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HOUSING AUTHORITY
OF THE
CITY OF FOUNTAIN

Fountain, Colorado
December 31, 2016



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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Fountain
501 East Iowa Ave.
Fountain, CO 80817-2252

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the City of Fountain ("the Authority") which comprise the Statement of Net Position as of December 31, 2016, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of the City of Fountain's 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 Authority'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 Authority's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Fountain as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through ix be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

In regard to, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents, such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 9, 2017 on my consideration of the Housing Authority of the City of Fountain's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Fountain's internal control over financial reporting and compliance.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
May 9, 2017

**Housing Authority of the City of Fountain
Fountain, Colorado**

**Management's Discussion and Analysis
December 31, 2016**

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Our discussion and analysis of the Housing Authority of the City of Fountain, Colorado (Housing Authority) financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ended December 31, 2016. Please read the MD&A in conjunction with the Housing Authority's financial statements.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets of the Authority for the year ended December 31, 2016 were \$3,701,835. Total liabilities were \$1,359,763. Total assets exceeded liabilities by \$2,216,931 (net position). The Housing Authority's net position increased by \$41,005 during the year ended December 31, 2016.

Total revenues for the year ended December 31, 2016 were \$2,481,587. Total expenditures for the year ended December 31, 2016 were \$2,440,582. Revenues exceeded expenditures by \$41,005 for the year.

Overview of the Financial Statements

This annual report consists of Management's Discussion and Analysis, the financial statements, and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the Authority's financial performance and activities for the year ended December 31, 2016. The statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Housing Authority of the City of Fountain
Fountain, Colorado**

Management's Discussion and Analysis

December 31, 2016

(Continued)

The financial statements consist of three statements:

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Housing Authority is improving.

The Statement of Revenues, Expenses and Changes in Fund Net Position represent information showing how the Housing Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related to cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.

The Statement of Cash Flows presents information showing how the Housing Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2016.

Housing Authority Activities and Highlights

The Housing Authority provided housing assistance to over 834 individuals living in 40 public housing units, 14 section 8 new construction units; 64 affordable housing units and 240 Section 8 Housing Choice Voucher funded units. The Housing Choice Voucher Program administrative fees that were earned by the Housing Authority for operating the program were subject to a pro-ration of funding from the federal government in the amount of 80%.

HUD conducts Public Housing Assessment System (PHAS) reviews of the Public Housing Program. PHAS is a comprehensive review of the operations of the program and includes; the Physical Conditions, Financial Accountability, Management Operations and Operation of the Capital Fund Program. High Performer designation is given to Housing Authorities scoring 90% or higher on their PHAS assessment. HUD released a PHAS score of 91 for the Housing Authority in 2016 qualifying the Housing Authority for Small PHA deregulation (SPD) based on the number of ACC units and the Housing Authority's previous PHAS score and designation as a "High Performer".

HUD conducts a Section Eight Management Assessment Program (SEMAP) review every other year. This review measures the performance of public housing agencies Section 8 Housing Choice Voucher Program in 14 key areas. The Housing Authority was assessed under SEMAP in 2016 receiving a final score of 100% and the designation of "High Performer".

**Housing Authority of the City of Fountain
Fountain, Colorado**

Management's Discussion and Analysis
December 31, 2016
(Continued)

A tight rental market continues to challenge the Housing Authority's ability to lease-up families under the program. The Housing Authority is working to increase its lease-up percentage through outreach to area landlords, review of payment standards and the establishment of a project-based voucher program.

Financial Analysis

The Housing Authority's financial statements are the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2016. The Statement of Revenues, Expenses and Changes in Net Position summarizes the revenues and sources of those revenues generated during the year ended December 31, 2016 and the expenses incurred in operating the Housing Authority for the year ended December 31, 2016.

**Housing Authority of the City of Fountain
Fountain, Colorado**

Management's Discussion and Analysis

December 31, 2016

(Continued)

