-	-	5,888,460
	-	-	-	7,798,337
Total assets	\$ -	\$ 2,043,734	\$ 45,000	\$ 13,030,972
Liabilities and Net Position				
Liabilities				
Accounts payable	\$ 2,361	\$ 478	\$ -	\$ 16,293
Interprogram payable	120,412	-	-	-
Accrued liabilities	-	-	-	-
Accrued compensated absences	1,996	42,094	-	15,813
Advanced revenues	-	931,525	-	1,025
Tenant security deposits payable	-	-	-	34,740
Notes, mortgages and bonds payable - current	-	-	-	60,373
Total current liabilities	124,769	974,097	-	128,244
Noncurrent Liabilities				
Tenants FFS escrow	-	6,518	-	-
Notes, mortgages and bonds payable - net of current portion	-	-	-	3,021,728
Total noncurrent liabilities	-	6,518	-	3,021,728
Total liabilities	124,769	980,615	-	3,149,972
Net Position				
Net investment in capital assets	-	-	-	3,610,808
Restricted	-	23,159	-	-
Unrestricted	(124,769)	1,039,960	45,000	6,270,192
Total net position	(124,769)	1,063,119	45,000	9,881,000
Total liabilities and net position	\$ -	\$ 2,043,734	\$ 45,000	\$ 13,030,972

Housing Authority of the City of Lakewood
 dba Metro West Housing Solutions
 Combining Statement of Net Position
 December 31, 2016

Business Activities	Total	Elimination of Intercompany Activity	Total
\$ 7,891	\$ 5,075,824	\$ -	\$ 5,075,824
300,632	574,104	-	574,104
30,199	48,810	-	48,810
1,732,378	2,039,443	(46,000)	1,993,443
179,423	179,423	-	179,423
1,039,307	1,114,307	-	1,114,307
-	1,548,129	(1,548,129)	-
91,433	112,197	-	112,197
42,453	42,453	-	42,453
-	10,395	-	10,395
3,423,716	10,745,085	(1,594,129)	9,150,956
4,472,442	4,472,442	-	4,472,442
1,799,783	1,799,783	-	1,799,783
6,526,941	7,632,369	-	7,632,369
28,620,141	28,620,141	-	28,620,141
13,349,533	14,153,982	-	14,153,982
19,101,653	24,990,113	-	24,990,113
73,870,493	81,668,830	-	81,668,830
\$ 77,294,209	\$ 92,413,915	\$ (1,594,129)	\$ 90,819,786
\$ 150,731	\$ 169,863	\$ (46,000)	\$ 123,863
1,427,717	1,548,129	(1,548,129)	-
272	272	-	272
219,726	279,629	-	279,629
34,876	967,426	-	967,426
108,306	143,046	-	143,046
1,199,846	1,260,219	-	1,260,219
3,141,474	4,368,584	(1,594,129)	2,774,455
-	6,518	-	6,518
26,334,868	29,356,596	-	29,356,596
26,334,868	29,363,114	-	29,363,114
29,476,342	33,731,698	(1,594,129)	32,137,569
4,916,472	8,527,280	-	8,527,280
-	23,159	-	23,159
42,901,395	50,131,778	-	50,131,778
47,817,867	58,682,217	-	58,682,217
\$ 77,294,209	\$ 92,413,915	\$ (1,594,129)	\$ 90,819,786

	Community Development Block Grants 14.218	Housing Choice Vouchers 14.871	HOME Investment Partnership Program 14.239	Lakewood Housing Corporation
Operating Revenues				
HUD PHA grants	\$ -	\$ 11,352,619	\$ -	\$ -
Other grants	40,000	-	165,649	-
Rental income	-	-	-	719,461
Management fees	-	-	-	38,400
Other	6,915	20,007	7,500	118,777
Total Operating Revenues	46,915	11,372,626	173,149	876,638
Operating Expenses				
Housing assistance payments	-	10,539,120	154,302	-
Administrative salaries and benefits	59,636	555,823	-	209,722
Maintenance salaries and benefits	-	-	-	63,917
Regular and extraordinary maintenance	36	28,436	-	68,577
Other administrative	11,876	118,010	-	76,867
Depreciation	-	-	-	286,634
Utilities	-	1,526	-	62,982
Insurance	957	17,200	-	30,439
Other	31,635	104,437	7,347	80,695
Total Operating Expenses	104,140	11,364,552	161,649	879,833
Operating Income (Loss)	(57,225)	8,074	11,500	(3,195)
Non-Operating Revenues (Expenses)				
Interest income	-	362	-	1,687
Gain on equity method investments	-	-	-	-
Interest expense	-	-	-	(141,066)
Total Non-Operating Revenues (Expenses)	-	362	-	(139,379)
Income (Loss) Before Transfers	(57,225)	8,436	11,500	(142,574)
Interprogram transfers	-	-	(4,000)	-
Change in Net Position	(57,225)	8,436	7,500	(142,574)
Net Position - Beginning of Year	(67,544)	1,054,683	37,500	10,023,574
Net Position - End of Year	\$ (124,769)	\$ 1,063,119	\$ 45,000	\$ 9,881,000

