

LOVELAND HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS

December 31, 2018

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JOHN CUTLER & ASSOCIATES

Board of Directors
Loveland Housing Authority
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 Loveland Housing Authority, as of and for the year ended December 31, 2018, 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 Loveland Housing Authority, as of December 31, 2018, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 May 22, 2019, on our consideration of the Loveland Housing Authority'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 Loveland Housing Authority's internal control over financial reporting and compliance.

John Luthr & Associates, LLC

May 22, 2019

**LOVELAND HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2018**

Management's Discussion and Analysis

As management of the Loveland Housing Authority, 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, 2018. 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.

Financial Highlights

- The Authority assets had a 7% increase (\$3,839,937) increasing assets to a total of \$57,314,149. Most of the increase(\$6M), was in the management fund with land purchase and development of that land in preparation for resale tax credit partnerships. This increase in the management fund was offset by \$2M due to the sale resyndication of the Meadows.
- The assets(\$57.3M) of the Authority exceed its liabilities(\$30M) as of December 31, 2018 by \$27,3M (net position). This is an increase over last year(\$22.4M) of 21.7%, due to a decrease in current liabilities of \$1M and \$4.8M gain on the sale of the Meadows to the new partnership.
- The Authority had \$11,193,241 in operating revenue, \$6,175,773 in HUD funding, and \$874,675 in Non-Operating Revenue, includes fundraising for LEGH.
- The Authority's cash balance as of December 31, 2018 was \$3.6M, representing a decrease of 38.15% from December 31, 2017(\$5.8M), due to investment in land for the purpose of resale and capital investments at the Orchard Place club house along with completion of the office remodel.
- The Authority's net capital outlays for the year were negative \$1,717,494, the resyndication and sale of the Meadows, netted with depreciation and additions created a decrease in net capital outlays.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the Loveland Housing Authority's basic financial statements.

The Loveland Housing Authority'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 Loveland Housing Authority 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, Cornerstone, CDBG DR and Revolving Trust.

Financial Analysis

Entity Wide Net Assets (Statement of Net Position)

Total Assets for FYE Dec 2018 were \$57,314,149 and at FYE Dec 2017 were \$53,474,212. Most of the increase, \$6M, was in the management fund with land and development of that land in preparation for resale to tax credit partnerships. This increase in the management fund was offset by \$2M with the resyndication and sale of the Meadows.

Cash decreased 38.15%(\$ 2.2M) due to investment in land for the purpose of resale to partnerships and capital investments at the Orchard Place club house along with completion of the office remodel.

Non Current (so it matches the audit wording?) Assets increased in total \$6,052,549 between Dec 2017 and Dec 2018 due to investment in land and improvements for the purpose of resale and capital investments at the Orchard Place club house and completion of the office remodel. This also includes campaign receivables of 1.1M.

Current Liabilities increased from \$3,390,770 in Dec 2017 to \$4,475,744 in FYE December 2018, a 32% increase due to LHA construction liabilities for Minkas, The Edge II and Mirasol PIII.

Non-Current Liabilities decreased from \$27,688,606 in Dec 2017 to \$25,577,380 in Dec 2018, a decrease of 7.62%.

Net Assets increase 7% (\$3,839,937) totaling \$57,314,149 for December 2018. Most of the increase, \$6M, was in the management fund with land and development of that land in preparation for resale to tax credit partnerships. This increase in the management fund was offset by \$2M with the resyndication and sale of the Meadows.

The following table illustrates our analysis.

	2018	2017	Net Change	Variance
				%
Cash	\$ 3,587,780	\$ 5,800,392	\$(2,212,612)	-38.15%
Other Current Assets	8,761,655	5,925,168	2,836,487	47.87%
Other Assets	14,972,102	10,038,546	4,933,556	49.15%
Capital Assets	29,992,612	31,710,106	(1,717,494)	-5.42%
Total Assets	57,314,149	53,474,212	3,839,937	7.18%
Current Liabilities	4,475,744	3,390,770	1,084,974	32.00%
Noncurrent Liabilities	25,577,380	27,688,606	(2,111,226)	-7.62%
Total Liabilities	30,053,124	31,079,376	(1,026,252)	-3.30%
Net Investment in Capital Assets	3,771,109	3,457,457	313,652	9.07%
Restricted	51,460	46,687	4,773	10.22%
Unrestricted	23,438,456	18,890,692	4,547,764	24.07%
Total Net Position	27,261,025	22,394,836	4,866,189	21.73%
Total Liabilities and Net Position	57,314,149	\$53,474,212	3,839,937	7.18%

Note: This includes the elimination of \$4.5M the note receivable and advances between the Authority and Silver Leaf II (\$150K), Home Quest Development LLC (\$66K), LEGH (\$353K) 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 2.93%(\$519K) from Dec, 31, 2017 to December 31, 2018. Significant factors were: \$600K increase in operating rental revenues across the properties, , loss of \$500K in rental income due to sale of Meadows, increased HUD funding of \$600K, increased revenues for LEGH \$300K, loss of \$270k in Mgt Fees(CDBG DR and LEGH timing) to LHA, \$220K less in Developer fees from the previous year.

Operating Expenses increased 4.21%(\$716K) from Dec. 31, 2017 to Dec. 31, 2018. Significant factors were HAP payment to residents increased (240K), addition of navigators for SLII and OP(\$125K), and additional operating expenses for LEGH (272K) along with general operating expense increases .

Net Non-Operating Revenues and Expenses for 2018 made up of interest income (including soft notes) campaign revenues 1.1M, Meadows gain from resyndication 4.1M and interest expense.

