

LOVELAND HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS

December 31, 2019

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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, 2019, 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, 2019, 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, 2020, 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 Cutler & Associates, LLC

May 22, 2020

**LOVELAND HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2019**

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, 2019. 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 9.32% increase (\$5,343,082) in assets to a total of \$62,657,231. Most of the increase(\$5M), was in the management fund with land purchase and development of that land in preparation for resale tax credit partnerships.
- The assets (\$62.7M) of the Authority exceed its liabilities (\$27M) as of December 31, 2019 by \$35.3M (net position).
- The Authority had \$12,901,457 in rental and fee revenue, \$7,082,564 in HUD funding, and \$1,938,969 in Other Revenue, includes 1M DOH grants passed thru to Meadows and Mirasol Phase III, totaling 21.9M in operating Revenue for 2019.
- The Authority's cash balance as of December 31, 2019 was \$4.5M, representing an increase of 26% from December 31, 2018(\$900K), 800K of the increase is Development fees in the Mgt fund.
- The Authority's net capital outlays for the year were negative \$362,849 for depreciation.

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 and Revolving Trust.

Financial Analysis

Entity Wide Net Assets (Statement of Net Position)

Total Assets for FYE Dec 2019 were \$62,657,231 and at FYE Dec 2018 were \$57,314,149. Most of the increase(\$5M), was in the management fund with land purchase and development of that land in preparation for resale tax credit partnerships.

➤ **Cash** increased 26% (\$ 900K), 800K is Development fees in the Mgt fund.

Non-Current Assets increased in total \$2,207,720 between Dec 2018 and Dec 2019 due to investment in LEGH II 300K and Mirasol Phase III Dev Fees 800K. This also includes campaign receivables of 1.1M.

Current Liabilities increased from \$4,475,744 in Dec 2018 to \$7,781,804 in FYE December 2019, a 74% increase due to reclass of 5M of LEGH Debt from non-current to current and a decrease of 1.5M from a change in payables for Mirasol Phase III at the end of 2018 for a net change of 3.3M

Non-Current Liabilities decreased from \$25,577,380 in Dec 2019 to \$19,593,451 in Dec 2019, a decrease of 23% due to reclass of 5M of LEGH Debt from non-current to current.

Net Position increased 29% (\$8,020,951) totaling \$35,281,976 for December 2019. Most of the increase was in the management fund from Development fees and grants 1M DOH and 5M LHDC.

The following table illustrates our analysis.

	2019	2018	Net Change	Variance
				%
Cash	\$ 4,517,639	\$ 3,587,780	\$ 929,859	25.92%
Other Current Assets	10,969,375	8,761,655	2,207,720	25.20%
Other Assets	17,540,454	14,972,102	2,568,352	17.15%
Capital Assets	29,629,763	29,992,612	(362,849)	-1.21%
Total Assets	62,657,231	57,314,149	5,343,082	9.32%
Current Liabilities	7,781,804	4,475,744	3,306,060	73.87%
Noncurrent Liabilities	19,593,451	25,577,380	(5,983,929)	-23.40%
Total Liabilities	27,375,255	30,053,124	(2,677,869)	-8.91%
Net Investment in Capital Assets	4,040,360	3,771,109	269,251	7.14%
Restricted	31,851	51,460	(19,609)	-38.11%
Unrestricted	31,209,765	23,438,456	7,771,309	33.16%
Total Net Position	35,281,976	27,261,025	8,020,951	29.42%
Total Liabilities and Net Position	62,657,231	\$57,314,149	5,343,082	9.32%

Note: This includes the elimination of \$5M in note receivable and advances between the Authority and Revolving Trust (\$66K), LEGH (\$715K) and Rock Crest (\$4.2M) 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 20%(\$3.7M) from Dec, 31, 2018 to December 31, 2019. Significant factors were: \$1.9M in development fees and 900K in DOH grants for Meadows II and Mirasol III.

Operating Expenses increased 2.5%(\$449K) from Dec. 31, 2018 to Dec. 31, 2019. Significant factors were HAP payment to residents increased (400K).

Net Non-Operating Revenues and Expenses for 2019 made up of interest income (including soft notes) 666K and 5M in Grant income from LHDC.

The following table illustrates our analysis:

	2019	2018	Net Change	Variance
TOTAL OPERATING REVENUES	21,922,990	18,243,689	\$ 3,679,301	20.17%
TOTAL OPERATING EXPENSES	18,155,434	17,706,811	\$ 448,623	2.53%
INCOME (LOSS) FROM OPERATIONS	3,767,556	536,878	\$ 3,230,678	601.75%
NET NON-OPERATING REVENUES (EXPENSES)	4,253,395	4,329,311	\$ (75,916)	1.75%
CHANGE IN NET POSITION	8,020,951	4,866,189	\$ 3,154,762	64.83%
NET POSITION, Beginning	27,261,025	22,394,836	\$ 4,866,189	21.73%
NET POSITION, Ending	35,281,976	27,261,025	\$ 8,020,951	29.42%

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 2019 of \$554,889. 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 2019 of \$1,661,296. 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 2019 of negative (\$27,864).

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 (\$456,114).

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 there by giving all control of the complex the Housing Authority. The fund has a net position at FYE December 2019 of negative (\$2,293,746).

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 2020

- 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.

