



Financial Statements
December 31, 2012 and 2011

Louisville Housing Authority

Louisville Housing Authority
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December 31, 2012

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Independent Auditor's Report

To the Board of Commissioners
Louisville Housing Authority
Louisville, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Louisville Housing Authority, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisville Housing Authority as of December 31, 2012, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard and Merger with the Louisville Housing Authority

As discussed in Note 1, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (Statement) in January 2013. The statement is effective for periods beginning after December 15, 2013; however, early implementation is encouraged. The Authority elected to implement the statement for the year ended December 31, 2012. The Statement establishes accounting and financial reporting standards related to government combinations and disposals of governmental operations. As discussed in Note 8, in 2012, the Louisville Housing Authority began a merger with the Boulder County Housing Authority (the continuing government). The Authority accounted for the merger in accordance with GASB No. 69. In accordance with GASB No. 69, the beginning net position of Louisville Housing Authority results from removing the carrying values of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the properties transferred to Boulder County Housing Authority. Our opinion is not modified with respect to that matter.

Change in Reporting Entity

As discussed in Note 8 to the financial statements, the Authority's net position has been adjusted due to a change in reporting entity in the amount of \$61,204. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 15 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 American, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 an opinion on the financial statements that collectively comprise the Louisville Housing Authority basic financial statements. The accompanying supplementary schedules on pages 34 and 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules on pages 34 and 35 are the responsibility of management and were derived from and relate 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 audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Eric Bailely LCP". The signature is fluid and cursive, with "Eric" and "Bailely" connected at the top, and "LCP" written below them in a smaller, more formal script.

Bismarck, North Dakota
July 22, 2013

Management's Discussion and Analysis

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Introduction

The Louisville Housing Authority's (LHA) discussion and analysis provides an overview of the housing authority's financial activities for the fiscal year ended December 31, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the notes to the financial statements. This report and monthly financial statements is available at Louisville Public Library records or by contacting, hofrontdesk@bouldercounty.org. as well as at:
<http://www.bouldercounty.org/dept/housinghumanservices/pages/hhsbudget.aspx>

Our Organization

The Louisville Housing Authority is a corporate body created as a Colorado Public Housing Authority. LHA is committed to the residents of Louisville to deliver innovative affordable housing solutions. This commitment is furthered by a strong partnership with Boulder County Housing Authority.

In 2012, our services provided affordable, safe and energy efficient housing and program support for low-income families and seniors.

In 2012, LHA oversaw the following housing properties:

- Regal Square, 255 Regal Street
- Hillside Square, 502-516 West South Boulder Road
- Lincoln Street Elderly Limited partnership, aka Sunnyside, 401 East Street
- Acme Place, 504 LaFarge Street
- Lilac Place, 1301 Lincoln Avenue
- Lincoln Street Elderly Limited partnership, aka Lydia Morgan, 1450 Lincoln Avenue
- Regal Court II, 1867 Regal Court

LHA contracts with Boulder County Housing Authority for operations of its housing properties. For leasing inquiries or matters related to these properties, a contact with the Boulder County Housing Authority is provided at:

Phone: 303-441-3929
Email: hofrontdest@bouldercounty.org

LHA's Commissioners are appointed by the Mayor of Louisville to five-year terms. Regular meetings are held at 8:00 a.m. on the last Tuesday of every month. Agenda for each meeting are posted in the foyer of Louisville City Hall, at the town Library, at the Planning Department Municipal Court Building and the Louisville Recreation Center.

Our Mission and Purpose

To foster the availability of quality, affordable housing and related services for the residents of the City of Louisville, using broad community resources. LHA will accomplish its mission through, community collaboration, effective services and programs, professional organization, effective management and the expansion of funding sources.

Using this Annual Report

This annual report consists of two parts: management's discussion and analysis (this section); the basic financial statements and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of LHA as a whole. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report LHA's operations in more detail than the government-wide statements by providing information about the most significant funds.

Since LHA is a single-purpose governmental, it is generally able to combine the government-wide and fund financial statements into single presentations. LHA has elected to present in this format.

Financial Highlights

The Authority's financial highlights for the year ended December 31, 2012 is as follows:

In January 2012, LHA was composed of seven properties, including senior housing at Lincoln Street Elderly Limited Partnership, aka Lydia Morgan and East Street Limited Partnership, aka Sunnyside Place. In August 2012, LHA's Board, the City Council of Louisville and the Boulder County Board of Commissioners, sitting as the Board of the Boulder County Housing Authority (BCHA), approved a three-year intergovernmental agreement (IGA) to support the consolidation of the two housing authorities and effectuate a transfer of property assets from LHA to BCHA.

Louisville Housing Authority
Management's Discussion and Analysis
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The agreement furthers a long-standing commitment to Louisville's affordable housing efforts and Boulder County residents. The IGA provides a sustainable solution to provide affordable housing stock, rehabilitation of LHA properties, and long-term management and maintenance of LHA properties, as well as a commitment to further expand affordable housing within the City of Louisville. Pursuant to the IGA, in October 2012 the properties listed below were transferred to BCHA.

LHA Property	Address	Agreement	Status
Acme	504 LaFarge St, Louisville	IGA	Transfer completed 2012
Lilac Place	1301 Lincoln Ave. Louisville	IGA	Transfer completed 2012
Regal Court II	1817,88,99 Regal Ct. Louisville	IGA	Transfer completed 2012
Lydia Morgan	1450 Lincoln Ave. Louisville	IGA	Transfer completed 2012

The transfer of properties occurred in conjunction with the refinancing of the 1998 Bonds with BCHA. The refinance transaction included these four LHA properties transferred to BCHA to close into escrow.

The remaining three LHA properties, including Regal Square (HUD Section 8 new construction), Hillside Square (HUD Public Housing), and East Street (Low Income Housing Tax Credit - LIHTC), will be transferred to BCHA in 2013, pending third-party approvals.

Overview of the Financial Statements

The annual financial report consists of three sections:

- Management Discussion and Analysis
- Financial Statements
- Notes to the Financial Statements

The financial statements report information for all LHA funds. The Statement of Net Position includes all of LHA's assets and liabilities and change in net position. The Statement of Revenues, Expenses and Changes in Net Position report all revenues and expenses of LHA for 2012.

LHA uses fund accounting to report on its financial position and activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. LHA's funds consist of: Public Housing, Regal Square, Lilac Place, Regal Court II, Lincoln Street, East Street, Acme Place and Administration. All funds of LHA are classified as enterprise funds. These funds distinguish between operating and non-operating revenues and expenses. Operating expenses consist of administrative; tenant services, utilities, maintenance, maintenance salaries and benefits; maintenance service contracts; general operating including insurance, bad debt and management fees paid to Boulder County Housing Authority.