Statement of Net Position

<u>ASSETS</u>	FYE Dec. 31, 2016	FYE Dec. 31, 2015	Net Change
<u>Current Assets</u>			
Cash and cash equivalents	\$ 1,097,418	\$ 1,115,289	\$ (17,871)
Restricted cash & cash equivalents	634,523	462,044	172,479
Accounts receivable	10,058	9,946	112
Prepaid Expense	5,561	5,310	251
Inventory	<u>19,379</u>	<u>18,918</u>	<u>461</u>
Total Current Assets	<u>1,766,939</u>	<u>1,611,507</u>	<u>155,32</u>
<u>Capital Assets</u>			
Land and other nondepreciable assets	320,136	320,136	0
Depreciable capital assets, net	<u>1,238,648</u>	<u>1,296,445</u>	<u>(57,797)</u>
Total Capital Assets	<u>1,558,784</u>	<u>1,616,581</u>	<u>(57,797)</u>
Other Assets	<u>376,112</u>	<u>376,112</u>	<u>0</u>
Total Assets	<u>\$ 3,701,835</u>	<u>\$ 3,604,200</u>	<u>\$ 97,635</u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts Payable	\$ 18,045	\$ 17,135	\$ 910
Accrued liabilities	56,846	78,577	(21,731)
Current portion of long term liabilities	71,870	66,689	5,181
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	51,027	51,324	(297)
Deferred revenue	<u>16,308</u>	<u>7,010</u>	<u>9,298</u>
Total Current Liabilities	<u>214,096</u>	<u>220,735</u>	<u>(6,639)</u>
<u>Noncurrent Liabilities</u>			
Other noncurrent liabilities	109,243	94,766	14,477
Notes payable	<u>1,036,424</u>	<u>1,112,773</u>	<u>(76,349)</u>
Total Noncurrent Liabilities	<u>1,145,667</u>	<u>1,207,539</u>	<u>(61,872)</u>
Total Liabilities	<u>\$ 1,359,763</u>	<u>\$ 1,428,274</u>	<u>\$ (68,511)</u>
<u>Deferred inflow of resources</u>	<u>\$ 125,141</u>	<u>\$ 0</u>	<u>\$ 125,141</u>
<u>Net Position</u>			
Net investment in capital assets	\$ 450,490	\$ 437,119	\$ 13,371
Restricted	446,459	410,720	35,739
Unrestricted	<u>1,319,982</u>	<u>1,328,087</u>	<u>(8,105)</u>
Total Net Position	<u>\$ 2,216,931</u>	<u>\$ 2,175,926</u>	<u>\$ 41,005</u>

**Housing Authority of the City of Fountain
Fountain, Colorado**

Management's Discussion and Analysis
December 31, 2016
(Continued)

Significant Changes in the Statement of Net Position

Restricted cash and cash equivalents increased from \$ 462,044 in FY 2015 to \$ 634,523.00 in FY 2016 due to the receipt from HUD of Housing Assistance Payments and Administrative fees in December 2017 for January 2017.

Capital assets decreased from \$1,616,581 in FY 2015 to \$1,558,784 in FY 2016 due to the depreciation of the assets.

Long-term debt, net of current decreased from \$1,112,773 in 2015 to \$1,036,424 in 2016 due to payment of mortgage principal for the Fountain Mesa Court Townhomes and the Fountain Townhomes during the year.

**Housing Authority of the City of Fountain
Fountain, Colorado**

Management's Discussion and Analysis

December 31, 2016

(Continued)

Changes in Net Position

<u>OPERATING REVENUES</u>	FYE Dec. 31, 2016	FYE Dec. 31, 2015	Net Change
Rental income	\$ 583,786	\$ 573,676	\$ 10,110
Other income	<u>20,065</u>	<u>57,974</u>	<u>(37,909)</u>
TOTAL OPERATING REVENUE	<u>603,851</u>	<u>631,650</u>	<u>(27,799)</u>
<u>OPERATING EXPENSES</u>			
Administrative	341,666	348,898	(7,232)
Tenant services	0	0	0
Utilities	95,331	98,490	(3,159)
Ordinary maintenance and operation	254,024	264,707	(10,683)
General expense	68,371	72,936	(4,565)
Housing assistance payments	1,509,677	1,526,131	(16,454)
Depreciation expense	<u>122,465</u>	<u>120,101</u>	<u>2,364</u>
TOTAL OPERATING EXPENSES	<u>2,391,534</u>	<u>2,431,263</u>	<u>(39,729)</u>
OPERATING INCOME (LOSS)	<u>(1,787,683)</u>	<u>(1,799,613)</u>	<u>11,930</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal grants	1,870,901	1,835,231	35,670
Interest expense	(49,048)	(63,021)	13,973
Interest income	<u>6,835</u>	<u>17,813</u>	<u>(10,978)</u>
TOTAL NONOPERATING INCOME	<u>1,828,688</u>	<u>1,790,023</u>	<u>38,665</u>
CHANGE IN NET POSITION	<u>41,005</u>	<u>(9,590)</u>	<u>50,595</u>
TOTAL NET POSITION – BEGINNING OF YEAR	<u>2,175,926</u>	<u>2,185,516</u>	<u>(9,590)</u>
TOTAL NET POSITION – END OF YEAR	<u>\$ 2,216,931</u>	<u>\$ 2,175,926</u>	<u>\$ 41,005</u>

**Housing Authority of the City of Fountain
Fountain, Colorado**

Management's Discussion and Analysis

December 31, 2016

(Continued)

Operating Revenue and Expenses

During the year there was a decrease in the receipt of other income due to the completion of the Black Hills Energy rebate program in 2015. Funds were expended in 2014 to install energy efficient improvements to the Fountain Townhomes and the Fountain Mesa Court Townhomes. Rebates from Black Hills Energy for the improvements were received in 2015. The Housing Authority did not participate in such a program during 2016.

Nonoperating Revenue and Expenses

Federal grants increased from \$1,835,231 in FY 2015 to \$1,870,904 in FY 2016 due to the receipt of funds for January 2017 in December of 2016 for operating the Housing Choice Voucher Program.

