

Housing Authority of the City of Littleton

Financial Statements

September 30, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Housing Authority of the City of Littleton

September 30, 2018

Board of Commissioners

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Kyle Henderson - Vice Chairperson
Stewart Meagher
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Executive Director

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Housing Authority of the City of Littleton

Table of Contents
September 30, 2018

Independent Auditors' Report	1
Management's Discussion and Analysis	i
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows.....	7
<i>Notes to Financial Statements</i>	9
Supplementary Information	
<i>Nonmajor Proprietary Funds</i>	
Combining Statement of Net Position	20
Combining Statement of Revenues, Expenses and Changes in Net Position.....	21
Combining Statement of Cash Flows	22
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 <i>Government Auditing Standards</i>	23
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.....	25
Schedule of Expenditures of Federal Awards.....	28
<i>Notes to Schedule of Expenditures of Federal Awards</i>	29
Schedule of Finding and Questioned Costs	30
Summary Schedule of Prior Audit Findings	32
Corrective Action	33



Independent Auditors' Report

Board of Commissioners
Housing Authority of the City of Littleton
Littleton, 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 Littleton as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Housing Authority of the City of Littleton, 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 did not audit the financial statements of Powers Circle Apartments LLLP, which represent 22 percent and 5 percent, respectively, of the assets and revenues of the Housing Authority of the City of Littleton. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Powers Circle Apartments LLLP, is based solely upon the report of the other auditors. 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.

Auditors' Responsibility

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, based on our audit and the report of the other auditors, 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 Littleton as of September 30, 2018, 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.



Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Littleton's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2019, on our consideration of the Housing Authority of the City of Littleton'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 the Housing Authority of the City of Littleton's internal control over financial reporting and compliance.

Hick & Company, PC

Greenwood Village, Colorado
May 22, 2019



HOUSING AUTHORITY OF THE CITY OF LITTLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

As management of Housing Authority of the City of Littleton, (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 September 30, 2018. The Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, to provide an overview of the Authority's financial activity and position, and to identify financial trends and concerns. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and the additional information that we have furnished in our notes to the financial statements to obtain a full understanding of its financial position.

Financial Highlights

The Authority continues to have a positive financial outlook.

- Total Net Position was \$11,803,243 at September 30, 2018 and \$12,095,078 at September 30, 2017.
- The Authority generated Net Operating Income before depreciation of \$1,390,230 for 2018.
- Capital Assets in 2018 totaled \$21,388,796 compared to 2017 Capital Assets totaling \$22,455,120. Including the capital assets of Powers Circle.
- The fiscal year 2018 ended with a current ratio of 2.29, allowing the Authority to meet its current obligations 2.29 times. This ratio for 2017 was 2.23.
- Total Unrestricted Cash and Investments was \$4,955,771 at September 30, 2018 and \$5,675,588 at September 30, 2017. Restricted Cash & Investments was \$1,328,121 at September 30, 2018 and \$1,278,123 at September 30, 2017.

Using the 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 statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position – Proprietary Funds presents information on all the Authority assets and liabilities. The difference between a Public Housing Authority'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 provide the reader operating revenues and expenses by funds and by the Authority in 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 the net operating income/loss.

HOUSING AUTHORITY OF THE CITY OF LITTLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2018

Using the Financial Statements (Continued)

Operating Revenue consists of tenant rents, management fees, HUD operating subsidies, and other income. Operating expenses are salaries and benefits, office expenses, insurance, utilities, maintenance and depreciation. The next section shows Non-Operating Revenues and Expenses to arrive at the Change in Net Position (Profit/Loss) for the year just ended. Non-Operating Revenues/Expenses consist of interest income, Mortgage Interest Expense, and Grants.

Each column of this statement is a fund. A fund is a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and net position and changes therein, which 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 provide our third statement which converts accrual accounting to cash to let the reader know, by fund, and by the Authority, as a whole, if the Authority increased or decreased cash position this year and what were the sources and/or uses of the cash.

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.

Programs and Services

The following is a brief description of the programs and services that the Authority provides for the residents within the City of Littleton.

Housing Choice Vouchers - Through Annual Contribution Contracts with HUD, the Authority receives funding to subsidize the rent of low-income families in the private market and earns an administrative fee to cover the program's operating costs. In 2018, the Authority was authorized to issue 288 vouchers.

Public Housing – The Authority owns and operates Bradley House a 72-unit elderly housing complex and 71 units of disbursed family housing for low income individuals and families in the City of Littleton.

Section 8 New Construction – Under multi-family contracts with HUD, the Authority receives funding for three project-based housing facilities to provide subsidized rent for 260 low income households. These three properties are Amity Plaza (180 Units), Alyson Court (60 Units, and John W. Newey Family Housing (20 Units).

HOUSING AUTHORITY OF THE CITY OF LITTLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2018

Programs and Services (Continued)

Development – The Authority is involved with developing and rehabbing new acquisitions and the construction of low-income housing. This fund also accounts for the Authority's interest in various properties, including 2 office buildings, an interest in a Low Income Housing Tax Credit project, and other affordable housing projects.

Powers Circle Apartments – This 69-unit apartment complex was purchased by the Authority in 2008. On July 30, 2013 the property was sold to the Powers Circle Apartments LLLP tax credit partnership. Partners include Countryside Corporate Tax Credits XXI (as a Limited Partner) and Littleton Area Neighborhood Development (LAND) (as the General Partner). Littleton Housing Authority is the developer of the project and acts as the Management Agent. The property will remain affordable in the community for a period of 15 years in accordance with the tax credit requirements and for an additional 15 years in accordance with the Land Use Restriction Agreement.

Housing Rehab Program – In 2014, this program was put on hiatus in order to redesign its financial structure and scope. The previous loans were transferred & Assigned to a 3rd party in 2017.

Libby Bortz Assisted Living Center – The Authority owns and operates a 111-unit elderly assisted living property designed for moderate income frail elderly. Services provided include three meals a day, weekly housekeeping and laundry service, medication administration and 24-hour protective oversight.

HOUSING AUTHORITY OF THE CITY OF LITTLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2018

	2017	2018
Assets		
Current Assets	\$ 6,079,112	\$ 6,589,743
Restricted Cash	\$ 1,278,123	\$ 1,328,121
Capital Assets, Net of Accum. Depr.	\$ 22,455,120	\$ 21,388,796
Other Noncurrent Assets	\$ 3,332,761	\$ 3,406,165
Total Assets	<u>\$ 33,145,116</u>	<u>\$ 32,712,825</u>
Liabilities		
Current Liabilities	\$ 2,726,103	\$ 2,876,921
Long-Term Liabilities	\$ 18,323,935	\$ 18,032,661
Total Liabilities	<u>\$ 21,050,038</u>	<u>\$ 20,909,582</u>
Net Position		
Net Investment in Capital Assets	\$ 3,171,029	\$ 2,512,306
Restricted Net Position	\$ 1,272,374	\$ 1,137,580
Unrestricted Net Position	\$ 7,651,675	\$ 8,153,357
Total Net Position	<u>\$ 12,095,078</u>	<u>\$ 11,803,243</u>
Total Liabilities & Net Position	<u>\$ 33,145,116</u>	<u>\$ 32,712,825</u>

- Changes in net position may serve as a useful indicator of changes in the financial position of an organization. On September 30, 2017 assets exceeded liabilities by \$11,803,243. This amount is allocated to \$2,512,306 Net Investment in Capital Assets, \$1,137,580 restricted net position, and \$8,153,357 that is unrestricted.
- Capital Assets represent the largest portion of assets at \$21,388,796 although Unrestricted Cash and Investments also represent a large portion of the Authority's assets at \$4,955,771.

