

HOUSING AUTHORITY OF THE CITY OF LOVELAND

BASIC FINANCIAL STATEMENTS

December 31, 2016



RECEIVED

By the Office of the State Auditor at 3:21 pm, Jul 21, 2017

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	i - vii
Basic Financial Statements	
Statement of Net Position – Proprietary Funds	1
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	2
Statement of Cash Flows – Proprietary Funds	3
Notes to the Financial Statements	4 - 21
Supplemental Information	
Statement of Net Position – Nonmajor Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Proprietary Funds	23
Statement of Cash Flows – Nonmajor Proprietary Funds	24
Compliance Section	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	25 - 26
Report On Compliance For Each Major Federal Program, Report On Internal Control Over Compliance As Required By The Uniform Guidance	27 – 28
Schedule of Findings and Questioned Costs	29
Schedule of Expenditures of Federal Awards	30



JOHN CUTLER & ASSOCIATES

Board of Directors
Housing Authority of the City of Loveland
Loveland, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Loveland, 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. We did not audit the financial statements of the Loveland Elder Green House.

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.

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, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Loveland, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 basic financial statements. The statement of net position – nonmajor proprietary funds, statement of revenues, expenses and changes in net position – nonmajor funds, the statement of cash flows – nonmajor funds, the schedule of expenditures of federal awards, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Financial Data Schedule (FDS) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2017 on our consideration of the Housing Authority of the City of Loveland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Loveland's internal control over financial reporting and compliance.

John Luttrell & Associates, LLC

July 17, 2017

**HOUSING AUTHORITY OF THE CITY OF LOVELAND
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2016**

Management's Discussion and Analysis

As management of the Housing Authority of the City of Loveland, we offer the readers of the Authority's financial statements a narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Executive Director or Director of Operations.

Rock Crest is now a component unit and was added to the 2015 and 2016 totals

Financial Highlights

- The Authority had an increase of 2.28% in assets due to increase in cash across the funds, increase in LHA AR 1M for Dev fees earned, the purchase of land for Mirasol PIII (730K), SL II grant (441K), Voucher increase from prepaid funding (400K) and an offset from Depreciation.
- The assets of the Authority exceeded its liabilities as of December 31, 2016 by \$22,428,528 (net assets). This is an increase over last year of 9.28%, due to a good year for LHA mgt. company and SLII grant
- The Authority had \$12,573,583 in operating revenue, \$6,118,667 in HUD funding, and \$1,848,843 in Non-Operating Revenue.
- The Authority's cash balance as of December 31, 2016 was \$5,399,369 representing an increase of 12.74% from December 31, 2015 balance of \$4,789,276.
- The Authority's net capital outlays for the year were a reduction of \$1,267,478 for depreciation.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the Housing Authority of the City of Loveland's basic financial statements. The Housing Authority of the City of Loveland's basic financial statements are comprised of three components: 1) the major fund financial statements 2) notes to the financial statements 3) financial statements minor funds.

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 Circular A-133 an Independent Auditor's Report on Compliance and a report on Internal Control is included

Basic Financial Statements

The basic financial statements present all major funds and a combined statement for the organization. Comparison to the previous year financial statements is not a requirement of the audit and so has not been included. The Elimination column nets Advances/Due to and from that are between funds but within the same entity.

- *Statement of Net Position* – reports the Authority's current financial resources with capital assets and long-term debt obligations. Over time, increases and decreases in net assets may serve as an indicator whether financial position is improving or deteriorating.
- *Statement of Revenues, Expenses, and Changes in Net Position* - reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- *Statement of Cash Flows* – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

The basic financial statements can be found on pages one through three of this report.

Notes to the Financial Statements

The notes provide additional information that is essential in understanding the data provided in the financial statements.

Fund Financial Statements

Each fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority of the City of Loveland keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

Detailed non major fund financial statements required for the audit are found in the supplemental section. This includes Housing Quest, Home Ownership Development, CDBG DR, The Edge, and Revolving Trust.

Financial Analysis

Entity Wide Net Assets (Statement of Net Position)

Total Assets for FYE Dec 2016 was \$53,483,756 and at FYE Dec 2015 was \$52,293,695. This represents a net an increase of \$1,190,061 due to increase in cash across the funds, increase in LHA AR 1M for Dev fees earned, the purchase of land for Mirasol PIII (730K), SL II grant (441K), Voucher increase from prepaid funding (400K) and an offset from Depreciation.

Cash increased by \$610,093 or 12.74% from the prior year due to increases in balances across most of the projects.

Other Current Assets, Other Assets and Capital Assets increased in total \$191,623 between Dec 2015 and Dec 2016.

Current Liabilities decreased from \$2,709,436 in Dec 2015 to \$2,673,676 in FYE December 2016, a 1.32% decrease.

Non-Current Liabilities decreased from \$29,059,491 in Dec 2015 to \$28,381,552 in Dec 2015- 2.33%.

Net Assets increased by 9.28% between FYE December 2015 and FYE December 2016.

The following table illustrates our analysis.

	2016	2015	Net Change	Variance %
Cash	\$ 5,399,369	\$ 4,789,276	\$ 610,093	12.74%
Other Current Assets	5,109,066	3,261,620	1,847,446	56.64%
Other Assets	10,430,730	10,819,075	(388,345)	-3.59%
Capital Assets	46,979,442	48,246,920	(1,267,478)	-2.63%
Total Assets	53,483,756	52,293,695	1,190,061	2.28%
Current Liabilities	2,673,676	2,709,436	(35,760)	-1.32%
Noncurrent Liabilities	28,381,552	29,059,491	(677,939)	-2.33%
Total Liabilities	31,055,228	31,768,927	(713,699)	-2.25%
Net Investment in Capital Assets	4,362,152	1,873,347	2,488,805	132.85%
Restricted	510,140	2,009,956	(1,499,816)	-74.62%
Unrestricted	17,556,236	16,641,465	914,771	5.50%
Total Net Assets	22,428,528	20,524,768	1,903,760	9.28%

Note: This includes the elimination of \$3.9K the note receivable and advances between the Authority and Home Quest Development LLC (100K) and Rock Crest (3.8M) for the balance of the developer fee and soft notes. A detail of this elimination is found in the audit.

Entity Wide Change in Net Position (Statement of Revenues, Expenses and Changes in Fund Net Assets)

Operating Revenues increased by 15.68% from Dec 2016. Significant factors were the full year of LEGH (1.5M), SLII grant (441K) and Section 8 program (500K).

Operating Expenses increased 10.03% from Dec 2016. Significant factors were the full year of LEGH (600K) and Section 8 program (700K).

Net Non-Operating Revenues and Expenses for 2016 made up of interest income (including soft notes), interest expense, and nearly equal grant income and expense for DR program- tenant rent assistance ended in 2016.

The following table illustrates our analysis:

	2016	2015	Net Change	Variance
TOTAL OPERATING REVENUES	18,692,250	16,159,281	\$ 2,532,969	15.68%
TOTAL OPERATING EXPENSES	15,984,166	14,527,653	\$ 1,456,513	10.03%
INCOME (LOSS) FROM OPERATIONS	2,708,084	1,631,628	\$ 1,076,456	65.97%
NET NON-OPERATING REVENUES (EXPENSES)	-804,324	984,314	\$ (1,788,638)	181.71%
CHANGE IN NET POSITION	1,903,760	2,615,942	\$ (712,182)	-27.22%
Prior Period Adjustment	0	0	\$ -	
NET POSITION, Beginning	20,524,768	17,908,826	\$ 2,615,942	14.61%
NET POSITION, Ending	22,428,528	20,524,768	\$ 1,903,760	9.28%

Fund Financial Analysis

The Authority uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. Each of the funds has a specific objective and purpose to accomplish. The individual funds account for their net assets, activities and cash flows in a balancing set of books. The Authority's funds are discussed below:

Management Fund - provides maintenance and management to the individual funds of the Authority as well as other entities contracting with the Authority. Revenues are derived from outside management and maintenance contracts. The management company also provides Development services for owned developments and to outside agencies. The management company's net assets decreased due to grants to other funds within the entity.