Interest expense decreased due to the reduction in the interest rate on the Fountain Mesa Court Mortgage held by the Colorado Housing and Finance Authority.

Changes in Net Position

Net position increased 2016 due to the receipt of funds for January 2017 in December of 2016 for operating the Housing Choice Voucher Program.

Financial Position and Results of Operations

The Housing Authority's net position increased from \$2,175,926 2015 to \$2,216,931 in the amount of \$41,005. The increase in net position is due to the receipt of funds for January 2017 in December of 2016 for operating the Housing Choice Voucher Program.

**Housing Authority of the City of Fountain
Fountain, Colorado**

Management's Discussion and Analysis

December 31, 2016

(Continued)

Capital Assets

Capital Assets are the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at December 31, 2016:

Land	\$ 259,361
Buildings	3,611,632
Furniture and equipment	362,016
Leasehold Improvements	622,864
Construction in Progress	<u>60,775</u>
	4,916,648
Less: Accumulated Depreciation	<u>(3,357,864)</u>
Capital Assets, net	<u>\$ 1,558,784</u>
Capital Assets at December 31, 2015	\$ 1,616,581
2016 Depreciation	(122,465)
Assets Purchased, net of disposals	<u>64,668</u>
Capital Assets at December 31, 2016	<u>\$ 1,558,784</u>

Debt Administration

The largest liability of the Authority consists of mortgages on the Fountain Mesa Court Townhomes and the Fountain Townhomes. Debt service requirements to maturity are as follows:

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 71,870	\$ 53,611	\$ 125,481
2018	77,460	48,021	125,481
2019	83,490	41,992	125,481
2020	89,994	35,487	125,481
2021	97,011	28,470	125,481
2022-2026	192,670	71,999	264,670
2027-2031	123,190	35,350	158,540
2032-2035	253,305	16,088	269,393
2044	<u>119,303</u>	<u>0</u>	<u>119,303</u>
Total	<u>\$ 1,108,293</u>	<u>\$ 331,019</u>	<u>\$ 1,439,312</u>

**Housing Authority of the City of Fountain
Fountain, Colorado**

**Management's Discussion and Analysis
December 31, 2016 (Continued)**

Debt Administration (cont.)

	<u>12/31/15</u>	<u>Transferred/ Reclassified</u>	<u>Forgiven/ Retired</u>	<u>12/31/16</u>
Long Term Debt	<u>\$1,179,462</u>	<u>\$ 0</u>	<u>\$ 71,169</u>	<u>\$1,108,293</u>

Debt decreased for the year by \$71,169 due to monthly principal payments.

Subsequent Events

The Housing Authority is eligible to receive \$54,002 in operating subsidy for Grinde Manor in 2017. The total amount of funding that will be available is subject to a final proration determination by HUD. The funding available for Housing Assistance Payments under the Housing Choice Voucher Program as well as the Administrative fees is uncertain at this time but the Housing Authority expects a proration of 94% for Housing Assistance Payments and a proration of 84% for Administrative Fees.

The Housing Authority has \$91,225 of capital funds available for operating costs and capital improvements at Grinde Manor from HUD approved allocations in 2015 and 2016. The amount of \$93,227 has been designated to help pay for improvements set forth in the Five-Year Capital Action Plan for the years 2015-2019. The remaining funds of \$17,998 have been designated for operating expenses of Grinde Manor.

A Housing Assistance Payment Contract for the Fountain Townhomes was executed for 2017 that includes a 1.022% increase in the rent rate for the Fountain Townhomes for 2017.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Housing Authority of the City of Fountain
Attn: Katherine Roby, Executive Director
501 E. Iowa Avenue
Fountain, CO 80817

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,097,418
Restricted cash & cash equivalents	634,523
Accounts receivable, net	10,058
Prepaid expenses	5,561
Inventory	19,379
Total Current Assets	1,766,939

Capital Assets

Land and other nondepreciable assets	320,136
Depreciable capital assets, net	1,238,648
Total Capital Assets	1,558,784

Other Assets

376,112

Total Assets

3,701,835

LIABILITIES

Current liabilities

Accounts payable	18,045
Accrued liabilities	56,846
Current portion of long term debt	71,870
Payable from restricted cash and and cash equivalents:	
Tenant's security deposits	51,027
Unearned revenue	16,308
Total Current Liabilities	214,096

Noncurrent Liabilities

Other noncurrent liabilities	109,243
Notes payable	1,036,424
Total Noncurrent Liabilities	1,145,667

Total Liabilities

1,359,763

Deferred inflow of resources

125,141

NET POSITION

Net investment in capital assets	450,490
Restricted	446,459
Unrestricted	1,319,982
Total Net Position	\$ 2,216,931

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES

Rental income	\$	583,786
Other income		<u>20,065</u>
TOTAL OPERATING REVENUE		<u>603,851</u>

