



WHEAT RIDGE HOUSING AUTHORITY

A G E N D A

March 24, 2009

CITY COUNCIL CHAMBERS

4:00 P.M.

Individuals with disabilities are encouraged to participate in all public meetings sponsored by the City of Wheat Ridge. Call Heather Geyer, Public Information Officer at 303-235-2826 at least one week in advance of a meeting if you are interested in participating and need inclusion assistance.

- A. Call Meeting to Order**
- B. Roll Call**
- C. Approval of the Minutes: February 24, 2009**
- D. Officers Reports**
- E. Public Forum**
- F. New Business**
 - 1. Presentation & Acceptance of Audit**
 - 2. Status of Current Properties**
- G. Unfinished Business**
- I. Other**
- J. Adjournment**

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WHEAT RIDGE HOUSING AUTHORITY MINUTES

February 24, 2009

1. CALL MEETING TO ORDER

The meeting was called to order by Chair Brungardt at 4:00 p.m. in the City Council Chambers of the Wheat Ridge Municipal Building, 7500 West 29th Avenue, Wheat Ridge, Colorado.

2. ROLL CALL

Authority members present:

- Cheryl Brungardt
- Kent Davis
- Kathy Nuanes
- Lena Rotola
- Janice Thompson

Others present:

- Sally Payne, Deputy Director
- Larry Nelson, Cornerstone Realty
- Ann Lazzeri, Recording Secretary

3. APPROVAL OF MINUTES: January 27, 2009

It was moved by Kent Davis and seconded by Lena Rotola to approve the minutes of January 27, 2009 as presented. The motion passed 5-0.

4. OFFICER REPORTS

There were no officer reports.

5. PUBLIC FORUM

There was no one present to address the Authority.

6. NEW BUSINESS

A. Discussion of alternative marketing strategies (Larry Nelson)

Larry Nelson suggested that in order to move the properties, it would be necessary to reduce the prices on the remaining Allison and Parfet units. He stated that there is a problem with finding income-eligible people who are able to afford these units. At the present prices, it would take an

income of \$43,000 to qualify for the units. If the prices are reduced, people with reasonable credit and income of \$36-38,000 could qualify for ownership. People with good credit could qualify with incomes as low as \$29-38,000. Further, CHFA cannot sell bonds any more. They have also suspended their loan program for people with disabilities. He proposed reducing the price on the remaining Allison units to \$195,000 and \$180,000 and employ additional marketing strategies. He also proposed reducing the price for the Parfet unit to \$152,000.

Various marketing strategies were discussed.

It was moved by Janice Thompson and seconded by Kathy Nuanes to authorize Cornerstone Realty to reduce the price on the Parfet property to \$152,000; and reduce the price on the Allison Court properties to \$195,000 and \$180,000. The motion passed 5-0.

B. Status of unspent HOME funds

A memorandum was received from Jacqueline Pickett, MBA Director of Jefferson County Community Development, requesting the Housing Authority to return HOME funds in the amount of \$112,500 since there are no plans for use of those funds by the Authority at this time.

Members of the Authority were in agreement that the funds should be returned to Jefferson County.

C. Rehab Partner

Sally Payne reported on the results of reference checks on the contractors who expressed interest in serving as the Authority's construction manager.

It was moved by Kathy Nuanes and seconded by Lena Rotola that the Housing Authority contract with BRI for a period of one year from the time a memorandum of understanding is signed. The motion passed 5-0.

7. UNFINISHED BUSINESS

There was no unfinished business to come before the Authority.

8. OTHER

A. Special Presentation

Chair Brungardt presented the following award to Kent Davis for his eight years of service on the Housing Authority: *In appreciation for all your*

years of dedication and service in helping to increase home ownership opportunities and neighborhood community pride in Wheat Ridge.

9. **ADJOURNMENT**

It was moved by Lena Rotola and seconded by Kathy Nuanes to adjourn the meeting at 4:51 p.m. The motion passed 5-0.