Homequest Development, LLC - a component unit was created for the development of units and land ownership within the Mirasol Community. It owns rental units (31 in total).

Section 8 Vouchers – has 646 vouchers to provide housing for families and elderly. The source of revenue is HUD grants for direct client payments and administrative fees. Administrative fees are earned on each Voucher leased during the month. Ten VASH vouchers were added in 2016 for the Veterans at The Edge project.

Meadows Apartments – This is a 60 unit apartment complex with 1, 2 and 3 bedroom units. This complex is a tax credit property beyond the 15 year compliance period. The ownership was transferred to the Authority. The complex remains affordable housing as part of the Land Use Restriction Agreement entered into with Colorado Housing and Finance Authority. The fund has a net position of \$728,088 at December 2016.

Section 8 New Construction (221D (3))(Silver Leaf II) – 72 unit senior apartment complex is funded through a Housing Assistance Payment contract. The fund has a net position at FYE December 2016 of \$286,664. The sources of revenue are tenant rents and a Housing Assistance Payment contract.

Section 8 New Construction (Orchard Place) – Orchard Place was purchased by the Authority in December 2009 with a TCEP grant from CHFA. During 2010 the project underwent a complete renovation which was completed in October 2010. The fund has a net position at FYE December 2016 of \$1,895,656. The sources of revenue are tenant rents and a Housing Assistance Payment contract.

Willow Place Apts – This is a 20 unit apartment complex that provides housing for single parent clients and is run in conjunction with Project Self Sufficiency which provides the case management services. This fund is 100% Section 8 project based with 2 and 3 bedroom units.

Cornerstone Apartments – This is a 16 unit apartment complex made up of 1 and 2 bedroom units. This complex does not have any subsidy although the rents must remain affordable due to past and ongoing grants received for capital improvements.

LEGH – Loveland Elder Green House Home for Life Enrichment, a blended component unit of the Authority, is a 501 C(3) formed in 2011 to own a long term skilled nursing facility. The facility is Medicaid and Medicare certified for 60 units, operates under the Green House project model. At December 2014, five of the six resident buildings and the administration building were completed. The sixth building was completed in early 2015. New Market Tax Credits were used in the financing of the project.

Rock Crest Apartments – This is a 56 unit apartment complex with 1, 2 and 3 bedroom units. This complex is a tax credit property is still in the 15 year compliance period. The tax credit partner exited in August of 2016 there by giving all control of the complex the Housing Authority.

Housingquest Corporation – This fund is a for profit corporation that is used as a general partner in various tax credit partnerships and LLC's.

CDBG DR TENANT ASSISTANCE – provides assistants to tenants displaced by the 2013 flood. The source of revenue is CDBG disaster relief grants for direct client payments and administration.

Revolving Trust – Is the common paymaster for accounts payable and payroll. All payments are processed using this fund. Each fund reimburses the Trust for amounts paid on its behalf.

Future Events and Economic Factors

- The Authority continues to pursue ways to accomplish our mission of *providing low and moderate income residents with opportunities for home and community through housing.*
- In conjunction with housing, the Authority is dedicating resources for Resident Services Initiatives focusing on Homeless Vets and Seniors plus running a Capital Campaign to raise funds to build an additional 3 Green House Homes.
- The Community Development Block Grant Disaster Relief Funding has provided and will continue into 2017 opportunity for home rehabilitation and homeownership for survivors of the 2012 High Park Fire and the 2013 floods.
- LHA will be applying for 9% Low Income Housing Tax Credits to build 60 units of Senior Housing on adjacent land acquired to expand the Mirasol Campus. There will also be a Colorado Division of Housing grant application submitted for this project as well.
- The Authority is exploring the possibility of buying 2 parcels of land; one adjacent to The EDGE and one south of Hwy 34 on Sculpture Drive.
- The Authority will also be assisting LHDC, WHA and possibly Milliken with the search for land purchase opportunities.
- The Authority-plans to sell Lone Tree to the Estes Park Housing Authority in 2017.
- LHA is currently working in partnership with Project Self Sufficiency to evaluate opportunities to provide an additional 20 affordable housing units for program participants.
- The Authority plans to implement a resident online application system and will begin working towards a paperless computer system.
- The Authority is planning a \$1mm addition/remodel of the existing Administration building.
- Complete Meadows feasibility study for possible rehabilitation the 60 unit complex.

- In summary, we expect 2017 to be a year of growth and change. Along with the Authority's continued work on process and improvements to operations, there will be several long term staff changes/retirement.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF LOVELAND

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2016

	MANAGEMENT FUND	HOME QUEST	SECTION 8 VOUCHERS	MEADOWS	SILVER LEAF II
ASSETS					
CURRENT ASSETS					
Cash	\$ 2,373,922	\$ 87,591	\$ 189,897	\$ 362,881	\$ 577,465
Accounts Receivable - Tenants	-	125	-	4,742	43
Accounts Receivable - Other	3,833,563	-	-	-	-
Due from Other Funds	536,810	-	-	-	-
Prepaid Expenses	13,262	6,636	-	6,246	6,284
Inventory	26,684	-	-	-	-
Assets Held for Resale	729,627	-	-	-	-
TOTAL CURRENT ASSETS	7,513,868	94,352	189,897	373,869	583,792
NON-CURRENT ASSETS					
Restricted Cash - Tenant Security Deposits	-	27,285	-	25,021	20,557
Restricted Cash - Project Reserves	-	-	463,056	-	-
Advance to Other Funds	3,361,157	-	-	-	-
Investment in Maple Terrace Renewable Energy LLC	-	-	-	-	-
Notes Receivable	8,814,870	75,000	-	-	-
Accrued Interest Receivable	731,120	17,831	-	-	-
Other Assets	-	-	-	-	-
Loan Fees, Net of Accumulated Amortization	-	-	-	-	7,095
Capital Assets, Not Being Depreciated	279,994	1,683,903	-	117,467	139,996
Capital Assets, Being Depreciated	1,211,323	3,868,243	-	1,715,397	1,318,892
TOTAL NON-CURRENT ASSETS	14,398,464	5,672,262	463,056	1,857,885	1,486,540
TOTAL ASSETS	\$ 21,912,332	\$ 5,766,614	\$ 652,953	\$ 2,231,754	\$ 2,070,332
CURRENT LIABILITIES					
Accounts Payable	\$ 91,012	\$ 9,065	\$ 9,120	\$ 15,474	\$ 11,653
Accrued Expenses	274,676	3,024	23,584	5,112	6,497
Due to Other Funds	-	100,000	-	-	-
Unearned Revenues	-	302	431,572	2,188	3,322
Accrued Interest Payable	1,654	-	-	-	4,493
Capital Lease - Current Portion	-	-	-	-	-
Notes Payable - Current Portion	-	-	-	-	-
Mortgage Payable - Current Portion	69,336	144,133	-	35,976	44,374
TOTAL CURRENT LIABILITIES	436,678	256,524	464,276	58,750	70,339
LONG-TERM LIABILITIES					
Tenant Security Deposits	-	27,152	-	24,144	18,322
Advance from Other Funds	-	41,069	-	-	-
Capital Lease	-	-	-	-	-
Notes Payable	550,000	-	-	-	-
Mortgage Payable	514,465	4,621,895	-	1,420,772	1,695,007
TOTAL LONG-TERM LIABILITIES	1,064,465	4,690,116	-	1,444,916	1,713,329
TOTAL LIABILITIES	1,501,143	4,946,640	464,276	1,503,666	1,783,668
NET POSITION					
Net Investment in Capital Assets	907,516	786,118	-	376,116	(280,493)
Restricted	-	-	463,056	-	-
Unrestricted	19,503,673	33,856	(274,379)	351,972	567,157
TOTAL NET POSITION	20,411,189	819,974	188,677	728,088	286,664
TOTAL LIABILITIES AND NET POSITION	\$ 21,912,332	\$ 5,766,614	\$ 652,953	\$ 2,231,754	\$ 2,070,332