- Complete construction on 3 new Green House Homes skilled nursing facility and attain full lease up. (3 buildings, 30 beds)
- Complete Mirasol III and attain full lease up (60 senior units, 30-60% AMI)
- Close the EDGE II partnership and start construction (69 multi-family units, 30%-60% AMI)
- Obtain City Planning approval of the Grace Gardens project, and break ground on construction. Negotiating a Planning Department required \$600,000 intersection improvement with the City of Loveland.
- Prepare a 4% tax credit application and Re-syndicate Brookstone Apartments.
- Challenges facing us:
 - Covid-19
 - Modified operating procedures to accommodate Stay at Home and Safer at Home orders, including: Working remotely, reduced office hours, staff working in shifts, etc.
 - Rent challenges for households affected by COVID-19, necessitating accommodations, repayment plans, waiver of late fees, and administration of State rent relief program. Also working with HUD on a Section 8 shortfall plan.
 - New constructions schedules negatively impacted due to shortage of healthy workers and inspectors, and supply chain issues on some products
 - Tax Credit pricing reduced by approximately 10%, reducing the amount of LIHTC capital available for projects.
 - Construction costs increasing approximately 4-6% annually.
 - Limited availability of tax credits and other funding sources.

BASIC FINANCIAL STATEMENTS

LOVELAND HOUSING AUTHORITY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

	MANAGEMENT FUND	HOME QUEST	SECTION 8 VOUCHERS	MEADOWS	SILVER LEAF II
ASSETS					
CURRENT ASSETS					
Cash	\$ 811,661	\$ 130,127	\$ 119,976	\$ -	\$ 854,337
Accounts Receivable - Tenants	-	-	-	-	587
Accounts Receivable - Other	3,604,381	-	-	-	-
Due from Other Funds	820,968	-	-	-	-
Prepaid Expenses	29,362	7,844	-	-	4,443
Inventory	19,906	-	-	-	-
Assets Held for Resale	5,666,670	-	-	-	167,307
TOTAL CURRENT ASSETS	<u>10,952,948</u>	<u>137,971</u>	<u>119,976</u>	<u>-</u>	<u>1,026,674</u>
NON-CURRENT ASSETS					
Restricted Cash - Tenant Security Deposits	-	37,426	-	-	21,937
Restricted Cash - Project and Other Reserves	-	-	-	-	-
Advance to Other Funds	4,185,575	-	-	-	-
Investment in Meadows Partnership II, LLLP	100,000	-	-	-	-
Notes Receivable	15,861,202	75,000	-	-	-
Accrued Interest Receivable	1,275,579	34,706	-	-	-
Loan Fees, Net of Accumulated Amortization	-	-	-	-	-
Capital Assets, Not Being Depreciated	1,265,375	1,683,903	-	-	139,996
Capital Assets, Being Depreciated	2,644,578	3,309,084	-	-	1,021,846
TOTAL NON-CURRENT ASSETS	<u>25,332,309</u>	<u>5,140,119</u>	<u>-</u>	<u>-</u>	<u>1,183,779</u>
TOTAL ASSETS	<u>\$ 36,285,257</u>	<u>\$ 5,278,090</u>	<u>\$ 119,976</u>	<u>\$ -</u>	<u>\$ 2,210,453</u>
CURRENT LIABILITIES					
Accounts Payable	\$ 33,468	\$ 4,314	\$ 10,635	\$ -	\$ 15,371
Accrued Expenses	175,480	3,646	7,058	-	8,448
Due to Other Funds	-	41,069	-	-	-
Unearned Revenues	-	3,525	-	-	5,126
Accrued Interest Payable	1,657	-	-	-	4,138
Notes Payable - Current Portion	-	-	-	-	-
Mortgage Payable - Current Portion	75,308	156,418	-	-	48,476
TOTAL CURRENT LIABILITIES	<u>285,913</u>	<u>208,972</u>	<u>17,693</u>	<u>-</u>	<u>81,559</u>
LONG-TERM LIABILITIES					
Tenant Security Deposits	-	36,256	-	-	20,471
Advance from Other Funds	-	-	-	-	-
Notes Payable	400,000	-	-	-	-
Mortgage Payable	294,359	4,165,833	-	-	1,553,534
TOTAL LONG-TERM LIABILITIES	<u>694,359</u>	<u>4,202,089</u>	<u>-</u>	<u>-</u>	<u>1,574,005</u>
TOTAL LIABILITIES	<u>980,272</u>	<u>4,411,061</u>	<u>17,693</u>	<u>-</u>	<u>1,655,564</u>
NET POSITION					
Net Investment in Capital Assets	3,540,286	670,736	-	-	(440,168)
Restricted	-	-	4,297	-	-
Unrestricted	31,764,699	196,293	97,986	-	995,057
TOTAL NET POSITION	<u>35,304,985</u>	<u>867,029</u>	<u>102,283</u>	<u>-</u>	<u>554,889</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 36,285,257</u>	<u>\$ 5,278,090</u>	<u>\$ 119,976</u>	<u>\$ -</u>	<u>\$ 2,210,453</u>