In addition to reporting this supplementary information in the audit report, the Authority is required to submit financial information annually for its projects to related parties, such as federal, state and local grantors, bond insurers and individual banks for which the Authority holds notes and mortgages.

The 2012 financial statements include East Street Limited Partnership, which is a low income housing tax credit entity in which LHA is the general partner. Financial information for East Street Limited Partnership is reported separately from the financial information presented for the primary government. Complete financial statements for East Street Limited Partnership are available from the Finance Director of the Boulder County Housing Authority.

The Statement of Net Assets and the Statement of Activities

The Statement of Net Position, including total assets and total liabilities and net position and the Statement of Revenues, Expenses and Changes in Net Position, report information about the entity as a whole and about its activities in a way that helps to respond to this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to most private-sector companies.

These two statements report LHA's net assets and changes in them. LHA's net asset, the difference between assets and liabilities, is one way to measure financial health and financial position of the entity. Over time, increases or decreases in the net assets are one indicator of whether its financial health is improving or deteriorating. Along with net assets, the reader should consider other nonfinancial factors that contribute to the entity's overall financial health. These topics are discussed in the Economic Factors and Budget Impacts section below.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Position, LHA presents Governmental activities. All LHA's basic services are reported here.

Reporting LHA's General Fund

Financial Statements – Statement of Net Position

The fund financial statements provide detailed information about the general fund. LHA presents only a general fund, which is a governmental fund. All of LHA's basic services are reported in the general fund. The fund is reported using modified accrual basis of accounting. Modified accrual basis of accounting is used in governmental funds for revenues and expenditures, where revenues are recognized when they are measurable and available to pay for current period liabilities and expenditures are recognized when a transaction is expected to draw upon current spendable resources. The general fund statements provide a detailed yearly view of LHA's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance LHA operations.

Louisville Housing Authority – Primary Government

Based on the execution of the three-party Intergovernmental Agreement in August of 2012, four LHA properties (Acme Place, Lilac Place, Regal Court II and Lydia Morgan), a total of 56 units, were transferred to BCHA in October 2012. A net \$242,030 decrease in total current assets from prior year is due primarily to the transfer of unrestricted cash and cash equivalents balances for these LHA properties merged with BCHA. In addition, tenant security deposits related to these properties were also transferred. Total capital assets (fixed assets) decreased \$1,071,091 in 2012 when LHA properties assets for land, building, building improvements and notes receivables related, were transferred to BCHA. Transferred land and buildings decreased LHA's assets by \$1,071,091 and related receivables transferred decreased LHA long-term assets by \$702,248.

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Current liabilities decreased by \$48,994. This is primarily resulting from a decrease in the current portion of long-term notes, mortgages and bonds payables in the amount of \$28,063. The long-term liabilities, associated with property transferred to BCHA decreased by \$871,223. Overall total liabilities had a net decrease of \$920,217 in 2012. Total Net Position is \$2,168,762 and total liabilities and Net Position is \$2,441,994.

Statement of Net Position - LHA

	2012 - LHA Primary Government	2011 - LHA Primary Government	Change
Assets			
Current Assets			
Cash and cash equivalents	\$439,764	\$735,052	(295,288)
Restricted cash tenant deposits	12,337	22,006	(9,669)
Restricted cash and Cash equivalents	150,804	84,719	66,085
Accounts receivable:			
Tenants	<u>1,215</u>	<u>4,373</u>	<u>(3,158)</u>
Total Current Assets	<u>604,120</u>	<u>846,150</u>	<u>(242,030)</u>
Accrued interest receivable	<u>70,515</u>	<u>87,937</u>	<u>(17,422)</u>
Due from component unit	<u>44,205</u>	<u>44,395</u>	<u>(190)</u>
Notes receivable	<u>415,253</u>	<u>1,117,501</u>	<u>(702,248)</u>
Investment in partnership	322,582	322,582	-
Capital Assets			
Non-depreciable	277,534	508,072	(230,538)
Depreciable, net	<u>707,785</u>	<u>1,548,338</u>	<u>(840,553)</u>
Total Capital Assets	<u>985,319</u>	<u>2,056,410</u>	<u>(1,071,091)</u>
Total Assets	<u>2,441,994</u>	<u>4,474,975</u>	<u>(2,032,981)</u>
Liabilities and Net Position			
Current Liabilities			\$
Accounts payable	\$9,408	\$11,750	(2,342)
Accrued & other liabilities	2,146	-	2,146

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Due to other agencies	1,435	12,182	(10,747)
Tenant security deposits payable	12,337	22,006	(9,669)
Payment in lieu of taxes	2,651	2,154	497
Deferred revenue	745	1,561	(816)
Notes, mortgages and bonds payable - current portion	18,423	46,486	(28,063)
Total Current Liabilities	<u>28,722</u>	<u>96,139</u>	<u>(48,994)</u>
Long-Term Liabilities			
Notes, mortgages and bonds payable - net of current portion	226,087	1,097,310	(871,223)
Total Long-Term Liabilities	<u>226,087</u>	<u>1,097,310</u>	<u>(871,223)</u>
Total Liabilities	<u>273,232</u>	<u>1,193,449</u>	<u>(920,217)</u>
Net Position			
Invested in capital assets, net of related debt	825,809	912,614	(86,805)
Restricted	-	84,719	(84,719)
Unrestricted	<u>1,342,953</u>	<u>2,284,193</u>	<u>(941,240)</u>
Total Net Position	<u>2,168,762</u>	<u>3,281,526</u>	<u>(1,112,764)</u>
Total Liabilities and Net Position	<u>\$2,441,994</u>	<u>\$4,474,975</u>	<u>\$(2,032,981)</u>

East Street Limited Partnership LLC – Component Unit

East Street Limited Partnership LLC is a discrete presented component unit of LHA. The highlights include:

Total assets are \$1,915,625, a decrease of \$130,059 compared to prior year. Total assets decreased primarily in capital fixed assets by \$93,295 primarily from depreciation. Total liabilities are \$1,689,851 compared to prior year \$1,717,134, the decrease is primarily change in Due To and AP vendors. Total Net Position is \$225,774 for 2012.