OPERATING EXPENSES

Administrative		341,666
Utilities		95,331
Ordinary maintenance and operation		254,024
General expense		68,371
Housing assistance payments		1,509,677
Depreciation expense		<u>122,465</u>
TOTAL OPERATING EXPENSES		<u>2,391,534</u>

OPERATING INCOME (LOSS) (1,787,683)

NONOPERATING REVENUES / (EXPENSE)

Federal operating grants		1,870,901
Interest expense		(49,048)
Interest income		<u>6,835</u>
TOTAL NONOPERATING REVENUES / (EXPENSE)		<u>1,828,688</u>

CHANGE IN NET POSITION 41,005

TOTAL NET POSITION - BEGINNING OF YEAR 2,175,926

TOTAL NET POSITION - END OF YEAR \$ 2,216,931

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 738,178
Payments to vendors	(296,671)
Payments to landlords	(1,509,677)
Payments to employees	(470,074)
Net Cash Used by Operating Activities	<u>(1,538,244)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	1,870,901
Net Cash From Noncapital Financing Activities	<u>1,870,901</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on notes	(71,168)
Acquisition and construction of capital assets	(64,668)
Interest payments	(49,048)
Net Cash Flows Provided	<u>(184,884)</u>
Capital and Related Financing Activities	<u>(184,884)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	6,835
Net Cash Flows Provided	<u>6,835</u>
Investing Activities	<u>6,835</u>

Net Increase (Decrease) in Cash and Cash Equivalents 154,608

Cash - Beginning of year 1,577,333

Cash - End of year \$ 1,731,941

Reconciliation of Cash

Unrestricted	\$ 1,097,418
Restricted	634,523
	<u>\$ 1,731,941</u>

Continued

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (1,787,683)
Adjustments to reconcile net operating income (loss) to net cash Provided by operating activities:	
Depreciation	122,465
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	(112)
Prepaid expenses	(251)
Inventory	(461)
Increase (Decrease) in:	
Accounts payable	613
Accrued liabilities	(7,254)
Unearned revenue	134,439
Net Cash Flows Provided (Used) by Operating Activities	\$ <u>(1,538,244)</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE A - Summary of Significant Accounting Policies and Organization:

The financial statements of the HOUSING AUTHORITY OF THE CITY OF FOUNTAIN ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority was established under the provisions of Colorado Statutes, to provide adequate housing at rents that persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a Low-Income Public Housing Program under Annual Contributions Contract DEN-2319 and Section 8 Housing Assistance Program under Annual Contributions Contracts DEN-934-E, and DEN-934-037V.

Reporting Entity

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Fountain, a primary government. There are no component units to be included herewith, but this report does include all programs that are controlled by the entity's governing body.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN

The financial statements of the Authority include the following:

At December 31, 2016, the Housing Authority has 358 units in management.

<u>Project</u>	<u>Units</u>
Low Income Public Housing	40
Housing Choice Vouchers	240
Fountain Town Homes	14
Mesa Court Town Homes	<u>64</u>
TOTAL	<u>358</u>

Basis of Presentation

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

Budget compared to actual has not been presented in this report. This presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board and approved by HUD. This budget does not represent an appropriated budget that has been signed into law or a nonappropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of Checking and Savings accounts and Certificates of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid deposits (including restricted assets) with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital and financing activities during the year.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Housing Authority Board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Prepaid - Prepays represent payments made to vendors for services that will benefit beyond December 31, 2016.

Inventories - Inventories are valued at cost, which approximates market value, using the first-in/first/out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

Interprogram Due From and Due To - During the course of its operations, the Authority has interprogram transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs for which the applicable cash transfer had not been made as of the balance sheet date. The interprogram accounts have been eliminated for financial statement reporting purposes.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Capital assets - Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$500. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Building & Improvements	10-40 years
Furniture, Fixtures & Equipment	3-7 years

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. 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 non operating revenues and expenses.

Restricted Assets - When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are allowed.

Use of Estimates - The preparation of financial statements 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 and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Leasing Activities (as Lessor) - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental income". Rental income per resident generally remains consistent from year to year, but is affected by general economic conditions which impact personal income, such as local job availability.

NOTE B - Collateralized Deposits in Bank Balances:

1. HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured Instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

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 determined by the PDPA. The institution is allowed 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 percent of the uninsured deposits.