HOUSING AUTHORITY OF THE CITY OF LITTLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2018

Financial Analysis

**Condensed Statement of Revenues, Expenses and
Changes in Net Position**

	2017	2018
Total Operating Revenues	\$ 12,506,626	\$ 14,520,039
Total Operating Expenses	\$ 11,753,192	\$ 14,248,413
Net Operating Income (Loss)	<u>\$ 753,434</u>	<u>\$ 271,626</u>
Net Nonoperating Revenues & Expenses	\$ (865,364)	\$ (563,461)
Change in Net Position	<u>\$ (111,930)</u>	<u>\$ (291,835)</u>
Net Position - Beginning	<u>\$ 12,207,068</u>	<u>\$ 12,095,078</u>
Net Position - Ending	<u><u>\$ 12,095,078</u></u>	<u><u>\$ 11,803,243</u></u>

- Operating Revenues increased \$2,013,413 with Operating Expenses increasing \$2,495,221.
- The revenue increase is consistent with normal Rental Rate increases plus the inclusion of the Powers Circle Apartments Tax Credit as a Fund in this year's Audit per GASB.
- Net Non-Operating Revenues & Expenses were \$(563,461) in 2018. \$116,080 in Capital Grants were received at Public Housing. There are 3 Notes Receivable due from the Powers Circle Apartments Tax Credit. Accrued Interest on those loans recorded in 2018 was \$75,182. These were offset by Interest Expense on Mortgages at Amity Plaza (\$198,429), Alyson Court (\$110,887), Libby Bortz (\$173,603) & John Newey (\$66,909).

HOUSING AUTHORITY OF THE CITY OF LITTLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2018

Capital Assets and Long-Term Debt

Capital Assets

	<u>2017</u>	<u>2018</u>
Capital Assets	\$ 45,177,327	\$ 45,156,684
Less Accumulated Depreciation	\$ 22,722,207	\$ 23,767,888
Total Capital Assets, Net of Depreciation	<u>\$ 22,455,120</u>	<u>\$ 21,388,796</u>

Please see Note 6 to Financial Statements for further detail.

As of September 30, 2018, the Authority had outstanding long-term debt of \$18,978,501, comprised of loans, mortgages, bonds and employee compensated absences. Scheduled payments reduced the outstanding long-term debt by \$412,352 during the year ended September 30, 2018. Details of the Long-Term Debt are provided in Note 7 to the Financial Statements.

The majority of the Authority's funding is from the Department of Housing & Urban Development (HUD). This funding consists of Section 8 housing assistant payments, capital fund grants and operating subsidies and other smaller grants. The Authority is authorized to issue 288 Housing Choice Vouchers and this number is not expected to change. The Authority also earns administrative fees for the administration of Section 8 Housing Choice Vouchers for Arapahoe County, the Division of Housing & Sierra Vista Tax Credit where the Authority is a Limited partner receiving Administrative fees on HAP and a percentage of available cash from Operations. While the number of Arapahoe County vouchers varies due to portability, the average number of vouchers administered each month is 338.

The Authority has expanded services at the Libby Bortz Assisted Living Center (LBALC) for a memory care unit, to provide a higher level of care to existing and future residents of the facility. There are currently 10 Extended Care units which took the place of 10 regular the time being, there are no plans to increase that number.

Due to cuts in federal congressional appropriations for housing programs over the past several years, the capital fund and operating subsidies for the Public Housing Program have been funded at less than 100% of allocations. This trend is expected to continue in the future, although appropriations at the national level were higher for 2018 than for 2017.

HOUSING AUTHORITY OF THE CITY OF LITTLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2018

Capital Assets (Continued)

The Authority is taking steps to utilize its funding in more efficient ways, including transitioning to electronic filing and web-based housing and administrative programs. The Authority continues to explore additional sources of revenue to supplement its federal funding, including providing tenant screening services to landlords in the community. It is also anticipated that the Authority will take the necessary steps to upgrade its existing housing stock, which could result in additional, much-needed housing units in the community and provide additional revenue for the agency. In February 2019, the Authority sold its current office building and purchase another building in downtown Littleton which includes 30 separate office suites. The eventual plan is for the Authority to move in to a percentage of those units and continue to rent out office space in the others. This will provide positive cash flow on this transaction.

Requests for Information

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

Littleton Housing Authority
doing business as
South Metro Housing Options
5745 South Bannock Street
Littleton, Colorado 80120

Basic Financial Statements

Housing Authority of the City of Littleton
Statement of Net Position
Proprietary Funds
September 30, 2018