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Statement of Net Position - LHA Component Unit - East Street Limited Partnership LLC (ESLP)

	2012 - ESLP Component Unit	2011 - ESLP Component Unit	Change
Assets			
Current Assets			
Cash and cash equivalents	\$3,402	\$23,921	\$ (20,519)
Restricted cash tenant deposits	5,300	5,599	(299)
Restricted cash and Cash equivalents	87,144	81,522	5,622
Accounts receivable	-	1,313	(1,313)
Total Current Assets	<u>95,846</u>	<u>112,355</u>	<u>(16,509)</u>
Other assets, less accumulated amortization of \$18,491	7,051	8,647	(1,596)
Capital Assets			
Non-depreciable	84,990	84,990	-
Depreciable, net	<u>1,727,738</u>	<u>1,839,692</u>	<u>(111,954)</u>
Total Capital Assets	<u>1,812,728</u>	<u>1,924,682</u>	<u>(111,954)</u>
Total Assets	<u>1,915,625</u>	<u>2,045,684</u>	<u>(130,059)</u>
 Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$5,750	\$10,659	\$ (4,909)
Accrued & other liabilities	70,862	8,218	62,644
Tenant security deposits payable	5,300	5,599	(299)
Notes, mortgages and bonds payable - current portion	<u>436,570</u>	<u>18,311</u>	<u>418,259</u>
Total Current Liabilities	<u>518,482</u>	<u>42,787</u>	<u>475,695</u>
 Long-Term Liabilities			
Deferred developer fee payable	195,176	195,176	-
Advance from primary government	-	44,205	(44,205)
Deferred interest payable	-	64,919	(64,919)
Due to primary government	<u>44,205</u>	-	44,205
Notes, mortgages and bonds payable - net of current portion	<u>931,988</u>	<u>1,370,047</u>	<u>(438,059)</u>
Total Long-Term Liabilities	<u>1,171,369</u>	<u>1,674,347</u>	<u>(502,978)</u>
Total Liabilities	<u>1,689,851</u>	<u>1,717,134</u>	<u>(27,283)</u>
Net Position			
Invested in capital assets, net of related debt	444,170	328,550	115,620
Unrestricted	<u>(218,396)</u>	-	(218,396)
Total Net Position	<u>225,774</u>	<u>328,550</u>	<u>(102,776)</u>
Total Liabilities and Net Position	<u>\$1,915,625</u>	<u>\$2,045,684</u>	<u>\$ (130,059)</u>

Financial Statements - Summary of Revenues, Expenses and Changes in Net Position

Louisville Housing Authority

Total operating revenues, mainly from rents and rental subsidies totaled \$316,779. Operating expenses totaled \$311,061 and operating income totaled \$5,718. Change in Net Position is \$38,044, due primarily to non-operating revenue, HUD grant revenue totaling \$35,163.

Net Position also decreased by a change in reporting unit adjustment of \$61,204. The change in reporting unit adjustment is due to a change in the reporting for Lincoln Street Limited Partnership. During 2012, the limited partner in Lincoln Street Limited Partnership assigned its equity interest in the Partnership to the Authority thereby increasing the Authority's interest in the Partnership to 100%. At the time of the assignment, Lincoln Street Limited Partnership became a blended component unit of the Authority. The Partnership was previously reported as a discretely presented component unit. The change in reporting unit adjustment follows GASB Statement #14, which requires the reporting period to be from the beginning of the reporting period (January 1) regardless of the actual date.

In addition, Net Position decreased by \$1,089,604 due to the merger transaction with BCHA. The merger transaction follows GASB Statement #69 which defines the merger date for transfer of assets as the beginning of the reporting period (January 1) regardless of the actual effective date. Total Net Position is \$2,168,762, a decrease of \$1,112,764 from the prior year.

Louisville Housing Authority
Management's Discussion and Analysis
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Statement of Revenues, Expenses and Changes in Net Position - LHA

	2012 - LHA Primary Government	2011 - LHA Primary Government	Change
Operating Revenues			
Rental	138,435	327,290	(188,855)
Rental subsidy	177,090	218,266	(41,176)
Tenant charges	-	-	-
Other	<u>1,254</u>	<u>7,130</u>	<u>(5,876)</u>
Total operating revenues	<u>316,779</u>	<u>552,686</u>	<u>(235,907)</u>
Operating Expenses			
Administrative	135,885	154,028	(18,143)
Maintenance and operations	66,424	229,638	(163,214)
Depreciation and amortization	45,159	78,675	(33,516)
Utilities	47,837	56,755	(8,918)
Insurance	13,105	21,827	(8,722)
Payment in lieu of taxes	<u>2,651</u>	<u>-</u>	<u>2,651</u>
Total operation expenses	<u>311,061</u>	<u>540,923</u>	<u>(229,862)</u>
Operating Income (Loss)	5,718	11,763	(6,045)
Non-Operating Revenues (Expenses)			
Interest income	6,364	13,466	(7,102)
Loan forgiveness	-	100,000	(100,000)
Interest expense	<u>(9,201)</u>	<u>(57,441)</u>	<u>48,240</u>
Total Non-Operating Revenues (Expenses)	<u>(2,837)</u>	<u>56,025</u>	<u>(58,862)</u>
Change I Net Position before capital contributions	2,881	67,788	(64,907)
Capital fund grant revenue	35,163	22,305	12,858
Change in Net Position	<u>38,044</u>	<u>90,093</u>	<u>(52,049)</u>
Net Position Beginning of Year, as originally reported	3,281,526	3,191,433	90,093
Adjustment for change in reporting Unit	(61,204)	-	-
Merger with BCHA - Note 8	<u>(1,089,604)</u>	<u>-</u>	<u>(1,089,604)</u>
Net Position - End of Year	<u>2,168,762</u>	<u>3,281,526</u>	<u>(1,051,560)</u>

East Street Limited Partnership LLC – Component Unit

East Street Limited Partnership LLC had an operating loss of \$17,401, due primarily to depreciation expenses. Net Position decreased \$5,789 compared to prior year-end, due to the operating loss and non-operating interest expense of \$85,375. Net Position at year-end is \$225,774.