Cheryl Brungardt, Chair

Ann Lazzeri, Secretary

DRAFT

Swanhorst & Company LLC
8400 E. Crescent Parkway, Suite 600
Greenwood Village, Colorado 80111

We are providing this letter in connection with your audit of the financial statements of the Wheat Ridge Housing Authority as of December 31, 2008, and for the year then ended for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position of the Authority and the results of its operations and the cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud. We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
 - a. Financial records and related data, and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of the meetings of the Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule (if applicable) are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the Authority involving—
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, analysts, regulators, or others.
9. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements—
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Authority is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates. We believe the estimates are reasonable in the circumstances, consistently applied, and adequately disclosed.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax and debt limits or contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit, including legal and contractual provisions for reporting specific activities in separate funds.
12. There are no—
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designations of fund equity that were not properly authorized and approved.
13. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
14. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with any donor requirements.

15. We have identified to you any previous financial audits, attestation agreements, performance audits or other studies related to the objectives of the audit being undertaken.
16. As part of the audit, you have prepared the draft financial statements and related footnotes. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for the financial statements and related footnotes.
17. The financial statements properly classify all funds and activities.
18. All funds that meet the quantitative criteria for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
19. Net asset components (invested in capital assets net of related debt, restricted and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
20. Provisions for uncollectible receivables have been properly identified and recorded.
21. Expenses have been appropriately classified in, or allocated to, functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
22. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
24. Deposits and investment securities are properly classified as to risk, and investment ratings and valuations are proper.
25. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
26. Required supplementary information (RSI) is measured and presented within prescribed guidelines.
27. To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
28. We have responded fully and truthfully to all inquiries made to us by you during your audit.

Signed _____

Signed _____

Title _____

Title _____

WHEAT RIDGE HOUSING AUTHORITY

FINANCIAL STATEMENTS

December 31, 2008

DRAFT

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Board of Commissioners
Wheat Ridge Housing Authority
Wheat Ridge, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Wheat Ridge Housing Authority as of and for the year ended December 31, 2008. These financial statements are the responsibility of the Wheat Ridge Housing Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Wheat Ridge Housing Authority has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wheat Ridge Housing Authority as of December 31, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

February 5, 2009

BASIC FINANCIAL STATEMENTS

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WHEAT RIDGE HOUSING AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2008

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 479,095 | \$ 454,662 |
| Prepaid Expenses | 10 | 350 |
| Loans Receivable | 8,567 | 8,885 |
| Property Held for Resale | <u>750,000</u> | <u>1,125,600</u> |
| TOTAL ASSETS | <u>\$ 1,237,672</u> | <u>\$ 1,589,497</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | \$ 18,113 | \$ 7,279 |
| Accrued Liabilities | - | 3,036 |
| Retainage Payable | - | 990 |
| Loan Payable | <u>-</u> | <u>123,000</u> |
| TOTAL LIABILITIES | <u>18,113</u> | <u>134,305</u> |
| NET ASSETS | | |
| Unrestricted | <u>1,219,559</u> | <u>1,455,192</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,237,672</u> | <u>\$ 1,589,497</u> |

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

WHEAT RIDGE HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
 Year Ended December 31, 2008

| | <u>2008</u> | <u>2007</u> |
|---------------------------------------------|---------------------|---------------------|
| OPERATING REVENUES | | |
| Sales of Investment Property | \$ 299,000 | \$ 246,900 |
| Cost of Sales | (309,401) | (216,280) |
| Rental | 900 | 8,395 |
| | <u> </u> | <u> </u> |
| TOTAL OPERATING REVENUES | (9,501) | 39,015 |
| OPERATING EXPENSES | | |
| Closing Costs | 19,926 | 13,916 |
| General and Administrative | 11,994 | 10,031 |
| Repairs and Maintenance | 23,858 | 11,248 |
| Utilities | 6,337 | 2,886 |
| Homeowners Dues | 932 | 3,956 |
| City Reimbursement | 4,258 | 3,667 |
| Property Acquisition Costs | 22,030 | - |
| Unrealized Loss on Property Held for Resale | 143,228 | - |
| | <u> </u> | <u> </u> |
| TOTAL OPERATING EXPENSES | 232,563 | 45,704 |
| OPERATING LOSS | (242,064) | (6,689) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest Income | 10,973 | 30,160 |
| Interest Expense | (4,542) | (1,185) |
| | <u> </u> | <u> </u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 6,431 | 28,975 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | (235,633) | 22,286 |
| CAPITAL CONTRIBUTIONS | | |
| Grants | - | 187,500 |
| | <u> </u> | <u> </u> |
| CHANGE IN NET ASSETS | (235,633) | 209,786 |
| NET ASSETS, Beginning | <u>1,455,192</u> | <u>1,245,406</u> |
| NET ASSETS, Ending | <u>\$ 1,219,559</u> | <u>\$ 1,455,192</u> |

