

**Housing Authority of the
City of Englewood
d/b/a Innovative Housing Concepts**

**Financial Statements
with Independent Auditors' Report**

December 31, 2017

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October 4, 2018



Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

December 31, 2017

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Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

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December 31, 2017

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Independent Auditors' Report

Board of Commissioners
Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Englewood, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Englewood d/b/a/ Innovative Housing Concepts as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts as of December 31, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' financial statements as of and for the year ended December 31, 2016, and we expressed unmodified audit opinions on the business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2018, on our consideration of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' internal control over financial reporting and compliance.

Hick & Company, PC

Greenwood Village, Colorado
May 24, 2018



**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Required Supplementary Information
DECEMBER 31, 2017

As management of the Housing Authority of the City of Englewood, Colorado (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the financial statements.

Financial Highlights

- The Authority continues to have a stable outlook with Total Net Position (Equity) at yearend of \$8,205,140.
- With a current ratio at 9.3 the Authority demonstrates liquidity. In other words, the Authority can meet its current obligations 9.3 times; last year's current ratio was 7.6.
- The number of Months Expendable Funds Balance ratio, which shows adequacy of funds or the ability to pay monthly expenses, is 8.3 months; last year was 9.0 months.

Using the Basic Financial Statements

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

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

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

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

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

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Required Supplementary Information
DECEMBER 31, 2017

Using the Basic Financial Statements (Continued)

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

Authority Financial Analysis

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

	2017	2016	Dollar Change	Percent Change
ASSETS				
Current Assets	\$ 4,545,554	\$ 4,888,591	\$ (343,037)	-7.0%
Noncurrent Assets	6,010,584	6,020,261	(9,677)	-0.2%
Total Assets	10,556,138	10,908,852	(352,714)	-3.2%
LIABILITIES				
Current Liabilities	488,410	644,572	(156,162)	-24.2%
Long Term Liabilities	1,862,588	1,984,273	(121,685)	-6.1%
Total Liabilities	2,350,998	2,628,845	(277,847)	-10.6%
NET POSITION				
Net Investment in Capital Assets	2,717,601	2,651,068	66,533	2.5%
Restricted for Housing Assistance Payments	0	111,008	(111,008)	-100.0%
Unrestricted	5,487,539	5,517,931	(30,392)	-0.6%
Total Net Position	8,205,140	8,280,007	(74,867)	-0.9%
Total Liabilities and Net Position	\$ 10,556,138	\$ 10,908,852	\$ (352,714)	-3.2%

- The major change in Assets is due to the decrease in cash. There was a decrease of (\$421,429) in cash due mainly to the purchase of land of (\$280,000) and an increase in operating expenses of (\$203,626).

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**
Required Supplementary Information
DECEMBER 31, 2017

Authority Financial Analysis (Continued)

- The change in Total Liabilities was from a decrease in unearned revenue from HUD which decreased by \$283,659.
- Net Position decreased by our loss this year of (\$74,867). Please see the following table for more information.

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

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 5,660,587	\$ 5,787,065	\$ (126,478)	-2.2%
Operating Expenses	<u>5,872,953</u>	<u>5,669,327</u>	<u>203,626</u>	<u>3.6%</u>
Net Operating Income (Loss)	<u>(212,366)</u>	<u>117,738</u>	<u>(330,104)</u>	<u>-280.4%</u>
Nonoperating Revenues (Expenses)	<u>(42,418)</u>	<u>(55,171)</u>	<u>12,753</u>	<u>-23.1%</u>
Net Income (Loss) Before Capital Contributions	(254,784)	62,567	(317,351)	-507.2%
Capital Contributions	179,917	188,064	(8,147)	-4.3%
Change in Net Position	(74,867)	250,631	(325,498)	-129.9%
Net Position, Beginning	<u>8,280,007</u>	<u>8,029,376</u>	<u>250,631</u>	<u>3.1%</u>
Net Position, Ending	\$ <u><u>8,205,140</u></u>	\$ <u><u>8,280,007</u></u>	\$ <u><u>(74,867)</u></u>	<u><u>-0.9%</u></u>