The following table illustrates our analysis:

	2018	2017	Net Change	Variance
TOTAL OPERATING REVENUES	18,243,689	17,723,722	\$ 519,967	2.93%
TOTAL OPERATING EXPENSES	17,706,811	16,990,829	\$ 715,982	4.21%
INCOME (LOSS) FROM OPERATIONS	536,878	732,893	\$ (196,015)	-26.75%
NET NON-OPERATING REVENUES (EXPENSES)	4,329,311	-766,585	\$ 5,095,896	664.75%
CHANGE IN NET POSITION	4,866,189	-33,692	\$ 4,899,881	-14543.16%
NET POSITION, Beginning	22,394,836	22,428,528	\$ (33,692)	-0.15%
NET POSITION, Ending	27,261,025	22,394,836	\$ 4,866,189	21.73%

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.

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, Veterans 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.

Meadows Apartments – This is a 60 unit apartment complex with 1, 2 and 3 bedroom units. The project was resyndicated into a new tax credit partnership with Housing Quest as partner with Wells Fargo and Loveland Housing Development Corp. (LHDC) in Oct 2018.

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 2018 of \$437,278. 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 2018 of \$1,782,488. The decrease in net position in 2018 was an investment of 257K in a club house remodel to accommodate new resident services being offered to the children at the complex. 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. The fund has a net position at FYE December 2018 of \$16,092.

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. The fund has a net position at FYE December 2018 of negative (\$409,540).

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 2016. 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 thereby giving all control of the complex to the Housing Authority. The fund has a net position at FYE December 2018 of negative (\$1,901,167).

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

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.*
- Resident Services is now managed by a nonprofit corporation Aspire 3D. They continue to grow and explore ways to improve resident quality of life within the LHA community.
- The Authority continues a Capital Campaign to raise funds to build three additional Green House Homes. Along with the capital campaign, LHA will work on a financing structure that will allow construction on the next three homes to begin in the fall of 2019.
- LHA was awarded 9% Low Income Housing Tax Credits fall 2018 and expects to close the partnership by March 2019 and then begin construction with completion in March 2020.
- Continue to explore options to add 9 cottage style senior homes to the Silver Leaf II property, construction to start mid 2019
- Plan to submit a 4% Federal and State tax credit application in February 2019 for 69 units – phase II of EDGE complex with EDGE III following in 2022.
- Continue working to purchase additional land in two locations in Loveland for future development. One of the sites we plan to start infrastructure work late 2019. Complete the Meadows Rehab June 2019
- Continue working with two Public/Private groups to develop affordable communities in Loveland.
- Work with Brookstone Investor to purchase their interest in the property and look at a 4% tax credit application for early 2020 to rehab the entire property.
- Challenges facing us:
 - Price of the tax credits has decreased with the reduction of the Corporate tax rate
 - Interest to borrow funds is rising
 - Construction Costs continue to increase each year and increased competition for 9% and State Tax credits and Private Activity Bond Cap.

BASIC FINANCIAL STATEMENTS

LOVELAND HOUSING AUTHORITY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018

	MANAGEMENT FUND	HOME QUEST	SECTION 8 VOUCHERS	MEADOWS	SILVER LEAF II
ASSETS					
CURRENT ASSETS					
Cash	\$ 32,663	\$ 95,811	\$ 121,513	\$ 95,615	\$ 650,336
Accounts Receivable - Tenants	-	7,604	-	802	103
Accounts Receivable - Other	2,609,379	3,276	-	18,583	-
Due from Other Funds	484,452	-	-	-	150,000
Prepaid Expenses	28,198	7,397	-	8,526	4,531
Inventory	21,633	-	-	-	-
Assets Held for Resale	4,650,978	-	-	-	-
TOTAL CURRENT ASSETS	7,827,303	114,088	121,513	123,526	804,970
NON-CURRENT ASSETS					
Restricted Cash - Tenant Security Deposits	-	33,354	-	-	21,805
Restricted Cash - Project and Other Reserves	-	-	721	-	-
Advance to Other Funds	3,873,749	-	-	-	-
Investment in Meadows Partnership II, LLLP	100,000	-	-	-	-
Notes Receivable	13,585,317	75,000	-	-	-
Accrued Interest Receivable	943,720	29,081	-	-	-
Loan Fees, Net of Accumulated Amortization	-	-	-	-	-
Capital Assets, Not Being Depreciated	279,994	1,683,903	-	-	221,528
Capital Assets, Being Depreciated	2,728,310	3,495,470	-	-	1,114,535
TOTAL NON-CURRENT ASSETS	21,511,090	5,316,808	721	-	1,357,868
TOTAL ASSETS	\$ 29,338,393	\$ 5,430,896	\$ 122,234	\$ 123,526	\$ 2,162,838
CURRENT LIABILITIES					
Accounts Payable	\$ 1,588,165	\$ 8,099	\$ 7,408	\$ 28	\$ 44,422
Accrued Expenses	165,149	3,269	17,623	-	6,565
Due to Other Funds	150,000	66,069	-	-	-
Unearned Revenues	-	1,717	-	-	1,746
Accrued Interest Payable	1,256	-	-	-	4,261
Notes Payable - Current Portion	-	-	-	-	-
Mortgage Payable - Current Portion	74,011	152,391	-	-	47,149
TOTAL CURRENT LIABILITIES	1,978,581	231,545	25,031	28	104,143
LONG-TERM LIABILITIES					
Tenant Security Deposits	-	32,685	-	-	19,132
Advance from Other Funds	-	-	-	-	-
Notes Payable	550,000	-	-	-	-
Mortgage Payable	368,999	4,321,937	-	-	1,602,285
TOTAL LONG-TERM LIABILITIES	918,999	4,354,622	-	-	1,621,417
TOTAL LIABILITIES	2,897,580	4,586,167	25,031	28	1,725,560
NET POSITION					
Net Investment in Capital Assets	2,565,294	705,045	-	-	(313,371)
Restricted	-	-	721	-	-
Unrestricted	23,875,519	139,684	96,482	123,498	750,649
TOTAL NET POSITION	26,440,813	844,729	97,203	123,498	437,278
TOTAL LIABILITIES AND NET POSITION	\$ 29,338,393	\$ 5,430,896	\$ 122,234	\$ 123,526	\$ 2,162,838