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

ORCHARD PLACE	WILLOW PLACE	ROCK CREST	NONMAJOR PROPRIETARY			TOTALS	
			LEGH	FUNDS	ELIMINATION	2016	2015
\$ 359,798	\$ 558,435	\$ 236,623	\$ 352,411	\$ 300,346	\$ -	\$ 5,399,369	\$ 4,789,276
5,490	3,564	3,843	120,469	337	-	138,613	147,723
-	196,297	-	57,324	4,747	-	4,091,931	2,924,833
-	-	-	-	-	(536,810)	-	-
13,362	643	10,290	62,311	3,177	-	122,211	142,919
-	-	-	-	-	-	26,684	46,145
-	-	-	-	-	-	729,627	-
<u>378,650</u>	<u>758,939</u>	<u>250,756</u>	<u>592,515</u>	<u>308,607</u>	<u>(536,810)</u>	<u>10,508,435</u>	<u>8,050,896</u>
10,990	9,442	24,080	-	4,376	-	121,751	118,249
-	-	47,084	-	-	-	510,140	2,206,331
-	-	-	-	-	(3,361,157)	-	-
-	-	-	-	-	-	-	49,898
-	-	-	-	-	-	8,889,870	7,571,777
-	-	-	-	-	-	748,951	669,747
-	-	-	-	-	-	-	859
-	-	10,978	141,945	-	-	160,018	202,214
192,515	157,766	504,000	820,750	107,730	-	4,004,121	4,004,121
4,058,841	971,667	2,781,836	12,068,545	545,726	-	28,540,470	29,419,603
<u>4,262,346</u>	<u>1,138,875</u>	<u>3,367,978</u>	<u>13,031,240</u>	<u>657,832</u>	<u>(3,361,157)</u>	<u>42,975,321</u>	<u>44,242,799</u>
<u>\$ 4,640,996</u>	<u>\$ 1,897,814</u>	<u>\$ 3,618,734</u>	<u>\$ 13,623,755</u>	<u>\$ 966,439</u>	<u>\$ (3,897,967)</u>	<u>\$ 53,483,756</u>	<u>\$ 52,293,695</u>
\$ 8,617	4,832	\$ 30,699	\$ 249,069	\$ 6,164	\$ -	\$ 435,705	\$ 281,324
15,558	2,904	-	175,654	52,410	-	559,419	567,437
-	-	342,197	-	94,613	(536,810)	-	356,745
2,385	1,346	6,787	59,856	1,598	-	509,356	367,698
6,980	283,963	-	-	184,366	-	481,456	422,359
-	-	-	2,339	-	-	2,339	2,339
-	-	-	261,015	-	-	261,015	301,753
68,959	14,690	39,631	-	7,287	-	424,386	409,781
<u>102,499</u>	<u>307,735</u>	<u>419,314</u>	<u>747,933</u>	<u>346,438</u>	<u>(536,810)</u>	<u>2,673,676</u>	<u>2,709,436</u>
9,855	8,013	22,194	-	3,328	-	113,008	105,518
-	-	3,320,088	-	-	(3,361,157)	-	-
-	-	-	-	-	-	-	3,194
-	1,013,027	-	13,318,115	658,537	-	15,539,679	15,799,839
2,632,986	561,147	1,004,249	-	278,344	-	12,728,865	13,150,940
<u>2,642,841</u>	<u>1,582,187</u>	<u>4,346,531</u>	<u>13,318,115</u>	<u>940,209</u>	<u>(3,361,157)</u>	<u>28,381,552</u>	<u>29,059,491</u>
2,745,340	1,889,922	4,765,845	14,066,048	1,286,647	(3,897,967)	31,055,228	31,768,927
1,549,411	(743,394)	2,241,956	13,439,524	(475,078)	-	4,362,152	1,873,347
-	-	47,084	-	-	-	510,140	2,009,956
346,245	751,286	(3,436,151)	(442,293)	154,870	-	17,556,236	16,641,465
<u>1,895,656</u>	<u>7,892</u>	<u>(1,147,111)</u>	<u>(442,293)</u>	<u>(320,208)</u>	<u>-</u>	<u>22,428,528</u>	<u>20,524,768</u>
<u>\$ 4,640,996</u>	<u>\$ 1,897,814</u>	<u>\$ 3,618,734</u>	<u>\$ 13,623,755</u>	<u>\$ 966,439</u>	<u>\$ (3,897,967)</u>	<u>\$ 53,483,756</u>	<u>\$ 52,293,695</u>

HOUSING AUTHORITY OF THE CITY OF LOVELAND

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

	MANAGEMENT FUND	HOME QUEST	SECTION 8 VOUCHERS	MEADOWS	SILVER LEAF II
OPERATING REVENUES					
Rental	\$ 18,228	\$ 556,252	\$ -	\$ 516,146	\$ 246,996
Management Fees	1,067,674	-	-	-	-
Maintenance Fees	651,778	-	-	-	-
Developer Fees	2,125,936	-	-	-	-
Grants and Contributions	135,000	-	4,920,699	-	670,830
Other	148,408	1,868	21,513	12,300	3,569
TOTAL OPERATING REVENUES	4,147,024	558,120	4,942,212	528,446	921,395
OPERATING EXPENSES					
Housing Assistance Payments	-	-	4,564,576	-	-
General and Administrative	1,270,418	132,013	394,903	120,933	125,599
Utilities	24,308	16,501	-	43,134	56,256
Maintenance and Operations	511,788	49,613	-	116,625	99,390
Taxes and Insurance	237,695	23,577	38,738	18,223	30,778
Capital Improvements	6,762	14,243	-	47,766	17,996
Amortization	-	-	-	-	4,729
Depreciation	56,670	186,386	-	76,065	109,541
TOTAL OPERATING EXPENSES	2,107,641	422,333	4,998,217	422,746	444,289
INCOME (LOSS) FROM OPERATIONS	2,039,383	135,787	(56,005)	105,700	477,106
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	378,253	5,656	1,413	1,310	953
Interest Expense	(21,250)	(136,515)	-	(54,145)	(53,763)
Grant Revenue	-	-	-	-	-
Grant Expense	-	-	-	-	-
Gain (Loss) on Sale of Assets	-	-	-	-	-
NET NON-OPERATING REVENUES (EXPENSES)	357,003	(130,859)	1,413	(52,835)	(52,810)
NET INCOME (LOSS) BEFORE TRANSFERS	2,396,386	4,928	(54,592)	52,865	424,296
TRANSFERS					
Transfer In	-	-	-	-	-
Transfer Out	-	-	-	-	-
TOTAL TRANSFERS	-	-	-	-	-
CHANGE IN NET POSITION	2,396,386	4,928	(54,592)	52,865	424,296
NET POSITION, Beginning	18,014,803	815,046	243,269	675,223	(137,632)
NET POSITION, Ending	\$ 20,411,189	\$ 819,974	\$ 188,677	\$ 728,088	\$ 286,664