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

ORCHARD PLACE	WILLOW PLACE	ROCK CREST	LEGH	NONMAJOR PROPRIETARY		TOTALS	
				FUNDS	ELIMINATION	2019	2018
\$ 235,071	\$ 889,830	\$ 238,760	\$ 868,204	\$ 369,673	\$ -	\$ 4,517,639	\$ 3,587,780
18,738	4,053	3,894	247,025	1,528	-	275,825	195,391
-	-	-	1,112,935	-	-	4,717,316	3,788,311
-	-	-	-	-	(820,968)	-	-
13,445	2,053	19,042	42,047	4,115	-	122,351	105,342
-	-	-	-	-	-	19,906	21,633
-	-	-	-	-	-	5,833,977	4,650,978
<u>267,254</u>	<u>895,936</u>	<u>261,696</u>	<u>2,270,211</u>	<u>375,316</u>	<u>(820,968)</u>	<u>15,487,014</u>	<u>12,349,435</u>
13,021	9,613	31,563	-	4,455	-	118,015	109,532
-	-	35,427	-	-	-	35,427	51,460
-	-	-	-	-	(4,185,575)	-	-
-	-	-	-	-	-	100,000	100,000
-	-	-	-	-	-	15,936,202	13,660,317
-	-	-	-	-	-	1,310,285	972,801
-	-	5,038	35,487	-	-	40,525	77,992
192,515	157,766	504,000	918,593	107,730	-	4,969,878	3,984,659
3,769,499	871,312	2,193,713	10,367,271	482,582	-	24,659,885	26,007,953
<u>3,975,035</u>	<u>1,038,691</u>	<u>2,769,741</u>	<u>11,321,351</u>	<u>594,767</u>	<u>(4,185,575)</u>	<u>47,170,217</u>	<u>44,964,714</u>
<u>\$ 4,242,289</u>	<u>\$ 1,934,627</u>	<u>\$ 3,031,437</u>	<u>\$ 13,591,562</u>	<u>\$ 970,083</u>	<u>\$ (5,006,543)</u>	<u>\$ 62,657,231</u>	<u>\$ 57,314,149</u>
\$ 43,659	6,316	\$ 180,682	\$ 224,647	\$ 2,626	\$ -	\$ 521,718	\$ 2,501,368
17,006	4,055	7,241	243,396	139,848	-	606,178	540,037
-	-	-	714,533	65,366	(820,968)	-	-
14,430	524	3,896	105,655	1,196	-	134,352	126,590
6,428	400,219	-	-	262,201	-	674,643	610,206
-	-	-	5,417,863	-	-	5,417,863	282,638
75,343	16,048	47,497	-	7,960	-	427,050	414,905
<u>156,866</u>	<u>427,162</u>	<u>239,316</u>	<u>6,706,094</u>	<u>479,197</u>	<u>(820,968)</u>	<u>7,781,804</u>	<u>4,475,744</u>
11,324	8,000	30,352	-	3,528	-	109,931	99,322
-	-	4,185,575	-	-	(4,185,575)	-	-
-	1,013,027	-	7,346,076	658,537	-	9,417,640	14,985,502
2,412,803	514,302	869,940	-	255,109	-	10,065,880	10,492,556
<u>2,424,127</u>	<u>1,535,329</u>	<u>5,085,867</u>	<u>7,346,076</u>	<u>917,174</u>	<u>(4,185,575)</u>	<u>19,593,451</u>	<u>25,577,380</u>
<u>2,580,993</u>	<u>1,962,491</u>	<u>5,325,183</u>	<u>14,052,170</u>	<u>1,396,371</u>	<u>(5,006,543)</u>	<u>27,375,255</u>	<u>30,053,124</u>
1,473,868	(913,068)	1,780,276	(1,478,075)	(593,495)	-	4,040,360	3,771,109
-	-	35,427	-	-	-	39,724	51,460
187,428	885,204	(4,109,449)	1,017,467	167,207	-	31,201,892	23,438,456
<u>1,661,296</u>	<u>(27,864)</u>	<u>(2,293,746)</u>	<u>(460,608)</u>	<u>(426,288)</u>	<u>-</u>	<u>35,281,976</u>	<u>27,261,025</u>
<u>\$ 4,242,289</u>	<u>\$ 1,934,627</u>	<u>\$ 3,031,437</u>	<u>\$ 13,591,562</u>	<u>\$ 970,083</u>	<u>\$ (5,006,543)</u>	<u>\$ 62,657,231</u>	<u>\$ 57,314,149</u>

LOVELAND HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2019

	MANAGEMENT FUND	HOME QUEST	SECTION 8 VOUCHERS	MEADOWS	SILVER LEAF II
OPERATING REVENUES					
Rental	\$ 18,228	\$ 590,241	\$ -	\$ -	\$ 267,004
Management Fees	1,536,660	-	-	-	-
Maintenance Fees	691,816	-	-	-	-
Developer Fees	1,873,157	-	-	-	-
Grants and Contributions	1,120,135	-	5,669,801	-	623,214
Other	440,985	1,838	23,303	-	8,832
TOTAL OPERATING REVENUES	5,680,981	592,079	5,693,104	-	899,050
OPERATING EXPENSES					
Housing Assistance Payments	-	-	5,216,716	-	-
General and Administrative	1,410,503	160,993	436,228	332	263,052
Utilities	31,649	20,011	-	-	70,871
Maintenance and Operations	531,372	46,046	-	-	124,834
Taxes and Insurance	280,408	29,730	36,054	-	24,156
Capital Improvements	4,037	8,331	-	-	50,317
Amortization	-	-	-	-	-
Depreciation	112,489	186,386	-	-	130,194
TOTAL OPERATING EXPENSES	2,370,458	451,497	5,688,998	332	663,424
INCOME (LOSS) FROM OPERATIONS	3,310,523	140,582	4,106	(332)	235,626
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	665,981	5,625	974	84	4,205
Interest Expense	(18,230)	(123,907)	-	-	(49,118)
Grant Revenue	5,023,438	-	-	-	-
Grant Expense	(215,000)	-	-	-	-
Loan Forgiveness	150,000	-	-	-	-
Loss on Disposal of Assets	(175,790)	-	-	-	(73,102)
NET NON-OPERATING REVENUES (EXPENSES)	5,430,399	(118,282)	974	84	(118,015)
NET INCOME (LOSS) BEFORE TRANSFERS	8,740,922	22,300	5,080	(248)	117,611
TRANSFERS					
Transfer In	123,250	-	-	-	-
Transfer Out	-	-	-	(123,250)	-
TOTAL TRANSFERS	123,250	-	-	(123,250)	-
CHANGE IN NET POSITION	8,864,172	22,300	5,080	(123,498)	117,611
NET POSITION, Beginning	26,440,813	844,729	97,203	123,498	437,278
NET POSITION, Ending	\$ 35,304,985	\$ 867,029	\$ 102,283	\$ -	\$ 554,889