- The decrease in Operating Revenues of (\$126,478) is due mainly to a decrease in grant income of (\$97,389) and management fee income of (62,178). The drop in management fee income is due predominately from Sheridan Housing Authority's decrease in administrative fees which determines the amount of management fees that it can pay.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Required Supplementary Information

DECEMBER 31, 2017

Authority Financial Analysis (Continued)

- Operating expenses increased because of an increase in HAP payments of (\$256,219). This is an indicator that participant's revenue has gone down and rents have increased in the area contributing to the increase in HAP costs.
- The nonoperating revenues (expenses) change is from a decrease in interest expense for the loans of the Authority and the increase in interest revenue earned.
- Capital Contributions decreased because the HUD grant for capital improvement decreased by (\$8,147).
- The Housing Authority ended the year with a loss of (\$74,867).

CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total Capital Assets, Not Being Depreciated	\$ <u>1,192,279</u>	\$ <u>912,279</u>	\$ <u>280,000</u>	<u>30.7%</u>
Total Capital Assets, Being Depreciated	<u>13,411,055</u>	<u>14,012,107</u>	<u>(601,052)</u>	<u>-4.3%</u>
Total Depreciation	<u>(9,923,287)</u>	<u>(10,194,864)</u>	<u>271,577</u>	<u>-2.7%</u>
Total Capital Assets, Net	\$ <u><u>4,680,047</u></u>	\$ <u><u>4,729,522</u></u>	\$ <u><u>(49,475)</u></u>	<u><u>-1.0%</u></u>

As of December 31, 2017, the Authority had \$4,680,047 invested in a broad range of capital assets, including sites, buildings, and equipment. This is a net capital asset decrease of (\$49,475) from 2016's \$4,729,522. The Authority purchased land in 2017 for (\$280,000) for future development. Further information on capital asset activities is provided in Note 7 to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**
Required Supplementary Information
DECEMBER 31, 2017

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

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Note Payable Current	\$ 9,822	\$ 9,402	\$ 420	N/A
Capital Lease Current	119,218	106,603	12,615	11.8%
Note Payable Long Term	477,813	487,638	(9,825)	N/A
Capital Lease LongTerm	<u>1,355,593</u>	<u>1,474,811</u>	<u>(119,218)</u>	<u>-8.1%</u>
Total	<u>\$ 1,962,446</u>	<u>\$ 2,078,454</u>	<u>\$ (116,008)</u>	<u>-5.6%</u>

As of December 31, 2017, the Authority had \$1,962,446 in outstanding Note and Capital Lease Payables. There was a net decrease in total outstanding debt of (\$116,008) from the prior year. Details of the Notes and Capital Lease Payables can be found in Note 8.

The Funds

Public Housing

Public Housing consists of 110 low-rent dwelling units. Public Housing operations are funded by HUD through an annual Operating Subsidy. HUD Capital Fund Program grants provide additional funding for upgrades and improvements.

The Public Housing program provided 1,313 unit months of occupancy out of the 1,320 unit months available (110 units' times 12 months) a 99% occupancy rate.

Housing Choice Voucher Program

Three types of funding are received from HUD: 1) HAP; for rent and home-ownership subsidies, utility reimbursements and Family Self-Sufficiency (FSS) escrow deposits, 2) Administrative Fees; for program administrative costs, and 3) FSS Coordinator Grants which pay for case management of the Family Self-Sufficiency program. Funding is not fungible either within or outside the Voucher program. The Authority has 421 Vouchers and holds a contract to manage Vouchers for the City of Sheridan with

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Required Supplementary Information
DECEMBER 31, 2017

The Funds (Continued)

177 Vouchers. A total of 598 Vouchers are managed by the Authority. Monthly Management Fees are received from the contract agency.