2. Risk Disclosures

A. Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2016, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE B - Collateralized Deposits in Bank Balances: (Continued)

B. Credit Risk: This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

The carrying amounts of the Authority's cash deposits were \$1,731,941 at December 31, 2016. Bank and investment balances before reconciling items were \$1,731,941 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

Deposits consist of the following:

Deposits in Bank	\$ 1,097,418
Restricted cash	<u>634,523</u>
Total	<u>\$ 1,731,941</u>

NOTE C - Accounts Receivable:

Accounts receivable at December 31, 2016, consist of the following:

Accounts receivable Miscellaneous	\$ 334
Tenants accounts receivable - net of allowance for doubtful accounts of \$1,057	4,067
Accrued interest receivable	<u>5,657</u>
Total	<u>\$ 10,058</u>

NOTE D - Prepaid Expenses:

Prepaid expenses at December 31, 2016, consist of the following:

Prepaid insurance	<u>\$ 5,561</u>
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NOTE E - Inventory:

Inventory at December 31, 2016, consists of the following:

Materials and supplies, net of allowance of \$1,020	<u>\$ 19,379</u>
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HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE E - Inventory: (Continued)

Materials inventories are recorded at cost. The FIFO inventory flow assumption is used to determine expenditures. Expenditures are recorded when inventory is consumed.

NOTE F - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance <u>12/31/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance <u>12/31/16</u>
Capital assets, not being depreciated:					
Land	\$ 259,361	\$ 0	\$ 0	\$ 0	\$ 259,361
Construction in Progress	<u>60,775</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,775</u>
Total Capital Assets, Not being depreciated	<u>320,136</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>320,136</u>
Capital Assets, being depreciated:					
Buildings & Improvements	4,169,828	64,668	0	0	4,234,496
Furniture, Equipment & Machinery	<u>363,082</u>	<u>0</u>	<u>(1,066)</u>	<u>0</u>	<u>362,016</u>
Total Capital Assets, being depreciated	<u>4,532,910</u>	<u>64,668</u>	<u>(1,066)</u>	<u>0</u>	<u>4,596,512</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(2,915,699)	(103,389)	0	0	(3,019,088)
Furniture, Equipment and Machinery	<u>(320,766)</u>	<u>(19,076)</u>	<u>1,066</u>	<u>0</u>	<u>(338,776)</u>
Total Accumulated Depreciation:	<u>(3,236,465)</u>	<u>(122,465)</u>	<u>1,066</u>	<u>0</u>	<u>(3,357,864)</u>
Total Capital Assets, being depreciated, net	<u>1,296,445</u>	<u>(57,797)</u>	<u>0</u>	<u>0</u>	<u>1,238,648</u>
Capital Assets, Net	<u>\$ 1,616,581</u>	<u>\$ (57,797)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,558,784</u>

Major construction renovation through the Capital Fund Grant Program costs of \$73,227 are yet to be expended under the current programs. HUD has approved funding for the above amount.

Depreciation expense of \$122,465 was incurred during the year.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE G - Other Assets:

Other Assets at December 31, 2016, consist of the following:

Long term notes receivable \$ 376,112

The Authority has provided a note receivable to Fountain Ridge South Apartments, LLP. The maturity date of the note is July 1, 2044. The interest rate is 1%.

The Housing Authority is a special limited partner in the Fountain Ridge South Apartments LLLP. The ownership interest is .05%. The partnership is a tax credit partnership that has 75 units in Fountain, Colorado. The partnership interest is recorded on the equity basis and is presently \$(675). The notes receivable are \$376,112 and are secured by a lien on the property. The notes are classified as long term because current payments are not expected. The notes receivable are part of the financing from the Colorado Division of Housing that were provided to the Partnership but are required to be given to a non-profit organization such as the Housing Authority.

NOTE H - Accounts Payable:

Accounts payable at December 31, 2016, consist of the following:

Vendors accounts payable	\$ 17,817
Accrued interest	<u>228</u>
Total	<u>\$ 18,045</u>

NOTE I - Accrued Liabilities:

Accrued liabilities at December 31, 2016, consist of the following:

Payments in lieu of taxes	\$ 400
Accrued compensated absences	13,999
Accrued Wages	41,772
Other current liabilities	<u>675</u>
Total	<u>\$ 56,846</u>

NOTE J - Unearned Revenue:

Unearned Revenue at December 31, 2016, consist of the following:

Tenants prepaid rents \$ 16,308

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

(Continued)

NOTE K - Mortgages Payable:

Fountain Townhomes:

Long-term debt at December 31, 2016 consists of a loan payable to Colorado Housing and Finance Authority and bears interest at 5.75 percent per annum over 40 years. Monthly payments are \$2,642 for the principal and interest. The mortgage is secured by the property. The final payment is due December 2033. The balance due is \$342,492.

Long term debt also consists of a forgivable note payable to HUD of \$140,399. As long as the project remains in compliance with the terms of the regulatory agreement this note will be forgiven. Additionally, there is a HUD note payable of \$55,492. The terms of this note only require payment when there is a positive cash flow.

Mesa Court:

The mortgage is payable to the Colorado Housing and Finance Authority and bears interest at 6% per annum over 40 years. Monthly payments are \$7,376. The mortgage note is secured by the Project. The final payment is due March 2023. The balance due is \$450,608.

