

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

**Financial Statements
With Independent Auditors' Report**

December 31, 2019

Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

December 31, 2019

Board of Commissioners

Ernie Arterburn, Chair

Jennifer Haynes, Vice-Chair

Paula Grimes

Colleen Nebel

Joan McLendon

Joe Anderson, Council Liaison

Executive Director and Secretary

Jerry Graber

Housing Authority of the City of Englewood

d/b/a Innovative Housing Concepts

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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, 2019, 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, 2019, 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, 2018, and we expressed unmodified audit opinions on the business-type activities, each major fund, and the aggregate remaining fund information in our report dated April 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 19, 2020, 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 19, 2020



HOUSING AUTHORITY OF THE CITY OF ENGLEWOOD
d/b/a INNOVATIVE HOUSING CONCEPTS
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information
DECEMBER 31, 2019

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, 2019. 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 year-end of \$8,968,150.
- With a current ratio at 8.1 the Authority demonstrates liquidity. In other words, the Authority can meet its current obligations 8.1 times.
- The number of Months Expendable Funds Balance ratio, which shows adequacy of funds or the ability to pay monthly expenses, is 6.9 months; last year was 7.9 months.

Using the Basic Financial Statements

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

The Statement of Net Position--Proprietary Funds presents information on all the Authority's assets and liabilities. Under GASB 34, the difference between a PHA's 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.

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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 them in the audit report.

Authority Financial Analysis

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

	2019	2018	Dollar Change	Percent Change
ASSETS				
Current Assets	\$ 3,772,828	\$ 4,320,821	\$ (547,993)	-12.7%
Noncurrent Assets	7,236,044	6,494,469	741,575	11.4%
Total Assets	<u>11,008,872</u>	<u>10,815,290</u>	<u>193,582</u>	<u>1.8%</u>
LIABILITIES				
Current Liabilities	464,549	453,665	10,884	2.4%
Long Term Liabilities	1,576,173	1,723,631	(147,458)	-8.6%
Total Liabilities	<u>2,040,722</u>	<u>2,177,296</u>	<u>(136,574)</u>	<u>-6.3%</u>
NET POSITION				
Net Investment in Capital Assets	4,130,992	3,301,694	829,298	25.1%
Restricted for Housing Assistance Payments	(35,233)	(9,064)	(26,169)	288.7%
Unrestricted	4,872,391	5,345,364	(472,973)	-8.8%
Total Net Position	<u>8,968,150</u>	<u>8,637,994</u>	<u>330,156</u>	<u>3.8%</u>
Total Liabilities and Net Position	<u>\$ 11,008,872</u>	<u>\$ 10,815,290</u>	<u>\$ 193,582</u>	<u>1.8%</u>

- The major change in Current Assets is due to the decrease in cash. There was a decrease of (\$375,889) in cash due mainly to the development of the W. Wesley property.

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Authority Financial Analysis (Continued)

- The majority of the change in Total Liabilities of (\$136,577) was from a decrease in Notes Payable of (\$10,261), Lease Payables decreasing by \$131,141) and an increase in Compensated Absences Payable of \$2,998.
- Net Position increased by our gain this year of \$330,159. Please see the following table for more information.

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

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 6,456,589	\$ 6,120,405	\$ 336,184	5.5%
Operating Expenses	<u>6,289,415</u>	<u>5,845,661</u>	<u>443,754</u>	<u>7.6%</u>
Net Operating Income (Loss)	<u>167,174</u>	<u>274,744</u>	<u>(107,570)</u>	<u>39.2%</u>
Nonoperating Revenues (Expenses)	<u>19,908</u>	<u>4,923</u>	<u>14,985</u>	<u>-304%</u>
Net Income (Loss) Before Capital Contributions	187,082	279,667	(92,585)	33.1%
Capital Contributions	<u>143,077</u>	<u>153,187</u>	<u>(10,110)</u>	<u>-6.6%</u>
Change in Net Position	330,156	432,854	(102,695)	23.7%
Net Position, Beginning	<u>8,637,994</u>	<u>8,205,140</u>	<u>432,854</u>	<u>5.3%</u>
Net Position, Ending	<u>\$ 8,968,150</u>	<u>\$ 8,637,994</u>	<u>\$ 330,156</u>	<u>3.8%</u>

- The increase in Operating Revenues of \$336,184 is due mainly to an increase in grant income of \$394,039, rental income of \$55,372, Management Fees income of \$1,475 and a decrease in Other Income of \$114,702.