	Public Housing	Housing Choice Vouchers	Development	Amity Plaza	Alyson Court	Libby Bortz	Powers Circle	Nonmajor Enterprise Funds	Totals
Assets									
<i>Current Assets</i>									
Cash	\$ 519,971	\$ 577,835	\$ 1,781,864	\$ 2,144,605	\$ 434,054	\$ 403,569	\$ 108,113	\$ 313,881	\$ 6,283,892
Accounts Receivable	24,129	446,169	71,594	3,774	32	26,257	11,228	14,911	598,094
Inventory	-	-	-	-	-	245	-	-	245
Prepaid Expenses	26,765	8,007	2,599	28,564	7,486	21,452	3,008	3,586	101,467
Total Current Assets	<u>570,865</u>	<u>1,032,011</u>	<u>1,856,057</u>	<u>2,176,943</u>	<u>441,572</u>	<u>451,523</u>	<u>122,349</u>	<u>332,378</u>	<u>6,983,698</u>
<i>Noncurrent Assets</i>									
Restricted Cash	-	-	57,024	364,056	-	475,056	318,342	113,643	1,328,121
Other Assets	-	-	-	-	-	-	23,492	-	23,492
Advances to Other Funds	-	-	56,793	-	-	-	-	-	56,793
Notes Receivable	-	5,960	3,319,920	-	-	-	-	-	3,325,880
Capital Assets, <i>Not Being Depreciated</i>	1,170,359	-	269,279	1,206,552	1,288,000	330,553	865,000	251,981	5,381,724
Capital Assets, <i>Net of Accumulated Depreciation</i>	862,983	-	977,313	3,644,639	1,510,977	2,832,475	5,998,292	180,393	16,007,072
Total Noncurrent Assets	<u>2,033,342</u>	<u>5,960</u>	<u>4,680,329</u>	<u>5,215,247</u>	<u>2,798,977</u>	<u>3,638,084</u>	<u>7,205,126</u>	<u>546,017</u>	<u>26,123,082</u>
Total Assets	<u>\$ 2,604,207</u>	<u>\$ 1,037,971</u>	<u>\$ 6,536,386</u>	<u>\$ 7,392,190</u>	<u>\$ 3,240,549</u>	<u>\$ 4,089,607</u>	<u>\$ 7,327,475</u>	<u>\$ 878,395</u>	<u>\$ 33,106,780</u>
Liabilities and Net Position									
<i>Current Liabilities</i>									
Accounts Payable	\$ 30,873	\$ 541,978	\$ 10,774	\$ 14,084	\$ 5,070	\$ 74,425	\$ 33,970	\$ 14,304	\$ 725,478
Accrued Liabilities	15,920	10,602	6,805	16,879	6,727	61,690	15,199	4,103	137,925
Unearned Revenues	3,682	4,603	307	5,240	3,344	(239)	4,007	1,586	22,530
Accrued Interest Payable	-	-	-	8,045	8,167	7,058	11,385	5,073	39,728
Tenant Security Deposits	53,471	-	-	56,282	19,341	203,935	46,968	6,615	386,612
Current Portion of Long-Term Liabilities									
Accrued Compensated Absences	2,543	1,651	991	2,972	1,168	33,414	-	831	43,570
Loans Payable	-	-	-	-	40,196	-	-	-	40,196
Mortgages Payable	-	-	-	180,627	-	95,282	51,024	1,153,949	1,480,882
Total Noncurrent Liabilities	<u>106,489</u>	<u>558,834</u>	<u>18,877</u>	<u>284,129</u>	<u>84,013</u>	<u>475,565</u>	<u>162,553</u>	<u>1,186,461</u>	<u>2,876,921</u>

(Continued)

See Notes to the Financial Statements.

Housing Authority of the City of Littleton
Statement of Net Position
Proprietary Funds
September 30, 2018

	Public Housing	Housing Choice Vouchers	Development	Amity Plaza	Alyson Court	Libby Bortz	Powers Circle	Nonmajor Enterprise Funds	Totals
Liabilities and Net Position (Continued)									
<i>Long-Term Liabilities</i>									
Advances from Other Funds	-	-	-	-	56,793	-	-	-	56,793
Accrued Interest Payable	-	-	-	-	-	-	305,046	-	305,046
Developer Fee Payable	-	-	-	-	-	-	256,968	-	256,968
Accrued Compensated Absences	14,635	9,502	5,703	17,102	6,720	-	-	4,780	58,442
Loans Payable	-	-	-	-	2,332,197	-	2,663,466	-	4,995,663
Mortgages Payable	-	-	-	6,255,394	-	3,470,885	2,633,470	-	12,359,749
Total Long-Term Liabilities	<u>14,635</u>	<u>9,502</u>	<u>5,703</u>	<u>6,272,496</u>	<u>2,395,710</u>	<u>3,470,885</u>	<u>5,858,950</u>	<u>4,780</u>	<u>18,032,661</u>
Total Liabilities	<u>121,124</u>	<u>568,336</u>	<u>24,580</u>	<u>6,556,625</u>	<u>2,479,723</u>	<u>3,946,450</u>	<u>6,021,503</u>	<u>1,191,241</u>	<u>20,909,582</u>
<i>Net Position</i>									
Net Investment in Capital Assets	2,033,342	-	1,246,592	(1,584,830)	426,584	(403,139)	1,515,332	(721,575)	2,512,306
Restricted for:									
Housing Assistance Payments	-	-	-	-	-	-	-	-	-
Scholarships	-	-	57,024	-	-	-	-	-	57,024
Repair and Replacement	-	-	-	173,515	-	330,625	77,276	84,862	666,278
Operating Deficits	-	-	-	-	-	144,431	241,066	28,781	414,278
Unrestricted	<u>449,741</u>	<u>469,635</u>	<u>5,208,190</u>	<u>2,246,880</u>	<u>334,242</u>	<u>71,240</u>	<u>(527,702)</u>	<u>295,086</u>	<u>8,547,312</u>
Total Net Position	<u>2,483,083</u>	<u>469,635</u>	<u>6,511,806</u>	<u>835,565</u>	<u>760,826</u>	<u>143,157</u>	<u>1,305,972</u>	<u>(312,846)</u>	<u>12,197,198</u>
Total Liabilities and Net Position	<u>\$ 2,604,207</u>	<u>\$ 1,037,971</u>	<u>\$ 6,536,386</u>	<u>\$ 7,392,190</u>	<u>\$ 3,240,549</u>	<u>\$ 4,089,607</u>	<u>\$ 7,327,475</u>	<u>\$ 878,395</u>	<u>\$ 33,106,780</u>

See Notes to the Financial Statements.

Housing Authority of the City of Littleton
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	Public Housing	Housing Choice Vouchers	Development	Amity Plaza	Alyson Court	Libby Bortz	Powers Circle	Nonmajor Enterprise Funds	Totals
Operating Revenues									
Rental	\$ 594,999	\$ -	\$ -	\$ 704,173	\$ 209,669	\$ 1,101,080	\$ 649,891	\$ 71,498	\$ 3,331,310
Operating Grants and Contributions	376,923	7,070,302	-	1,191,872	456,573	-	-	275,265	9,370,935
Assisted Living Fees	-	-	-	-	-	1,584,092	-	-	1,584,092
Other	26,912	66,153	195,040	44,724	4,465	260,124	26,416	3,823	627,657
Total Operating Revenues	998,834	7,136,455	195,040	1,940,769	670,707	2,945,296	676,307	350,586	14,913,994
Operating Expenses									
Housing Assistance Payments	-	6,426,667	-	-	-	-	-	-	6,426,667
General and Administrative	406,032	345,285	179,273	393,693	146,146	785,842	281,464	95,891	2,633,626
Tenant Services	57,669	-	2,638	44,732	12,318	1,177,351	-	8,794	1,303,502
Utilities	155,534	-	8,948	176,037	66,157	115,859	68,590	17,523	608,648
Maintenance and Operation	285,460	10	51,916	249,326	145,772	237,271	70,874	45,483	1,086,112
Insurance and Benefits	200,676	69,296	45,540	206,664	73,040	326,941	24,186	37,023	983,366
Extraordinary Maintenance	87,888	-	-	-	-	-	-	-	87,888
Depreciation	168,085	-	39,465	327,367	80,389	207,368	256,322	39,608	1,118,604
Total Operating Expenses	1,361,344	6,841,258	327,780	1,397,819	523,822	2,850,632	701,436	244,322	14,248,413
Net Operating Income (Loss)	(362,510)	295,197	(132,740)	542,950	146,885	94,664	(25,129)	106,264	665,581
Nonoperating Revenues (Expenses)									
Grants and Contributions	116,080	-	-	-	-	-	-	-	116,080
Interest Revenue	1,284	-	79,513	5,640	5	3,846	-	47	90,335
Loans Transferred	-	-	(100)	-	-	-	-	-	(100)
Interest Expense	-	-	-	(198,429)	(110,887)	(173,603)	(212,513)	(66,909)	(762,341)
Debt Issuance Costs	-	-	14,097	-	51	-	-	(7,000)	7,148
Gain/Loss Sale of Assets	-	-	-	-	-	(14,583)	-	-	(14,583)
Transfers In	-	47,826	-	-	-	-	-	-	47,826
Transfers Out	-	-	(14,191)	-	-	-	-	(33,635)	(47,826)
Net Nonoperating Revenues (Expenses)	117,364	47,826	79,319	(192,789)	(110,831)	(184,340)	(212,513)	(107,497)	(563,461)
Change in Net Position	(245,146)	343,023	(53,421)	350,161	36,054	(89,676)	(237,642)	(1,233)	102,120
Net Position, Beginning of year	2,728,229	126,612	6,565,227	485,404	724,772	232,833	1,543,614	(311,613)	12,095,078
Net Position, End of year	\$ 2,483,083	\$ 469,635	\$ 6,511,806	\$ 835,565	\$ 760,826	\$ 143,157	\$ 1,305,972	\$ (312,846)	\$ 12,197,198