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

WHEAT RIDGE HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash
Year Ended December 31, 2008

| | <u>2008</u> | <u>2007</u> |
|---------------------------------------------------------------------------------------------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds from Sales of Investment Property | \$ 299,000 | \$ 246,900 |
| Purchase and Rehabilitation of Investment Property | (100,049) | (818,986) |
| Cash Received from Tenants | 900 | 8,395 |
| Cash Payments to Vendors and Suppliers | <u>(59,167)</u> | <u>(77,773)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>140,684</u> | <u>(641,464)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Loan Repayments from Homeowners | <u>318</u> | <u>3,284</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>318</u> | <u>3,284</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Grant Proceeds | - | 187,500 |
| Loan Proceeds | - | 123,000 |
| Loan Principal Payments | (123,000) | - |
| Loan Interest Payments | <u>(4,542)</u> | <u>(1,185)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(127,542)</u> | <u>309,315</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Income | <u>10,973</u> | <u>30,160</u> |
| Net Cash Provided by Investing Activities | <u>10,973</u> | <u>30,160</u> |
| NET INCREASE (DECREASE) IN CASH | 24,433 | (298,705) |
| CASH, Beginning | <u>454,662</u> | <u>753,367</u> |
| CASH, Ending | <u>\$ 479,095</u> | <u>\$ 454,662</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating Loss | \$ (242,064) | \$ (6,689) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities | | |
| Changes in Assets and Liabilities Related to Operations | | |
| Prepaid Expenses | 340 | (350) |
| Property Held for Resale | 375,600 | (600,519) |
| Accounts Payable | 10,834 | (33,776) |
| Accrued Liabilities | (3,036) | 2,057 |
| Retainage Payable | <u>(990)</u> | <u>(2,187)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 140,684</u> | <u>\$ (641,464)</u> |

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

WHEAT RIDGE HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wheat Ridge Housing Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the Authority has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The Authority is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Authority officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for benefits to, or to impose specific financial burdens on, the Authority. The Authority may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the Authority does not include additional organizations within its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses an enterprise fund to account for its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

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 the 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.

WHEAT RIDGE HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

Property Held For Resale

Property held for resale includes the acquisition and rehabilitation costs of investment property, and is reported at the lower of cost or market value.

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; and natural disasters. The Authority carries commercial insurance for these risks of loss.

Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is adopted for the Authority as a management control device, but is not legally required. Therefore, budgetary information is not presented in the financial statements.

NOTE 3: DEVELOPMENT PROJECTS

The Authority previously purchased and rehabilitated a condominium complex on Quail Street, a ten-unit condominium complex known as Carnation Square, and an eight-unit townhome complex known as Parkside.

During 2006, the Authority purchased a duplex on Parfet Street. At December 31, 2008, one unit of the duplex, including rehabilitation costs, was held for resale.

WHEAT RIDGE HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 3: DEVELOPMENT PROJECTS (Continued)

During 2007, the Authority purchased a triplex on Allison Court, and a duplex on 41st Avenue. The Authority obtained grant funding and loan financing to purchase and rehabilitate the properties. At December 31, 2008, the properties, including rehabilitation costs, were held for resale.

NOTE 4: CASH

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2008, the Authority had bank deposits of \$229,705 collateralized with securities held by the financial institution's agent 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, custodial and concentration risk criteria in which local governments may invest, which include the following:

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit investments to those with specified ratings, as provided by nationally recognized statistical rating organizations, depending on the investment type.

WHEAT RIDGE HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 5: LOANS RECEIVABLE

During 2002, the Authority approved a loan, totaling \$10,250, to assist a homeowner with closing costs related to a condominium purchase. The loan requires monthly payments of \$50, including interest at 3.5% per annum, through September, 2012. This loan is secured by the condominium unit. During 2008, the homeowner paid principal on the loan totaling \$318, leaving an outstanding balance of \$8,567 at December 31, 2008.