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2016

<u>Business Activities</u>	<u>Total</u>	<u>Elimination of Intercompany Activity</u>	<u>Total</u>
\$ -	\$ 11,352,619	\$ -	\$ 11,352,619
35,146	240,795	-	240,795
2,978,898	3,698,359	-	3,698,359
669,046	707,446	(224,372)	483,074
592,135	745,334	(6,000)	739,334
<u>4,275,225</u>	<u>16,744,553</u>	<u>(230,372)</u>	<u>16,514,181</u>
-	10,693,422	-	10,693,422
1,893,906	2,719,087	-	2,719,087
153,690	217,607	-	217,607
351,945	448,994	-	448,994
290,259	497,012	(185,972)	311,040
705,819	992,453	-	992,453
221,946	286,454	-	286,454
135,381	183,977	-	183,977
238,108	462,222	(44,400)	417,822
<u>3,991,054</u>	<u>16,501,228</u>	<u>(230,372)</u>	<u>16,270,856</u>
<u>284,171</u>	<u>243,325</u>	<u>-</u>	<u>243,325</u>
1,334,369	1,336,418	-	1,336,418
73,604	73,604	-	73,604
(1,227,136)	(1,368,202)	-	(1,368,202)
<u>180,837</u>	<u>41,820</u>	<u>-</u>	<u>41,820</u>
465,008	285,145	-	285,145
<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
469,008	285,145	-	285,145
<u>47,348,859</u>	<u>58,397,072</u>	<u>-</u>	<u>58,397,072</u>
<u>\$ 47,817,867</u>	<u>\$ 58,682,217</u>	<u>\$ -</u>	<u>\$ 58,682,217</u>



Single Audit
December 31, 2016

Housing Authority of the City of Lakewood

dba

Metro West Housing Solutions

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Agency/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Programs</i>			
Section 8 Housing Choice Vouchers Program	14.871		<u>\$ 11,352,619</u>
<i>Passed Through Colorado Department of Local Affairs</i>			
HOME Investment Partnership Program	14.239	H4HOM13080	161,649
<i>Passed Through City of Lakewood</i>			
HOME Investment Partnership Program	14.239	TM 14-0212	2,000
<i>Passed Through State of Colorado</i>			
HOME Investment Partnership Program	14.239	14-062	1,000
<i>Passed Through Jefferson County</i>			
HOME Investment Partnership Program	14.239	TM 14-0917	<u>1,000</u>
Total 14.239			<u>165,649</u>
<i>Passed Through City of Lakewood</i>			
Community Development Block Grant (CDBG)	14.218	15-09011	<u>40,000</u>
Total U.S. Department of Housing and Urban Development			<u>11,558,268</u>
Total Federal Expenditures			<u><u>\$ 11,558,268</u></u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Housing Authority of the City of Lakewood dba Metro West Housing Solutions and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. The Housing Authority of the City of Lakewood dba Metro West Housing Solutions received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note B – Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Housing Authority of the City of Lakewood's summary of significant accounting policies is presented in Note 1 in the Housing Authority of the City of Lakewood's basic financial statements.

The Authority has not elected to use the 10% de minimis cost rate.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Commissioners
Metro West Housing Solutions
Lakewood, Colorado

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 and the discretely presented component units of Metro West Housing Solutions (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 8, 2017. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
May 8, 2017



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Commissioners
Metro West Housing Solutions
Lakewood, Colorado

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Lakewood d/b/a Metro West Housing Solutions' (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, 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 compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
May 8, 2017

Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Section 8 Housing Choice Vouchers	14.871
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

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Housing Authority of the City of Lakewood
dba Metro West Housing Solutions
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

**2016-001 Department of Housing and Urban Development
CFDA #14.871 direct program
Section 8 Housing Choice Vouchers**

Compliance Requirement: Special Tests and Provision

Type of Finding: Significant deficiency in internal control over compliance.

Criteria: The PHA or owner must provide housing that is decent, safe, and sanitary. To achieve this end, the PHA must perform housing quality inspections at the time of initial occupancy and at least bi-annually thereafter to assure that the units are decent, safe, and sanitary. Further, any inspection that fails is to be remediated within 30 days of failed inspection date requires abatement of the HAP.

Condition: The Authority failed to perform housing quality inspections upon bi-annual basis as required on two of the units selected for testing.

Cause: The Authority's internal control system failed in notifying specialists of which inspections should be completed during the year.

Effect: Lack of performance of inspections within the specified time frame creates potential for unallowable HAP payments and potential life-threatening conditions that go unresolved and create the potential for the abatement of HAP.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 40 voucher payments out of approximately 1,200 voucher payments were selected for testing of HQS inspections on the related housing unit.

Repeat Finding from Prior Year(s): No

Recommendation: Eide Bailly (EB) recommends the Authority implement internal controls to ensure scheduling of inspections occurs and such inspections are documented, indicating compliance with the program requirements. EB also recommends that the Specialists ensure whether or not an inspection should be completed during re-certification processes rather than relying completely on the system generating an accurate report showing which inspections need to be completed.

Views of Responsible Officials: Two inspections were done late due to the same error. In Yardi, you create an inspection with a future due date. Each month a report is pulled for a specific month's due date, which are then scheduled and completed before the due date. Our Housing Inspector cancelled the inspections for two tenants, but did not create an inspection to replace the cancelled inspection. Without the creation of a new inspection, it was not picked up on the report used to schedule inspections.