The Project also has a note due to the Colorado Division of Housing for \$119,303 the note is due in one balloon payment on June 1, 2054.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 71,870	\$ 53,611	\$ 125,481
2018	77,460	48,021	125,481
2019	83,490	41,992	125,481
2020	89,994	35,487	125,481
2021	97,011	28,470	125,481
2022-2026	192,670	71,999	264,670
2027-2031	123,190	35,350	158,540
2032-2035	253,305	16,088	269,393
2044	119,303	0	119,303
Total	\$ 1,108,293	\$ 331,019	\$ 1,439,312

	<u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2016</u>	<u>Due within one year</u>	<u>Total due</u>
Long Term Debt	<u>\$1,112,773</u>	<u>\$ 0</u>	<u>\$ 76,349</u>	<u>\$1,036,424</u>	<u>\$ 71,870</u>	<u>\$1,108,293</u>

NOTE L - Other Noncurrent Liabilities:

Other noncurrent liabilities at December 31, 2016, consist of the following:

Accrued compensated absences:

<u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/16</u>	<u>Current Portion</u>	<u>Total</u>
<u>\$ 94,766</u>	<u>\$ 14,477</u>	<u>\$ 0</u>	<u>\$ 109,243</u>	<u>\$ 13,999</u>	<u>\$ 123,242</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Continued)

NOTE M - Deferred Inflows:

Deferred inflows at December 31, 2016, consist of the following:

Prepaid HAP Contributions	<u>\$ 125,141</u>
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NOTE N - Federal Operating Grants:

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Low Income Public Housing	\$ 73,723
Section 8 New Construction	120,787
Housing Choice Vouchers	<u>1,676,391</u>
Total	<u>\$ 1,870,901</u>

NOTE O - Commitments and Contingencies:

Litigation: At December 31, 2016, the Authority was not involved in any threatened litigation.

Examinations: The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no examinations during the year ended December 31, 2016.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Construction Projects: There are certain major construction projects in progress at December 31, 2016. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred. These costs will be paid by grants committed to the Authority by HUD.

NOTE P - Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE Q - Contingencies - Taxpayer's Bill of Rights:

In November 1992, the voters of the State of Colorado approved an amendment to the states constitution limiting the amount of revenue which may be spent or retained by Colorado governmental entities. The amendment is in effect for most governmental entities for the years beginning after

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE Q - Contingencies - Taxpayer's Bill of Rights: (Continued)

1992, but exempts "enterprise" funds and activities from the limitations. The Board of Commissioners of the Authority believes it is exempt from the provisions of the Taxpayer's Bill of Rights because it is an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenues from state and local grants) as defined in the constitutional amendment. The board also believes it is not subject to the provisions of TABOR because the governing board is not an elected board, does not have an electoral constituency, and does not have the power to impose taxes which are all the basic operational requirements of TABOR. However, many provisions of the TABOR Amendment are complex and subject to further interpretation and will require judicial interpretation.

NOTE R - Conduit Type Debt:

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority of the City of Fountain.

HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

NOTE S - Economic Dependency:

The Authority receives approximately 69% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE T - Related Party:

The Housing Authority is a special limited partner in the Fountain Ridge South apartments, a tax-credit project. The equity interest owned in the partnership is not material to the financial statements. The Housing Authority has voucher clients housed in the tax credit project.

NOTE U - Subsequent Events:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through May 9, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

COMBINING SCHEDULE OF PROGRAM NET POSITION

DECEMBER 31, 2016

	Annual Contributions Contract		
	DEN-2319	DEN-2319	DEN-934
	Low Income Public Housing	CDBG and Capital Fund Programs	Section 8 New Construction
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 387,510	\$ 2,016	\$ 18,306
Restricted cash & cash equivalents	4,800	0	184,734
Accounts receivable, net	135	0	219
Prepaid expenses	5,561	0	0
Inventory	6,589	0	2,326
Total Current Assets	404,595	2,016	205,585
<u>Capital Assets</u>			
Land and other nondepreciable assets	87,517	0	50,187
Depreciable capital assets, net	656,016	0	101,174
Total Capital Assets	743,533	0	151,361
Other Assets	0	0	0
Total Assets	1,148,128	2,016	356,946
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	8,462	0	4,066
Accrued liabilities	9,889	0	6,119
Current portion of long term debt	0	0	12,555
Payable from restricted cash and and cash equivalents:			
Tenants security deposits	4,800	0	4,575
Unearned revenue	1,281	0	19
Total Current Liabilities	24,432	0	27,334
<u>Noncurrent Liabilities</u>			
Accrued compensated absences	16,386	0	11,419
Notes payable	0	0	525,828
Total Noncurrent Liabilities	16,386	0	537,247
Total Liabilities	40,818	0	564,581
<u>Deferred inflow of resources</u>	0	0	0
<u>NET POSITION</u>			
Net investment in capital assets	743,533	0	(387,022)
Restricted	0	0	179,008
Unrestricted	363,777	2,016	379
Total Net Position	\$ 1,107,310	\$ 2,016	\$ (207,635)