NOTE 6: PROPERTY HELD FOR RESALE

Following is a summary of transactions for the property held for resale for the year ended December 31, 2008.

| | Balance 12/31/07 | Additions | Deletions | Balance 12/31/08 |
|----------------------------------------------------------------|---------------------|------------------|-------------------|---------------------|
| Acquisition and Rehabilitation Costs of Investment Property | <u>\$ 1,125,600</u> | <u>\$ 99,059</u> | <u>\$ 474,659</u> | <u>\$ 750,000</u> |

At December 31, 2008, management determined that the carrying value of property held for resale exceeded the estimated market value. Accordingly, the carrying value has been reduced \$143,228.

NOTE 7: LOAN PAYABLE

A summary of changes in the Authority's long-term debt for the year ended December 31, 2008, is presented below.

| | Balance 12/31/07 | Additions | Deletions | Balance 12/31/08 |
|----------------|---------------------|-------------|-------------------|---------------------|
| FirstBank Loan | <u>\$ 123,000</u> | <u>\$ -</u> | <u>\$ 123,000</u> | <u>\$ -</u> |

During 2007, the Authority obtained financing from FirstBank to purchase a duplex on 41st Avenue. Interest accrued on the outstanding balance of the loan at 7.5% per annum. Principal and interest was paid in full in November, 2008.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Management Agreement

The Authority had a management agreement with the Jefferson County Housing Authority (JCHA) for contracted services. Under the terms of this agreement, the Authority contracted for personnel expertise in housing management, operations and administration. The management agreement was terminated during 2008. The contracted services have been classified as functional expenses in the financial statements for better reporting purposes.

WHEAT RIDGE HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Cooperation Agreement

The Authority has entered into an agreement with the City of Wheat Ridge for contracted services. Under the terms of this agreement, the City will provide legal, planning, engineering services, etc., as deemed necessary by the Authority. Under the terms of this agreement, the City Manager or his designee will act as the Executive Director of the Authority.

Claims and Judgements

The Authority participates in federal programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. At December 31, 2008, significant amounts of grant expenses have not been audited but the Authority believes that subsequent audits will not have a material effect on the overall financial position of the Authority.

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 government. The Amendment is complex and subject to judicial interpretation. Management believes the Authority is exempt from the provisions of the Amendment.

February 5, 2009

Board of Commissioners
Wheat Ridge Housing Authority
Wheat Ridge, Colorado

We have audited the financial statements of the Wheat Ridge Housing Authority for the year ended December 31, 2008, and have issued our report thereon dated February 5, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

In planning and performing our audit of the financial statements, we considered the Authority's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and the responses were not a condition to our retention.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgements. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management determined that its investment properties were recorded at values in excess of current market values. As a result, the carrying value of the properties was reduced by \$143,228 at December 31, 2008.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We provided management with a schedule of audit adjustments. An audit adjustment may or may not indicate matters that could have a significant effect on the Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, either individually or in the aggregate, indicate matters that could have a significant effect on the Authority's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing our audit.

Conclusion

We would like to thank Dick Matthews for his assistance and cooperation during the audit.

This report is intended solely for the information and use of the Board of Commissioners and management of the Wheat Ridge Housing Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Swanhorst & Company LLC