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Authority Financial Analysis (Continued)

- Operating expenses increased \$443,754 mainly because of an increase in Housing Assistance Payment (HAP) expense of \$318,916, increase in Maintenance expense of \$89,814, increase in General and Administrative costs of \$24,560 and an increase in Insurance and Benefit costs of \$11,031. The HAP cost increase was mainly due to absorbing vouchers.
- Nonoperating Expenses (Revenue) change of \$14,985 is from a decrease in interest expense of \$7,265 for the loans of the housing authority and an increase of \$7,489 in interest revenue earned.
- Capital Contributions decreased because the HUD grant for capital improvement decreased by (\$10,110).
- The Housing Authority ended the year with a gain of \$330,159.

CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total Capital Assets, Not Being Depreciated	\$ 2,907,948	\$ 1,879,512	\$ 1,028,436	54.7%
Total Capital Assets, Being Depreciated	<u>13,185,693</u>	<u>13,293,949</u>	<u>(108,256)</u>	<u>-0.8%</u>
Total Depreciation	<u>(10,270,645)</u>	<u>(10,050,284)</u>	<u>(220,361)</u>	<u>2.2%</u>
Total Capital Assets, Net	<u>\$ 5,822,996</u>	<u>\$ 5,123,177</u>	<u>\$ 699,819</u>	<u>13.7%</u>

As of December 31, 2019, the Authority had \$5,822,996 invested in a broad range of capital assets, including sites, buildings, and equipment. This is a net capital asset increase of \$699,819 from 2018's \$5,123,177. The Housing Authority began developing the W. Wesley property in 2019. Further information on capital asset activities is provided in Note 7 to the financial statements.

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Authority Financial Analysis (Continued)

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

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Note Payable Current	\$ 10,718	\$ 10,260	\$ 458	4.5%
Capital Lease Current	144,383	131,141	13,242	10.1%
Note Payable Long Term	456,834	467,553	(10,719)	-2.3%
Capital Lease Long Term	<u>1,080,069</u>	<u>1,224,452</u>	<u>(144,383)</u>	<u>-11.8%</u>
Total	<u>\$ 1,692,004</u>	<u>\$ 1,833,406</u>	<u>\$ (141,402)</u>	<u>-7.7%</u>

As of December 31, 2019, the Authority had \$1,692,004 in outstanding Note and Capital Lease Payables. There was a net decrease in total outstanding Note and Capital Lease Debt of (\$141,402) from the prior year. Details of the Notes and Capital Lease Payables can be found in Note 8 to the financial statements.

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 1,318-unit months of occupancy out of the 1,320-unit months available (110 units' times 12 months) a 99.8% 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. 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.

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The Funds (Continued)

Sheridan has 177 Vouchers available to administer. A total of 598 Vouchers are available for management by the Authority. Monthly Management Fees are received from the contract agency.

The Authority was able to utilize 79%- or 3,981-unit months of the 5,052-unit months available for its program. Of the 421 Vouchers available, an average of 332 vouchers were 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 99.5% occupancy for 2019, with 1,242-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 100% occupancy rate in 2019 with 48-unit months leased out of the 48-unit months available. They are expected to be fully leased in 2020.

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 -- 2020

HUD's cash management system will continue to retain housing authority reserves at the Federal level rather than local. Local housing authority reserves could be recaptured. HUD is estimating prorates of 96.64% of eligibility for Public Housing Operating Subsidy and 81.1% for Housing Choice Voucher Earned Administrative Fees.

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The Future of the Housing Authority of the City of Englewood – 2020 (Continued)

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

The outbreak of the COVID-19 virus will have an effect on the operations of the Housing Authority. Staff will be working from home every other day to keep staffing in the office to a minimum. Section 8 Voucher Program orientations will be more difficult when issuing vouchers, moving and leasing up will take longer. Vacancy rate may be higher. We anticipate HUD will provide additional funding to support the prevention, preparation, and response to the COVID-19 pandemic.