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**Statement of Net Position - LHA Component Unit - East Street Limited Partnership LLC
(ESLP)**

	2012 - ESLP Component Unit	2011 - ESLP Component Unit	Change
Operating Revenues			
Rental and rental subsidy	185,847	185,499	348
Tenant charges	3,955	-	3,955
Other	119	2,833	(2,714)
Total operating revenues	<u>189,921</u>	<u>188,332</u>	<u>1,589</u>
Operating Expenses			
Administrative	30,678	26,793	3,885
Maintenance and operations	31,294	35,917	(4,623)
Depreciation and amortization	113,550	113,550	-
Utilities	16,180	11,433	4,747
Insurance	15,620	11,366	4,254
Payment in lieu of taxes	-	-	-
Total operation expenses	<u>207,322</u>	<u>199,059</u>	<u>8,263</u>
Operating Income (Loss)	(17,401)	(10,727)	(6,674)
Non-Operating Revenues (Expenses)			
Interest expense	(85,375)	(86,260)	885
Total Non-Operating Revenues (Expenses)	<u>(85,375)</u>	<u>(86,260)</u>	<u>885</u>
Change I Net Position before capital contributions	(102,776)	(96,987)	(5,789)
Change in Net Position	<u>(102,776)</u>	<u>(96,987)</u>	<u>(5,789)</u>
Net Position Beginning of Year, as originally reported	328,550	425,538	(96,988)
Net Position - End of Year	<u>225,774</u>	<u>328,551</u>	<u>(102,777)</u>

Louisville Housing Authority as a Whole

Louisville Housing Authority's Net Position was lower by \$2.0 million as a result of financial activity in 2012, decreasing property assets and liabilities through the property assets transfer to the Boulder County Housing Authority (BCHA) pursuant to the executed three-party IGA. The transfer of LHA properties to BCHA binds BCHA to a number of commitments over the next fifty years. BCHA has internally set aside \$1.7 million to complete renovations in Louisville over the next three years.

General Fund Budgetary Highlights

Over the course of the year, the Louisville Housing Authority Board did not re-resolve its 2012 approved budget.

In 2012, LHA's rental income tracked closely to the budget with a 1% variance at year-end and consequently total revenue tracked to budget. Utilities, maintenance and general expenses tracked to the budget but administrative expenses were over budget by 22% at year-end. This was due primarily to higher than budget costs for legal/professional consultant fees related to the consolidation of the authorities. The LHA was \$21,800 higher than budget for audit fees and legal fees associated with the merger transaction totaled \$25,600. The adopted 2012 budget did not anticipate or account for these major transactions.

Capital Asset and Long-Term Liabilities

Capital Assets

Louisville Housing Authority and East Street Limited Partnership LLC

LHA began 2012 with net total assets for land, buildings and accumulated depreciation of \$2,056,410. In the year, accumulated depreciation expenses are \$45,159 and net transfer out of property assets for land and buildings and add back of accumulated depreciation expense, totaled \$1,025,932. The net capital asset balance at year-end 2012 is \$985,319.

East Street Limited Partnership LLC begins 2012 with net total assets for land, buildings and accumulated depreciation of \$3,316,675. \$111,954 in depreciation expense occurred. Transfer out totaled net \$1,391,993 resulting in ending net balance for capital assets of \$1,812,728.

Long-Term Debt Administration

Louisville Housing Authority and East Street Limited Partnership LLC

LHA's long-term debt, in the form of notes payable, decreased \$9,222 with an ending balance of \$244,510 at December 31, 2012.

East Street Limited Partnership LLC's long-term debt, in the form of mortgage payable, decreased \$19,800 for an ending balance of \$1,368,558 at December 31, 2012.

Economic Factors and Budget Impacts

Significant economic factors affecting LHA in 2012 are as follows:

- Federal funding of the U.S. Department of Housing and Urban Development, which affect the Authority's Public Housing program at Hillside Square and the affordable housing portfolio through associated Housing Choice Voucher availability and rental revenues.
- Inflationary pressure on utility rates, supplies and other costs
- Affordable Housing market vacancy rates
- Decreased interest rates

These factors were taken into account when developing the budget for 2013.

Significant economic factors affecting budget relative to LHA in 2014 are as follows:

- Federal Sequester impacts that reduce funding to Housing Choice Voucher Program (HVC)
- Property transfers of the three remaining LHA properties to BCHA including Regal Square, Hillside and East Street Limited Partnership
- Rising costs of rehabilitation and renovation of properties
- Rising interest rates for portfolio refinancing

Contacting BCHA Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the BCHA's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or to request additional financial information, please contact Richard Sosa, Finance Director, Boulder County Housing Authority, PO Box 471, Boulder CO 80306, 303-441-1090 or email at rsosa@bouldercounty.org.

Louisville Housing Authority
Balance Sheet
December 31, 2012

	Primary Government	Discretely Presented Component Unit
Assets		
Current Assets		
Cash and cash equivalents	\$ 590,568	\$ 3,402
Restricted cash - tenant security deposits	12,337	5,300
Restricted cash and cash equivalents	-	87,144
Accounts receivable-tenants, net of allowance	<u>1,215</u>	-
Total Current Assets	<u>604,120</u>	<u>95,846</u>
Due from East Street Limited Partnership		
Advances	44,205	-
Interest receivable	70,515	-
Notes receivable	<u>415,253</u>	-
Total Due From East Street Limited Partnership	<u>529,973</u>	-
Investment in East Street Limited Partnership	<u>322,582</u>	-
Other Assets, less accumulated amortization of \$18,491	<u>-</u>	<u>7,051</u>
Capital Assets		
Non-depreciable	277,534	84,990
Depreciable, net	<u>707,785</u>	<u>1,727,738</u>
Total Capital Assets	<u>985,319</u>	<u>1,812,728</u>
Total Assets	<u>\$ 2,441,994</u>	<u>\$ 1,915,625</u>

Louisville Housing Authority
Balance Sheet
December 31, 2012

	Primary Government	Discretely Presented Component Unit
Liabilities		
Current Liabilities		
Accounts payable	\$ 9,408	\$ 5,750
Accrued expenses	2,146	70,862
Due to other governments	1,435	-
Tenant security deposits payable	12,337	5,300
Payments in lieu of taxes	2,651	-
Unearned revenue	745	-
Notes and mortgages payable - current portion	<u>18,423</u>	<u>436,570</u>
 Total Current Liabilities	 <u>47,145</u>	 <u>518,482</u>
 Long-Term Liabilities		
Deferred developer fee payable	-	195,176
Due to Louisville Housing Authority	-	44,205
Notes and mortgages payable - net of current portion	<u>226,087</u>	<u>931,988</u>
 Total Noncurrent Liabilities	 <u>226,087</u>	 <u>1,171,369</u>
 Total Liabilities	 <u>273,232</u>	 <u>1,689,851</u>
 Net Position		
Net investment in capital assets	825,809	444,170
Unrestricted	<u>1,342,953</u>	<u>(218,396)</u>
 Total Net Position	 <u>2,168,762</u>	 <u>225,774</u>
 Total Liabilities and Net Position	 <u>\$ 2,441,994</u>	 <u>\$ 1,915,625</u>

Louisville Housing Authority
 Statement of Revenues, Expenses and Changes in Net Position
 December 31, 2012