Wheat Ridge Housing Authority
 General Fund
 December 31, 2008

| ACCT NUMBER | ACCOUNT DESCRIPTION | REF | Client | Adjustments | | Audit | Audit |
|----------------------------------|----------------------------------|------|------------------|----------------|------------------|------------------|------------------|
| | | | 12/31/08 | DR | CR | 12/31/08 | 12/31/07 |
| ASSETS | | | | | | | |
| 113 | Cash - Operating | C | 1,875 | | | 1,875 | (219) |
| | Cash - Condo Assoc. | | 0 | | | 0 | 0 |
| | Cash - Carnation Constr Acct | | 0 | | | 0 | 0 |
| 120 | Cash - Safekeeping Acct | C | 477,220 | | | 477,220 | 454,881 |
| 273, 271 | Loans Receivable | D | 8,567 | | | 8,567 | 8,885 |
| | Prepaid Items | | 10 | | | 10 | 350 |
| | Account Receivable - grants | | 0 | | | 0 | 0 |
| 151 | Prop Held for Resale - Everett | J | 0 | | | 0 | 111,380 |
| 152 | Prop Held for Resale - Allison | J | 464,824 | 74,824 | | 390,000 | 388,545 |
| 153 | Prop Held for Resale - Parfet | J | 177,072 | 27,072 | | 150,000 | 374,343 |
| 153 | Prop Held for Resale - 41st | J | 251,332 | 41,332 | | 210,000 | 251,332 |
| 157 | Prop Held for Resale - Fruitdale | J | 22,030 | 22,030 | | 0 | 0 |
| | accumulated depreciation | | 0 | | | 0 | 0 |
| TOTAL ASSETS | | | 1,402,930 | 0 | 165,258 | 1,237,672 | 1,589,497 |
| LIABILITIES | | | | | | | |
| 300 | A/P | M | 18,113 | 0 | | 18,113 | 7,279 |
| 315 | Retainage Payable | | 0 | | | 0 | 990 |
| 310 | RE taxes payable | | 0 | | | 0 | 3,036 |
| | Home Owners Dues Escrow | | 0 | | | 0 | 0 |
| 360 | Tenant deposits | | 0 | | | 0 | 0 |
| | Accrued Interest | | 0 | | | 0 | 0 |
| | note payable - construction | | 0 | | | 0 | 0 |
| | mortgage payable - long term | L | 0 | | | 0 | 123,000 |
| TOTAL LIABILITIES | | | 18,113 | 0 | 0 | 18,113 | 134,305 |
| 465 | NET ASSETS, Beginning | SALY | 1,455,192 | | | 1,455,192 | 1,245,406 |
| | INCOME (LOSS) | | (70,375) | 309,401 | (309,401) | (70,375) | 209,786 |
| | NET ASSETS, Ending | | 1,384,817 | 309,401 | (309,401) | 1,384,817 | 1,455,192 |
| TOTAL LIAB AND NET ASSETS | | | 1,402,930 | 309,401 | (309,401) | 1,402,930 | 1,589,497 |
| | | | 0 | | | (165,258) | 0 |
| INCOME | | | | | | | |
| | Intergovernmental | | 0 | | | 0 | 0 |
| 530 | Rental Income | U | 900 | | | 900 | 8,395 |
| 500 | Proceeds-Sale of Units | U2 | 299,000 | | | 299,000 | 246,900 |
| 535 | Interest Income | C | 10,973 | | | 10,973 | 30,160 |
| | Other | | 0 | | | 0 | 0 |
| 564 | Grant Income - CDBG/HOME | | 0 | | | 0 | 187,500 |
| | Gain on Sale of Condo Units | | 0 | 309,401 | | (309,401) | (216,280) |
| TOTAL INCOME | | | 310,873 | 309,401 | 0 | 1,472 | 256,675 |