See Notes to the Financial Statements.

Housing Authority of the City of Littleton
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	Public Housing	Housing Choice Vouchers	Development	Amity Plaza	Alyson Court	Libby Bortz	Powers Circle	Nonmajor Enterprise Funds	Totals
Cash Flows from Operating Activities									
Grants and Contributions Received	\$ 376,923	\$ 7,039,474	\$ -	\$ 1,191,872	\$ 457,316	\$ -	\$ -	\$ 274,997	\$ 9,340,582
Cash Received from Tenants	594,999	-	-	704,469	215,320	2,702,909	641,693	63,728	4,923,118
Cash Received from Others	110,658	(317,287)	191,662	44,724	4,465	260,124	26,416	3,823	324,585
Cash Payments to Employees	(242,155)	(208,712)	(180,102)	(270,879)	(97,832)	(257,359)	(184,875)	(52,289)	(1,494,203)
Cash Payments to Suppliers	(962,367)	(57,029)	(461,511)	(804,871)	(350,832)	(2,366,174)	(290,111)	(154,937)	(5,447,832)
Housing Assistance Payments	-	(6,031,918)	-	-	-	-	-	-	(6,031,918)
Net Cash Provided (Used) by Operating Activities	<u>(121,942)</u>	<u>424,528</u>	<u>(449,951)</u>	<u>865,315</u>	<u>228,437</u>	<u>339,500</u>	<u>193,123</u>	<u>135,322</u>	<u>1,614,332</u>
Cash Flows from Capital and Related Financing Activities									
Payments from Other Funds	-	47,826	5,000	-	-	-	-	-	52,826
Payments to Other Funds	-	-	(14,191)	-	(5,000)	-	-	(33,635)	(52,826)
Grants and Contributions Received	116,080	-	-	-	-	-	-	-	116,080
Purchases of Property and Equipment	(20,131)	-	-	-	-	(146,692)	-	-	(166,823)
Proceeds from Sale of Assets	-	-	-	-	-	99,963	-	-	99,963
Debt Principal Paid	-	-	-	(175,222)	(37,170)	(90,810)	(47,258)	(62,890)	(413,350)
Debt Interest Paid	-	-	-	(198,648)	(112,244)	(173,603)	(139,984)	(64,291)	(688,770)
Debt Issuance Costs Paid	-	-	14,097	-	51	(513)	-	-	13,635
Developer Fees Paid	-	-	-	-	-	-	-	(7,000)	(7,000)
Payments on Notes Receivable	-	-	(100)	-	-	-	-	-	(100)
Program Income Returned	-	-	-	-	-	3,846	-	-	3,846
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>95,949</u>	<u>47,826</u>	<u>4,806</u>	<u>(373,870)</u>	<u>(154,363)</u>	<u>(307,809)</u>	<u>(187,242)</u>	<u>(167,816)</u>	<u>(1,042,519)</u>
Cash Flows from Investing Activities									
Interest Received	<u>1,284</u>	<u>-</u>	<u>79,513</u>	<u>5,640</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>47</u>	<u>86,489</u>
Net Change in Cash	(24,709)	472,354	(365,632)	497,085	74,079	31,691	5,881	(32,447)	658,302
Cash, Beginning of year	<u>544,680</u>	<u>105,481</u>	<u>2,204,520</u>	<u>2,011,576</u>	<u>359,975</u>	<u>846,934</u>	<u>420,574</u>	<u>459,971</u>	<u>6,953,711</u>
Cash, End of year	<u>\$ 519,971</u>	<u>\$ 577,835</u>	<u>\$ 1,838,888</u>	<u>\$ 2,508,661</u>	<u>\$ 434,054</u>	<u>\$ 878,625</u>	<u>\$ 426,455</u>	<u>\$ 427,524</u>	<u>\$ 7,612,013</u>

(Continued)

Housing Authority of the City of Littleton
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	Public Housing	Housing Choice Vouchers	Development	Amity Plaza	Alyson Court	Libby Bortz	Powers Circle	Nonmajor Enterprise Funds	Totals
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities									
Net Operating Income (Loss)	\$ (362,510)	\$ 295,197	\$ (132,740)	\$ 542,950	\$ 146,885	\$ 94,664	\$ (25,129)	\$ 106,264	\$ 665,581
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities									
Depreciation	168,085	-	39,465	327,367	80,389	207,368	256,322	39,608	1,118,604
Changes in Assets and Liabilities									
Accounts Receivable	84,199	(383,440)	(76,263)	(643)	5,074	(1,490)	(9,041)	(7,385)	(388,989)
Inventory	-	-	-	-	-	-	-	-	-
Prepaid Expenses	(1,512)	2,896	1,338	(1,453)	(584)	11,988	1,855	(228)	14,300
Accounts Payable	(4,315)	537,349	(282,481)	(4,497)	(4,206)	(7,187)	(31,207)	(4,091)	199,365
Accrued Liabilities	(973)	1,949	2,794	959	131	10,512	(520)	858	15,710
Unearned Revenues	1,290	(30,828)	(1,633)	737	743	(6,142)	927	(268)	(35,174)
Tenant Security Deposits	(1,743)	-	-	202	577	25,369	(84)	(385)	23,936
Accrued Compensated Absences	(4,463)	1,405	(431)	(307)	(572)	4,418	-	949	999
Total Adjustments	<u>240,568</u>	<u>129,331</u>	<u>(317,211)</u>	<u>322,365</u>	<u>81,552</u>	<u>244,836</u>	<u>218,252</u>	<u>29,058</u>	<u>948,751</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(121,942)</u>	\$ <u>424,528</u>	\$ <u>(449,951)</u>	\$ <u>865,315</u>	\$ <u>228,437</u>	\$ <u>339,500</u>	\$ <u>193,123</u>	\$ <u>135,322</u>	\$ <u>1,614,332</u>

See Footnotes to the Financial Statements.