	Primary Government	Discretely Presented Component Unit
Operating Revenues		
Rental	\$ 138,435	\$ 95,727
Rental subsidy	177,090	90,120
Tenant charges	-	3,955
Other	<u>1,254</u>	<u>119</u>
Total operating revenues	<u>316,779</u>	<u>189,921</u>
Operating Expenses		
Administrative	135,885	30,678
Maintenance and operations	66,424	31,294
Depreciation and amortization	45,159	113,550
Utilities	47,837	16,180
Insurance	13,105	15,620
Payment in lieu of taxes	<u>2,651</u>	<u>-</u>
Total operating expenses	<u>311,061</u>	<u>207,322</u>
Operating Income (Loss)	<u>5,718</u>	<u>(17,401)</u>
Nonoperating revenues (expenses)		
Interest income	6,364	-
Interest expense	<u>(9,201)</u>	<u>(85,375)</u>
Total nonoperating revenues (expenses)	<u>(2,837)</u>	<u>(85,375)</u>
Change in Net Position before HUD Capital Contributions	2,881	(102,776)
HUD Capital Contributions	<u>35,163</u>	<u>-</u>
Change in Net Position	<u>38,044</u>	<u>(102,776)</u>
Net Position, Beginning of Year, as originally reported	3,281,526	328,550
Adjustment for Change in Reporting Unit	(61,204)	-
Merger with Boulder County Housing Authority - Note 8	<u>(1,089,604)</u>	<u>-</u>
Net Position, Beginning of Year, as restated	<u>2,130,718</u>	<u>328,550</u>
Net Position, End of Year	<u>\$ 2,168,762</u>	<u>\$ 225,774</u>

Louisville Housing Authority
Statement of Cash Flows
Year Ended December 31, 2012

	Primary Government	Discretely Presented Component Unit
Operating Activities		
Cash received from tenants	\$ 140,896	\$ 100,696
Cash received from HUD	177,090	90,120
Other income	1,254	119
Cash payments to suppliers	<u>(282,614)</u>	<u>(100,103)</u>
Net Cash from (used for) Operating Activities	<u>36,626</u>	<u>90,832</u>
Noncapital Financing Activities		
Repayment of advances to component units	<u>190</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>190</u>	<u>-</u>
Capital and Related Financing Activities		
Capital fund grants	35,163	-
Principal payments on long-term debt	(9,222)	(19,800)
Interest paid on long-term debt	<u>(9,201)</u>	<u>(86,228)</u>
Net Cash from (used for) Capital and Related Financing Activities	<u>16,740</u>	<u>(106,028)</u>
Investing Activities		
Interest received	768	-
Cash transferred to Boulder County Housing Authority from merger	<u>(293,196)</u>	<u>-</u>
Net Cash from Investing Activities	<u>(292,428)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(238,872)	(15,196)
Cash and Cash Equivalents, Beginning of Year	<u>841,777</u>	<u>111,042</u>
Cash and Cash Equivalents, End of Year	<u>\$ 602,905</u>	<u>\$ 95,846</u>

Louisville Housing Authority
Statement of Cash Flows
Year Ended December 31, 2012

	Primary Government	Discretely Presented Component Unit
Reconciliation of Cash and Cash Equivalents		
Cash	\$ 590,568	\$ 3,402
Restricted Cash	<u>12,337</u>	<u>92,444</u>
 Total Cash and Cash Equivalents	 <u>\$ 602,905</u>	 <u>\$ 95,846</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities		
Net operating income (loss)	\$ 5,718	\$ (17,401)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	45,159	111,954
Amortization	-	1,596
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	3,153	1,313
Increase (decrease) in accounts payable	(8,777)	(6,331)
Increase (decrease) in accrued expenses	2,146	-
Increase (decrease) in due to other governments	(10,578)	-
Increase (decrease) in payments in lieu of taxes	497	-
Increase (decrease) in tenant security deposits payable	(738)	(299)
Increase (decrease) in unearned revenue	<u>46</u>	<u>-</u>
 Net Cash Provided by Operating Activities	 <u>\$ 36,626</u>	 <u>\$ 90,832</u>

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

General

The Louisville Housing Authority is a corporate body created in 2005 and uses available federal, state, and local resources to serve residents of Louisville, Colorado, by upgrading and maintaining the existing housing stock, encouraging the construction of new housing affordable to low and moderate income households, and providing low and moderate income families and senior households with decent, safe, and affordable rental housing opportunities. The Authority owns and operates a 13-unit public housing complex and a 30-unit moderate rehabilitation complex in Louisville, Colorado.

The Authority is governed by a six-member Board of Commissioners.

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separated (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization's board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority

Discretely Presented Component Unit

The component unit column of the combined financial statements includes the financial data of the Authority's discretely presented component unit as of December 31, 2012. This unit is reported in a separate column to emphasize that it is legally separate from the Authority.

East Street Limited Partnership (ESLP) – the Company was formed December 3, 1998, as a limited partnership under the laws of the State of Colorado to acquire, own, develop, construct and lease, manage and operate a building in Louisville, Colorado consisting of 17 units of affordable rental housing for low-income residents. The project began operations in December 2000. The Louisville Housing Authority has an ownership percentage of .01%. As the managing partner, the Authority has the day to day management responsibilities of the Company.

The financial statements of the discretely presented component unit are presented in the Authority's basic financial statements. Complete financial statements of the individual component unit can be obtained from Louisville Housing Authority, PO Box 471, Boulder CO 80306.

Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

Basis of Accounting and Measurement Focus

The Department of Housing and Urban Development Real Estate Assessment Center (REAC) assesses the financial condition of Public Housing Authorities (PHA's). To uniformly and consistently assess the PHA's, REAC requires that PHA's financial statements conform to Generally Accepted Accounting Principles (GAAP).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

Cash and Cash Equivalents

The Authority's cash deposits can only be invested in HUD approved investments: direct obligations of the Federal Government backed by the full faith and credit of the United States, obligations of government agencies, securities of government sponsored agencies, demand and savings deposits, time deposits, repurchase agreements, and other securities approved by HUD.

For the purposes of the statement of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Revenues are recorded when earned and are reported as accounts receivable until collected. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. Management has established an allowance for doubtful accounts for amounts that may not be collectible in the future. Receivables are reported net of the related allowance.

Investment in Limited Partnership

The Authority has a .01% general partnership interest in East Street Limited Partnership. The investment is recorded using the equity method.

Louisville Housing Authority

Notes to Financial Statements

December 31, 2012

Capital Assets

Land, buildings and improvements, and equipment are recorded at cost, including indirect development costs. The Organization uses a capitalization threshold of \$5,000. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Depreciation is computed using the straight line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10-50 years
Equipment and fixtures	3-10 years

Compensated Absences

The LHA does not accrue a liability for compensated absences since all personnel are employees of Boulder County Housing Authority (see Note 7).