The Authority was able to utilize 80% of the 4,716 unit months available for its program of 393 Vouchers or 4,716 unit months, an average of 393 vouchers issued to low income clients in the City of Englewood.

Simon Center

Simon Center is a 104-unit apartment building which is operated under HUD's Section 8 New Construction program. The monthly subsidies or HAPs are managed through the Colorado Housing and Finance Authority (CHFA). Simon Center had 99% occupancy for 2017, with 1,237 unit months leased out of 1,248 available.

Office Building

Each Authority program pays a monthly rent to the Office Building. Additionally, two offices are leased on the second floor.

Market Rate Rentals

Market Rate Rentals is a triplex, and a single-family home. They had a 90% occupancy rate in 2017 with 43 unit months leased out of the 48 unit months available. They are expected to be fully leased in 2018.

Management Fund

The Management Fund provides general administration for special programs and contracts. The Management Fund receives a management fee from Simon Center and the Office Building in addition to managing the Sheridan Voucher Program. Recognizing the need for affordable housing the Management Fund continues to develop affordable units as opportunities are presented.

The Future of the Housing Authority of the City of Englewood -- 2018

Federal programs continue to be funded below historical levels. HUD's cash management system will continue to retain housing authority reserves at the Federal level rather than local. HUD disbursements continue to be reduced. Local housing authority reserves have been recaptured and only one month's reserve is allowed. HUD is estimating prorates of 93.3% of eligibility for Public Housing Operating Subsidy, 76% for Housing Choice Voucher Earned Administrative Fees and 85% of eligibility for Section 8 Voucher rent subsidies (HAPs).

**HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information
DECEMBER 31, 2017**

The Future of the Housing Authority of the City of Englewood – 2018 (Continued)

The Authority continues to explore means to generate additional sources of revenue to cover budget shortfalls of administrative funds.

Requests for Information

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

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

Basic Financial Statements

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Statement of Net Position
Proprietary Funds
December 31, 2017