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<u>DEN-934</u>		
Section 8		
Housing		
Choice		
<u>Vouchers</u>	<u>State /</u>	<u>Total</u>
	<u>Local</u>	
\$ 373,342	\$ 316,244	\$ 1,097,418
163,449	281,540	634,523
0	9,704	10,058
0	0	5,561
0	10,464	19,379
<u>536,791</u>	<u>617,952</u>	<u>1,766,939</u>
0	182,432	320,136
0	481,458	1,238,648
<u>0</u>	<u>663,890</u>	<u>1,558,784</u>
0	376,112	376,112
<u>536,791</u>	<u>1,657,954</u>	<u>3,701,835</u>
1,026	4,491	18,045
14,540	26,298	56,846
0	59,315	71,870
0	41,652	51,027
10,745	4,263	16,308
<u>26,311</u>	<u>136,019</u>	<u>214,096</u>
34,772	46,666	109,243
0	510,596	1,036,424
<u>34,772</u>	<u>557,262</u>	<u>1,145,667</u>
<u>61,083</u>	<u>693,281</u>	<u>1,359,763</u>
<u>125,141</u>	<u>0</u>	<u>125,141</u>
0	93,979	450,490
27,563	239,888	446,459
323,004	630,806	1,319,982
<u>\$ 350,567</u>	<u>\$ 964,673</u>	<u>\$ 2,216,931</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

COMBINING SCHEDULE OF REVENUES, EXPENSES AND PROGRAM CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	DEN-2319	Annual Contribut DEN-2319
	Low Income Public Housing	CDBG and Capital Fund Programs
<u>OPERATING REVENUES</u>		
Rental income	\$ 146,130	\$ 0
Other income	2,257	0
TOTAL OPERATING REVENUE	148,387	0
<u>OPERATING EXPENSES</u>		
Administrative	56,074	0
Utilities	46,529	0
Ordinary maintenance and operation	72,291	0
General expense	16,598	0
Housing assistance payments	0	0
Depreciation expense	72,193	0
TOTAL OPERATING EXPENSES	263,685	0
OPERATING INCOME (LOSS)	(115,298)	0
<u>NONOPERATING REVENUES / (EXPENSE)</u>		
Federal operating grants	68,051	5,672
Interest expense	0	0
Interest income	2,155	0
TOTAL NONOPERATING REVENUES / (EXPENSE)	70,206	5,672
CHANGE IN NET POSITION	(45,092)	5,672
TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated	1,146,730	2,016
Equity transfer	5,672	(5,672)
TOTAL NET POSITION - BEGINNING OF YEAR, as restated	1,152,402	(3,656)
TOTAL NET POSITION - END OF YEAR	\$ 1,107,310	\$ 2,016

itions Contracts

<u>DEN-934</u>		<u>DEN-934</u>	
<u>Section 8 New Construction</u>	<u>Housing Choice Vouchers</u>	<u>State / Local</u>	<u>Total</u>
\$ 31,761	\$ 0	\$ 405,895	\$ 583,786
1,846	10,924	5,038	20,065
<u>33,607</u>	<u>10,924</u>	<u>410,933</u>	<u>603,851</u>
32,574	119,922	133,096	341,666
34,558	0	14,244	95,331
36,367	619	144,747	254,024
13,549	1,892	36,332	68,371
0	1,509,677	0	1,509,677
19,076	0	31,196	122,465
<u>136,124</u>	<u>1,632,110</u>	<u>359,615</u>	<u>2,391,534</u>
<u>(102,517)</u>	<u>(1,621,186)</u>	<u>51,318</u>	<u>(1,787,683)</u>
120,787	1,676,391	0	1,870,901
(20,059)	0	(28,989)	(49,048)
234	2,747	1,699	6,835
<u>100,962</u>	<u>1,679,138</u>	<u>(27,290)</u>	<u>1,828,688</u>
<u>(1,555)</u>	<u>57,952</u>	<u>24,028</u>	<u>41,005</u>
<u>(206,080)</u>	<u>292,615</u>	<u>940,645</u>	<u>2,175,926</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(206,080)</u>	<u>292,615</u>	<u>940,645</u>	<u>2,175,926</u>
<u>\$ (207,635)</u>	<u>\$ 350,567</u>	<u>\$ 964,673</u>	<u>\$ 2,216,931</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND COSTS - COMPLETED
DECEMBER 31, 2016

1. The Capital Fund Costs are as follows:

	<u>CFP</u>
	<u>501-14</u>
Funds Approved	\$ 43,672
Funds Expended	<u>43,672</u>
Excess / (Deficiency) of Funds Approved	\$ <u>0</u>
Funds Advanced	\$ 43,672
Funds Expended	<u>43,672</u>
Excess / (Deficiency) of Funds Advanced	\$ <u>0</u>

- Cost additions totaling \$ 5,672 were made during the current audit period, and accordingly were audited by Goldie Roberts, CPA.
- The Distribution of Costs by project as shown on the Final Statement of Capital Fund accompanying the Actual Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.
- All liabilities have been paid and there are no undischarged mechanics', laborers', contractors', or material-mens' liens against the project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.
- There were no budget overruns.