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

ORCHARD PLACE	WILLOW PLACE	ROCK CREST	LEGH	NONMAJOR PROPRIETARY FUNDS	TOTALS	
					2019	2018
\$ 101,299	\$ 30,195	\$ 443,599	\$ 7,233,384	\$ 115,874	\$ 8,799,824	\$ 8,865,636
-	-	-	-	-	1,536,660	1,145,663
-	-	-	-	-	691,816	683,970
-	-	-	-	-	1,873,157	497,972
418,127	243,022	128,400	204,937	-	8,407,636	6,803,835
42,383	9,151	7,356	76,573	3,476	613,897	246,613
<u>561,809</u>	<u>282,368</u>	<u>579,355</u>	<u>7,514,894</u>	<u>119,350</u>	<u>21,922,990</u>	<u>18,243,689</u>
-	-	-	-	-	5,216,716	4,802,524
172,890	76,362	156,345	6,688,647	29,617	9,394,969	9,271,838
39,044	16,241	44,275	-	14,067	236,158	251,265
107,516	70,664	104,230	-	30,704	1,015,366	1,049,058
27,241	13,847	25,410	-	8,204	445,050	476,178
63,102	45,304	59,076	-	19,132	249,299	205,602
-	-	1,980	35,486	-	37,466	39,832
197,854	56,186	213,326	633,057	30,918	1,560,410	1,610,514
<u>607,647</u>	<u>278,604</u>	<u>604,642</u>	<u>7,357,190</u>	<u>132,642</u>	<u>18,155,434</u>	<u>17,706,811</u>
<u>(45,838)</u>	<u>3,764</u>	<u>(25,287)</u>	<u>157,704</u>	<u>(13,292)</u>	<u>3,767,556</u>	<u>536,878</u>
1,135	6,215	1,518	193	3,342	689,272	468,247
(76,489)	(53,935)	(368,810)	(420,112)	(34,822)	(1,145,423)	(1,183,743)
-	-	-	-	-	5,023,438	1,157,073
-	-	-	-	-	(215,000)	(192,208)
-	-	-	-	-	150,000	-
-	-	-	-	-	(248,892)	4,079,942
<u>(75,354)</u>	<u>(47,720)</u>	<u>(367,292)</u>	<u>(419,919)</u>	<u>(31,480)</u>	<u>4,253,395</u>	<u>4,329,311</u>
<u>(121,192)</u>	<u>(43,956)</u>	<u>(392,579)</u>	<u>(262,215)</u>	<u>(44,772)</u>	<u>8,020,951</u>	<u>4,866,189</u>
-	-	-	-	-	123,250	4,825,000
-	-	-	-	-	(123,250)	(4,825,000)
-	-	-	-	-	-	-
(121,192)	(43,956)	(392,579)	(262,215)	(44,772)	8,020,951	4,866,189
<u>1,782,488</u>	<u>16,092</u>	<u>(1,901,167)</u>	<u>(198,393)</u>	<u>(381,516)</u>	<u>27,261,025</u>	<u>22,394,836</u>
<u>\$ 1,661,296</u>	<u>\$ (27,864)</u>	<u>\$ (2,293,746)</u>	<u>\$ (460,608)</u>	<u>\$ (426,288)</u>	<u>\$ 35,281,976</u>	<u>\$ 27,261,025</u>

LOVELAND HOUSING AUTHORITY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Increase (Decrease) in Cash
 Year Ended December 31, 2019