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

ORCHARD PLACE	WILLOW PLACE	ROCK CREST	LEGH	NONMAJOR PROPRIETARY		TOTALS	
				FUNDS	ELIMINATION	2018	2017
\$ 202,640	\$ 882,428	\$ 233,439	\$ 925,740	\$ 347,595	\$ -	\$ 3,587,780	\$ 5,800,392
11,945	1,961	2,400	170,056	520	-	195,391	11,655
-	-	-	1,157,073	-	-	3,788,311	3,390,747
-	-	-	-	-	(634,452)	-	-
14,352	680	11,194	26,463	4,001	-	105,342	112,207
-	-	-	-	-	-	21,633	25,442
-	-	-	-	-	-	4,650,978	2,385,117
<u>228,937</u>	<u>885,069</u>	<u>247,033</u>	<u>2,279,332</u>	<u>352,116</u>	<u>(634,452)</u>	<u>12,349,435</u>	<u>11,725,560</u>
13,006	9,555	27,383	-	4,429	-	109,532	134,745
-	-	50,739	-	-	-	51,460	46,687
-	-	-	-	-	(3,873,749)	-	-
-	-	-	-	-	-	100,000	-
-	-	-	-	-	-	13,660,317	8,874,687
-	-	-	-	-	-	972,801	864,603
-	-	7,019	70,973	-	-	77,992	117,824
192,515	157,766	504,000	837,223	107,730	-	3,984,659	4,569,682
3,958,622	907,750	2,390,537	10,907,476	505,253	-	26,007,953	27,140,424
<u>4,164,143</u>	<u>1,075,071</u>	<u>2,979,678</u>	<u>11,815,672</u>	<u>617,412</u>	<u>(3,873,749)</u>	<u>44,964,714</u>	<u>41,748,652</u>
<u>\$ 4,393,080</u>	<u>\$ 1,960,140</u>	<u>\$ 3,226,711</u>	<u>\$ 14,095,004</u>	<u>\$ 969,528</u>	<u>\$ (4,508,201)</u>	<u>\$ 57,314,149</u>	<u>\$ 53,474,212</u>
\$ 14,141	9,468	\$ 252,789	\$ 573,952	\$ 2,896	\$ -	\$ 2,501,368	\$ 1,562,785
16,611	3,855	5,768	212,043	109,154	-	540,037	491,219
-	-	-	353,017	65,366	(634,452)	-	-
1,413	1,063	7,600	107,809	5,242	-	126,590	81,672
6,618	362,584	-	-	235,487	-	610,206	544,881
-	-	-	282,638	-	-	282,638	271,539
73,287	15,609	44,715	-	7,743	-	414,905	438,674
<u>112,070</u>	<u>392,579</u>	<u>310,872</u>	<u>1,529,459</u>	<u>425,888</u>	<u>(634,452)</u>	<u>4,475,744</u>	<u>3,390,770</u>
10,157	8,000	25,820	-	3,528	-	99,322	126,245
-	-	3,873,749	-	-	(3,873,749)	-	-
-	1,013,027	-	12,763,938	658,537	-	14,985,502	15,268,140
2,488,365	530,442	917,437	-	263,091	-	10,492,556	12,294,221
<u>2,498,522</u>	<u>1,551,469</u>	<u>4,817,006</u>	<u>12,763,938</u>	<u>925,156</u>	<u>(3,873,749)</u>	<u>25,577,380</u>	<u>27,688,606</u>
<u>2,610,592</u>	<u>1,944,048</u>	<u>5,127,878</u>	<u>14,293,397</u>	<u>1,351,044</u>	<u>(4,508,201)</u>	<u>30,053,124</u>	<u>31,079,376</u>
1,589,485	(854,696)	1,932,385	(1,301,877)	(551,156)	-	3,771,109	3,457,457
-	-	50,739	-	-	-	51,460	46,687
193,003	870,788	(3,884,291)	1,103,484	169,640	-	23,438,456	18,890,692
<u>1,782,488</u>	<u>16,092</u>	<u>(1,901,167)</u>	<u>(198,393)</u>	<u>(381,516)</u>	<u>-</u>	<u>27,261,025</u>	<u>22,394,836</u>
<u>\$ 4,393,080</u>	<u>\$ 1,960,140</u>	<u>\$ 3,226,711</u>	<u>\$ 14,095,004</u>	<u>\$ 969,528</u>	<u>\$ (4,508,201)</u>	<u>\$ 57,314,149</u>	<u>\$ 53,474,212</u>