	Public	Vouchers	Management	Simon	Market Rate	Nonmajor	Totals	
	Housing			Center	Rentals	Office Building	2017	2016
Assets								
<i>Current Assets</i>								
Cash and Investments	\$ 771,642	\$ 74,822	\$ 713,352	\$ 2,424,865	\$ 100,445	\$ 209,280	\$ 4,294,406	\$ 4,715,835
Restricted Cash and Investments	-	-	-	-	-	-	-	111,008
Accounts Receivable	61,901	15,890	7,861	6,932	-	240	92,824	37,329
Interfund Receivables	-	-	-	137,602	-	-	137,602	-
Prepaid Expenses	2,619	277	114	2,424	144	144	5,722	24,419
Deposits	-	-	15,000	-	-	-	15,000	-
Total Current Assets	<u>836,162</u>	<u>90,989</u>	<u>736,327</u>	<u>2,571,823</u>	<u>100,589</u>	<u>209,664</u>	<u>4,545,554</u>	<u>4,888,591</u>
<i>Noncurrent Assets</i>								
Notes Receivable	-	-	951,437	21,125	-	-	972,562	972,562
Interest Receivable	-	-	357,975	-	-	-	357,975	318,177
Capital Assets, <i>Not Being Depreciated</i>	478,994	-	280,000	208,409	199,466	25,410	1,192,279	912,279
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>721,653</u>	<u>-</u>	<u>-</u>	<u>1,702,754</u>	<u>1,021,668</u>	<u>41,693</u>	<u>3,487,768</u>	<u>3,817,243</u>
Total Noncurrent Assets	<u>1,200,647</u>	<u>-</u>	<u>1,589,412</u>	<u>1,932,288</u>	<u>1,221,134</u>	<u>67,103</u>	<u>6,010,584</u>	<u>6,020,261</u>
Total Assets	<u>\$ 2,036,809</u>	<u>\$ 90,989</u>	<u>\$ 2,325,739</u>	<u>\$ 4,504,111</u>	<u>\$ 1,321,723</u>	<u>\$ 276,767</u>	<u>\$ 10,556,138</u>	<u>\$ 10,908,852</u>
Liabilities								
<i>Current Liabilities</i>								
Accounts Payable	\$ 40,715	\$ 8,363	\$ 3,009	\$ 14,116	\$ 699	\$ 1,877	\$ 68,779	\$ 113,247
Unearned Revenues	360	7,375	-	770	-	-	8,505	292,164
Accrued Interest Payable	1,198	-	-	2,176	1,778	-	5,152	5,557
Tenant Security Deposits	34,907	-	-	35,718	6,600	1,480	78,705	80,805
Escrow Deposits	-	53,334	-	-	-	-	53,334	29,124
Interfund Payables	-	137,602	-	-	-	-	137,602	-
Current Portion of Long Term Debt	44,426	1,831	519	79,231	9,822	504	136,333	123,675
Total Current Liabilities	<u>121,606</u>	<u>208,505</u>	<u>3,528</u>	<u>132,011</u>	<u>18,899</u>	<u>3,861</u>	<u>488,410</u>	<u>644,572</u>
<i>Noncurrent Liabilities</i>								
Accrued Compensated Absences	8,419	7,327	2,076	9,343	-	2,017	29,182	21,824
Note Payable	-	-	-	-	477,813	-	477,813	487,638
Lease Payable	481,302	-	-	874,291	-	-	1,355,593	1,474,811
Total Noncurrent Liabilities	<u>489,721</u>	<u>7,327</u>	<u>2,076</u>	<u>883,634</u>	<u>477,813</u>	<u>2,017</u>	<u>1,862,588</u>	<u>1,984,273</u>
Total Liabilities	<u>611,327</u>	<u>215,832</u>	<u>5,604</u>	<u>1,015,645</u>	<u>496,712</u>	<u>5,878</u>	<u>2,350,998</u>	<u>2,628,845</u>
Net Position								
Net Investment in Capital Assets	677,023	-	280,000	959,976	733,499	67,103	2,717,601	2,651,068
Restricted for Housing Assistance Payments	-	-	-	-	-	-	-	111,008
Unrestricted	748,459	(124,843)	2,040,135	2,528,490	91,512	203,786	5,487,539	5,517,931
Total Net Position	<u>1,425,482</u>	<u>(124,843)</u>	<u>2,320,135</u>	<u>3,488,466</u>	<u>825,011</u>	<u>270,889</u>	<u>8,205,140</u>	<u>8,280,007</u>
Total Liabilities and Net Position	<u>\$ 2,036,809</u>	<u>\$ 90,989</u>	<u>\$ 2,325,739</u>	<u>\$ 4,504,111</u>	<u>\$ 1,321,723</u>	<u>\$ 276,767</u>	<u>\$ 10,556,138</u>	<u>\$ 10,908,852</u>

See Notes to the Financial Statements.