Housing Authority of the City of Littleton

Notes to Financial Statements

September 30, 2018

Note 1: Summary of Significant Accounting Policies

The financial statements of the Housing Authority of the City of Littleton, dba South Metro Housing Options (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 these criteria, the Authority includes the Powers Circle Apartments LLLC (the Partnership) in its reporting entity. Littleton Area Neighborhood Development LLC, a wholly owned subsidiary of the Authority, is the general partner of this low-income housing tax credit partnership. The Authority's Board of Commissioners serves as the governing board of the Partnership and management of the Authority has operational responsibility for the Partnership. Therefore, the financial activity of the Partnership is blended into the Authority's financial statements. The Partnership's financial statements are reported as of and for the Partnership's fiscal year end of December 31, which may result in inconsistencies in amounts reported as interfund balances and transactions. Separate financial statements for the Partnership are available at the Authority's offices at 5745 South Bannock Street, Littleton, Colorado 80120.

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 Littleton

Notes to Financial Statements

September 30, 2018

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.

The Authority reports the following major proprietary funds:

The *Public Housing Fund* accounts for the financial activities associated with the Authority's public housing projects, including the Bradley House, a 72-unit elderly apartment complex, and 71 dispersed family units.

The *Housing Choice Vouchers Fund* accounts for the financial activities of the Authority's Section 8 Housing Choice Voucher program, including administration of the program for other entities.

The *Development Fund* accounts for the Authority's interests in various properties, including an office building and other affordable housing projects.

The *Amity Plaza Fund* accounts for the financial activities associated with the Amity Plaza Apartments, a 180-unit Section 8 New Construction project.

The *Alyson Court Fund* accounts for the financial activities associated with the Alyson Court Apartments, a 60-unit complex that receives subsidies under the Section 8 Housing Assistance Payments program.

The *Libby Bortz Fund* accounts for the financial activities associated with the Libby Bortz Assisted Living Center, a 111-unit elderly assisted living property.

The *Powers Circle Fund* presents the financial activities of Powers Circle Apartments LLLP, a low-income housing tax credit partnership that operates the Powers Circle Apartments, a 69-unit apartment complex.

Housing Authority of the City of Littleton

Notes to Financial Statements

September 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position

Inventory - Certain materials and supplies inventories held by the Libby Bortz Assisted Living Center are reported as inventory in the financial statements, and are stated at cost, using the first-in, first-out method.

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

Interfund Receivables and Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as interfund receivables and payables when they are short-term in nature. Interfund receivables or payables not expected to be liquidated within one year are classified as advances to other funds and advances from other funds.

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 \$5,000 or greater and a useful life of one year or more. Interest is capitalized during the construction phase. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives of the assets.

Land Improvements	5 - 40 years
Buildings and Improvements	50 years
Equipment	5 - 10 years

Unearned Revenues - Unearned revenues arise when resources are received by the Authority before it has a legal claim to them, including rental income received in advance.

Compensated Absences - Employees of the Authority are allowed to accumulate unused vacation time depending on length of employment. Upon termination of employment from the Authority, employees will be compensated for all eligible accrued vacation time at their current rate of pay.

Accumulated unused vacation time is accrued when earned and is reported as a liability of the fund expected to liquidate the liability.

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

Housing Authority of the City of Littleton

Notes to Financial Statements

September 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 September 30, 2018, the J.W. Newey Fund had a negative net position of \$312,846. Revenues of the J.W. Newey Fund have not been sufficient to cover operating expenses, including depreciation. In addition, a portion of the J.W. Newey Fund's debt proceeds were used for rehabilitation of other Authority properties.

Note 3: Cash and Investments

At September 30, 2018, the Authority had the following cash and investments:

Cash on Hand	\$	325
Deposits		7,185,233
Power Circle		<u>426,455</u>
Total	\$	<u><u>7,612,013</u></u>

Cash and investments are reported in the financial statements as follows:

Cash	\$	6,283,892
Restricted Cash		<u>1,328,121</u>
Total	\$	<u><u>7,612,013</u></u>

Housing Authority of the City of Littleton

Notes to Financial Statements

September 30, 2018

Note 3: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State statutes and 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 September 30, 2018, the Authority had bank deposits of \$6,663,874 collateralized with securities held by the financial institutions' agents but not in the Authority's name.

Investments

The Authority is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, concentration, and custodial risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment for a period in excess of five years.

- 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
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Authority had no investments at September 30, 2018.

Restricted Cash

At September 30, 2018, restricted cash was held for the following purposes.

Housing Authority of the City of Littleton
Notes to Financial Statements
September 30, 2018

Note 3: Cash and Investments (Continued)

Restricted Cash (Continued)

<u>Development</u>	
Scholarships	\$ <u>57,024</u>
<u>Amity Plaza</u>	
Replacement Reserves	358,303
Capital Projects	<u>5,753</u>
Total	<u>364,056</u>
<u>Libby Bortz</u>	
Replacement Reserves	330,625
Operating Reserve	<u>144,431</u>
Total	<u>475,056</u>
<u>Power Circle</u>	
Replacement Reserves	77,276
Operating Reserve	<u>241,066</u>
Total	<u>318,342</u>
<u>J.W. Newey</u>	
Replacement Reserves	84,862
Operating Reserve	<u>28,781</u>
Total	<u>113,643</u>
Total Restricted Cash	\$ <u>1,328,121</u>

Note 4: Interfund Balances and Transactions

The Development Fund transferred \$14,191 to the Housing Choice Vouchers Fund. The Housing Rehab Fund was closed and the remaining cash of \$33,635 was transferred to the Housing Choice Vouchers Fund.

The Authority routinely pays costs on behalf of Powers Circle Apartments LLLP (the Partnership). These costs are reimbursed by the Partnership and are reported in the financial statements as accounts receivable and accounts payable.

Housing Authority of the City of Littleton
Notes to Financial Statements
September 30, 2018

Note 5: Notes Receivable

At September 30, 2018, notes receivable consisted of the following.

Powers Circle Apartments LLLP	\$ 2,663,466
Powers Circle Apartments LLLP Accrued Interest	367,828
Development Deferred Loans	288,626
Other	5,960
 Total	 \$ 3,325,880

Powers Circle Apartments LLLP

In July, 2013, the Authority sold the Powers Circle Apartments for \$4,620,000 and received as compensation a combination of loans and cash. Three loan agreements, in the amounts of \$1,970,456, \$243,010 and \$450,000, were executed with the purchaser, Powers Circle Apartments LLLP. Interest accrues on the outstanding balance of the first two loans at the rate of 2.8% per annum and the third loan at 1% per annum, and compounds annually. Payments will be made from available net cash flow from the prior calendar year. If not paid sooner, the loans are due in full on December 31, 2052, December 31, 2053, and December 31, 2042, respectively.