LOVELAND HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2018

	MANAGEMENT FUND	HOME QUEST	SECTION 8 VOUCHERS	MEADOWS	SILVER LEAF II
OPERATING REVENUES					
Rental	\$ 18,228	\$ 573,943	\$ -	\$ 456,051	\$ 255,394
Management Fees	1,145,663	-	-	-	-
Maintenance Fees	683,970	-	-	-	-
Developer Fees	497,972	-	-	-	-
Grants and Contributions	10,000	-	5,251,425	-	526,620
Other	132,060	11,307	16,845	6,392	3,297
TOTAL OPERATING REVENUES	2,487,893	585,250	5,268,270	462,443	785,311
OPERATING EXPENSES					
Housing Assistance Payments	-	-	4,802,524	-	-
General and Administrative	1,491,664	147,331	460,905	101,036	186,205
Utilities	28,247	19,531	-	40,545	59,497
Maintenance and Operations	513,382	50,926	-	94,978	118,944
Taxes and Insurance	282,592	28,669	43,749	18,894	26,207
Capital Improvements	1,154	17,490	-	26,949	55,665
Amortization	-	-	-	-	2,366
Depreciation	107,999	186,387	-	63,760	133,857
TOTAL OPERATING EXPENSES	2,425,038	450,334	5,307,178	346,162	582,741
INCOME (LOSS) FROM OPERATIONS	62,855	134,916	(38,908)	116,281	202,570
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	442,484	5,625	1,483	1,089	5,582
Interest Expense	(16,188)	(128,091)	-	(39,852)	(51,080)
Grant Revenue	-	-	-	-	-
Grant Expense	(192,208)	-	-	-	-
Gain (Loss) on Sale of Assets	-	-	-	4,079,942	-
NET NON-OPERATING REVENUES (EXPENSES)	234,088	(122,466)	1,483	4,041,179	(45,498)
NET INCOME (LOSS) BEFORE TRANSFERS	296,943	12,450	(37,425)	4,157,460	157,072
TRANSFERS					
Transfer In	4,825,000	-	-	-	-
Transfer Out	-	-	-	(4,825,000)	-
TOTAL TRANSFERS	4,825,000	-	-	(4,825,000)	-
CHANGE IN NET POSITION	5,121,943	12,450	(37,425)	(667,540)	157,072
NET POSITION, Beginning	21,318,870	832,279	134,628	791,038	280,206
NET POSITION, Ending	\$ 26,440,813	\$ 844,729	\$ 97,203	\$ 123,498	\$ 437,278

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

ORCHARD PLACE	WILLOW PLACE	ROCK CREST	LEGH	NONMAJOR PROPRIETARY FUNDS	TOTALS	
					2018	2017
\$ 120,852	\$ 20,554	\$ 405,787	\$ 6,907,351	\$ 107,476	\$ 8,865,636	\$ 8,757,509
-	-	-	-	-	1,145,663	1,414,830
-	-	-	-	-	683,970	664,867
-	-	-	-	-	497,972	714,155
397,728	262,550	117,802	237,710	-	6,803,835	5,857,915
12,643	2,110	6,518	53,000	2,441	246,613	314,446
531,223	285,214	530,107	7,198,061	109,917	18,243,689	17,723,722
-	-	-	-	-	4,802,524	4,563,826
153,421	69,804	191,899	6,446,693	22,880	9,271,838	8,904,855
37,224	11,966	42,056	-	12,199	251,265	242,841
106,872	60,560	74,721	-	28,675	1,049,058	1,089,613
25,653	12,626	29,723	-	8,065	476,178	459,737
37,652	30,857	21,770	-	14,065	205,602	136,659
-	-	1,980	35,486	-	39,832	40,215
192,478	60,296	211,509	623,835	30,393	1,610,514	1,553,083
553,300	246,109	573,658	7,106,014	116,277	17,706,811	16,990,829
(22,077)	39,105	(43,551)	92,047	(6,360)	536,878	732,893
1,746	5,678	1,340	158	3,062	468,247	443,502
(78,907)	(56,793)	(347,484)	(431,049)	(34,299)	(1,183,743)	(1,199,987)
-	-	-	1,157,073	-	1,157,073	14,345
-	-	-	-	-	(192,208)	(24,445)
-	-	-	-	-	4,079,942	-
(77,161)	(51,115)	(346,144)	726,182	(31,237)	4,329,311	(766,585)
(99,238)	(12,010)	(389,695)	818,229	(37,597)	4,866,189	(33,692)
-	-	-	-	-	4,825,000	-
-	-	-	-	-	(4,825,000)	-
-	-	-	-	-	-	-
(99,238)	(12,010)	(389,695)	818,229	(37,597)	4,866,189	(33,692)
1,881,726	28,102	(1,511,472)	(1,016,622)	(343,919)	22,394,836	22,428,528
\$ 1,782,488	\$ 16,092	\$ (1,901,167)	\$ (198,393)	\$ (381,516)	\$ 27,261,025	\$ 22,394,836

LOVELAND HOUSING AUTHORITY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Increase (Decrease) in Cash
 Year Ended December 31, 2018