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

ORCHARD PLACE	WILLOW PLACE	ROCK CREST	LEGH	NONMAJOR PROPRIETARY FUNDS	TOTALS	
					2016	2015
\$ 112,087	\$ 269,637	\$ 488,168	\$ 6,124,365	\$ 108,443	\$ 8,440,322	\$ 6,802,710
-	-	-	-	-	1,067,674	996,317
-	-	-	-	-	651,778	665,361
-	-	-	-	-	2,125,936	2,133,026
392,138	-	-	-	-	6,118,667	5,228,481
<u>13,183</u>	<u>1,561</u>	<u>8,959</u>	<u>47,487</u>	<u>29,025</u>	<u>287,873</u>	<u>333,386</u>
<u>517,408</u>	<u>271,198</u>	<u>497,127</u>	<u>6,171,852</u>	<u>137,468</u>	<u>18,692,250</u>	<u>16,159,281</u>
-	-	-	-	-	4,564,576	3,890,623
128,793	59,860	180,192	5,459,389	58,682	7,930,782	7,259,591
31,087	10,301	37,547	-	11,336	230,470	211,652
97,132	52,807	159,938	-	32,332	1,119,625	1,062,902
20,881	10,684	14,617	-	5,270	400,463	409,776
30,827	36,962	-	-	13,811	168,367	168,459
-	-	858	35,486	-	41,073	41,073
<u>187,397</u>	<u>53,262</u>	<u>210,310</u>	<u>620,088</u>	<u>29,091</u>	<u>1,528,810</u>	<u>1,483,577</u>
<u>496,117</u>	<u>223,876</u>	<u>603,462</u>	<u>6,114,963</u>	<u>150,522</u>	<u>15,984,166</u>	<u>14,527,653</u>
<u>21,291</u>	<u>47,322</u>	<u>(106,335)</u>	<u>56,889</u>	<u>(13,054)</u>	<u>2,708,084</u>	<u>1,631,628</u>
198	2,395	1,270	32	2,559	394,039	401,771
(83,790)	(55,552)	(312,301)	(453,298)	(33,451)	(1,204,065)	(741,481)
-	-	-	-	64,920	64,920	1,369,839
-	-	-	-	(59,218)	(59,218)	(123,048)
-	-	-	-	-	-	77,233
<u>(83,592)</u>	<u>(53,157)</u>	<u>(311,031)</u>	<u>(453,266)</u>	<u>(25,190)</u>	<u>(804,324)</u>	<u>984,314</u>
<u>(62,301)</u>	<u>(5,835)</u>	<u>(417,366)</u>	<u>(396,377)</u>	<u>(38,244)</u>	<u>1,903,760</u>	<u>2,615,942</u>
-	-	-	-	-	-	797,845
-	-	-	-	-	-	(797,845)
-	-	-	-	-	-	-
(62,301)	(5,835)	(417,366)	(396,377)	(38,244)	1,903,760	2,615,942
<u>1,957,957</u>	<u>13,727</u>	<u>(729,745)</u>	<u>(45,916)</u>	<u>(281,964)</u>	<u>20,524,768</u>	<u>17,908,826</u>
<u>\$ 1,895,656</u>	<u>\$ 7,892</u>	<u>\$ (1,147,111)</u>	<u>\$ (442,293)</u>	<u>\$ (320,208)</u>	<u>\$ 22,428,528</u>	<u>\$ 20,524,768</u>

HOUSING AUTHORITY OF THE CITY OF LOVELAND

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Increase (Decrease) in Cash
 Year Ended December 31, 2016

	MANAGEMENT FUND	HOME QUEST	SECTION 8 VOUCHERS	MEADOWS	SILVER LEAF II
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Tenants and Others	\$ 2,872,054	\$ 560,870	\$ 5,373,784	\$ 529,132	\$ 1,159,444
Cash Payments to Suppliers	(1,938,465)	(231,417)	(4,990,386)	(360,762)	(335,994)
Net Cash Provided (Used) by Operating Activities	<u>933,589</u>	<u>329,453</u>	<u>383,398</u>	<u>168,370</u>	<u>823,450</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of Property and Equipment	(43,917)	-	-	(13,409)	(537,624)
Sale of Property and Equipment	(729,627)	-	-	-	-
Change in Assets Limited as to Use	-	-	-	-	-
Payments (to) from Other Funds	(3,721,985)	(27,711)	-	-	-
Cash Paid for Notes Receivable	(268,093)	-	-	-	-
Grants Received	-	-	-	-	-
Grants Paid	-	-	-	-	-
Cash Received from Issuance of Debt	-	-	-	-	-
Principal Payments on Notes and Mortgages	(66,674)	(139,470)	-	(33,827)	(42,789)
Interest Payments on Notes and Mortgages	(21,439)	(136,515)	-	(54,145)	(53,874)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,851,735)</u>	<u>(303,696)</u>	<u>-</u>	<u>(101,381)</u>	<u>(634,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	<u>2,328,845</u>	<u>15</u>	<u>1,413</u>	<u>1,310</u>	<u>953</u>
NET INCREASE (DECREASE) IN CASH	(1,589,301)	25,772	384,811	68,299	190,116
CASH, Beginning	<u>3,963,223</u>	<u>89,104</u>	<u>268,142</u>	<u>319,603</u>	<u>407,906</u>
CASH, Ending	<u>\$ 2,373,922</u>	<u>\$ 114,876</u>	<u>\$ 652,953</u>	<u>\$ 387,902</u>	<u>\$ 598,022</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Income (Loss) from Operations	2,039,383	135,787	(56,005)	105,700	477,106
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities					
Depreciation and Amortization	56,670	186,386	-	76,065	114,270
Forgiveness of Development Fee Waiver	-	-	-	-	-
Changes in Assets and Liabilities					
Accounts Receivable	(1,274,970)	67	-	(1,753)	240,324
Prepaid Expenses	6,619	(324)	-	(702)	142
Inventory	19,461	-	-	-	-
Accounts Payable	55,568	4,408	2,655	(8,557)	(6,084)
Accrued Expenses	30,858	446	5,176	(4,822)	(33)
Due to Related Party	-	-	-	-	-
Unearned Revenues	-	(1,445)	431,572	569	(1,708)
Tenant Security Deposits	-	4,128	-	1,870	(567)
Net Cash Provided (Used) by Operating Activities	<u>\$ 933,589</u>	<u>\$ 329,453</u>	<u>\$ 383,398</u>	<u>\$ 168,370</u>	<u>\$ 823,450</u>

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

ORCHARD PLACE	WILLOW PLACE	ROCK CREST	LEGH	NONMAJOR PROPRIETARY FUNDS	TOTALS	
					2016	2015
\$ 516,840	\$ 267,007	\$ 501,932	\$ 5,845,821	\$ 138,773	\$ 17,765,657	\$ 15,318,633
(310,327)	(173,480)	(380,630)	(5,395,786)	(111,538)	(14,228,785)	(13,044,951)
<u>206,513</u>	<u>93,527</u>	<u>121,302</u>	<u>450,035</u>	<u>27,235</u>	<u>3,536,872</u>	<u>2,273,682</u>
-	(36,454)	(8,883)	137,618	-	(502,669)	(2,609,070)
-	-	-	-	44,180	(685,447)	1,855,315
-	-	-	-	-	-	37,176
-	-	231,385	-	-	(3,518,311)	1,455,768
-	-	-	-	(37,000)	(305,093)	(3,179,830)
-	-	-	-	108,775	108,775	99,532
-	-	-	-	(59,218)	(59,218)	(123,048)
-	-	-	-	-	-	697,826
(66,225)	(14,154)	(35,330)	(396,037)	(57,021)	(851,527)	(698,044)
(83,961)	(17,846)	(312,301)	(453,298)	(11,589)	(1,144,968)	(456,238)
<u>(150,186)</u>	<u>(68,454)</u>	<u>(125,129)</u>	<u>(711,717)</u>	<u>(11,873)</u>	<u>(6,958,458)</u>	<u>(2,920,613)</u>
198	2,395	1,270	32	2,559	2,338,990	82,817
56,525	27,468	(2,557)	(261,650)	17,921	(1,082,596)	(564,114)
<u>314,263</u>	<u>540,409</u>	<u>310,344</u>	<u>614,061</u>	<u>286,801</u>	<u>7,113,856</u>	<u>7,677,970</u>
<u>\$ 370,788</u>	<u>\$ 567,877</u>	<u>\$ 307,787</u>	<u>\$ 352,411</u>	<u>\$ 304,722</u>	<u>\$ 6,031,260</u>	<u>\$ 7,113,856</u>
-	-	-	-	-	-	-
21,291	47,322	(106,335)	56,889	(13,054)	2,708,084	1,631,628
187,397	53,262	211,168	655,574	29,091	1,569,883	1,524,650
-	-	-	-	-	-	(14,603)
(1,450)	(3,360)	250	(36,565)	885	(1,076,572)	(1,149,274)
1	26	(2,074)	(3,744)	20,763	20,707	(16,053)
-	-	-	-	-	19,461	(3,271)
(2,542)	(3,054)	13,738	94,660	3,589	154,381	(36,629)
934	162	-	(27,313)	(13,628)	(8,220)	60,981
-	-	-	-	-	-	(43,928)
(318)	(830)	3,495	(289,466)	(211)	141,658	318,056
<u>1,200</u>	<u>(1)</u>	<u>1,060</u>	<u>-</u>	<u>(200)</u>	<u>7,490</u>	<u>2,125</u>
<u>\$ 206,513</u>	<u>\$ 93,527</u>	<u>\$ 121,302</u>	<u>\$ 450,035</u>	<u>\$ 27,235</u>	<u>\$ 3,536,872</u>	<u>\$ 2,273,682</u>

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The financial reporting entity consists of the Authority and organizations for which the Authority is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. In addition, any legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Authority.