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, 2019

	Public	Vouchers	Management	Simon	Market Rate	Nonmajor	Totals	
	Housing						Center	Rentals
Assets								
<i>Current Assets</i>								
Cash and Investments	\$ 920,099	\$ 134,514	\$ 931,756	\$ 1,305,773	\$ 145,210	\$ 197,563	\$ 3,634,915	\$ 4,010,804
Accounts Receivable	14,802	3,202	38,300	2,464	11,580	1,843	72,191	210,595
Interfund Receivables	-	-	-	59,130	-	-	59,130	93,087
Prepaid Expenses	3,044	283	114	2,817	167	167	6,592	6,335
Total Current Assets	<u>937,945</u>	<u>137,999</u>	<u>970,170</u>	<u>1,370,184</u>	<u>156,957</u>	<u>199,573</u>	<u>3,772,828</u>	<u>4,320,821</u>
<i>Noncurrent Assets</i>								
Notes Receivable	-	-	951,437	21,125	-	-	972,562	972,562
Interest Receivable	-	-	440,486	-	-	-	440,486	398,730
Capital Assets, <i>Not Being Depreciated</i>	478,994	-	1,995,669	208,409	199,466	25,410	2,907,948	1,879,512
Capital Assets, <i>Net of Accumulated Depreciation</i>	570,028	-	-	1,368,037	930,623	46,360	2,915,048	3,243,665
Total Noncurrent Assets	<u>1,049,022</u>	<u>-</u>	<u>3,387,592</u>	<u>1,597,571</u>	<u>1,130,089</u>	<u>71,770</u>	<u>7,236,044</u>	<u>6,494,469</u>
Total Assets	<u>\$ 1,986,967</u>	<u>\$ 137,999</u>	<u>\$ 4,357,762</u>	<u>\$ 2,967,755</u>	<u>\$ 1,287,046</u>	<u>\$ 271,343</u>	<u>\$ 11,008,872</u>	<u>\$ 10,815,290</u>
Liabilities								
<i>Current Liabilities</i>								
Accounts Payable and Accrued Expenses	\$ 50,107	\$ 9,344	\$ 9,164	\$ 18,993	\$ 1,211	\$ 2,427	\$ 91,246	\$ 87,246
Unearned Revenues	533	431	-	1,401	100	-	2,465	852
Accrued Interest Payable	994	-	-	1,806	1,705	-	4,505	4,843
Tenant Security Deposits	36,842	-	-	36,536	8,950	1,480	83,808	83,543
Escrow Deposits	-	66,280	-	-	-	-	66,280	36,033
Interfund Payables	-	59,130	-	-	-	-	59,130	93,087
Accrued Compensated Absences	633	440	156	623	81	81	2,014	6,660
Current Portion of Long Term Debt	51,256	-	-	93,127	10,718	-	155,101	141,401
Total Current Liabilities	<u>140,365</u>	<u>135,625</u>	<u>9,320</u>	<u>152,486</u>	<u>22,765</u>	<u>3,988</u>	<u>464,549</u>	<u>453,665</u>
<i>Noncurrent Liabilities</i>								
Accrued Compensated Absences	12,338	8,584	3,033	12,145	1,585	1,585	39,270	31,626
Note Payable	-	-	-	-	456,834	-	456,834	467,553
Lease Payable	383,491	-	-	696,578	-	-	1,080,069	1,224,452
Total Noncurrent Liabilities	<u>395,829</u>	<u>8,584</u>	<u>3,033</u>	<u>708,723</u>	<u>458,419</u>	<u>1,585</u>	<u>1,576,173</u>	<u>1,723,631</u>
Total Liabilities	<u>536,194</u>	<u>144,209</u>	<u>12,353</u>	<u>861,209</u>	<u>481,184</u>	<u>5,573</u>	<u>2,040,722</u>	<u>2,177,296</u>
Net Position								
Net Investment in Capital Assets	614,275	-	1,995,669	786,741	662,537	71,770	4,130,992	3,301,694
Restricted	-	(35,233)	-	-	-	-	(35,233)	(9,064)
Unrestricted	836,498	29,023	2,349,740	1,319,805	143,325	194,000	4,872,391	5,345,364
Total Net Position	<u>1,450,773</u>	<u>(6,210)</u>	<u>4,345,409</u>	<u>2,106,546</u>	<u>805,862</u>	<u>265,770</u>	<u>8,968,150</u>	<u>8,637,994</u>
Total Liabilities and Net Position	<u>\$ 1,986,967</u>	<u>\$ 137,999</u>	<u>\$ 4,357,762</u>	<u>\$ 2,967,755</u>	<u>\$ 1,287,046</u>	<u>\$ 271,343</u>	<u>\$ 11,008,872</u>	<u>\$ 10,815,290</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
For the Year Ended December 31, 2019