	MANAGEMENT FUND	HOME QUEST	SECTION 8 VOUCHERS	MEADOWS	SILVER LEAF II
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Tenants and Others	\$ 3,056,208	\$ 577,605	\$ 5,268,270	\$ 455,567	\$ 782,508
Cash Payments to Suppliers	(1,625,541)	(259,629)	(5,308,683)	(308,453)	(408,560)
Net Cash Provided (Used) by Operating Activities	<u>1,430,667</u>	<u>317,976</u>	<u>(40,413)</u>	<u>147,114</u>	<u>373,948</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of Property and Equipment	(1,111,599)	-	-	(27,467)	(101,504)
Sale of Property and Equipment	-	-	-	5,800,000	-
Purchase of Assets Held for Resale	(2,265,861)	-	-	-	-
Purchase of Investment in Meadows Partnership II, LLLP	(100,000)	-	-	-	-
Payments (to) from Other Funds	4,887,371	(35,000)	-	(4,825,000)	(150,000)
Cash Paid for Notes Receivable	(4,785,630)	-	-	-	-
Grants Received	-	-	-	-	-
Grants Paid	(192,208)	-	-	-	-
Cash Received from Issuance of Debt	-	-	-	-	-
Principal Payments on Notes and Mortgages	(71,722)	(147,892)	-	(1,424,554)	(45,466)
Interest Payments on Notes and Mortgages	(16,390)	(128,091)	-	(39,852)	(51,197)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,656,039)</u>	<u>(310,983)</u>	<u>-</u>	<u>(516,873)</u>	<u>(348,167)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	<u>339,911</u>	<u>-</u>	<u>1,483</u>	<u>1,089</u>	<u>5,582</u>
NET INCREASE (DECREASE) IN CASH	<u>(1,885,461)</u>	<u>6,993</u>	<u>(38,930)</u>	<u>(368,670)</u>	<u>31,363</u>
CASH, Beginning	<u>1,918,124</u>	<u>122,172</u>	<u>161,164</u>	<u>464,285</u>	<u>640,778</u>
CASH, Ending	<u>\$ 32,663</u>	<u>\$ 129,165</u>	<u>\$ 122,234</u>	<u>\$ 95,615</u>	<u>\$ 672,141</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Income (Loss) from Operations	62,855	134,916	(38,908)	116,281	202,570
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities					
Depreciation and Amortization	107,999	186,387	-	63,760	136,223
Forgiveness of Development Fee Waiver	-	-	-	-	-
Changes in Assets and Liabilities					
Accounts Receivable	568,315	(9,975)	-	25,264	(86)
Prepaid Expenses	(12,478)	(294)	-	(2,111)	1,717
Inventory	3,809	-	-	-	-
Accounts Payable	716,508	4,024	3,377	(18,595)	35,882
Accrued Expenses	(16,341)	588	(4,882)	(5,345)	359
Due to Related Party	-	-	-	-	-
Unearned Revenues	-	(192)	-	(2,738)	(2,393)
Tenant Security Deposits	-	2,522	-	(29,402)	(324)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,430,667</u>	<u>\$ 317,976</u>	<u>\$ (40,413)</u>	<u>\$ 147,114</u>	<u>\$ 373,948</u>

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

ORCHARD PLACE	WILLOW PLACE	ROCK CREST	LEGH	NONMAJOR PROPRIETARY FUNDS	TOTALS	
					2018	2017
\$ 522,180	\$ 282,655	\$ 534,736	\$ 7,243,646	\$ 112,588	\$ 18,835,963	\$ 18,138,080
(353,575)	(177,852)	(401,334)	(6,173,346)	(39,923)	(15,056,896)	(14,328,068)
168,605	104,803	133,402	1,070,300	72,665	3,779,067	3,810,012
(271,638)	(18,206)	(22,711)	(89,910)	(7,509)	(1,650,544)	(754,085)
-	-	-	-	-	5,800,000	-
-	-	-	-	-	(2,265,861)	(1,655,490)
-	-	-	-	-	(100,000)	-
-	-	287,882	(165,253)	-	-	-
-	-	-	-	-	(4,785,630)	15,183
-	-	-	-	-	-	14,345
-	-	-	-	-	(192,208)	(24,445)
-	-	-	-	-	-	-
(71,094)	(15,098)	(40,117)	(236,053)	(7,511)	(2,059,507)	(646,244)
(79,090)	(16,903)	(347,484)	(431,049)	(8,362)	(1,118,418)	(1,136,562)
(421,822)	(50,207)	(122,430)	(922,265)	(23,382)	(6,372,168)	(4,187,298)
1,746	5,678	1,340	158	3,062	360,049	327,850
(251,471)	60,274	12,312	148,193	52,345	(2,233,052)	(49,436)
467,117	831,709	299,249	777,547	299,679	5,981,824	6,031,260
\$ 215,646	\$ 891,983	\$ 311,561	\$ 925,740	\$ 352,024	\$ 3,748,772	\$ 5,981,824
(22,077)	39,105	(43,551)	92,047	(6,360)	536,878	732,893
192,478	60,296	213,489	659,321	30,393	1,650,346	1,593,298
-	-	-	-	-	-	-
(7,917)	(1,639)	1,097	(453)	1,167	575,773	828,142
(347)	(35)	374	20,151	(112)	6,865	10,004
-	-	-	-	-	3,809	1,242
6,371	7,195	(42,111)	225,513	419	938,583	1,127,080
1,223	801	572	27,683	44,160	48,818	(68,200)
-	-	-	-	-	-	-
(788)	(506)	2,699	46,038	2,798	44,918	(427,684)
(338)	(414)	833	-	200	(26,923)	13,237
\$ 168,605	\$ 104,803	\$ 133,402	\$ 1,070,300	\$ 72,665	\$ 3,779,067	\$ 3,810,012

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Loveland Housing Authority (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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Loveland Elder Green House Homes for Life Enrichment (LEGH)

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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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. This project was sold to a tax credit partnership in October of 2018.

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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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. Assets held for resale consist of land and improvements for a project currently under constructions and are recorded at historical cost.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position 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 and are recorded as accrued expenses.

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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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.

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.

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.

Legal Compliance

The Rock Crest Fund and Cornerstone Fund reported a deficit net position as of December 31, 2018. All of the deficits are expected to be eliminated with future revenues and the forgiveness of the notes payable. This may be a violation of State Statute.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3: CASH AND INVESTMENTS

Cash and Investments reported in the December 31, 2018 financial statements consisted of the following:

Cash	\$ 3,587,780
Tenant Security Deposits - Restricted	109,532
Project and Other Reserves - Restricted	<u>51,460</u>
Total	<u>\$ 3,748,772</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, 2018, 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, 2018, the Authority had deposits with financial institutions with a carrying amount of \$3,748,772. The bank balances with the financial institutions were \$3,878,088. Of these balances, \$1,127,893 was covered by federal depository insurance and \$2,750,195 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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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, 2018 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	\$ 33,354
Section 8 Vouchers	721
Silver Leaf II	21,805
Orchard Place	13,006
Willow Place	9,555
Rock Crest	78,122
Cornerstone	<u>4,429</u>
Total	<u>\$ 160,992</u>