	MANAGEMENT FUND	HOME QUEST	SECTION 8 VOUCHERS	MEADOWS	SILVER LEAF II
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Tenants and Others	\$ 4,685,979	\$ 608,338	\$ 5,693,104	\$ 19,385	\$ 903,285
Cash Payments to Suppliers	(3,801,770)	(268,966)	(5,696,336)	8,166	(560,310)
Net Cash Provided (Used) by Operating Activities	<u>884,209</u>	<u>339,372</u>	<u>(3,232)</u>	<u>27,551</u>	<u>342,975</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of Property and Equipment	(1,014,140)	-	-	-	(37,505)
Sale of Property and Equipment	-	-	-	-	-
Purchase of Assets Held for Resale	(1,191,482)	-	-	-	(158,877)
Purchase of Investment in Meadows Partnership II, LLLP	-	-	-	-	-
Payments (to) from Other Funds	(525,092)	(25,000)	-	(123,250)	150,000
Cash Paid for Notes Receivable	(2,275,885)	-	-	-	-
Grants Received	5,023,438	-	-	-	-
Grants Paid	(215,000)	-	-	-	-
Cash Received from Issuance of Debt	-	-	-	-	-
Principal Payments on Notes and Mortgages	(223,343)	(152,077)	-	-	(47,424)
Interest Payments on Notes and Mortgages	(17,829)	(123,907)	-	-	(49,241)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(439,333)</u>	<u>(300,984)</u>	<u>-</u>	<u>(123,250)</u>	<u>(143,047)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	<u>334,122</u>	<u>-</u>	<u>974</u>	<u>84</u>	<u>4,205</u>
NET INCREASE (DECREASE) IN CASH	778,998	38,388	(2,258)	(95,615)	204,133
CASH, Beginning	<u>32,663</u>	<u>129,165</u>	<u>122,234</u>	<u>95,615</u>	<u>672,141</u>
CASH, Ending	<u>\$ 811,661</u>	<u>\$ 167,553</u>	<u>\$ 119,976</u>	<u>\$ -</u>	<u>\$ 876,274</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Income (Loss) from Operations	3,310,523	140,582	4,106	(332)	235,626
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities					
Depreciation and Amortization	112,489	186,386	-	-	130,194
Forgiveness of Developer Fee Waiver	-	-	-	-	-
Changes in Assets and Liabilities					
Accounts Receivable	(995,002)	10,880	-	19,385	(484)
Prepaid Expenses	(1,164)	(447)	-	8,526	88
Inventory	1,727	-	-	-	-
Accounts Payable	(1,554,697)	(3,785)	3,227	(28)	(29,051)
Accrued Expenses	10,333	377	(10,565)	-	1,883
Unearned Revenues	-	1,808	-	-	3,380
Tenant Security Deposits	-	3,571	-	-	1,339
Net Cash Provided (Used) by Operating Activities	<u>\$ 884,209</u>	<u>\$ 339,372</u>	<u>\$ (3,232)</u>	<u>\$ 27,551</u>	<u>\$ 342,975</u>

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

ORCHARD PLACE	WILLOW PLACE	ROCK CREST	LEGH	NONMAJOR PROPRIETARY FUNDS	TOTALS	
					2019	2018
\$ 569,200	\$ 279,737	\$ 578,689	\$ 7,450,702	\$ 114,296	\$ 20,902,715	\$ 18,806,756
(378,973)	(226,743)	(467,818)	(7,022,183)	(71,414)	(18,486,347)	(15,056,896)
<u>190,227</u>	<u>52,994</u>	<u>110,871</u>	<u>428,519</u>	<u>42,882</u>	<u>2,416,368</u>	<u>3,749,860</u>
(8,731)	(19,748)	(18,482)	(174,222)	(8,247)	(1,281,075)	(1,650,544)
-	-	-	-	-	-	5,800,000
-	-	-	-	-	(1,350,359)	(2,265,861)
-	-	-	-	-	-	(100,000)
-	-	311,826	361,516	-	150,000	-
-	-	-	-	-	(2,275,885)	(4,785,630)
-	-	-	-	-	5,023,438	-
-	-	-	-	-	(215,000)	(192,208)
-	-	-	-	-	-	-
(73,506)	(15,701)	(42,734)	(253,430)	(7,765)	(815,980)	(2,030,300)
<u>(76,679)</u>	<u>(16,300)</u>	<u>(368,810)</u>	<u>(420,112)</u>	<u>(8,108)</u>	<u>(1,080,986)</u>	<u>(1,118,418)</u>
<u>(158,916)</u>	<u>(51,749)</u>	<u>(118,200)</u>	<u>(486,248)</u>	<u>(24,120)</u>	<u>(1,845,847)</u>	<u>(6,342,961)</u>
1,135	6,215	1,518	193	3,342	351,788	360,049
32,446	7,460	(5,811)	(57,536)	22,104	922,309	(2,233,052)
<u>215,646</u>	<u>891,983</u>	<u>311,561</u>	<u>925,740</u>	<u>352,024</u>	<u>3,748,772</u>	<u>5,981,824</u>
<u>\$ 248,092</u>	<u>\$ 899,443</u>	<u>\$ 305,750</u>	<u>\$ 868,204</u>	<u>\$ 374,128</u>	<u>\$ 4,671,081</u>	<u>\$ 3,748,772</u>
(45,838)	3,764	(25,287)	157,704	(13,292)	3,767,556	536,878
197,854	56,186	215,306	668,543	30,918	1,597,876	1,650,346
-	-	-	(29,207)	-	(29,207)	(29,207)
(6,793)	(2,092)	(1,494)	(32,831)	(1,008)	(1,009,439)	575,773
907	(1,373)	(7,848)	(15,584)	(114)	(17,009)	6,865
-	-	-	-	-	1,727	3,809
29,518	(3,152)	(72,107)	(349,305)	(270)	(1,979,650)	938,583
395	200	1,473	31,353	30,694	66,143	48,818
13,017	(539)	(3,704)	(2,154)	(4,046)	7,762	44,918
<u>1,167</u>	<u>-</u>	<u>4,532</u>	<u>-</u>	<u>-</u>	<u>10,609</u>	<u>(26,923)</u>
<u>\$ 190,227</u>	<u>\$ 52,994</u>	<u>\$ 110,871</u>	<u>\$ 428,519</u>	<u>\$ 42,882</u>	<u>\$ 2,416,368</u>	<u>\$ 3,749,860</u>

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019

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.