Based upon the application of these criteria, the Authority has included the following organizations within its reporting entity:

Housing Quest Corporation

The Housing Quest Corporation (the “Corporation”) is a legally separate organization. The Corporation is financially dependent on the Authority and its Board is comprised of employees and directors of the Authority. The Corporation is included in the financial statements as a blended component unit.

Home Quest Development, LLC

The Home Quest Development LLC (the “Company”) is a legally separate organization formed to assist in the development of the Mirasol project. The Authority is the sole member of the Company. The Company is included in the financial statements as a blended component unit.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Loveland Elder Green House

The Loveland Elder Green House Homes for Life Enrichment (“LEGH”), a Colorado nonprofit is a legally separate entity formed to own the Green House homes at Mirasol, a skilled nursing facility. The board of LEGH is made up of the five Commissioners from the Authority Board and two other members. The Authority is the only member of the 501c(3) corporation and guaranteed the debt for the LEGH facility. LEGH is included in the financial statements as a blended component unit. Separate financial statements may be obtained by contacting the Authority.

Rock Crest, LLLP

The Rock Crest, LLLP (“Rock Crest”), a Colorado Limited Partnership is a legally separate entity formed to for the purpose of constructing, acquiring, owning, operating, managing and selling or otherwise disposing of a 56-unit rental housing project in Loveland, Colorado known as Rock Crest Apartments. As of December 31, 2016, the partnership of Rock Crest consists of Housing Quest as a 0.01% General Partner and LHA as a 99.99% Limited Partner. Rock Crest is included in the financial statements as a blended component unit. Separate financial statements may be obtained by contacting the Authority.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses funds to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. All of the Authority’s funds are classified as enterprise fund types.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Major individual funds are reported as separate columns in the financial statements.

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

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Authority reports the following major proprietary funds:

Management Fund – This fund accounts for the financial activities associated with the Authority's general operations.

Home Quest Fund – This fund is used to account for the financial activities of the Home Quest Development, LLC.

Section 8 Vouchers Fund – This fund is used to account for the financial activities of the Authority's Housing Choice Voucher program.

Meadows Fund – This fund is used to account for the financial activities associated with the Meadows Apartments complex.

Silver Leaf II Fund – This fund is used to account for the financial activities associated with the Silver Leaf II housing project.

Orchard Place Fund – This fund accounts for the financial activities associated with the Authority's Orchard Place apartment complex which is a HUD multi-family project.

Willow Place Fund – This fund is used to account for the financial activities associated with the Willow Place apartment complex.

Rock Crest Fund – This fund is used to account for the financial activities associated with the Rock Crest project.

LEGH Fund – This fund is used to account for the financial activities associated with the Loveland Elder Green House at Mirasol.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Cash and Investments – Cash and cash equivalents include amounts in deposit accounts and short-term investments with an original maturity of three months or less. Investments are recorded at fair value.

Receivables – The Authority’s policy is to expend receivables as bad debts at the time they are determined to be uncollectible.

Capital Assets – The Authority capitalizes all assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest is capitalized during the construction phase.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings and improvements, 18 - 50 years; equipment, 3 - 15 years.

Unearned Revenues – Unearned revenues include grant funds that have been collected but the corresponding expenditures have not been incurred.

Compensated Absences – Employees of the Authority earned Paid Time Off (PTO). An employee may accrue a maximum of two years’ worth of PTO, depending on the employee’s the length of service. Once an employee reaches the maximum amount, no additional PTO is accrued. These compensated absences are recognized as a liability when earned.

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the Authority’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Authority typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority purchases commercial insurance for these risks of loss. Settled claims have not exceeded this coverage in the last three years.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Although not considered a component unit for the year ended December 31, 2015, the comparative data reported includes the activity for Rock Crest for comparative purposes.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CASH AND INVESTMENTS

Cash and Investments reported in the December 31, 2016 financial statements consisted of the following:

Cash	\$ 5,399,369
Tenant Security Deposits - Restricted	121,751
Project Reserves - Restricted	<u>510,140</u>
 Total	 <u>\$ 6,031,260</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At December 31, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the Authority are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Authority has no policy regarding custodial credit risk for deposits.

At December 31, 2016, the Authority had deposits with financial institutions with a carrying amount of \$6,031,260. The bank balances with the financial institutions were \$6,292,447. Of these balances, \$1,211,623 was covered by federal depository insurance and \$5,080,824 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

The Authority has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. This policy enables the Executive Director and Board Chairperson to select securities for any operating funds in excess of its prudently estimated needs for sixty days. The allowed investments include the investments listed below.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

The Authority did not have any investments requiring categorization of credit risk as of December 31, 2016 and had no policy for managing credit risk.

Restricted Cash

Restricted cash is maintained by the following funds for security deposits, escrow deposits, and operating and project reserves.

Home Quest	\$ 27,285
Section 8 Vouchers	463,056
Meadows	25,021
Silver Leaf II	20,557
Orchard Place	10,990
Willow Place	9,442
Rock Crest	71,164
Cornerstone	<u>4,376</u>
Total	<u>\$ 631,891</u>

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 4: INTERFUND ACTIVITY

Interfund activity as of and for the year ended December 31, 2016 consisted of the following:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
Management Fund	CDBG Tenant Assistance	\$ 29,247
Management Fund	Revolving Trust Fund	65,366
Management Fund	Rock Crest Fund	342,197
Management Fund	Home Quest Fund	<u>100,000</u>
Total		<u>\$ 536,810</u>

The Management Fund is due developer fees from the Home Quest Fund and the Rock Crest Fund. The Management Fund also provides funding for ongoing operating expenses for the CDBG Tenant Assistance Fund and the Revolving Trust Funds.

<u>Advances To Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
Management Fund	Rock Crest Fund	3,320,088
Management Fund	Home Quest Fund	<u>41,069</u>
Total		<u>\$ 3,361,157</u>

The Management Fund advanced funds to the Rock Crest Fund. This advance is secured by interest in real property and accrues interest at 8% compounding annually. The entire balance and accrued interest on the \$400,000 note is due in 2047, the \$150,000 and \$500,000 notes are due in 2046. These advances include accrued interest of \$2,270,088 as of December 31, 2016.

The Management Fund has advanced funding to the Home Quest Fund for the construction and development of capital assets.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 5: NOTES RECEIVABLE

At December 31, 2016, notes receivable consisted of the following:

	<u>Notes</u>	<u>Accrued Interest</u>
Management Fund		
Mirasol Senior Housing Partnership, LLLP	\$ 89,733	\$ 4,519
Mirasol Senior Housing Partnership, LLLP	490,068	147,455
Mirasol Senior Housing Partnership, LLLP	356,654	134,971
Mirasol Senior Housing Partnership, LLLP	600,000	379,595
Mirasol Senior Housing Partnership II, LLLP	40,000	9,510
Mirasol Senior Housing Partnership II, LLLP	456,245	55,070
Loveland Housing Development Corporation	400,000	-
Chase NMTC Mirasol Investment Fund LLC	2,000,000	-
The EDGE LLLP	3,000,000	-
The EDGE LLLP	135,000	-
The EDGE LLLP	1,247,170	-
Home Quest Fund		
Mirasol Senior Housing Partnership II, LLLP	<u>75,000</u>	<u>17,831</u>
Total	<u>\$ 8,889,870</u>	<u>\$ 748,951</u>

Mirasol Senior Housing Partnership, LLLP

The \$100,000 CDBG note is secured by interest in real property and accrues interest at 4.75% annually. The entire principal balance and all accrued interest are due in 2046.

The \$490,068 Fee Waiver note is secured by interest in real property and accrues interest at 3% annually. The entire principal balance and all accrued interest are due in 2045.