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4: INTERFUND ACTIVITY

Interfund activity as of and for the year ended December 31, 2018 consisted of the following:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Management Fund	Revolving Trust Fund	\$ 65,366
Management Fund	LEGH Fund	353,017
Management Fund	Home Quest Fund	66,069
Silver Leaf II	Management Fund	<u>150,000</u>
Total		<u>\$ 634,452</u>

The Management Fund is due developer and administrative fees from the Home Quest and the LEGH Funds. The Management Fund also provides funding for ongoing operating expenses for the Revolving Trust Fund and capital construction expenses for the Home Quest Fund. Silver Leaf II has provided funding to the Management Fund for capital construction expenses.

<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
Management Fund	Rock Crest Fund	<u>\$ 3,873,749</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 \$2,823,749 as of December 31, 2018.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: NOTES RECEIVABLE

At December 31, 2018, notes receivable consisted of the following:

	<u>Notes</u>	<u>Accrued Interest</u>
Management Fund		
Mirasol Senior Housing Partnership, LLLP	\$ 60,180	\$ 3,206
Mirasol Senior Housing Partnership, LLLP	490,068	186,980
Mirasol Senior Housing Partnership, LLLP	356,654	166,432
Mirasol Senior Housing Partnership, LLLP	600,000	480,415
Mirasol Senior Housing Partnership II, LLLP	40,000	15,510
Mirasol Senior Housing Partnership II, LLLP	456,245	91,177
Loveland Housing Development Corporation	400,000	-
Chase NMTC Mirasol Investment Fund LLC	2,000,000	-
The EDGE LLLP	3,500,000	-
The EDGE LLLP	135,000	-
The EDGE LLLP	747,170	-
Meadows Partnership II, LLLP	4,400,000	-
Meadows Partnership II, LLLP	400,000	-
Home Quest Fund		
Mirasol Senior Housing Partnership II, LLLP	<u>75,000</u>	<u>29,081</u>
 Total	 <u>\$ 13,660,317</u>	 <u>\$ 972,801</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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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. This note has been extended until December 2018. 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 accrues interest at a rate of 2.99%. The entire principal balance is due in 2045.

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

Meadows Partnership II, LLLP

The \$4,400,000 notes payable are secured by interest in real property and does not accrue interest. The entire principal balance is due in 2048.

The \$400,000 Department of Housing Loan is secured by interest in real property and does not accrue interest. The entire principal balance is due in 2048.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 6: CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2018, is summarized below.

	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>
Capital assets, Not Being Depreciated				
Land	\$ 3,683,449	\$ 5,816	\$ 117,467	\$ 3,571,799
Water Rights	328,187	-	-	328,187
Construction in Progress	<u>558,046</u>	<u>84,673</u>	<u>558,045</u>	<u>84,673</u>
Total Capital assets, Not Being depreciated	<u>4,569,682</u>	<u>90,489</u>	<u>675,512</u>	<u>3,984,659</u>
Capital Assets, Being Depreciated				
Buildings	38,021,830	1,989,287	2,049,866	37,961,251
Improvements	143,560	-	-	143,560
Equipment	<u>1,424,956</u>	<u>63,880</u>	<u>9,926</u>	<u>1,478,910</u>
Total Capital Assets, Being Depreciated	<u>39,590,346</u>	<u>2,053,167</u>	<u>2,059,792</u>	<u>39,583,721</u>
Accumulated Depreciation				
Buildings	11,448,619	1,466,779	474,742	12,440,656
Improvements	114,983	5,146	-	120,129
Equipment	<u>886,320</u>	<u>138,589</u>	<u>9,926</u>	<u>1,014,983</u>
Total Accumulated Depreciation	<u>12,449,922</u>	<u>1,610,514</u>	<u>484,668</u>	<u>13,575,768</u>
Total Capital Assets, Being Depreciated, Net	<u>27,140,424</u>	<u>442,653</u>	<u>(1,575,124)</u>	<u>26,007,953</u>
Net Capital Assets	<u>\$ 31,710,106</u>	<u>\$ 533,142</u>	<u>\$ (2,250,636)</u>	<u>\$ 29,992,612</u>

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 6: CAPITAL ASSETS (Continued)

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

Management	\$ 107,999
Home Quest	186,387
Meadows	63,760
Silver Leaf II	133,857
Orchard Place	192,478
Willow Place	60,296
Cornerstone	30,393
Rock Crest	211,509
LEGH	<u>623,835</u>
Total	<u>\$ 1,610,514</u>

NOTE 7: LONG-TERM DEBT

Following is a summary of the Authority's long-term debt transactions for the year ended December 31, 2018:

	<u>Balance</u> <u>12/31/2017</u>		<u>Additions</u>		<u>Payments</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Due In</u> <u>One Year</u>
Management Fund							
Mortgage Payable – FNB	\$ 514,732	\$	-	\$	71,722	\$ 443,010	\$ 74,011
Note Payable – FHLB	150,000		-		-	150,000	-
Note Payable – FHLB	400,000		-		-	400,000	-
Orchard Place Fund							
Mortgage Payable – First Bank	2,632,746		-		71,094	2,561,652	73,287
Willow Place Fund							
Note Payable – LHDC	1,013,027		-		-	1,013,027	-
Mortgage Payable – First Bank	561,149		-		15,098	546,051	15,609
Cornerstone Fund							
Note Payable - LHDC	658,537		-		-	658,537	-
Mortgage Payable – First Bank	278,345		-		7,511	270,834	7,743
Meadows Fund							
Mortgage Payable – BOC	1,424,554		-		1,424,554	-	-