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, 2019

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, 2019

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, 2019

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 Willow Place, Rock Crest, LEGH and Cornerstone Funds 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, 2019

NOTE 3: CASH AND INVESTMENTS

Cash and Investments reported in the December 31, 2019 financial statements consisted of the following:

Cash	\$ 4,517,639
Tenant Security Deposits - Restricted	118,015
Project and Other Reserves - Restricted	<u>35,427</u>
 Total	 <u>\$ 4,671,081</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, 2019, 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, 2019, the Authority had deposits with financial institutions with a carrying amount of \$4,671,081. The bank balances with the financial institutions were \$4,866,587. Of these balances, \$932,872 was covered by federal depository insurance and \$3,933,715 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, 2019

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, 2019 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	\$	37,426
Silver Leaf II		21,937
Orchard Place		13,021
Willow Place		9,613
Rock Crest		66,990
Cornerstone		<u>4,455</u>
Total		<u>\$ 153,442</u>

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 4: INTERFUND ACTIVITY

Interfund activity as of and for the year ended December 31, 2019 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	714,533
Management Fund	Home Quest Fund	<u>41,069</u>
Total		<u>\$ 820,968</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.

<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
Management Fund	Rock Crest Fund	<u>\$ 4,185,575</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 \$3,135,575 as of December 31, 2019.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5: NOTES RECEIVABLE

At December 31, 2019, notes receivable consisted of the following:

	<u>Notes</u>	<u>Accrued Interest</u>
Management Fund		
Mirasol Senior Housing Partnership, LLLP	\$ 60,180	\$ 6,075
Mirasol Senior Housing Partnership, LLLP	490,068	207,737
Mirasol Senior Housing Partnership, LLLP	356,654	182,909
Mirasol Senior Housing Partnership, LLLP	600,000	534,651
Mirasol Senior Housing Partnership II, LLLP	40,000	18,510
Mirasol Senior Housing Partnership II, LLLP	456,245	125,114
Mirasol Senior Housing Partnership III, LLLP	1,420,000	28,595
Mirasol Senior Housing Partnership III, LLLP	285,885	5,757
Mirasol Senior Housing Partnership III, LLLP	570,000	5,716
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	160,515
Meadows Partnership II, LLLP	400,000	-
Home Quest Fund		
Mirasol Senior Housing Partnership II, LLLP	75,000	34,706
Total	<u>\$ 15,936,202</u>	<u>\$ 1,310,285</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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

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.

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.

Mirasol Senior Housing Partnership III, LLLP

The \$1,420,000 note with LHA is secured by interest in real property and accrues interest at 3.0% annually. The entire principal balance and all accrued interest are due in 2059.

The \$285,885 note with LHA is secured by interest in real property and accrues interest at 3.0% annually. The entire principal balance and all accrued interest are due in 2059.

The \$570,000 note with LHA is secured by interest in real property and accrues interest at 3.0% annually. The entire principal balance and all accrued interest are due in 2059.

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 2019. 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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5: NOTES RECEIVABLE (Continued)

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.

NOTE 6: CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2019, is summarized below.

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2019</u>
Capital assets, Not Being Depreciated				
Land	\$ 3,571,799	\$ -	\$ -	\$ 3,571,799
Water Rights	328,187	1,036,370	-	1,364,557
Artwork	-	30,380	-	30,380
Construction in Progress	<u>84,673</u>	<u>85,776</u>	<u>167,307</u>	<u>3,142</u>
Total Capital assets, Not Being depreciated	<u>3,984,659</u>	<u>1,152,526</u>	<u>167,307</u>	<u>4,969,878</u>
Capital Assets, Being Depreciated				
Buildings	37,955,056	90,053	-	38,045,109
Improvements	149,755	-	-	149,755
Equipment	<u>1,478,910</u>	<u>122,289</u>	<u>-</u>	<u>1,601,199</u>
Total Capital Assets, Being Depreciated	<u>39,583,721</u>	<u>212,342</u>	<u>-</u>	<u>39,796,063</u>

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 6: CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2019</u>
Accumulated Depreciation				
Buildings	12,440,656	1,406,211	16,115	13,830,752
Improvements	120,129	5,146	-	126,007
Equipment	<u>1,014,983</u>	<u>148,321</u>	<u>(16,115)</u>	<u>1,179,419</u>
Total Accumulated Depreciation	<u>13,575,768</u>	<u>1,560,410</u>	<u>-</u>	<u>15,136,178</u>
 Total Capital Assets, Being Depreciated, Net	<u>26,007,953</u>	<u>(1,348,068)</u>	<u>(167,307)</u>	<u>24,659,885</u>
 Net Capital Assets	<u>\$ 29,992,612</u>	<u>\$ (195,543)</u>	<u>\$ (167,307)</u>	<u>\$ 29,629,762</u>

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

Management	\$ 112,489
Home Quest	186,386
Silver Leaf II	130,194
Orchard Place	197,854
Willow Place	56,186
Cornerstone	30,918
Rock Crest	213,326
LEGH	<u>633,057</u>
 Total	 <u>\$ 1,560,410</u>

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 7: LONG-TERM DEBT

Following is a summary of the Authority's long-term debt transactions for the year ended December 31, 2019:

	Balance <u>12/31/2018</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/2019</u>	Due In <u>One Year</u>
Management Fund					
Mortgage Payable – FNB	\$ 443,010	\$ -	\$ 73,343	\$ 369,667	\$ 75,308
Note Payable – FHLB	150,000	-	150,000	-	-
Note Payable – FHLB	400,000	-	-	400,000	-
Orchard Place Fund					
Mortgage Payable – First Bank	2,561,652	-	73,506	2,488,146	75,343
Willow Place Fund					
Note Payable – LHDC	1,013,027	-	-	1,013,027	-
Mortgage Payable – First Bank	546,051	-	15,701	530,350	16,048
Cornerstone Fund					
Note Payable - LHDC	658,537	-	-	658,537	-
Mortgage Payable – First Bank	270,834	-	7,765	263,069	7,960
Home Quest Fund					
Mortgage Payable – FNB	637,457	-	19,348	618,109	20,319
Mortgage Payable – FNB	3,836,871	-	132,729	3,704,142	136,099
Silver Leaf II Fund					
Mortgage Payable – First Bank	1,649,434	-	47,424	1,602,010	48,476
Rock Crest Fund					
Mortgage Payable - CHFA	962,152	-	44,715	917,437	47,497
LEGH Fund					
Notes Payable – CDE	10,340,000	-	-	10,340,000	5,129,316
Note Payable – State of Colorado	1,825,893	-	59,204	1,766,689	59,803
Developer Fee – City of Loveland	481,911	-	29,207	452,704	29,207
NCB Capital Impact Loan	<u>398,772</u>	<u>-</u>	<u>194,226</u>	<u>204,546</u>	<u>199,537</u>
Total	<u>\$ 26,175,601</u>	<u>\$ -</u>	<u>\$ 847,168</u>	<u>\$ 25,328,433</u>	<u>\$ 5,844,913</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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 7: LONG-TERM DEBT (Continued)

Management Fund (Continued)

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 was forgiven in 2019.

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.

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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 7: LONG-TERM DEBT (Continued)

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.

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%.

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.

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%.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 7: LONG-TERM DEBT(Continued)

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

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.

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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 7: LONG-TERM DEBT (Continued)

LEGH Fund (Continued)

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

<u>Year Ended December 31,</u>	<u>Principal</u>
2020	\$ 5,417,863
2021	1,825,766
2022	117,017
2023	120,284
2024	90,819
Thereafter	<u>5,192,190</u>
Total	<u>\$ 12,763,939</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>
2020	\$ 1,085,587	\$ 559,592	\$ 1,645,179
2021	843,842	270,674	1,114,516
2022	1,464,939	251,462	1,716,401
2023	4,561,607	757,785	5,319,392
2024	733,141	130,408	863,549
2025 – 2029	2,256,101	283,439	2,539,540
2030 – 2032	<u>1,619,279</u>	<u>70,508</u>	<u>1,689,787</u>
Total	<u>\$ 12,564,496</u>	<u>\$ 2,323,868</u>	<u>\$ 14,888,364</u>

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, 2019, the Authority contributed \$90,772 to the plan.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019, 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.

LOVELAND HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 10: SUBSEQUENT EVENTS

Potential subsequent events were considered through May 22, 2020. It was determined that the following events are required to be disclosed through this date.

Covid-19

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the Authority. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

Pine Tree Village

LHDC, the managing general partner, of Pine Tree Village Apartments LLLP assigned its Right of First Refusal /Purchase Option interest to Loveland Housing Authority to purchase the Limited partner interest in the partnership. The Housing Authority purchased the interest of the Limited Partner from AIG on March 25th, 2020 for \$1.2mm but was effective 1/1/2020. LHDC granted \$1mm to the Authority to purchase this interest and remains as the managing general partner.

LOVELAND HOUSING AUTHORITY

STATEMENT OF NET POSITION
NON MAJOR PROPRIETARY FUNDS
December 31, 2019

	HOUSING QUEST	CORNER- STONE	REVOLVING TRUST
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,921	\$ 136,350	\$ 231,402
Accounts Receivable - Tenants	-	1,528	-
Accounts Receivable - Other	-	-	-
Prepaid Expenses	-	4,115	-
TOTAL CURRENT ASSETS	1,921	141,993	231,402
NON-CURRENT ASSETS			
Restricted Cash - Tenant Security Deposits	-	4,455	-
Investment in Maple Terrace Renewable Energy LLC	-	-	-
Capital Assets, Not Being Depreciated	-	107,730	-
Capital Assets, Being Depreciated	-	482,582	-
TOTAL NON-CURRENT ASSETS	-	594,767	-
TOTAL ASSETS	\$ 1,921	\$ 736,760	\$ 231,402
CURRENT LIABILITIES			
Accounts Payable	\$ -	\$ 2,626	\$ -
Accrued Expenses	202	1,717	137,929
Due To Other Funds	-	-	65,366
Unearned Revenue	-	1,196	-
Accrued Interest Payable	-	262,201	-
Notes Payable - Current Portion	-	-	-
Mortgage Payable - Current Portion	-	7,960	-
TOTAL CURRENT LIABILITIES	202	275,700	203,295
LONG-TERM LIABILITIES			
Tenant Security Deposits	-	3,528	-
Notes Payable	-	658,537	-
Mortgage Payable	-	255,109	-
TOTAL LONG-TERM LIABILITIES	-	917,174	-
TOTAL LIABILITIES	202	1,192,874	203,295
NET POSITION			
Net Investment in Capital Assets	-	(593,495)	-
Unrestricted	1,719	137,381	28,107
TOTAL NET POSITION	1,719	(456,114)	28,107
TOTAL LIABILITIES AND NET POSITION	\$ 1,921	\$ 736,760	\$ 231,402