The \$356,654 FHLB note is secured by interest in real property and accrues interest at 3.15% annually. The entire principal balance and all accrued interest are due in 2035.

The \$600,000 DOH note is secured by interest in real property and accrues interest at 1% annually. The entire principal balance and all accrued interest are due in 2046.

Mirasol Senior Housing Partnership II, LLLP

The \$40,000 CDBG note is secured by interest in real property and accrues interest at 7.5% annually. The entire principal balance and all accrued interest are due in 2052.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: **NOTES RECEIVABLE** (Continued)

Mirasol Senior Housing Partnership II, LLLP (Continued)

The \$456,245 note with LHA is secured by interest in real property and accrues interest at 7.5% annually. The entire principal balance and all accrued interest are due in 2053.

The \$75,000 note with Home Quest is secured by interest in real property and accrues interest at 7.5% annually. The entire principal balance and all accrued interest are due in 2052.

Loveland Housing Development Corporation

The \$400,000 note is unsecured and accrues no interest. The entire principal balance was due in May 2011. The maturity date may be extended in increments of 5 years at the sole discretion of the Authority. The development fee receivable in the amount of \$494 is not secured and does not accrue interest. Payments shall be made to the extent of the excess cash flow from the operation of Brookstone Apartments.

Chase NMTC Mirasol Investment Fund LLC

The \$2,000,000 note was issued in December 2014 and is secured by 100 percent security interest in the LLC's tangible and intangible property. The note carries an interest rate of 1%. Monthly interest only payments are due beginning January 2014. Beginning in January 2021 (seven years after the amortization commencement date), monthly principal and interest payments in the amount of \$18,884 are due. The entire balance and all accrued interest is due in March 2030.

The EDGE, LLLP

The \$3,000,000 notes payable are secured by interest in real property and does not accrue interest. The entire principal balance is due in 2045.

The \$135,000 Community Development Block Grant not is secured by interest in real property and does not accrue interest. The entire principal balance is due in 2045.

The \$1,247,170 fee waiver note payable is secured by interest in real property and does not accrue interest. The entire principal balance is due in 2045.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: CAPITAL ASSETS

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

	Balance 12/31/2015 <u>(as Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance 12/31/2016
Capital assets, Not Being Depreciated				
Land	\$ 3,675,934	\$ -	\$ -	\$ 3,675,934
Water Rights	<u>328,187</u>	<u>-</u>	<u>-</u>	<u>328,187</u>
Total Capital assets, Not Being depreciated	<u>4,004,121</u>	<u>-</u>	<u>-</u>	<u>4,004,121</u>
Capital Assets, Being Depreciated				
Buildings	37,297,920	601,471	-	37,899,391
Improvements	133,284	10,276	-	143,560
Equipment	<u>1,356,428</u>	<u>37,930</u>	<u>-</u>	<u>1,394,358</u>
Total Capital Assets, Being Depreciated	<u>38,787,632</u>	<u>649,677</u>	<u>-</u>	<u>39,437,309</u>
Accumulated Depreciation				
Buildings	8,625,279	1,399,321	-	10,024,600
Improvements	104,874	4,535	-	109,409
Equipment	<u>637,876</u>	<u>124,954</u>	<u>-</u>	<u>762,830</u>
Total Accumulated Depreciation	<u>9,368,029</u>	<u>1,528,810</u>	<u>-</u>	<u>10,896,839</u>
Total Capital Assets, Being Depreciated, Net	<u>29,419,603</u>	<u>(879,133)</u>	<u>-</u>	<u>28,540,470</u>
Net Capital Assets	<u>\$ 33,423,724</u>	<u>\$ (879,133)</u>	<u>\$ -</u>	<u>\$ 32,544,591</u>

The beginning balance of Property and Equipment was restated to include amounts related to the Rock Crest property.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 6: CAPITAL ASSETS (Continued)

Depreciation has been charged to programs of the Authority as follows:

Management	\$	56,670
Home Quest		186,386
Meadows		76,065
Silver Leaf II		109,541
Orchard Place		187,397
Willow Place		53,262
Cornerstone		29,091
Rock Crest		210,310
LEGH		<u>620,088</u>
Total	<u>\$</u>	<u>1,528,810</u>

NOTE 7: LONG-TERM DEBT

Following is a summary of the Authority's long-term debt transactions for the year ended December 31, 2016:

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Due In</u> <u>One Year</u>
Management Fund					
Mortgage Payable – FNB	\$ 650,475	\$ -	\$ 66,674	\$ 583,801	\$ 69,336
Note Payable – FHLB	150,000	-	-	150,000	-
Note Payable – FHLB	400,000	-	-	400,000	-
Orchard Place Fund					
Mortgage Payable – First Bank	2,768,170	-	66,225	2,701,945	68,959
Willow Place Fund					
Note Payable – LHDC	1,013,027	-	-	1,013,027	-
Mortgage Payable – First Bank	589,991	-	14,154	575,837	14,690
Cornerstone Fund					
Note Payable - LHDC	658,537	-	-	658,537	-
Mortgage Payable – First Bank	292,652	-	7,021	285,631	7,287
Housing Quest Fund					
Note Payable – LHDC	50,000	-	50,000	-	-
Meadows Fund					
Mortgage Payable – BOC	1,490,575	-	33,827	1,456,748	35,976

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: LONG-TERM DEBT (Continued)

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Due In</u> <u>One Year</u>
Home Quest Fund					
Mortgage Payable – FNB	691,599	-	17,386	674,213	18,381
Mortgage Payable – FNB	4,213,899	-	122,083	4,091,815	125,752
Silver Leaf II Fund					
Mortgage Payable – First Bank	1,782,170	-	42,789	1,739,381	44,374
Rock Crest Fund					
Mortgage Payable - CHFA	1,081,190	-	37,310	1,043,880	39,631
LEGH Fund					
Capital Lease	5,533	-	3,194	2,339	2,339
Notes Payable – CDE	10,340,000	-	-	10,340,000	-
Note Payable – State of Colorado	2,000,000	-	57,456	1,942,544	57,456
Developer Fee – City of Loveland	569,532	-	29,207	540,325	29,208
NCB Capital Impact Loan	<u>920,496</u>	<u>-</u>	<u>164,235</u>	<u>756,261</u>	<u>174,351</u>
Total	<u>\$ 29,667,846</u>	<u>\$ -</u>	<u>\$ 711,561</u>	<u>\$ 28,956,284</u>	<u>\$ 687,740</u>

Management Fund

Mortgage Payable – First National Bank (FNB)

This mortgage dated May 2014 was obtained to refinance the mortgage with First National Bank for the administrative offices. Monthly principal and interest payments ranging from \$7,343 to \$7,570 are due through May 2024. The mortgage is secured by interest in real property and accrues interest at a rate of 3.4% per year for the first five years and not to exceed the 5-year treasury rate plus 2.54 basis points for the last five years.

Note Payable – Federal Home Loan Bank (FHLB)

The note was obtained for the purpose of lending the proceeds to Rock Crest LLLP. The loan bears no interest and is secured by interest in real property. If there is no event of default, the loan will be forgiven in 2017.

Note Payable – Federal Home Loan Bank (FHLB)

The note was obtained for the purpose of lending the proceeds to Mirasol Senior Housing Partnership LLLP. The loan bears no interest and is secured by interest in real property. If there is no event of default, the loan will be forgiven in 2021.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: LONG-TERM DEBT (Continued)

Orchard Place Fund

Mortgage Payable – First Bank

The mortgage was obtained to refinance the assumed mortgage as well as the loan payable in addition to providing additional funds for renovation and improvements at the Orchard Place apartment complex. Monthly principal and interest payments in the amount of \$12,515 are due through December 2027 and a final balloon payment is due in January of 2028. The mortgage is secured by interest in real property and accrues interest at a rate of 3% per year.