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 7: LONG-TERM DEBT (Continued)

	Balance <u>12/31/2017</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/2018</u>	Due In <u>One Year</u>
Home Quest Fund					
Mortgage Payable – FNB	656,151	-	18,694	637,457	19,651
Mortgage Payable – FNB	3,966,069	-	129,198	3,836,871	132,740
Silver Leaf II Fund					
Mortgage Payable – First Bank	1,694,900	-	45,466	1,649,434	47,149
Rock Crest Fund					
Mortgage Payable - CHFA	1,004,249	-	42,097	962,152	44,715
LEGH Fund					
Notes Payable – CDE	10,340,000	-	-	10,340,000	-
Note Payable – State of Colorado	1,884,510	-	58,527	1,825,893	59,208
Developer Fee – City of Loveland	511,118	-	29,207	481,911	29,207
NCB Capital Impact Loan	<u>582,487</u>	<u>-</u>	<u>183,715</u>	<u>398,772</u>	<u>194,223</u>
Total	<u>\$ 28,272,574</u>	<u>\$ -</u>	<u>\$ 2,096,883</u>	<u>\$ 26,175,601</u>	<u>\$ 697,543</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 2018.

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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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%.

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%. In October 2018, the real property was sold and the mortgage was paid in full.

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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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>
2019	\$ 282,638
2020	7,129,757
2021	113,872
2022	117,071
2023	120,284
Thereafter	<u>5,282,954</u>
Total	<u>\$ 13,046,576</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>
2019	\$ 415,147	\$ 346,965	\$ 762,112
2020	1,087,538	609,330	1,696,868
2021	844,845	318,406	1,163,251
2022	699,020	297,079	996,099
2023	4,617,328	801,239	5,418,567
2024 – 2028	3,229,677	528,955	3,758,632
2029 – 2032	<u>2,235,470</u>	<u>169,373</u>	<u>2,404,843</u>
Total	<u>\$ 13,129,025</u>	<u>\$ 3,071,347</u>	<u>\$ 16,200,372</u>

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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 Empower Retirement. The Authority contributes up to 5% of the employee's covered salary. For the year ended December 31, 2018, the Authority contributed \$92,665 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, 2018, 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

LOVELAND HOUSING AUTHORITY

STATEMENT OF NET POSITION
NON MAJOR PROPRIETARY FUNDS
December 31, 2018

	HOUSING QUEST	CORNER- STONE	CDBG DR TENANT ASSISTANCE	REVOLVING TRUST
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,910	\$ 146,292	\$ -	\$ 199,393
Accounts Receivable - Tenants	-	520	-	-
Accounts Receivable - Other	-	-	-	-
Prepaid Expenses	-	4,001	-	-
TOTAL CURRENT ASSETS	1,910	150,813	-	199,393
NON-CURRENT ASSETS				
Restricted Cash - Tenant Security Deposits	-	4,429	-	-
Investment in Maple Terrace Renewable Energy LLC	-	-	-	-
Capital Assets, Not Being Depreciated	-	107,730	-	-
Capital Assets, Being Depreciated	-	505,253	-	-
TOTAL NON-CURRENT ASSETS	-	617,412	-	-
TOTAL ASSETS	\$ 1,910	\$ 768,225	\$ -	\$ 199,393
CURRENT LIABILITIES				
Accounts Payable	\$ -	\$ 2,896	\$ -	\$ -
Accrued Expenses	202	1,241	-	107,711
Due To Other Funds	-	-	-	65,366
Unearned Revenue	-	5,242	-	-
Accrued Interest Payable	-	235,487	-	-
Notes Payable - Current Portion	-	-	-	-
Mortgage Payable - Current Portion	-	7,743	-	-
TOTAL CURRENT LIABILITIES	202	252,609	-	173,077
LONG-TERM LIABILITIES				
Tenant Security Deposits	-	3,528	-	-
Notes Payable	-	658,537	-	-
Mortgage Payable	-	263,091	-	-
TOTAL LONG-TERM LIABILITIES	-	925,156	-	-
TOTAL LIABILITIES	202	1,177,765	-	173,077
NET POSITION				
Net Investment in Capital Assets	-	(551,156)	-	-
Unrestricted	1,708	141,616	-	26,316
TOTAL NET POSITION	1,708	(409,540)	-	26,316
TOTAL LIABILITIES AND NET POSITION	\$ 1,910	\$ 768,225	\$ -	\$ 199,393

See the accompanying independent auditors' report

TOTALS

2018	2017
\$ 347,595	\$ 295,277
520	193
-	1,494
4,001	3,889
<u>352,116</u>	<u>300,853</u>
4,429	4,402
-	-
107,730	107,730
505,253	528,137
<u>617,412</u>	<u>640,269</u>
<u><u>\$ 969,528</u></u>	<u><u>\$ 941,122</u></u>
\$ 2,896	\$ 2,477
109,154	64,994
65,366	65,366
5,242	2,444
235,487	209,550
-	-
7,743	7,511
<u>425,888</u>	<u>352,342</u>
3,528	3,328
658,537	658,537
263,091	270,834
<u>925,156</u>	<u>932,699</u>
<u>1,351,044</u>	<u>1,285,041</u>
(551,156)	(509,846)
<u>169,640</u>	<u>165,927</u>
<u>(381,516)</u>	<u>(343,919)</u>
<u><u>\$ 969,528</u></u>	<u><u>\$ 941,122</u></u>

LOVELAND HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NON MAJOR PROPRIETARY FUNDS
Year Ended December 31, 2018