Fraud Recovery

HUD requires the Authority to account for monies recovered from tenants who committed fraud or misrepresentation in the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

Operating Revenues and Expenses

The Authority considers all revenues and expenses (including HUD intergovernmental revenues and expenses) as operating items with the exception of HUD capital contributions, interest expense, interest revenue, and gain/loss on disposal of capital assets which are considered non-operating for financial reporting purposes.

Restricted and Unrestricted Resources

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Unearned Revenues

As of December 31, 2012, unearned revenue consisted of prepaid rents from tenants of \$745.

Components of Net Position

Components of net position include the following:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
- Restricted Net Position – Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the basic statement of net position that are subject to restraints on their use by HUD.
- Unrestricted Net Position – Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the basic statement of net position that are not subject to restraints on their use.

Business and Credit Risk

The Authority provides housing on account to clients which are located in Louisville, Colorado.

Budgetary

The Authority's annual budgets are the annual contracts, which are with, and approved by, HUD. No budget to actual statements are presented in this report, as housing authorities are not legally required to adopt a budget under the Local Government Budget Law of Colorado.

Accounting Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

Louisville Housing Authority has implemented GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. There is no impact on the Authority's financial statements due to the implementation of this statement.

Louisville Housing Authority has also implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. As a result of implementing this statement, the computation of equity on the Statement of Net Position was changed and equity has been retitled "net position".

In January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (Statement). The statement is effective for periods beginning after December 15, 2013; however, early implementation is encouraged. The Authority elected to implement the statement for the year ended December 31, 2012. The Statement establishes accounting and financial reporting standards related to government combinations and disposals of governmental operations.

Note 2 - Deposits and Investments

Primary Government

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, with eligibility determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The fair market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The general depository agreement required by annual contract with HUD has additional collateral requirements, which the Authority met in 2012.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2012, the Organization's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with PDPA.

At December 31, 2012, the Authority's carrying amount of deposits was \$602,905 and bank balances totaled \$602,127. Of the bank balances, \$515,855 was covered by Federal Depository Insurance. Of the remaining balances for 2012, \$86,272 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Investments

Authorized Investments

Louisville Housing Authority does not have an investment policy, but is subject to the general provisions of the Colorado Revised Statutes (C.R.S. 24-75-601).

The Colorado Revised Statutes limit investment maturities to three or five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. Agency securities and World Bank
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain reverse repurchase agreements
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain Corporate Bonds

Louisville Housing Authority

Notes to Financial Statements

December 31, 2012

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. As of December 31, 2012, investments held by the Authority are held in a money market fund through J.P. Morgan and Colorado Surplus Asset Fund Trust (CSAFE) totaling \$84,720 and \$336,272, respectively. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. These funds are classified as cash and cash equivalents on the balance sheet.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market fund and the local government investment pool investment owned by the Authority are rated AAA by Standard and Poor's.

As stated above, at December 31, 2012, the Authority had \$336,272 invested in Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00.

Discretely Presented Component Unit - ESLP

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, East Street Limited Partnership's deposits may not be returned to it. As of December 31, 2012, East Street Limited Partnership's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

Note 3 - Restricted Cash and Cash Equivalents

Primary Government

Restricted cash and cash equivalents consist of funds held for tenant security deposits.

Discretely Presented Component Unit – ESLP

Restricted cash and cash equivalents consist of funds held for tenant security deposits, and a replacement reserve, an insurance escrow, a shortfall reserve and an operating reserve required by the Partnership agreement.

Note 4 - Related Party Transactions

Partnership Management Agreement

East Street Limited Partnership (Partnership) has an agreement with the Authority (the Partnership's general partner) to manage the business and administrative affairs of the Partnership. Under the terms of the agreement, the Authority is to receive an annual non-cumulative payment of \$5,000 increasing 4% per year. There were no partnership management fees incurred or paid in 2012.

Due from Component Unit

The Partnership has agreed to pay a development fee of \$225,000 to the Boulder County Housing Authority. The Authority, as the general partner, has paid a portion of this development fee to the Boulder County Housing Authority. During the course of operations of the Partnership, the Authority has also made advances to the Partnership to fund the shortfall reserve. As of December 31, 2012, the Partnership owed the Authority \$44,205 for these advances.

Notes Receivable

On July 17, 2000, the Authority loaned a total of \$401,370 to the East Street Limited Partnership (ESLP). The first loan, for \$316,370, accrues at 1.5% per year, with payments based on cash flow as defined in the Partnership Agreement. Unpaid principal and interest is due in full on December 31, 2030. The second loan, for \$85,000, which is secured by a second deed of trust on the property, accrues interest at 1% per year, with payments due on the later of six months after the first mortgage loan is paid in full or December 31, 2015.

On June 28, 2011 the Authority loaned \$13,883 to East Street Limited Partnership (ESLP). The loan accrues interest at 1% per year, with payments based on excess cash flow as defined in the Partnership Agreement. Unpaid principal and interest is due upon dissolution of the partnership or sale by the ESLP of 401 East Street, Louisville, CO, 80027.

Detailed information on related accrued interest is displayed on the following table:

	Balance			Balance
	<u>12/31/11</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/12</u>
ESLP accrued interest	\$ <u>64,919</u>	\$ <u>5,596</u>	\$ <u>-</u>	\$ <u>70,515</u>

Louisville Housing Authority
 Notes to Financial Statements
 December 31, 2012

Note 5 - Capital Assets

The following is a summary of property, structures and equipment for the year ended December 31, 2012:

Primary Government

	Balance 12/31/11	Additions	Disposals	Transfers Out	Balance 12/31/12
Nondepreciable assets:					
Land	\$ 508,072	\$ -	\$ -	\$ (230,538)	\$ 277,534
Depreciable assets:					
Buildings and improvements	3,006,202	-	-	(1,308,281)	1,697,921
Accumulated depreciation					
Buildings and improvements	(1,457,864)	(45,159)	-	512,887	(990,136)
Total capital assets being depreciated	1,548,338	(45,159)	-	(795,394)	707,785
Total capital assets, net	\$ 2,056,410	\$ (45,159)	\$ -	\$ (1,025,932)	\$ 985,319

Discretely Presented Component Unit - ESLP

	Balance 12/31/11	Additions	Disposals	Transfers Out	Balance 12/31/12
Nondepreciable assets:					
Land	\$ 161,841	\$ -	\$ -	\$ (76,851)	\$ 84,990
Depreciable assets:					
Buildings and improvements	5,810,526	-	-	(2,731,344)	3,079,182
Accumulated depreciation					
Buildings and improvements	(2,655,692)	(111,954)	-	1,416,202	(1,351,444)
Total capital assets being depreciated	3,154,834	(111,954)	-	(1,315,142)	1,727,738
Total capital assets, net	\$ 3,316,675	\$ (111,954)	\$ -	\$ (1,391,993)	\$ 1,812,728