Wheat Ridge Housing Authority
 General Fund
 December 31, 2008

| ACCT NUMBER | ACCOUNT DESCRIPTION | REF | Client | Adjustments | | Audit | Audit |
|-----------------------|--------------------------------------|-----|-----------------|----------------|------------------|-----------------|----------------|
| | | | 12/31/08 | DR | CR | 12/31/08 | 12/31/07 |
| EXPENSES | | | | | | | |
| General | | | | | | | |
| 551 | Beginning Cost of Units Sold | | 0 | 0 | 0 | 0 | 0 |
| 599 | Ending Costs of Units Sold- C | J | 210,342 | 0 | 309,401 | (99,059) | (816,799) |
| 555 | Property Acquisition | | 0 | | | 0 | 735,900 |
| 573-580 | Property Rehab | J | 71,216 | | | 71,216 | 61,967 |
| 562 | Acquisition cost - title fees | | 0 | | | 0 | 7,011 |
| 563 | Architecture | J | 22,030 | | | 22,030 | 0 |
| 565 | Condo map | | 0 | | | 0 | 3,682 |
| 567 | Const Period Maintenance | | 264 | | | 264 | 185 |
| 568 | Cosntruction Management | J | 3,559 | | | 3,559 | 5,145 |
| 570 | Garages | | 0 | | | 0 | 0 |
| 571 | Homeowners Association | | 1,500 | | | 1,500 | 2,750 |
| 581 | Supplies/Materials | | 490 | | | 490 | 292 |
| | Other | | 0 | 0 | | 0 | 0 |
| Subtotal | | | 309,401 | 0 | 309,401 | 0 | 133 |
| 700 | Selling cost/Buyers Incentives | U2 | 5,574 | | | 5,574 | 4,223 |
| | Zoning | | 0 | | | 0 | 0 |
| | Commissions | U2 | 14,352 | | | 14,352 | 9,693 |
| Subtotal | | | 19,926 | 0 | 0 | 19,926 | 13,916 |
| G/A 720 | Homeowners Assoc Capital | | 40 | | | 40 | (175) |
| G/A 750 | Accounting & Legal | | 8,200 | | | 8,200 | 6,700 |
| G/A 754 | Appraisal Fees | | 0 | | | 0 | 0 |
| G/A 762 | Bank Charges | | 1,243 | | | 1,243 | 1,165 |
| G/A 775 | Conference and meeting | | 133 | | | 133 | 75 |
| G/A 777 | Contract Services | | 0 | | | 0 | 0 |
| G/A 787 | Dues, Books, Subs | | 100 | | | 100 | 60 |
| G/A 825 | Office Supplies | | 0 | | | 0 | 0 |
| G/A 832 | Postage | | 13 | | | 13 | 51 |
| G/A | Other | | 874 | | | 874 | 250 |
| | Insurance | | 1,942 | | | 1,942 | 1,732 |
| | RE Taxes | | (551) | | | (551) | 173 |
| Subtotal | | | 11,994 | 0 | 0 | 11,994 | 8,126 |
| | Housing | | 0 | | | 0 | 0 |
| 802 | Gardening & Maintenance | | 4,273 | | | 4,273 | 2,183 |
| 804 | Homeowners Assoc. Dues | | 932 | | | 932 | 3,956 |
| 843 | Repairs | | 19,585 | 0 | | 19,585 | 8,932 |
| 865 | Trash removal | | 0 | | | 0 | 0 |
| G/A 872 | Utilities | | 6,337 | | | 6,337 | 2,886 |
| G/A 771 | City Reimbursement | M | 4,258 | | | 4,258 | 3,667 |
| | Unrealized Loss on Property HFResale | | 0 | 143,228 | | 143,228 | |
| | Cost on Failed Property Acquisition | | 0 | 22,030 | | 22,030 | |
| Subtotal | | | 35,385 | 0 | 0 | 35,385 | 23,529 |
| Capital Outlay | | | 0 | | | 0 | 0 |
| Debt Service | | | 0 | | | 0 | 0 |
| | Principal | | 0 | | | 0 | 0 |
| | Interest | L4 | 4,542 | | | 4,542 | 1,185 |
| Subtotal | | | 4,542 | 0 | 0 | 4,542 | 1,185 |
| TOTAL EXPENSES | | | 381,248 | 0 | 309,401 | 71,847 | 46,889 |
| NET INCOME | | | (70,375) | 309,401 | (309,401) | (70,375) | 209,786 |

Wheat Ridge Housing Authority
 Audit Adjustments
 December 31, 2008

| Ref | Account # | Description | DR | CR |
|-----|-----------|------------------------------------------------------------------|------------|------------|
| | | (1) | | |
| J | | Gain on Sale of Condo Units | 309,401.00 | |
| J | 599 | Ending Cost of Units Sold | | 309,401.00 |
| | | For reporting purposes only to reclassify COGS to income. | | |
| | | (2) | | |
| J | 551 | Costs on Failed Property Acquisition Property Held for Resale | 22,030.00 | 22,030.00 |
| | | To record expense for failed property acquisition. | | |
| | | (3) | | |
| J | | Unrealized Loss on Property Held for Resale | 143,228.00 | |
| | | Allison | | 74,824.00 |
| | | Parfet | | 27,072.00 |
| | | 41st Avenue | | 41,332.00 |
| | | To record market value adjustment on Property Held for Resale. | | |