	HOUSING QUEST	CORNER- STONE	CDBG DR TENANT ASSISTANCE	REVOLVING TRUST
OPERATING REVENUES				
Rental	\$ -	\$ 107,476	\$ -	\$ -
Other	-	2,441	-	-
TOTAL OPERATING REVENUES	-	109,917	-	-
OPERATING EXPENSES				
General and Administrative	-	22,307	-	573
Utilities	-	12,199	-	-
Maintenance and Operations	-	28,675	-	-
Taxes and Insurance	-	8,065	-	-
Capital Improvements	-	14,065	-	-
Depreciation	-	30,393	-	-
TOTAL OPERATING EXPENSES	-	115,704	-	573
INCOME (LOSS) FROM OPERATIONS	-	(5,787)	-	(573)
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	12	750	-	2,300
Interest Expense	-	(34,299)	-	-
Grant Revenue	-	-	-	-
Grant Expense	-	-	-	-
NET NON-OPERATING REVENUES (EXPENSES)	12	(33,549)	-	2,300
NET INCOME (LOSS) BEFORE TRANSFERS	12	(39,336)	-	1,727
TRANSFERS				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
TOTAL TRANSFERS	-	-	-	-
CHANGE IN NET POSITION	12	(39,336)	-	1,727
NET POSITION, Beginning	1,696	(370,204)	-	24,589
NET POSITION, Ending	\$ 1,708	\$ (409,540)	\$ -	\$ 26,316

See the accompanying independent auditors' report

TOTALS

2018	2017
\$ 107,476	\$ 108,176
2,441	4,346
109,917	112,522
22,880	25,931
12,199	11,723
28,675	30,711
8,065	7,222
14,065	14,696
30,393	29,420
116,277	119,703
(6,360)	(7,181)
3,062	2,896
(34,299)	(33,771)
-	14,345
-	-
(31,237)	(16,530)
(37,597)	(23,711)
-	-
-	-
-	-
(37,597)	(23,711)
(343,919)	(320,208)
\$ (381,516)	\$ (343,919)

LOVELAND HOUSING AUTHORITY

STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Increase (Decrease) in Cash
Year Ended December 31, 2018

	HOUSING QUEST	CORNER- STONE	CDBG DR TENANT ASSISTANCE	REVOLVING TRUST
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Tenants and Others	\$ -	\$ 112,588	\$ -	\$ -
Cash Payments to Suppliers	-	(85,057)	-	45,134
Net Cash Used by Operating Activities	-	27,531	-	45,134
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Property and Equipment	-	(7,509)	-	-
Sale of Property and Equipment	-	-	-	-
Payments (to) from Other Funds	-	-	-	-
Grants Received	-	-	-	-
Grants Paid	-	-	-	-
Principal Payments on Notes and Mortgages	-	(7,511)	-	-
Interest Payments on Notes and Mortgages	-	(8,362)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(23,382)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	12	750	-	2,300
NET INCREASE (DECREASE) IN CASH	12	4,899	-	47,434
CASH, Beginning	1,898	145,822	-	151,959
CASH, Ending	<u>\$ 1,910</u>	<u>\$ 150,721</u>	<u>\$ -</u>	<u>\$ 199,393</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Income (Loss) from Operations	-	(5,787)	-	(573)
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities				
Depreciation and Amortization	-	30,393	-	-
Changes in Assets and Liabilities				
Accounts Receivable	-	(327)	-	1,494
Prepaid Expenses	-	(112)	-	-
Accounts Payable	-	419	-	-
Accrued Expenses	-	(53)	-	44,213
Unearned Revenues	-	2,798	-	-
Tenant Security Deposits	-	200	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ 27,531</u>	<u>\$ -</u>	<u>\$ 45,134</u>

See the accompanying independent auditors' report

TOTALS

2018	2017
\$ 112,588	\$ 117,428
(39,923)	(82,761)
72,665	34,667

(7,509)	(11,831)
-	-
-	(29,247)
-	14,345
-	-
(7,511)	(7,286)
(8,362)	(8,587)
(23,382)	(42,606)

3,062	2,896
52,345	(5,043)
299,679	304,722
\$ 352,024	\$ 299,679

(6,360)	(7,181)
30,393	29,420
1,167	3,397
(112)	(712)
419	(3,687)
44,160	12,584
2,798	846
200	-
\$ 72,665	\$ 34,667

COMPLIANCE



JOHN CUTLER & ASSOCIATES

To the Board of Directors
Loveland Housing Authority
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 Loveland Housing Authority, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Loveland Housing Authority's basic financial statements, and have issued our report thereon dated May 22, 2019.

Internal Control over Financial Reporting

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

John Luttrell & Associates, LLC

May 22, 2019



JOHN CUTLER & ASSOCIATES

To the Board of Directors
Loveland Housing Authority
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 Loveland Housing Authority'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 Loveland Housing Authority's major federal programs for the year ended December 31, 2018. The Loveland Housing Authority'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 Loveland Housing Authority'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 Loveland Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Loveland Housing Authority 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, 2018.

Report on Internal Control Over Compliance

Management of the Loveland Housing Authority 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 Loveland Housing Authority'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 Loveland Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 Luther & Associates, LLC

May 22, 2019

LOVELAND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies 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 2CFR 200.516 (a) of the Uniform Guidance?

_____ yes x no

Identification of major program:

14.871 Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? _____ 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.

LOVELAND HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2018

	Major Program ?	CDFA #	TOTAL EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Section 8 Housing Choice Vouchers	Yes	14.871	\$ 5,251,425
Section 8 New Construction and Substantial Rehabilitation	No	14.182 *	526,620
Section 8 Housing Assistance Payments	No	14.195 *	397,728
Total Section 8 Project-Based Cluster			924,348
Total Federal Financial Assistance			\$ 6,175,773

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.