In July, 2013, the Authority entered into a Development Services Agreement with Powers Circle Apartments LLLP (the Partnership). In accordance with the agreement, the Authority will receive a development fee of \$633,020 to provide certain development services related to the rehabilitation of the Powers Circle Apartments. Through September 30, 2018, the Authority received \$375,461 under this agreement. Any unpaid portion of the development fee is evidenced by a note and is payable from available cash of the Partnership. The note bears no interest.

If the development fee has not been repaid by May of 2026, the twelfth anniversary of the rehabilitation completion, the General Partner must make a capital contribution to pay any amount outstanding at that time. Because the General Partner is the Littleton Area Neighborhood Development LLC, a wholly owned subsidiary of the Authority, no receivable is reported in the financial statements for the unpaid development fees.

Development Deferred Loans

The Development Fund has provided loans to individuals to purchase or rehabilitate homes. These deferred loans will be repaid upon the sale of the homes.

Housing Authority of the City of Littleton
Notes to Financial Statements
September 30, 2018

Note 6: Capital Assets

Capital asset activity for the year ended September 30, 2018, is summarized below. Prior year balances have been restated to include the assets of Powers Circle Apartments LLLP.

	<u>Balance 9/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/18</u>
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land and Sites	\$ 5,381,724	\$ -	\$ -	\$ 5,381,724
Total Capital Assets, Not Being Depreciated	<u>5,381,724</u>	<u>-</u>	<u>-</u>	<u>5,381,724</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	1,072,887	-	-	1,072,887
Buildings and Improvements	37,005,749	-	(114,546)	36,891,203
Equipment	1,716,967	93,903	-	1,810,870
Total Capital Assets, Being Depreciated	<u>39,795,603</u>	<u>93,903</u>	<u>(114,546)</u>	<u>39,774,960</u>
<i>Less Accumulated Depreciation</i>				
Land Improvements	(849,542)	(46,521)	-	(896,063)
Buildings and Improvements	(20,389,722)	(951,242)	-	(21,340,964)
Equipment	(1,482,943)	(120,841)	72,923	(1,530,861)
Total Accumulated Depreciation	<u>(22,722,207)</u>	<u>(1,118,604)</u>	<u>72,923</u>	<u>(23,767,888)</u>
Total Capital Assets, Being Depreciated, net	<u>17,073,396</u>	<u>(1,024,701)</u>	<u>(41,623)</u>	<u>16,007,072</u>
Governmental Activities Capital Assets, net	<u>\$ 22,455,120</u>	<u>\$ (1,024,701)</u>	<u>\$ (41,623)</u>	<u>\$ 21,388,796</u>

Note 7: Long-Term Debt

A summary of changes in long-term debt for the year ended September 30, 2018, is presented below.

	<u>Balance 9/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/18</u>	<u>Due Within One Year</u>
Authority					
Loan Payable	\$ 2,409,563	\$ -	\$ (37,170)	\$ 2,372,393	\$ 40,196
Mortgages Payable	11,485,059	-	(328,923)	11,156,136	1,429,858
Compensated Absences	101,013	49,218	(48,219)	102,012	43,570
Total	<u>\$ 13,995,635</u>	<u>\$ 49,218</u>	<u>\$ (414,312)</u>	<u>\$ 13,630,541</u>	<u>\$ 1,513,624</u>
Powers Circle Apartments					
Loans and Mortgage Payable	5,395,218	-	(47,258)	5,347,960	51,031
Total	<u>\$ 19,390,853</u>	<u>\$ 49,218</u>	<u>\$ (461,570)</u>	<u>\$ 18,978,501</u>	<u>\$ 1,564,655</u>

Housing Authority of the City of Littleton

Notes to Financial Statements

September 30, 2018

Note 7: Long-Term Debt (Continued)

Loans Payable

In July 2018, the Authority obtained a loan from First Bank in the amount of \$2,410,947. Proceeds of the loan were used to pay in full the CHFA loan and the Multifamily Housing Revenue Bonds, Series 2002A. The loan is payable in monthly installments of \$12,450, including interest accruing at 4.5% per annum, with a final balloon payment of \$1,623,187 due on August 1, 2032.

Following is a summary of debt service requirements for the loan, to maturity:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 40,196	\$ 109,210	\$ 149,406
2020	42,071	107,335	149,406
2012	43,753	105,653	149,406
2022	45,839	103,567	149,406
2023	48,010	101,396	149,406
2024 - 2028	275,965	471,065	747,030
2029 - 2032	<u>1,876,559</u>	<u>319,349</u>	<u>2,195,908</u>
Total	<u>\$ 2,372,393</u>	<u>\$ 1,317,575</u>	<u>\$ 3,689,968</u>

Mortgages Payable

On February 27, 2013, the Authority approved two mortgages from First Bank to refinance existing debt for \$6,351,266 and to provide financing of \$1,408,634 to rehabilitate the Amity Plaza Apartments. The mortgages are secured by the Amity Plaza Apartments. The mortgages, in the amounts of \$7,357,000 and \$403,000, are due in monthly installments of \$31,156 and \$9,007, respectively, including interest accruing at 3% and 3.5% per annum, respectively. The first agreement requires a final balloon payment of \$4,529,304 due on February 15, 2028. The second agreement matured and was paid in full on February 15, 2017.

On June 16, 2010, the Authority refinanced an outstanding loan of \$2,806,928 assumed upon dissolution of the Littleton Creative Housing Limited Partnership, owner of the Libby Bortz Assisted Living Center, and received additional proceeds to fully pay the Authority's outstanding loan to the Littleton Creative Housing Limited Partnership, in the amount of \$1,245,783. The loan from First Bank in the original amount of \$4,200,000 is due in monthly payments of \$22,077, including interest accruing at 5% per annum, with a final balloon payment of \$2,835,741 due on June 15, 2025.

Housing Authority of the City of Littleton

Notes to Financial Statements

September 30, 2018

Note 7: Long-Term Debt (Continued)

Mortgages Payable (Continued)

On March 26, 2003, the Authority obtained financing in the amount of \$1,802,000 from U.S. Bank for the rehabilitation of certain properties. The mortgage is due in monthly installments of \$9,576, including interest accruing at 4.84% per annum, with a final balloon payment of \$1,180,324 due on March 15, 2028. The mortgage is secured by the J.W. Newey Family Housing Development.