	Public Housing	Vouchers	Management	Simon Center	Market Rate Rentals	Nonmajor Office Building	Totals	
							2019	2018
Operating Revenues								
Rental	\$ 457,179	\$ -	\$ -	\$ 414,153	\$ 96,021	\$ 111,680	\$ 1,079,033	\$ 1,023,661
Grants	210,110	4,001,028	120,561	634,163	-	-	4,965,862	4,571,823
Management Fees	-	-	140,414	-	-	-	140,414	138,939
Other	10,898	192,315	50,031	8,854	7,932	1,250	271,280	385,982
Total Operating Revenues	<u>678,187</u>	<u>4,193,343</u>	<u>311,006</u>	<u>1,057,170</u>	<u>103,953</u>	<u>112,930</u>	<u>6,456,589</u>	<u>6,120,405</u>
Operating Expenses								
Housing Assistance Payments	-	3,967,832	-	-	-	-	3,967,832	3,648,916
General and Administrative	221,602	223,021	216,296	252,045	4,035	38,314	955,313	930,753
Utilities	100,447	-	564	92,590	3,342	12,237	209,180	206,904
Maintenance and Operation	259,791	48	8,693	191,302	12,248	8,285	480,367	390,553
Insurance and Benefits	128,257	44,080	52,023	89,465	3,188	12,305	329,318	318,287
Depreciation	116,319	-	-	181,813	45,523	3,750	347,405	350,248
Total Operating Expenses	<u>826,416</u>	<u>4,234,981</u>	<u>277,576</u>	<u>807,215</u>	<u>68,336</u>	<u>74,891</u>	<u>6,289,415</u>	<u>5,845,661</u>
Net Operating Income (Loss)	<u>(148,229)</u>	<u>(41,638)</u>	<u>33,430</u>	<u>249,955</u>	<u>35,617</u>	<u>38,039</u>	<u>167,174</u>	<u>274,744</u>
Nonoperating Revenues (Expenses)								
Interest Income	12,275	574	77,290	21,011	178	720	112,048	104,559
Interest Expense	(25,374)	-	-	(46,103)	(20,663)	-	(92,140)	(99,405)
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	(231)
Net Nonoperating Revenues (Expenses)	<u>(13,099)</u>	<u>574</u>	<u>77,290</u>	<u>(25,092)</u>	<u>(20,485)</u>	<u>720</u>	<u>19,908</u>	<u>4,923</u>
Net Income (Loss) Before Capital Contributions and Transfers	<u>(161,328)</u>	<u>(41,064)</u>	<u>110,720</u>	<u>224,863</u>	<u>15,132</u>	<u>38,759</u>	<u>187,082</u>	<u>279,667</u>
Capital Contributions and Transfers								
Grants	143,077	-	-	-	-	-	143,077	153,187
Transfers In	-	12,279	39,690	-	-	-	51,969	1,858,698
Transfers Out	-	-	(39,690)	(12,279)	-	-	(51,969)	(1,858,698)
Change in Net Position	<u>(18,251)</u>	<u>(28,785)</u>	<u>110,720</u>	<u>212,584</u>	<u>15,132</u>	<u>38,759</u>	<u>330,159</u>	<u>432,854</u>
Net Position, Beginning of year	<u>1,469,024</u>	<u>22,575</u>	<u>4,234,689</u>	<u>1,893,962</u>	<u>790,730</u>	<u>227,011</u>	<u>8,637,991</u>	<u>8,205,140</u>
Net Position, End of year	<u>\$ 1,450,773</u>	<u>\$ (6,210)</u>	<u>\$ 4,345,409</u>	<u>\$ 2,106,546</u>	<u>\$ 805,862</u>	<u>\$ 265,770</u>	<u>\$ 8,968,150</u>	<u>\$ 8,637,994</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
For the Year Ended December 31, 2019