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2017

	Public	Vouchers	Management	Simon	Market Rate	Nonmajor	Totals	
	Housing					Office	2017	2016
				Center	Rentals	Building		
Operating Revenues								
Rental	\$ 409,705	\$ -	\$ -	\$ 393,144	\$ 88,012	\$ 103,233	\$ 994,094	\$ 954,803
Grants	191,000	3,685,834	-	615,433	-	-	4,492,267	4,589,656
Management Fees	-	-	129,146	-	-	-	129,146	191,324
Other	14,477	66	2,929	25,381	1,259	968	45,080	51,282
Total Operating Revenues	<u>615,182</u>	<u>3,685,900</u>	<u>132,075</u>	<u>1,033,958</u>	<u>89,271</u>	<u>104,201</u>	<u>5,660,587</u>	<u>5,787,065</u>
Operating Expenses								
Housing Assistance Payments	-	3,646,274	-	-	-	-	3,646,274	3,390,055
General and Administrative	181,643	259,673	79,628	227,539	21,250	35,765	805,498	895,388
Utilities	95,463	-	-	97,199	2,957	12,919	208,538	203,174
Maintenance and Operation	295,871	217	1,967	216,141	8,699	34,996	557,891	491,486
Tenant Services Expense	-	-	-	-	-	10,735	10,735	6,527
Insurance and Benefits	116,212	37,702	22,598	90,775	-	-	267,287	291,316
Depreciation	130,141	-	-	197,247	45,523	3,819	376,730	391,381
Total Operating Expenses	<u>819,330</u>	<u>3,943,866</u>	<u>104,193</u>	<u>828,901</u>	<u>78,429</u>	<u>98,234</u>	<u>5,872,953</u>	<u>5,669,327</u>
Net Operating Income (Loss)	<u>(204,148)</u>	<u>(257,966)</u>	<u>27,882</u>	<u>205,057</u>	<u>10,842</u>	<u>5,967</u>	<u>(212,366)</u>	<u>117,738</u>
Nonoperating Revenues (Expenses)								
Interest Income	4,787	718	48,990	14,909	-	755	70,159	56,675
Interest Expense	(29,979)	-	-	(54,342)	(21,524)	-	(105,845)	(111,846)
Loss on Disposal of Capital Assets	-	-	(6,732)	-	-	-	(6,732)	-
Net Nonoperating Revenues (Expenses)	<u>(25,192)</u>	<u>718</u>	<u>42,258</u>	<u>(39,433)</u>	<u>(21,524)</u>	<u>755</u>	<u>(42,418)</u>	<u>(55,171)</u>
Net Income (Loss) Before Capital Contributions	<u>(229,340)</u>	<u>(257,248)</u>	<u>70,140</u>	<u>165,624</u>	<u>(10,682)</u>	<u>6,722</u>	<u>(254,784)</u>	<u>62,567</u>
Capital Contributions								
Grants	179,917	-	-	-	-	-	179,917	188,064
Change in Net Position	<u>(49,423)</u>	<u>(257,248)</u>	<u>70,140</u>	<u>165,624</u>	<u>(10,682)</u>	<u>6,722</u>	<u>(74,867)</u>	<u>250,631</u>
Net Position, Beginning of year	<u>1,474,905</u>	<u>132,405</u>	<u>2,249,995</u>	<u>3,322,842</u>	<u>835,693</u>	<u>264,167</u>	<u>8,280,007</u>	<u>8,029,376</u>
Net Position, End of year	<u>\$ 1,425,482</u>	<u>\$ (124,843)</u>	<u>\$ 2,320,135</u>	<u>\$ 3,488,466</u>	<u>\$ 825,011</u>	<u>\$ 270,889</u>	<u>\$ 8,205,140</u>	<u>\$ 8,280,007</u>

See Notes to the Financial Statements.