Willow Place Fund

Note Payable – Loveland Housing Development Corporation (LHDC)

The note was obtained as partial compensation to LHDC for the purchase of the Willow Place apartment complex. The note is secured by interest in real property and accrues interest at a rate of 3% per year. The entire principal balance and all accrued interest is due September 2023

Mortgage Payable – First Bank

The mortgage was obtained to refinance the original mortgage for the purchase and renovation of the Willow Place apartment complex. Monthly principal and interest payments in the amount of \$2,667 are due through March 2022 and a final balloon payment is due in April of 2022. The mortgage is secured by interest in real property and accrues interest at a rate of 3% per year.

Cornerstone Fund

Note Payable – Loveland Housing Development Corporation (LHDC)

The note was obtained as partial compensation to LHDC for the purchase of the Cornerstone apartment complex. The note is secured by interest in real property and accrues interest at a rate of 3% per year. The entire principal balance and all accrued interest is due in September 2023.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: LONG-TERM DEBT (Continued)

Cornerstone Fund (Continued)

Mortgage Payable – First Bank

The mortgage was obtained to refinance the original mortgage for the purchase and rehabilitation of the Cornerstone apartment complex. Monthly principal and interest payments in the amount of \$1,323 are due through March 2022 and a final balloon payment is due in April 2022. The mortgage is secured by interest in real property and accrues interest at a rate of 3%.

Housing Quest Fund

Note Payable – LHDC

The loan was obtained to provide funding for the Maple Terrace renewable energy project. The note is unsecured and accrues interest at a rate of 1% per year. The entire principal balance and all accrued interest is due December 2017.

Meadows Fund

Mortgage Payable – Bank of Colorado (BOC)

The mortgage was obtained to fund the purchase and rehabilitation of the Meadows apartment complex. Monthly principal and interest payments in the amount of \$7,331 are due through September 2018 and a final balloon payment is due in October 2018. The mortgage is secured by interest in real property and accrues interest at a rate of 3.61%.

Home Quest Fund

Note Payable – First National Bank (FNB)

The loan was obtained to extend the construction loans related to the development of the Mirasol homeownership projects. The interest rate is 3.40% and monthly principal and interest payments in the amount of \$3,418 are due through May 2024 with a final balloon payment due in June 2023.

Mortgage Payable – First National Bank (FNB)

The mortgage was obtained to provide refinance the previous mortgages and construction loan of the Mirasol rental project. Monthly principal and interest payments in the amount of \$19,580 are due through May 2023 and a final balloon payment is due in June 2023. The loan is secured by interest in real property and accrues interest at a rate of 2.67% per year.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: LONG-TERM DEBT(Continued)

Silver Leaf II Fund

Mortgage Payable – First Bank

The mortgage was obtained to refinance the existing mortgage on the Silver Leaf II apartment complex. Monthly principal and interest payments in the amount of \$8,055 are due through March 2022 and a final balloon payment is due in April 2022. The mortgage is secured by interest in real property and accrues interest at a rate of 3%.

Rock Crest Fund

Mortgage Payable – CHFA

The mortgage was obtained for the purchase and rehabilitation of the apartment complex. Monthly principal and interest payments in the amount of \$8,475, are due through December 2032. The mortgage is secured by interest in real property and accrues interest at a rate of 6.05%.

LEGH Fund

Capital Lease

Capital Lease agreement for purchase of equipment. Lease payments vary with payments due through 2017.

Notes Payable – CDE

In December 2013, LEGH received proceeds from four notes payable to two Community Development Entities (“CDE”) related to New Market Tax Credit (“NMTC”) financing. Proceeds will be used for construction of six houses and an administration building. These notes have interest only payments through December 2020. Beginning January 2021, principal payments will be made through December 2048, ranging from \$4,714 to \$12,907; with one note in the amount of \$5,129,316 due in full at maturity in January 2021. These notes are secured by property of LEGH and guaranteed by the Authority.

Notes Payable – State of Colorado

This note, secured by property of LEGH is due December 2020. Interest only payments are due at 1% from February 2014 through January 2016. Monthly interest and principal payments of \$6,433 are due beginning in January 2016.

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: LONG-TERM DEBT (Continued)

LEGH Fund (Continued)

Development Waivers – City of Loveland

These developer fees owed to the City of Loveland will be forgiven at a rate of 5% annually beginning in July 2015 through July 2034.

NCB Capital Impact Loan

Under terms of this loan, LEGH may make total advances of up to \$1,000,000. As of December 2016, the entire amount has been advanced. Interest only payments are due at 5.5% from January 2014 through June 2015. Monthly interest and principal payments of \$8,707 are due from July 2015 through December 2020. This loan is secured by property of LEGH and guaranteed by the Authority.

Future debt service requirements for the LEGH Fund debt are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>
2017	\$ 263,354
2018	271,430
2019	282,378
2020	5,423,015
2021	1,845,000
Thereafter	<u>5,496,292</u>
Total	<u>\$ 13,581,469</u>

Future debt service requirements for remaining debt are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 424,386	\$ 424,104	\$ 848,490
2018	438,823	409,669	848,492
2019	453,844	396,241	850,085
2020	1,127,656	657,185	1,784,841
2021	886,435	364,788	1,251,223
2022 – 2026	6,801,630	1,670,525	8,472,155
2027 – 2031	5,136,290	351,891	5,488,181
2032	<u>105,751</u>	<u>3,710</u>	<u>109,461</u>
Total	<u>\$ 15,374,815</u>	<u>\$ 4,278,113</u>	<u>\$ 19,652,928</u>

HOUSING AUTHORITY OF THE CITY OF LOVELAND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFERRED COMPENSATION PLAN

The Authority provides deferred compensation benefits for all of its regular employees through a defined contribution plan. The plan is administered by Great West Retirement Services. The Authority contributes up to 5% of the employee's covered salary. For the year ended December 31, 2016, the Authority contributed \$75,580 to the plan.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

Loan Assignment

In July 2006 the Authority obtained financing from First National Bank in the amount of \$720,914 and amended the loan in October of 2007 to the amount of \$850,000. The loan was assigned to the Loveland Housing Development Corporation ("LHDC") and payments are made directly from LHDC to the bank. Therefore, the loan is not reported in the Authority's financial statements.

Guarantees

The Authority has agreed to fund operating deficits of various affordable housing partnerships. No amounts have been advanced under these guarantees and management does not anticipate funding to be required in the future.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Tabor Amendment is subject to many interpretations, but the Authority believes it is exempt from the provisions of the amendment.

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF LOVELAND

STATEMENT OF NET POSITION
NON MAJOR PROPRIETARY FUNDS
December 31, 2016

	<u>HOUSING QUEST</u>	<u>CORNER- STONE</u>	<u>CDBG DR TENANT ASSISTANCE</u>	<u>REVOLVING TRUST</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,874	\$ 149,324	\$ 10,974	\$ 138,174
Accounts Receivable - Tenants	-	337	-	-
Accounts Receivable - Other	-	-	3,916	831
Prepaid Expenses	-	3,177	-	-
TOTAL CURRENT ASSETS	<u>1,874</u>	<u>152,838</u>	<u>14,890</u>	<u>139,005</u>
NON-CURRENT ASSETS				
Restricted Cash - Tenant Security Deposits	-	4,376	-	-
Investment in Maple Terrace Renewable Energy LLC	-	-	-	-
Capital Assets, Not Being Depreciated	-	107,730	-	-
Capital Assets, Being Depreciated	-	545,726	-	-
TOTAL NON-CURRENT ASSETS	<u>-</u>	<u>657,832</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,874</u>	<u>\$ 810,670</u>	<u>\$ 14,890</u>	<u>\$ 139,005</u>
CURRENT LIABILITIES				
Accounts Payable	\$ -	\$ 6,164	\$ -	\$ -
Accrued Expenses	202	1,328	-	50,880
Due To Other Funds	-	-	29,247	65,366
Unearned Revenue	-	1,598	-	-
Accrued Interest Payable	-	184,366	-	-
Notes Payable - Current Portion	-	-	-	-
Mortgage Payable - Current Portion	-	7,287	-	-
TOTAL CURRENT LIABILITIES	<u>202</u>	<u>200,743</u>	<u>29,247</u>	<u>116,246</u>
LONG-TERM LIABILITIES				
Tenant Security Deposits	-	3,328	-	-
Notes Payable	-	658,537	-	-
Mortgage Payable	-	278,344	-	-
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>940,209</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>202</u>	<u>1,140,952</u>	<u>29,247</u>	<u>116,246</u>
NET POSITION				
Net Investment in Capital Assets	-	(475,078)	-	-
Unrestricted	1,672	144,796	(14,357)	22,759
TOTAL NET POSITION	<u>1,672</u>	<u>(330,282)</u>	<u>(14,357)</u>	<u>22,759</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,874</u>	<u>\$ 810,670</u>	<u>\$ 14,890</u>	<u>\$ 139,005</u>