	Public Housing	Vouchers	Management	Simon Center	Market Rate Rentals	Nonmajor Office Building	Totals	
							2019	2018
Cash Flows from Operating Activities								
Cash Received from Tenants	\$ 464,523	\$ -	\$ -	\$ 410,661	\$ 99,871	\$ 111,680	\$ 1,086,735	\$ 1,011,656
Cash Received from Grants	210,110	4,195,115	120,561	634,163	-	-	5,159,949	4,798,999
Cash Received from Others	10,898	192,315	167,117	8,854	-	1,250	380,434	226,080
Housing Assistance Payments	-	(3,967,832)	-	-	-	-	(3,967,832)	(3,648,916)
Cash Payments to Employees	(239,423)	(161,929)	(189,772)	(222,820)	(5,817)	(35,108)	(854,869)	(607,815)
Cash Payments to Suppliers	(467,181)	(102,488)	(87,509)	(403,194)	(15,130)	(37,328)	(1,112,830)	(1,223,456)
Net Cash Provided (Used) by Operating Activities	(21,073)	155,181	10,397	427,664	78,924	40,494	691,587	556,548
Cash Flows from Noncapital Financing Activities								
Payments from Other Funds	-	12,279	39,690	33,957	-	-	85,926	31,085
Payments to Other Funds	-	(33,957)	(39,690)	(12,279)	-	-	(85,926)	(31,085)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(21,678)	-	21,678	-	-	-	-
Cash Flows from Capital and Related Financing Activities								
Cash Received from Grants	143,077	-	-	-	-	-	143,077	113,970
Purchases of Property and Equipment	(10,209)	-	(1,028,436)	(4,379)	2	(4,202)	(1,047,224)	(793,378)
Proceed from Property Equipment	-	-	-	-	-	-	-	(231)
Debt Principal Payments	(47,188)	-	(156)	(85,209)	(10,342)	-	(142,895)	(124,601)
Debt Interest Payments	(25,481)	-	-	(46,297)	(20,700)	-	(92,478)	(18,299)
Net Cash Provided (Used) by Capital and Related Financing Activities	60,199	-	(1,028,592)	(135,885)	(31,040)	(4,202)	(1,139,520)	(822,539)
Cash Flows from Investing Activities								
Interest Received	12,275	574	35,534	21,011	-	720	70,114	(17,611)
Net Change in Cash and Cash Equivalents	51,401	134,077	(982,661)	334,468	47,884	37,012	(377,819)	(283,602)
Cash and Cash Equivalents, Beginning of year	868,065	-	1,914,261	970,682	97,245	160,551	4,010,804	4,294,406
Cash and Cash Equivalents, End of year	\$ 919,466	\$ 134,077	\$ 931,600	\$ 1,305,150	\$ 145,129	\$ 197,563	\$ 3,632,985	\$ 4,010,804

(Continued)

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019
(Continued)