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

	Public	Vouchers	Management	Simon	Market Rate	Nonmajor	Totals	
	Housing			Center	Rentals	Office Building	2017	2016
Cash Flows from Operating Activities								
Cash Received from Tenants	\$ 409,936	\$ -	\$ -	\$ 388,394	\$ 85,086	\$ 102,527	\$ 985,943	\$ 963,004
Cash Received from Grants	191,000	3,403,245	-	615,433	-	-	4,209,678	4,879,704
Cash Received from Others	14,477	66	130,267	25,381	-	968	171,159	245,665
Housing Assistance Payments	-	(3,646,274)	-	-	-	-	(3,646,274)	(3,389,366)
Cash Payments to Employees	(212,660)	(136,529)	(67,094)	(226,771)	(20,064)	(50,528)	(713,646)	(771,754)
Cash Payments to Suppliers	(478,720)	(156,043)	(38,881)	(409,625)	(12,298)	(43,546)	(1,139,113)	(1,105,353)
Net Cash Provided (Used) by Operating Activities	(75,967)	(535,535)	24,292	392,812	52,724	9,421	(132,253)	821,900
Cash Flows from Noncapital Financing Activities								
Payments from Other Funds	-	137,602	-	-	-	-	137,602	-
Payments to Other Funds	-	-	-	(137,602)	-	-	(137,602)	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	137,602	-	(137,602)	-	-	-	-
Cash Flows from Capital and Related Financing Activities								
Cash Received from Grants	140,700	-	-	-	-	-	140,700	190,369
Purchases of Property and Equipment	-	-	(280,000)	(49,826)	-	(4,161)	(333,987)	(76,947)
Earnest Deposit Paid	-	-	(15,000)	-	-	-	(15,000)	-
Debt Principal Payments	(37,845)	-	-	(68,758)	(9,405)	-	(116,008)	(104,477)
Debt Interest Payments	(30,065)	-	-	(54,627)	(21,558)	-	(106,250)	(112,106)
Net Cash Provided (Used) by Capital and Related Financing Activities	72,790	-	(295,000)	(173,211)	(30,963)	(4,161)	(430,545)	(103,161)
Cash Flows from Investing Activities								
Interest Received	4,787	718	9,192	14,909	-	755	30,361	17,790
Net Change in Cash and Cash Equivalents	1,610	(397,215)	(261,516)	96,908	21,761	6,015	(532,437)	736,529
Cash and Cash Equivalents, Beginning of year	770,032	472,037	974,868	2,327,957	78,684	203,265	4,826,843	4,090,314
Cash and Cash Equivalents, End of year	\$ 771,642	\$ 74,822	\$ 713,352	\$ 2,424,865	\$ 100,445	\$ 209,280	\$ 4,294,406	\$ 4,826,843

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

(Continued)

	Public	Vouchers	Management	Simon	Market Rate	Nonmajor	Totals	
	Housing						Center	Rentals
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Net Operating Income (Loss)	\$ (204,148)	\$ (257,966)	\$ 27,882	\$ 205,057	\$ 10,842	\$ 5,967	\$ (212,366)	\$ 117,738
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Depreciation	130,141	-	-	197,247	45,523	3,819	376,730	391,381
Bad Debt Expense	-	19,806	-	-	-	-	19,806	-
Changes in Assets and Liabilities								
Accounts Receivable	(897)	(27,952)	(1,808)	(5,966)	50	489	(36,084)	1,287
Prepaid Expenses	7,453	1,894	1,582	7,143	9	616	18,697	(11,749)
Accounts Payable	(8,390)	(19,571)	(4,385)	(15,261)	535	(1,222)	(48,294)	32,892
Unearned Revenues	(216)	(290,048)	-	(75)	(85)	(610)	(291,034)	288,509
Tenant Security Deposits	1,344	11,201	-	1,291	(4,150)	(585)	9,101	4,173
Escrow Deposits	-	24,210	-	-	-	-	24,210	8,028
Accrued Compensated Absences	(1,254)	2,891	1,021	3,376	-	947	6,981	(10,359)
Total Adjustments	128,181	(277,569)	(3,590)	187,755	41,882	3,454	80,113	704,162
Net Cash Provided (Used) by Operating Activities	\$ (75,967)	\$ (535,535)	\$ 24,292	\$ 392,812	\$ 52,724	\$ 9,421	\$ (132,253)	\$ 821,900

Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

Notes to the Financial Statements

December 31, 2017

Note 1: Summary of Significant Accounting Policies

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

During 2017, the Authority filed a Statement of Trade Name with the Secretary of State of Colorado to do business as Innovative Housing Concepts.

Reporting Entity

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

Notes to the Financial Statements

December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

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

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

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

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

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

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

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

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

Assets, Liabilities and Net Position

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

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

Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

Notes to the Financial Statements

December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position (Continued)

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

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

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

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

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

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

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

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

Risk Management

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

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

Accountability

At December 31, 2017, the Vouchers Fund had a negative net position of \$124,843. Management expects this negative balance to be eliminated with future federal revenues.