Following is a summary of debt service requirements for the mortgage loans, to maturity:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,429,858	\$ 423,435	\$ 1,853,293
2020	285,184	353,613	638,797
2012	296,798	341,999	638,797
2022	307,881	330,916	638,797
2023	319,401	319,396	638,797
2024 - 2028	<u>8,517,014</u>	<u>921,277</u>	<u>9,438,291</u>
Total	<u>\$ 11,156,136</u>	<u>\$ 2,690,636</u>	<u>\$ 13,846,772</u>

Note 8: Pension Plans

The Authority contributes to a multiple-employer defined contribution 401(a) pension plan on behalf of all full-time employees. Employees are eligible to participate in the plan upon employment and become fully vested after five years of service. Employees are required to contribute 5% of their compensation to the plan, and the Authority matches the contributions. In addition, the Authority has agreed to match employee contributions to a 457 deferred compensation retirement plan up to 2% of compensation, and to a similar plan up to 3% of compensation for employees of the Libby Bortz Assisted Living Center. These contributions vest immediately. For the year ended September 30, 2018, the Authority contributed \$95,891 to the plans.

Housing Authority of the City of Littleton
Notes to Financial Statements
September 30, 2018

Note 9: Commitments and Contingencies

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.

Claims and Judgements

The Authority participates in a number of 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 regulations, the Authority may be required to reimburse the grantor government. At September 30, 2018, significant amounts of grant expenses have not been audited, but management believes that subsequent audits will not have a material effect on the financial position of the Authority.

Forgivable Loan

During 2012, the Authority received a loan in the amount of \$450,000 from Vectra Bank under the Federal Home Loan Bank Affordable Housing Program, to finance improvements to the Powers Circle Apartments. The loan is non-interest bearing and will be forgiven in its entirety after 15 years if the property is used as very low-income housing, defined as households whose income is 60% or less of area median gross income. Since there is a remote possibility that the Authority would fail to meet this requirement, no liability has been reported in the financial statements.

Operating Deficit Guaranty Agreement

The General Partner of Powers Circle Apartments LLLP (the Partnership), Littleton Area Neighborhood Development LLC, is a wholly owned subsidiary of the Authority. The General Partner has agreed to loan the Partnership any amounts needed to fund operating deficits for five years following full rental of the Partnership's rental properties. Any such loans are payable, without interest, solely from available cash of the Partnership. At September 30, 2018, no loans were outstanding under this agreement.

Required Supplementary Information

Housing Authority of the City of Littleton

Combining Statement of Net Position

Nonmajor Proprietary Funds

September 30, 2018

	J.W. Newey	Housing Rehab	Totals
Assets			
<i>Current Assets</i>			
Cash	\$ 313,881	\$ -	\$ 313,881
Accounts Receivable	14,911	-	14,911
Prepaid Expenses	3,586	-	3,586
Total Current Assets	332,378	-	332,378
<i>Noncurrent Assets</i>			
Restricted Cash	113,643	-	113,643
Capital Assets, <i>Not Being Depreciated</i>	251,981	-	251,981
Capital Assets, <i>Net of Accumulated Depreciation</i>	180,393	-	180,393
Total Noncurrent Assets	546,017	-	546,017
 Total Assets	 \$ 878,395	 \$ -	 \$ 878,395
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	\$ 14,304	\$ -	\$ 14,304
Accrued Liabilities	4,103	-	4,103
Unearned Revenues	1,586	-	1,586
Accrued Interest Payable	5,073	-	5,073
Tenant Security Deposits	6,615	-	6,615
<i>Current Portion of Long-Term Liabilities</i>			
Accrued Compensated Absences	831	-	831
Mortgages Payable	1,153,949	-	1,153,949
Total Noncurrent Liabilities	1,186,461	-	1,186,461
<i>Long-Term Liabilities</i>			
Accrued Compensated Absences	4,780	-	4,780
Total Liabilities	1,191,241	-	1,191,241
Net Position			
Net Investment in Capital Assets	(721,575)	-	(721,575)
Restricted for:			
Repair and Replacement	84,862	-	84,862
Operating Deficits	28,781	-	28,781
Unrestricted	295,086	-	295,086
Total Net Position	(312,846)	-	(312,846)
 Total Liabilities and Net Position	 \$ 878,395	 \$ -	 \$ 878,395

See the accompanying Independent Auditors' Report.

Housing Authority of the City of Littleton
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended September 30, 2018

	J.W. Newey	Housing Rehab	Totals
Operating Revenues			
Rental	\$ 71,498	\$ -	\$ 71,498
Operating Grants and Contributions	275,265	-	275,265
Other	3,823	-	3,823
	<u>350,586</u>	<u>-</u>	<u>350,586</u>
Operating Expenses			
General and Administrative	95,953	(62)	95,891
Tenant Services	8,794	-	8,794
Utilities	17,523	-	17,523
Maintenance and Operations	45,483	-	45,483
Insurance and Benefits	37,023	-	37,023
Depreciation	39,608	-	39,608
	<u>244,384</u>	<u>(62)</u>	<u>244,322</u>
Net Operating Income (Loss)	<u>106,202</u>	<u>62</u>	<u>106,264</u>
Nonoperating Revenues (Expenses)			
Interest Revenue	47	-	47
Program Income Returned	-	-	-
Loans Transferred	-	-	-
Interest Expense	(66,909)	-	(66,909)
Debt Issuance Costs	(7,000)	-	(7,000)
Gain/Loss on Sale of Assets	-	-	-
Transfers In	-	-	-
Transfers Out	-	(33,635)	(33,635)
	<u>(73,862)</u>	<u>(33,635)</u>	<u>(107,497)</u>
Change in Net Position	32,340	(33,573)	(1,233)
Net Position, Beginning of year	<u>(345,186)</u>	<u>33,573</u>	<u>(311,613)</u>
Net Position, End of year	<u>\$ (312,846)</u>	<u>\$ -</u>	<u>\$ (312,846)</u>

Housing Authority of the City of Littleton
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended September 30, 2018

	J.W. Newey	Housing Rehab	Totals
Cash Flows from Operating Activities			
Grants and Contributions Received	\$ 274,997	\$ -	\$ 274,997
Cash Received from Tenants	63,728	-	63,728
Cash Received from Others	3,823	-	3,823
Cash Payments to Employees	(51,981)	(308)	(52,289)
Cash Payments to Suppliers	(145,393)	(9,544)	(154,937)
Net Cash Provided (Used) by Operating Activities	145,174	(9,852)	135,322
Cash Flows from Capital and Related Financing Activities			
Payments from Other Funds	-	-	-
Payments to Other Funds	-	(33,635)	(33,635)
Debt Principal Paid	(62,890)	-	(62,890)
Debt Interest Paid	(64,291)	-	(64,291)
Debt Issuance Costs Paid	(7,000)	-	(7,000)
Payments on Notes Receivable	-	-	-
Program Income Returned	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(134,181)	(33,635)	(167,816)
Cash Flows from Investing Activities			
Interest Received	47	-	47
Net Change in Cash Flows	11,040	(43,487)	(32,447)
Cash, Beginning of year	416,484	43,487	459,971
Cash, End of year	\$ 427,524	\$ -	\$ 427,524
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Net Operating Income (Loss)	\$ 106,202	\$ 62	\$ 106,264
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	39,608	-	39,608
Changes in Assets and Liabilities			
Accounts Receivable	(7,385)	-	(7,385)
Prepaid Expenses	(228)	-	(228)
Accounts Payable	5,374	(9,465)	(4,091)
Accrued Liabilities	941	(83)	858
Unearned Revenues	(268)	-	(268)
Tenant Security Deposits	(385)	-	(385)
Accrued Compensated Absences	1,315	(366)	949
Total Adjustments	38,972	(9,914)	29,058
Net Cash Provided (Used) by Operating Activities	\$ 145,174	\$ (9,852)	\$ 135,322

See the accompanying Independent Auditors' Report.