	Public Housing	Vouchers	Management	Simon Center	Market Rate Rentals	Nonmajor Office Building	Totals	
							2019	2018
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Net Operating Income (Loss)	\$ (148,229)	\$ (41,638)	\$ 33,430	\$ 249,955	\$ 35,795	\$ 38,039	\$ 167,352	\$ 274,744
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Depreciation	116,319	-	-	181,813	45,523	3,750	347,405	350,248
Bad Debt Expense	-	-	-	-	-	-	-	-
Changes in Assets and Liabilities								
Accounts Receivable	7,218	163,409	(23,328)	(4,038)	(4,857)	-	138,404	(78,554)
Prepaid Expenses	(125)	(2)	-	(116)	(7)	(7)	(257)	(613)
Deposits	-	-	-	-	-	-	-	15,000
Accounts Payable	3,942	2,670	975	(2,784)	29	(832)	4,000	18,467
Unearned Revenues	190	431	-	892	100	-	1,613	(7,653)
Tenant Security Deposits	(64)	-	-	(346)	675	-	265	4,838
Escrow Deposits	-	30,247	-	-	-	-	30,247	(17,301)
Accrued Compensated Absences	(324)	64	(680)	2,288	1,666	(456)	2,558	(2,628)
Total Adjustments	<u>127,156</u>	<u>196,819</u>	<u>(23,033)</u>	<u>177,709</u>	<u>43,129</u>	<u>2,455</u>	<u>524,235</u>	<u>281,804</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (21,073)</u>	<u>\$ 155,181</u>	<u>\$ 10,397</u>	<u>\$ 427,664</u>	<u>\$ 78,924</u>	<u>\$ 40,494</u>	<u>\$ 691,587</u>	<u>\$ 556,548</u>

See Notes to the Financial Statements.

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to the Financial Statements
December 31, 2019

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.

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, 2019

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 acquisition and development of new units.

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, 2019

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. Employees are limited in the amount of vacation leave they are allowed to accrue, up to a maximum of 160 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, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

We have evaluated subsequent events through May 19, 2020, the date the financial statements were available to be issued.

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, 2019, from which the summarized information was derived. Prior year amounts have been reclassified to conform with the current year presentation.

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, 2019, the Vouchers Fund had a negative net position of \$6,210. 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, 2019, follows:

Petty Cash	\$ 270
Cash Deposits	1,846,886
Investments	<u>1,787,759</u>
Total	<u>\$ 3,634,915</u>

Cash is reported in the financial statements as follows:

Cash and Investments	3,415,857
Restricted Cash	<u>219,058</u>
Total	<u>\$ 3,634,915</u>

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to the Financial Statements
December 31, 2019

Note 3: Cash and Investments (Continued)

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, 2019, the Authority had bank deposits of \$1,630,760 collateralized with securities held by the financial institutions' agents but not in the Authority's name.

Investments

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

- 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, 2019, the Authority had \$1,787,759 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds.

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to the Financial Statements
December 31, 2019

Note 3: Cash and Investments (Continued)

Investments (Continued)

Colotrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables and payables. This investment is valued using the Net Asset Value per share (or its equivalent) of the investments.

Colotrust is an investment vehicle established by state statute for local entities in Colorado to pool surplus funds for investment purposes and are registered with the State Securities Commissioner. The pools operate similarly to money market funds and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. Securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments. Investments of the pools consist of US Treasury bills, notes, and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by US Treasury securities and or US Instrumentalities. Colotrust is rated AAAM by Standard and Poor's. Information regarding Colotrust's financial statements is available at their website www.colotrust.com.

Note 4: Interfund Balances

At December 31, 2019, the Simon Center Fund had temporarily covered the negative cash balance of the Vouchers Fund in the amount of \$59,130. 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, 2019

Note 5: Accounts Receivable

Accounts receivable at December 31, 2019, consisted of the following:

	<u>Tenants</u>	<u>HUD</u>	<u>Other</u>	<u>Total</u>
Public Housing	\$ 7,011	\$ 7,791	\$ -	\$ 14,802
Vouchers	-	-	3,202	3,202
Management	-	4,594	33,706	38,300
Simon Center	2,464	-	-	2,464
Market Rate Rental	11,580	-	-	11,580
Office Building	1,843	-	-	1,843
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>22,898</u>	\$ <u>12,385</u>	\$ <u>36,908</u>	\$ <u>72,191</u>

Note 6: Notes Receivable

Notes receivable at December 31, 2019, 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 cash flow. \$ 252,891

\$355,623 promissory note from Terraces on Pennsylvania Senior Residences, LLLP, due December 2049, bearing interest at 1.00% per annum. Payments shall be made only from cash flow. 355,623

\$342,923 promissory note from Terraces on Pennsylvania Senior Residences, LLLP, due October 2027, bearing interest at 5.00% per annum. Payments shall be made only from 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, 2019