Note 3: Cash and Investments

A summary of cash and investments at December 31, 2017, follows:

Petty Cash	\$ 270
Cash Deposits	1,622,489
Investments	<u>2,671,647</u>
Total	\$ <u>4,294,406</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2017, the Authority had bank deposits of \$1,509,896 collateralized with securities held by the financial institutions' agents but not in the Authority's name.

Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

Notes to the Financial Statements

December 31, 2017

Note 3: Cash and Investments (Continued)

Investments

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

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

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

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

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

Local Government Investment Pool - At December 31, 2017, the Authority had \$2,671,647 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Note 4: Interfund Balances

At December 31, 2017, the Simon Center Fund had temporarily covered the negative cash balance of the Vouchers Fund in the amount of \$137,602. This interfund loan is expected to be repaid with future revenues.

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to the Financial Statements
December 31, 2017

Note 5: Accounts Receivable

Accounts receivable at December 31, 2017 consisted of the following.

	<u>Tenants</u>	<u>HUD</u>	<u>Other</u>	<u>Total</u>
Public Housing	\$ 5,631	\$ 56,270	\$ —	\$ 61,901
Vouchers	—	—	15,890	15,890
Management	—	—	7,861	7,861
Simon Center	6,932	—	—	6,932
Office Building	<u>—</u>	<u>—</u>	<u>240</u>	<u>240</u>
Total	<u>\$ 12,563</u>	<u>\$ 56,270</u>	<u>\$ 23,991</u>	<u>\$ 92,824</u>

Note 6: Notes Receivable

Notes receivable at December 31, 2017, consisted of the following:

Management Fund

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

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

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

Simon Center Fund

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

Total \$ 972,562

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to the Financial Statements
December 31, 2017

Note 7: Capital Assets

Capital asset activity for the year ended December 31, 2017, is summarized below.

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Capital Assets, not being depreciated				
Land	\$ 912,279	\$ 280,000	\$ —	\$ 1,192,279
Total Capital Assets, not being depreciated	912,279	280,000	—	1,192,279
Capital Assets, being depreciated				
Land Improvements	1,216,021	9,537	(111,700)	1,113,858
Buildings and Improvements	12,379,542	44,450	(487,753)	11,936,239
Equipment	416,544	—	(55,586)	360,958
Total Capital Assets, being depreciated	14,012,107	53,987	(655,039)	13,411,055
Less Accumulated Depreciation				
Land Improvements	(1,174,314)	(10,278)	111,700	(1,072,892)
Buildings and Improvements	(8,637,046)	(357,205)	487,753	(8,506,498)
Equipment	(383,504)	(9,247)	48,854	(343,897)
Total Accumulated Depreciation	(10,194,864)	(376,730)	648,307	(9,923,287)
Capital Assets, being depreciated, net	3,817,243	(322,743)	(6,732)	3,487,768
Total Capital Assets, net	\$ 4,729,522	\$ (42,743)	\$ (6,732)	\$ 4,680,047

Note 8: Long-Term Debt

A summary of changes in long-term debt for the year ended December 31, 2017, is presented below:

	Balance 12/31/2016	Additions	Payments	Balance 12/31/2017	Due Within One Year
Compensated Absences	\$ 29,494	\$ 14,651	\$ (7,670)	\$ 36,475	\$ 7,293
Note Payable	497,040	—	(9,405)	487,635	9,822
Capital Lease	1,581,414	—	(106,603)	1,474,811	119,218
Total	\$ 2,107,948	\$ 14,651	\$ (123,678)	\$ 1,998,921	\$ 136,333

Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

Notes to the Financial Statements

December 31, 2017

Note 8: Long-Term Debt (Continued)

Note Payable

In 2014, the Authority obtained a loan from FirstBank in the amount of \$516,750. Proceeds of the loan were used to construct a market-rent triplex. Annual principal and interest payments are due on the loan through September 1, 2044. Interest accrues at the rate of 4.375% per annum through August 31, 2021. On September 1, 2021, and each September 1 thereafter, the interest rate will be calculated by adding 3.25% to the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year. The interest rate will not increase or decrease annually by more than 2% and will never be greater than 9.375%. At December 31, 2017, the weekly average yield on United States Treasury securities was 1.76%. The loan will be paid from resources of the Market Rate Rentals Fund.