See the accompanying independent auditors' report

TOTALS

2016	2015
\$ 300,346	\$ 282,451
337	2,053
4,747	47,771
3,177	23,940
308,607	356,215
4,376	4,350
-	49,898
107,730	107,730
545,726	568,897
657,832	730,875
\$ 966,439	\$ 1,087,090
\$ 6,164	\$ 2,575
52,410	65,836
94,613	131,613
1,598	1,809
184,366	162,504
-	50,000
7,287	7,045
346,438	421,382
3,328	3,528
658,537	658,537
278,344	285,607
940,209	947,672
1,286,647	1,369,054
(475,078)	(434,411)
154,870	152,447
(320,208)	(281,964)
\$ 966,439	\$ 1,087,090

HOUSING AUTHORITY OF THE CITY OF LOVELAND

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

	HOUSING QUEST	CORNER- STONE	CDBG DR TENANT ASSISTANCE	REVOLVING TRUST
OPERATING REVENUES				
Rental	\$ -	\$ 108,443	\$ -	\$ -
Other	26,523	2,422	-	80
TOTAL OPERATING REVENUES	26,523	110,865	-	80
OPERATING EXPENSES				
General and Administrative	26,523	31,623	-	536
Utilities	-	11,336	-	-
Maintenance and Operations	-	32,332	-	-
Taxes and Insurance	-	5,270	-	-
Capital Improvements	-	13,811	-	-
Depreciation	-	29,091	-	-
TOTAL OPERATING EXPENSES	26,523	123,463	-	536
INCOME (LOSS) FROM OPERATIONS	-	(12,598)	-	(456)
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	49	558	12	1,940
Interest Expense	(82)	(33,369)	-	-
Grant Revenue	2,637	-	62,283	-
Grant Expense	-	-	(59,218)	-
NET NON-OPERATING REVENUES (EXPENSES)	2,604	(32,811)	3,077	1,940
NET INCOME (LOSS) BEFORE TRANSFERS	2,604	(45,409)	3,077	1,484
TRANSFERS				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
TOTAL TRANSFERS	-	-	-	-
CHANGE IN NET POSITION	2,604	(45,409)	3,077	1,484
NET POSITION, Beginning	(932)	(284,873)	(17,434)	21,275
NET POSITION, Ending	\$ 1,672	\$ (330,282)	\$ (14,357)	\$ 22,759

See the accompanying independent auditors' report

TOTALS

2016	2015
\$ 108,443	\$ 105,388
29,025	27,838
137,468	133,226
58,682	70,395
11,336	10,390
32,332	22,856
5,270	6,273
13,811	5,240
29,091	28,959
150,522	144,113
(13,054)	(10,887)
2,559	2,958
(33,451)	(33,279)
64,920	115,169
(59,218)	(110,057)
(25,190)	(25,209)
(38,244)	(36,096)
-	-
-	(738,584)
-	(738,584)
(38,244)	(774,680)
(281,964)	492,716
\$ (320,208)	\$ (281,964)

HOUSING AUTHORITY OF THE CITY OF LOVELAND

STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Increase (Decrease) in Cash
Year Ended December 31, 2016

	HOUSING QUEST	CORNER- STONE	CDBG DR TENANT ASSISTANCE	REVOLVING TRUST
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Tenants and Others	\$ 26,523	\$ 112,170	\$ -	\$ 80
Cash Payments to Suppliers	(26,523)	(90,585)	-	5,570
Net Cash Used by Operating Activities	-	21,585	-	5,650
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Sale of Assets Held for Resale	50,100	(5,920)	-	-
Payments (to) from Other Funds	-	-	(37,000)	-
Grants Received	2,637	-	106,138	-
Grants Paid	-	-	(59,218)	-
Principal Payments on Notes and Mortgages	(50,000)	(7,021)	-	-
Interest Payments on Notes and Mortgages	(2,737)	(8,852)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(21,793)	9,920	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	49	558	12	1,940
NET INCREASE (DECREASE) IN CASH	49	350	9,932	7,590
CASH, Beginning	1,825	153,350	1,042	130,584
CASH, Ending	\$ 1,874	\$ 153,700	\$ 10,974	\$ 138,174
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Income (Loss) from Operations	-	(12,598)	-	(456)
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities				
Depreciation and Amortization	-	29,091	-	-
Changes in Assets and Liabilities				
Accounts Receivable	-	1,716	-	(831)
Prepaid Expenses	-	-	-	20,763
Accounts Payable	-	3,589	-	-
Accrued Expenses	-	198	-	(13,826)
Unearned Revenues	-	(211)	-	-
Tenant Security Deposits	-	(200)	-	-
Net Cash Provided (Used) by Operating Activities	\$ -	\$ 21,585	\$ -	\$ 5,650

See the accompanying independent auditors' report

TOTALS

2016	2015
\$ 138,773	\$ 132,015
(111,538)	(185,673)
27,235	(53,658)
44,180	1,438,266
(37,000)	(1,409,019)
108,775	99,532
(59,218)	(110,057)
(57,021)	(6,834)
(11,589)	(9,039)
(11,873)	2,849
2,559	2,959
17,921	(47,850)
286,801	334,651
\$ 304,722	\$ 286,801
(13,054)	(10,887)
29,091	28,959
885	(1,100)
20,763	1,677
3,589	374
(13,628)	(72,570)
(211)	(181)
(200)	70
\$ 27,235	\$ (53,658)

COMPLIANCE



**JOHN CUTLER
& ASSOCIATES**

To the Board of Directors
Housing Authority of the City of Loveland
Loveland, Colorado

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Loveland, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Loveland's basic financial statements, and have issued our report thereon dated July 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Loveland'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 Housing Authority of the City of Loveland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Loveland'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Loveland'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.

John Luttrell & Associates, LLC

July 17, 2017



JOHN CUTLER & ASSOCIATES

To the Board of Directors
Housing Authority of the City of Loveland
Loveland, Colorado

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Loveland's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Loveland's major federal programs for the year ended December 31, 2016. The Housing Authority of the City of Loveland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

John Luttrell & Associates, LLC

July 17, 2017

HOUSING AUTHORITY OF THE CITY OF LOVELAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2016

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies noted? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies noted? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?

_____ yes x no

Identification of major program:

- 14.871 Section 8 Housing Choice Vouchers
- 14.182 Section 8 New Construction and Substantial Rehabilitation

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

Auditee qualified as low-risk auditee? _____ yes x no

Findings Related to Financial Statements

The audit of the financial statements did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

Findings and Questioned Costs for Federal Awards

The audit of federal awards did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards.

HOUSING AUTHORITY OF THE CITY OF LOVELAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

	<u>Major Program ?</u>	<u>CDFA #</u>	<u>TOTAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Section 8 Housing Choice Vouchers	Yes	14.871	\$ 4,920,699
Community Development Block Grant - Disaster Recovery	No	14.269	62,283
Section 8 New Construction and Substantial Rehabilitation	Yes	14.182	* 229,653
Section 8 Housing Assistance Payments	No	14.195	* 392,138
Total Section 8 Project-Based Cluster			<u>621,791</u>
Passed through the City of Loveland			
Community Development Block Grant/Entitlement Grant	No	14.218	<u>135,000</u>
Total Federal Financial Assistance			<u>\$ 5,739,773</u>

NOTES

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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)*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the purpose financial statements.

The Authority did not use the 10% de minimus cost rate.

There were no subrecipients.

* These programs are part of the Section 8 Project-Based Cluster.

See the accompanying independent auditors' report.