Note 7: Capital Assets

Capital asset activity for the year ended December 31, 2019, is summarized below:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 1,748,179	\$ 477,433	\$ -	\$ 2,225,612
Construction in Progress	131,333	551,003	-	682,336
Total Capital Assets, Not Being Depreciated	1,879,512	1,028,436	-	2,907,948
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	1,250,902	7,261	-	1,258,163
Buildings and Improvements	11,696,594	4,379	(127,044)	11,573,929
Equipment	346,453	7,148	-	353,601
Total Capital Assets, Being Depreciated	13,293,949	18,788	(127,044)	13,185,693
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,087,672)	(31,074)	-	(1,118,746)
Buildings and Improvements	(8,748,330)	(207,249)	127,044	(8,828,535)
Equipment	(214,282)	(109,082)	-	(323,364)
Total Accumulated Depreciation	(10,050,284)	(347,405)	127,044	(10,270,645)
Capital Assets, Being Depreciated, net	3,243,665	(328,617)	-	2,915,048
Total Capital Assets, net	\$ 5,123,177	\$ 699,819	\$ -	\$ 5,822,996

Note 8: Long-Term Debt

A summary of changes in long-term debt for the year ended December 31, 2019, is presented below:

	Balance 12/31/18	Additions	Payments	Balance 12/31/19	Due Within One Year
Compensated Absences	\$ 38,286	\$ 2,998	\$ -	\$ 41,284	\$ 2,014
Note Payable	477,813	-	(10,261)	467,552	10,718
Capital Lease	1,355,593	-	(131,141)	1,224,452	144,383
Total	\$ 1,871,692	\$ 2,998	\$ (141,402)	\$ 1,733,288	\$ 157,115

Interest cost incurred and expensed during the year ended December 31, 2019, was \$92,140.

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to the Financial Statements
December 31, 2019

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, 2019, the weekly average yield on United States Treasury securities was 1.50%. 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 4.75% per annum beginning September 1, 2021:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,719	\$ 20,242	\$ 30,961
2021	11,026	20,310	31,336
2022	11,198	20,889	32,087
2023	11,742	20,346	32,088
2024	12,312	19,776	32,088
2025 - 2029	71,127	89,311	160,438
2030 - 2034	90,152	70,286	160,438
2035 - 2039	114,266	46,172	160,438
2040 - 2044	135,010	15,672	150,682
Total	<u>\$ 467,552</u>	<u>\$ 323,004</u>	<u>\$ 790,556</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. Accumulated amortization was \$879,099 as of December 31, 2019. Amortization on these capital assets was \$103,718 during the year ended December 31, 2019. 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, 2019

Note 8: Long-Term Debt (Continued)

Capital Lease (Continued)

Capital lease payments, to maturity, are as follows:

<u>Year Ended December 31,</u>		
2020	\$	208,709
2021		215,757
2022		221,678
2023		227,957
2024		235,503
2025 - 2026		<u>362,308</u>
Total Minimum Lease Payments		1,471,912
Less: Interest Portion		<u>(247,460)</u>
Present Value of Future Minimum Lease Payments	\$	<u><u>1,224,452</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, 2019, the Authority contributed \$38,917 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, 2019, 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, 2019

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.

Note 11: Subsequent Events

Subsequent to year-end, the United State of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The Authority has been economically impacted by the event, however the full economic effect has yet to be determined.

Federal Financial Assistance



**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, 2019, 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 19, 2020.

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.

Greenwood Village, Colorado
May 19, 2020

Hick & Company, PC





**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, 2019. 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, 2019.

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, 2019, 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 19, 2020, 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 19, 2020



Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

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
For the Year Ended December 31, 2019

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Housing and Urban Development				
Section 8 Project-Based Cluster				
Section 8 New Construction and Substantial Rehabilitation	14.182		\$ 634,163	\$ -
Public and Indian Housing	14.850		210,110	-
ROSS Grant	14.870		65,721	-
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871		3,996,051	-
Public Housing Capital Fund	14.872		143,077	-
Family Self-Sufficiency Program	14.896		<u>54,840</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 5,103,962</u>	<u>\$ -</u>

Housing Authority of the City of Englewood
d/b/a Innovative Housing Concepts
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

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.