Following is a summary of debt service requirements for the note payable, to maturity, assuming a variable rate of 5.01% per annum beginning September 1, 2021:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,822	\$ 21,139	\$ 30,961
2019	10,261	20,700	30,961
2020	10,719	20,242	30,961
2021	10,910	20,714	31,624
2022	10,857	22,094	32,951
2023 – 2027	63,226	101,527	164,753
2028 – 2032	81,182	83,571	164,753
2033 – 2037	104,238	60,515	164,753
2038 – 2042	133,841	30,912	164,753
2043 – 2044	<u>52,579</u>	<u>2,335</u>	<u>54,914</u>
Total	<u>\$ 487,635</u>	<u>\$ 383,749</u>	<u>\$ 871,384</u>

Capital Lease

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

Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

Notes to the Financial Statements

December 31, 2017

Note 8: Long-Term Debt (Continued)

Capital Lease (Continued)

Capital lease payments, to maturity, are as follows.

Year Ended December 31,

2018	\$	197,793
2019		202,918
2020		208,710
2021		215,757
2022		221,678
2023 – 2026		<u>825,871</u>
Total Minimum Lease Payments		1,872,727
Less: Interest Portion		<u>(397,916)</u>
Present Value of Future Minimum Lease Payments	\$	<u><u>1,474,811</u></u>

Note 9: Retirement Commitments

The Authority participates in a single-employer defined contribution money purchase pension plan on behalf of all employees. Plan investments are managed by the International City/County Management Association Retirement Corporation (ICMA-RC). The contribution requirements are established and may be amended by the Board of Commissioners. Employees are required to participate in the Plan on the date of employment and must contribute 2.5% of their eligible salary. The Authority contributes 5% of the eligible salary. Employees are fully vested in the Authority's contributions after five years. During the year ended December 31, 2017, the Authority contributed \$31,575 to the plan.

Note 10: Commitments and Contingencies

Claims and Judgements

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. At December 31, 2017, significant amounts of grant expenses have not been audited, but management believes that subsequent audits will not have a material effect on the overall financial position of the Authority.

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to the Financial Statements
December 31, 2017

Note 10: Commitments and Contingencies (Continued)

Tabor Amendment

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

Federal Financial Assistance



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

Board of Commissioners
Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Englewood, 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, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts, and have issued our report thereon dated May 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' internal control over financial reporting.

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

Our consideration of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies.

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

Compliance and Other Matters

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

Hick & Company, PC

Greenwood Village, Colorado
May 24, 2018





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**Independent Auditors' Report on Compliance for Each
Major Federal Program, Internal Control over Compliance,
and the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Board of Commissioners
Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Englewood, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' major federal programs for the year ended December 31, 2017. The Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' 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 Englewood d/b/a Innovative Housing Concepts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts 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, 2017.

Report on Internal Control Over Compliance

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

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

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

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



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

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts. We issued our report thereon dated May 24, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Englewood d/b/a Innovative Housing Concepts' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
May 24, 2018



Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP): Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
14.871	Housing Voucher Cluster/ Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish
Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II: Financial Statement Findings

No current year findings or questioned costs were reported.

Section III: Federal Award Findings and Questioned Costs

No current year findings or questioned costs were reported.

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development		
Public and Indian Housing	14.850	\$ 191,000
Housing Voucher Cluster		
Section 8 Housing Choice Vouchers	14.871	3,899,738
Section 8 Project-Based Cluster		
Section 8 New Construction and Substantial Rehabilitation	14.182	615,433
Public Housing Capital Fund	14.872	179,917
Family Self-Sufficiency Program	14.896	<u>44,128</u>
Total Expenditures of Federal Awards		<u>\$ 4,930,216</u>

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The Authority does not use a de minimis cost rate.