Louisville Housing Authority
 Notes to Financial Statements
 December 31, 2012

Note 6 - Long-Term Debt

During the year ended December 31, 2012, the following changes occurred in long-term debt:

Primary Government

	Balance			Balance	Due Within
	January 1	Increases	Decreases	December 31	One Year
Notes Payable	<u>\$ 253,732</u>	<u>\$ -</u>	<u>\$ (9,222)</u>	<u>\$ 244,510</u>	<u>\$ 18,423</u>

Discretely Presented Component Unit - ESLP

	Balance			Balance	Due Within
	January 1	Increases	Decreases	December 31	One Year
Mortgage Notes Payable	<u>\$ 1,388,358</u>	<u>\$ -</u>	<u>\$ (19,800)</u>	<u>\$ 1,368,558</u>	<u>\$ 436,570</u>

Long-term debt as of December 31, 2012, consisted of the following:

Primary Government

Notes and Mortgages Payable

0% mortgage note payable, to be forgiven in its entirety in May 2015, issued by East Street Community First, secured by a deed of trust on the property	\$ 85,000
5.5% mortgage note payable, due in monthly principal and interest installments of \$1,535 with a maturity date of May 2014, secured by a deed of trust on the property and an assignment of rents	<u>159,510</u>
Total Notes and Mortgages Payable	<u>\$ 244,510</u>

Louisville Housing Authority
 Notes to Financial Statements
 December 31, 2012

Discretely Presented Component Unit - ESLP

Notes and Mortgages Payable

8.11% mortgage note payable to U.S. Bank, due in monthly installments of \$8,155, including interest, to May 2017, secured by a deed of trust and an assignment of rents - (A)	\$ 953,305
1% Louisville Housing Authority note payable, principal and interest due the later of six months after the first mortgage is paid in full or December 31, 2015, secured by a deed of trust - (B)	85,000
1.5% Louisville Housing Authority note payable, payments based on cash flow, remaining principal and interest due December 31, 2030 - (B)	316,370
1.5% Louisville Housing Authority note payable, principal and interest payments due based on excess cash flow, due in full upon dissolution of the Partnership or sale of the property - (B)	13,883
Total Notes and Mortgages Payable	<u>\$ 1,368,558</u>

(A) The U.S. Bank Mortgage Agreement requires the Partnership to maintain certain financial ratios or set aside reserves if ratios cannot be maintained. As of December 31, 2012, the Partnership was out of compliance with the obligation and has set aside reserves as required by the mortgage agreement in the amount of \$14,382. The bank will determine if additional reserves are required after receiving the year end audited financial statements.

(B) During 2012, LHA signed an intergovernmental agreement with BCHA. During 2013, it is expected that BCHA will either assume or be solely responsible for payment of the loans.

Louisville Housing Authority
 Notes to Financial Statements
 December 31, 2012

The estimated debt requirements to maturity, excluding forgivable loans, for the years ending December 31 are as follows:

Primary Government

	Principal	Interest	Total
2013	\$ 18,423	\$ 8,329	\$ 26,752
2014	<u>141,087</u>	<u>3,304</u>	<u>144,391</u>
	<u>\$ 159,510</u>	<u>\$ 11,633</u>	<u>\$ 171,143</u>

Discretely Presented Component Unit - ESLP

	Principal	Interest	Total
2013	\$ 436,570	\$ 147,058	\$ 583,628
2014	23,111	74,749	97,860
2015	25,057	72,803	97,860
2016	27,166	70,694	97,860
2017	<u>856,654</u>	<u>40,194</u>	<u>896,848</u>
	<u>\$ 1,368,558</u>	<u>\$ 405,498</u>	<u>\$ 1,774,056</u>

Note 7 - Management Agreement

LHA has a management agreement with the Boulder County Housing Authority for contracted services. Under the terms of this agreement, LHA contracts for salaries, benefits, maintenance, supplies, etc. For the year ended December 31, 2012, LHA incurred \$93,486 in fees under this agreement.

Louisville Housing Authority
Notes to Financial Statements
December 31, 2012

Note 8 - Merger with Boulder County Housing Authority and Change in Reporting Unit

In 2012, the Louisville Housing Authority began a merger with the Louisville Housing Authority (the continuing government) due to the similar nature of the two entities' operations. During 2012, four of the properties (Lilac Place, Regal Court II, Lincoln Street, and Acme) were transferred over to Louisville Housing Authority.

In accordance with GASB Statement No. 69, Government Combinations and Disposals of Government Operations, the Louisville Housing Authority has recognized the transfer of assets, deferred outflows of resources, liabilities, or deferred inflows of resources of the merging entities as of the merger date, which is defined by GASB 69 as the beginning of the reporting period in which the combination occurs, regardless of the actual date of the merger.

The balances transferred as of the merger date are as follows:

Current Assets:	\$ 513,642
Other Assets	725,601
Capital Assets	<u>2,432,061</u>
 Total Assets	 <u>\$ 3,671,304</u>
 Current Liabilities	 \$ 237,342
Noncurrent Liabilities	<u>2,344,358</u>
 Total Liabilities	 2,581,700
 Net Position	 <u>1,089,604</u>
 Total Liabilities and Net Position	 <u>\$ 3,671,304</u>

Louisville Housing Authority

Notes to Financial Statements

December 31, 2012

Subsequent to year-end, the remaining properties of Louisville Housing Authority were transferred over to Louisville Housing Authority. The initial balances of the remaining balances that were transferred subsequent to year end are as follows:

Current Assets:	\$ 604,120
Other Assets	852,555
Capital Assets	<u>985,319</u>
 Total Assets	 <u>\$ 2,441,994</u>
 Current Liabilities	 \$ 47,145
Noncurrent Liabilities	<u>226,087</u>
 Total Liabilities	 273,232
 Net Position	 <u>2,168,762</u>
 Total Liabilities and Net Position	 <u>\$ 2,441,994</u>

The Authority's net position as of January 1, 2012 has been adjusted in connection with the merger with Boulder County Housing Authority.

On June 1, 2012, the limited partner in Lincoln Street Limited Partnership assigned its equity interest in the Partnership to the Authority thereby increasing the Authority's interest in the Partnership to 100%. At the time of the assignment, Lincoln Street Limited Partnership became a blended component unit of the Authority. The Partnership was previously reported as a discretely presented component unit. Net position as of January 1, 2012, has been reduced by \$61,204 for the change in reporting entity. In October 2012, the Authority transferred the property to Boulder County Housing Authority as part of the merger.