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 Littleton
Littleton, 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 Littleton as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Housing Authority of the City of Littleton, and have issued our report thereon dated May 22, 2019. Our report includes a reference to other auditors who audited the financial statements of Powers Circle Apartments LLLP, as described in our report on the Housing Authority of the City of Littleton's financial statements. The financial statements of Powers Circle Apartments LLLP were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Littleton's 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 Littleton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Littleton's 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 Littleton's 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 Littleton's 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 Littleton'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 Housing Authority of the City of Littleton'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 Housing Authority of the City of Littleton's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Hick & Company, PC

Greenwood Village, Colorado
May 22, 2019





**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 Littleton
Littleton, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Littleton's 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 Littleton's major federal programs for the year ended September 30, 2018. The Housing Authority of the City of Littleton's 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 Littleton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Littleton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Auditors' Responsibility

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 Littleton's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Littleton 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 September 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The Housing Authority of the City of Littleton's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Housing Authority of the City of Littleton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Littleton 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 Littleton's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Littleton'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 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.



Report on Internal Control Over Compliance (Continued)

Our consideration of the Housing Authority of the City of Littleton's 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 Littleton as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Housing Authority of the City of Littleton. We issued our report thereon dated May 22, 2019, which contained unmodified opinions on those financial statements. We did not audit the financial statements of Powers Circle Apartments LLLP, which represent 23 percent and 5 percent, respectively, of the assets and revenues of the Housing Authority of the City of Littleton. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Powers Circle Apartments LLLP, is based solely upon the report of the other auditors.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Littleton's 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 22, 2019



Housing Authority of the City of Littleton
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2018

<u>Federal Grantor/Pass-Through Entity/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development		
Housing Voucher Cluster		
Section 8 Housing Choice Vouchers	14.871	\$ 4,399,623
Passed through various Housing Authorities		
Section 8 Housing Choice Vouchers	14.871	<u>2,441,631</u>
Total Housing Voucher Cluster		<u>6,841,254</u>
 Public Housing	 14.850	 376,922
 Public Housing Capital Fund	 14.872	 116,080
 Section 8 Project-Based Cluster		
Section 8 New Construction and Substantial Rehabilitation	14.182	1,467,137
Section 8 Housing Assistance Payments Program	14.195	<u>456,573</u>
Total Section 8 Project-Based Cluster		<u>1,923,710</u>
 TOTAL FEDERAL FINANCIAL ASSISTANCE		 \$ <u><u>9,257,966</u></u>

Housing Authority of the City of Littleton
Notes to Schedule of Expenditures of Federal Awards
September 30, 2018

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 charge a de minimis indirect cost rate.

Housing Authority of the City of Littleton
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2018

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	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

Housing Authority of the City of Littleton
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2018

Section II: Financial Statement Findings

No current year findings or questioned costs were reported.

Section III: Federal Award Findings and Questioned Costs

2018-001 Special Tests and Provisions (Finding 2017-001 repeated)

U.S. Department of Housing and Urban Development.

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
14.182 14.195	Section 8 New Construction and Substantial Rehabilitation. Section 8 Housing Assistance Payments Programs.
Criteria	Federal regulations require the Authority to provide housing that is decent, safe, and sanitary. To achieve this end, the Authority must perform housing quality inspections at the time of initial occupancy and at least annually thereafter to assure that the units are decent, safe, and sanitary.
Condition	The Authority did not perform annual inspections of tenant units at the Amity Plaza and Alyson Court Apartments.
Questioned Costs	None.
Context	Inspections of tenant units at the Amity Plaza and Alyson Court Apartments were not performed within a 12-month period following the previous inspections.
Cause	The Authority adopted a general practice to inspect all units with ongoing tenants at the Amity Plaza and Alyson Court Apartments at the same time each year. These inspections were performed in June of 2017. The subsequent inspections were performed in December of 2018 or later, after the required 12-month period had expired.
Effect	Tenants could be occupying units that are not in compliance with housing quality standards.
Recommendation	We recommend that the Authority revise its policies and procedures to ensure inspections are performed in accordance with federal regulations.
Views of Responsible Officials and Planned Corrective Actions.	See the accompanying Corrective Action Plan.

Housing Authority of the City of Littleton
 Summary Schedule of Prior Audit Findings
 Year Ended September 30, 2018

2017-001 Special Tests and Provisions

U.S. Department of Housing and Urban Development.

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
14.182	Section 8 New Construction and Substantial Rehabilitation.
14.195	Section 8 Housing Assistance Payments Program.
Criteria	Federal regulations require the Authority to provide housing that is decent, safe, and sanitary. To achieve this end, the Authority must perform housing quality inspections at the time of initial occupancy and at least annually thereafter to assure that the units are decent, safe, and sanitary.
Condition	The Authority did not perform annual inspections of tenant units at the Amity Plaza and Alyson Court Apartments.
Questioned Costs	None.
Context	Inspections of tenant units at the Amity Plaza and Alyson Court Apartments were not performed within a 12-month period following the previous inspections.
Cause	The Authority adopted a general practice to inspect all units with ongoing tenants at the Amity Plaza Apartments at the same time each year. These inspections were performed in May of 2016. The subsequent inspections were performed in June of 2017 or later, after the required 12-month period had expired.
Effect	Tenants could be occupying units that are not in compliance with housing quality standards.
Recommendation	We recommend that the Authority revise its policies and procedures to ensure inspections are performed in accordance with federal regulations.
Status	To test the current year status of this finding, we selected 11 files and found 3 tenant files which did not have the required inspections conducted during the fiscal year. See finding 2018-001.



**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Corrective Action Plan:

In response to the audit finding that Amity Plaza inspections performed in December of 2018 were performed over one year after the last inspections, which were performed in May of 2017, as required by HUD regulations SMHO has been conducting inspections annually based on resident recertification dates. However, incomplete record keeping has caused this finding. To address this issue, SMHO now requires that in addition to the hard copy of the inspection in the resident file, an electronic copy of all inspections be saved in the resident record in Yardi to ensure accurate and complete records.