See the accompanying independent auditors' report

TOTALS

2019	2018
\$ 369,673	\$ 347,595
1,528	520
-	-
4,115	4,001
375,316	352,116
4,455	4,429
-	-
107,730	107,730
482,582	505,253
594,767	617,412
\$ 970,083	\$ 969,528
\$ 2,626	\$ 2,896
139,848	109,154
65,366	65,366
1,196	5,242
262,201	235,487
-	-
7,960	7,743
479,197	425,888
3,528	3,528
658,537	658,537
255,109	263,091
917,174	925,156
1,396,371	1,351,044
(593,495)	(551,156)
167,207	169,640
(426,288)	(381,516)
\$ 970,083	\$ 969,528

LOVELAND HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NON MAJOR PROPRIETARY FUNDS
Year Ended December 31, 2019

	HOUSING QUEST	CORNER- STONE	REVOLVING TRUST
OPERATING REVENUES			
Rental	\$ -	\$ 115,874	\$ -
Other	-	3,476	-
TOTAL OPERATING REVENUES	-	119,350	-
OPERATING EXPENSES			
General and Administrative	-	28,970	647
Utilities	-	14,067	-
Maintenance and Operations	-	30,704	-
Taxes and Insurance	-	8,204	-
Capital Improvements	-	19,132	-
Depreciation	-	30,918	-
TOTAL OPERATING EXPENSES	-	131,995	647
INCOME (LOSS) FROM OPERATIONS	-	(12,645)	(647)
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	11	893	2,438
Interest Expense	-	(34,822)	-
Grant Revenue	-	-	-
Grant Expense	-	-	-
NET NON-OPERATING REVENUES (EXPENSES)	11	(33,929)	2,438
NET INCOME (LOSS) BEFORE TRANSFERS	11	(46,574)	1,791
TRANSFERS			
Transfer In	-	-	-
Transfer Out	-	-	-
TOTAL TRANSFERS	-	-	-
CHANGE IN NET POSITION	11	(46,574)	1,791
NET POSITION, Beginning	1,708	(409,540)	26,316
NET POSITION, Ending	\$ 1,719	\$ (456,114)	\$ 28,107

See the accompanying independent auditors' report

TOTALS

2019	2018
\$ 115,874	\$ 107,476
3,476	2,441
119,350	109,917
29,617	22,880
14,067	12,199
30,704	28,675
8,204	8,065
19,132	14,065
30,918	30,393
132,642	116,277
(13,292)	(6,360)
3,342	3,062
(34,822)	(34,299)
-	-
-	-
(31,480)	(31,237)
(44,772)	(37,597)
-	-
-	-
-	-
(44,772)	(37,597)
(381,516)	(343,919)
\$ (426,288)	\$ (381,516)

LOVELAND HOUSING AUTHORITY

STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Increase (Decrease) in Cash
Year Ended December 31, 2019

	HOUSING QUEST	CORNER- STONE	REVOLVING TRUST
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Tenants and Others	\$ -	\$ 114,296	\$ -
Cash Payments to Suppliers	-	(100,985)	29,571
Net Cash Used by Operating Activities	-	13,311	29,571
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Property and Equipment	-	(8,247)	-
Sale of Property and Equipment	-	-	-
Payments (to) from Other Funds	-	-	-
Grants Received	-	-	-
Grants Paid	-	-	-
Principal Payments on Notes and Mortgages	-	(7,765)	-
Interest Payments on Notes and Mortgages	-	(8,108)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(24,120)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	11	893	2,438
NET INCREASE (DECREASE) IN CASH	11	(9,916)	32,009
CASH, Beginning	1,910	150,721	199,393
CASH, Ending	\$ 1,921	\$ 140,805	\$ 231,402
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Income (Loss) from Operations	-	(12,645)	(647)
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	-	30,918	-
Changes in Assets and Liabilities			
Accounts Receivable	-	(1,008)	-
Prepaid Expenses	-	(114)	-
Accounts Payable	-	(270)	-
Accrued Expenses	-	476	30,218
Unearned Revenues	-	(4,046)	-
Tenant Security Deposits	-	-	-
Net Cash Provided (Used) by Operating Activities	\$ -	\$ 13,311	\$ 29,571

See the accompanying independent auditors' report

TOTALS

	2019		2018
\$	114,296	\$	112,588
	(71,414)		(39,923)
	42,882		72,665

(8,247)	(7,509)
-	-
-	-
-	-
(7,765)	(7,511)
(8,108)	(8,362)

(24,120)	(23,382)
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3,342	3,062
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22,104	52,345
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352,024	299,679
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\$ 374,128	\$ 352,024
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(13,292)	(6,360)
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30,918	30,393
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(1,008)	1,167
(114)	(112)
(270)	419
30,694	44,160
(4,046)	2,798
-	200

\$ 42,882	\$ 72,665
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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, 2019, 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, 2020.

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 Luttler & Associates, LLC

May 22, 2020



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, 2019. 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, 2019.

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 Luthr & Associates, LLC

May 22, 2020

LOVELAND HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

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
- 14.182 Section 8 New Construction and Substantial Rehabilitation
- 14.195 Section 8 Housing Assistance Payment

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, 2019**

	Major Program ?	CDFA #	TOTAL EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Section 8 Housing Choice Vouchers	Yes	14.871	5,669,801
Section 8 New Construction and Substantial Rehabilitation	Yes	14.182 *	623,214
Section 8 Housing Assistance Payments	Yes	14.195 *	418,127
Total Section 8 Project-Based Cluster			1,041,341
Passed through the City of Loveland			
Community Development Block Grant	No	14.218	\$ 285,885
Total Federal Financial Assistance			\$ 6,997,027

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)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority

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.