The adjustment to beginning net position due to the restatement and the change in reporting unit is as follows:

Net Position - January 1, 2012, as previously reported	\$ 3,281,526
Adjustment for effect of change in reporting entity	(61,204)
Prior Period Adjustments	
Transfer of merged assets	<u>(1,089,604)</u>
 Net Position - December 31, 2012, as restated	 <u>\$ 2,130,718</u>



Supplementary Information
December 31, 2012

Louisville Housing Authority

Louisville Housing Authority
Combining Balance Sheet
December 31, 2012

	<u>Public Housing</u>	<u>Regal Square</u>	<u>East Street</u>	<u>Lydia Morgan</u>	<u>Admin</u>	<u>Total LHA</u>
Assets						
Cash and cash equivalents	\$ 9,575	\$ -	\$ -	\$ 141,229	\$ 439,764	\$ 590,568
Restricted cash - tenant security deposits	3,674	8,663	-	-	-	12,337
Accounts receivable-tenants, net of allowance	2,963	(1,748)	-	-	-	1,215
Total current assets	<u>16,212</u>	<u>6,915</u>	<u>-</u>	<u>141,229</u>	<u>439,764</u>	<u>604,120</u>
Due from East Street Limited Partnership						
Advances	-	-	44,205	-	-	44,205
Accrued interest receivable	-	-	70,515	-	-	70,515
Notes receivable	-	-	415,253	-	-	415,253
Total due from East Street Limited Partnership	<u>-</u>	<u>-</u>	<u>529,973</u>	<u>-</u>	<u>-</u>	<u>529,973</u>
Investment in East Street Limited Partnership	-	-	322,582	-	-	322,582
Non-depreciable capital assets	173,739	103,795	-	-	-	277,534
Depreciable capital assets, net	482,263	225,522	-	-	-	707,785
	<u>656,002</u>	<u>329,317</u>	<u>322,582</u>	<u>-</u>	<u>-</u>	<u>1,307,901</u>
Total assets	<u>\$ 672,214</u>	<u>\$ 336,232</u>	<u>\$ 852,555</u>	<u>\$ 141,229</u>	<u>\$ 439,764</u>	<u>\$ 2,441,994</u>
Liabilities						
Current Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 9,408	\$ 9,408
Accrued expenses	-	-	-	-	2,146	2,146
Due to other governments	-	-	-	-	1,435	1,435
Tenant security deposits payable	3,674	8,663	-	-	-	12,337
Payments in lieu of taxes	2,651	-	-	-	-	2,651
Unearned revenue	677	68	-	-	-	745
Notes and mortgages payable - current portion	-	18,423	-	-	-	18,423
Total current liabilities	<u>7,002</u>	<u>27,154</u>	<u>-</u>	<u>-</u>	<u>12,989</u>	<u>47,145</u>
Noncurrent Liabilities						
Notes and mortgages payable, net of current portion	-	141,087	85,000	-	-	226,087
Total noncurrent liabilities	<u>-</u>	<u>141,087</u>	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>226,087</u>
Total liabilities	<u>7,002</u>	<u>168,241</u>	<u>85,000</u>	<u>-</u>	<u>12,989</u>	<u>273,232</u>
Net Position						
Net investment in capital assets	656,002	169,807	-	-	-	825,809
Unrestricted	9,210	(1,816)	767,555	141,229	426,775	1,342,953
Total net position	<u>665,212</u>	<u>167,991</u>	<u>767,555</u>	<u>141,229</u>	<u>426,775</u>	<u>2,168,762</u>
Total liabilities and net position	<u>\$ 672,214</u>	<u>\$ 336,232</u>	<u>\$ 852,555</u>	<u>\$ 141,229</u>	<u>\$ 439,764</u>	<u>\$ 2,441,994</u>

Louisville Housing Authority
 Combining Statement of Revenues, Expenses and Changes in Net Position
 December 31, 2012

	Public Housing	Regal Square	Lilac Place	Regal Court II	Lincoln Street	East Street	Lydia Morgan	ACME	Admin	Total LHA
Operating Revenues										
Rental	\$ 34,039	\$ 104,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,435
Rental subsidy	48,341	128,749	-	-	-	-	-	-	-	177,090
Other	615	639	-	-	-	-	-	-	-	1,254
Total operating revenues	82,995	233,784	-	-	-	-	-	-	-	316,779
Operating Expenses										
Administrative	39,782	96,103	-	-	-	-	-	-	-	135,885
Maintenance and operations	22,098	44,326	-	-	-	-	-	-	-	66,424
Depreciation	28,764	16,395	-	-	-	-	-	-	-	45,159
Utilities	7,574	40,263	-	-	-	-	-	-	-	47,837
Insurance	4,776	8,329	-	-	-	-	-	-	-	13,105
Payment in lieu of taxes	2,651	-	-	-	-	-	-	-	-	2,651
Total operating expenses	105,645	205,416	-	-	-	-	-	-	-	311,061
Operating Income (Loss)	(22,650)	28,368	-	-	-	-	-	-	-	5,718
Nonoperating Revenues (Expenses)										
Interest income	232	536	-	-	-	5,596	-	-	-	6,364
Interest expense	-	(9,201)	-	-	-	-	-	-	-	(9,201)
Total nonoperating revenues (expenses)	232	(8,665)	-	-	-	5,596	-	-	-	(2,837)
Change in Net Position Before HUD Capital Contributions and Interprogram Transfers	(22,418)	19,703	-	-	-	5,596	-	-	-	2,881
Interprogram Transfers	(101,796)	(1,137,218)	-	-	25,802	699,434	141,956	-	371,822	-
HUD Capital Contributions	35,163	-	-	-	-	-	-	-	-	35,163
Change in Net Position	(89,051)	(1,117,515)	-	-	25,802	705,030	141,956	-	371,822	38,044
Net Position, Beginning of Year, as originally reported	754,263	1,285,506	147,629	72,504	764,426	62,525	-	139,720	54,953	3,281,526
Adjustment for Change in Reporting Unit	-	-	-	-	-	-	(61,204)	-	-	(61,204)
Merger with Boulder County Housing Authority - Note 8	-	-	(147,629)	(72,504)	(790,228)	-	60,477	(139,720)	-	(1,089,604)
Net Position, Beginning of Year, as restated	754,263	1,285,506	-	-	(25,802)	62,525	(727)	-	54,953	2,130,718
Net Position, End of Year	\$ 665,212	\$ 167,991	\$ -	\$ -	\$ -	\$ 767,555	\$ 141,229	\$ -	\$ 426,775	\$ 2,168,762