Housing Authority of the City of Fountain (CO071)
FOUNTAIN, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	Project Total	14,218 Community Development Block Grants/Entitlement Grants	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$387,510	\$2,016	\$373,342	\$18,306	\$316,244	\$1,097,418		\$1,097,418
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted	\$4,800		\$27,563	\$179,008	\$239,888	\$446,459		\$446,459
114 Cash - Tenant Security Deposits			\$135,886	\$5,726	\$41,652	\$52,178		\$52,178
115 Cash - Restricted for Payment of Current Liabilities	\$392,310	\$2,016	\$536,791	\$203,040	\$597,764	\$1,731,941	\$0	\$1,731,941
100 Total Cash								
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects								
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous	\$334			\$719	\$334	\$334		\$334
126 Accounts Receivable - Tenants	-\$200			-\$500	\$5,814	\$6,867		\$6,867
126.1 Allowance for Doubtful Accounts - Tenants					-\$2,100	-\$2,800		-\$2,800
126.2 Allowance for Doubtful Accounts - Other					\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery								
128.1 Allowance for Doubtful Accounts - Fraud	\$1				\$5,656	\$5,657		\$5,657
129 Accrued Interest Receivable	\$135	\$0	\$0	\$219	\$9,704	\$10,058	\$0	\$10,058
120 Total Receivables, Net of Allowances for Doubtful Accounts								
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability	\$5,561					\$5,561		\$5,561
142 Prepaid Expenses and Other Assets	\$6,936		\$2,448		\$11,015	\$20,399		\$20,399
143 Inventories	-\$347		-\$122		-\$551	-\$1,020		-\$1,020
143.1 Allowance for Obsolete Inventories								
144 Inter Program Due From								
145 Assets Held for Sale								
150 Total Current Assets	\$404,595	\$2,016	\$536,791	\$205,585	\$617,952	\$1,766,839	\$0	\$1,766,839
161 Land	\$26,742			\$50,187	\$192,432	\$259,361		\$259,361
162 Buildings	\$1,973,437			\$604,407	\$1,033,788	\$3,611,632		\$3,611,632
163 Furniture, Equipment & Machinery - Dwellings	\$125,824			\$24,082	\$64,798	\$214,705		\$214,705
164 Furniture, Equipment & Machinery - Administration	\$69,812		\$5,478	\$5,005	\$67,016	\$147,311		\$147,311
165 Leasehold Improvements	\$488,250		-\$5,478	\$49,848	\$84,766	\$622,864		\$622,864
166 Accumulated Depreciation	-\$2,001,307			-\$592,168	-\$766,911	-\$3,357,864		-\$3,357,864
167 Construction in Progress	\$60,775					\$60,775		\$60,775
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$743,533	\$0	\$0	\$151,361	\$663,890	\$1,558,784	\$0	\$1,558,784

93100 Water	\$12,282				\$12,625	\$11,201	\$36,108	\$36,108
93200 Electricity	\$16,243				\$10,982	\$983	\$28,168	\$28,168
93300 Gas	\$8,691				\$5,426	\$1,234	\$15,351	\$15,351
93400 Fuel								
93500 Labor								
93600 Sewer	\$9,313				\$5,545	\$846	\$15,704	\$15,704
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93900 Total Utilities	\$46,529	\$0	\$0	\$0	\$34,558	\$14,244	\$95,331	\$95,331
94100 Ordinary Maintenance and Operations - Labor								
94200 Ordinary Maintenance and Operations - Materials and Other	\$34,117				\$13,514	\$65,953	\$113,584	\$113,584
94300 Ordinary Maintenance and Operations Contracts	\$8,167		\$619		\$2,933	\$13,972	\$25,691	\$25,691
94400 Ordinary Maintenance and Operations - Ordinary Maintenance	\$11,306				\$12,947	\$32,388	\$56,651	\$56,651
94500 Employee Benefit Contributions - Ordinary Maintenance	\$18,701				\$8,973	\$32,424	\$58,098	\$58,098
94600 Total Maintenance	\$72,291	\$0	\$619		\$36,387	\$144,747	\$254,024	\$254,024
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95900 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$13,199				\$8,386	\$30,552	\$52,137	\$52,137
96120 Liability Insurance	\$2		\$7		\$2	\$11	\$11	\$11
96130 Workmen's Compensation			\$323		\$461	\$2,020	\$2,804	\$2,804
96140 All Other Insurance	\$587		\$597				\$1,194	\$1,194
96100 Total Insurance Premiums	\$13,788	\$0	\$927		\$8,849	\$32,572	\$56,146	\$56,146
96200 Other General Expenses	\$2,400		\$965				\$3,365	\$3,365
96210 Compensated Absences								
96300 Payments in Lieu of Taxes	\$400				\$140	\$840	\$1,180	\$1,180
96400 Bad debt - Tenant Rents					\$4,560	\$3,120	\$7,680	\$7,680
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96600 Severance Expense								
96800 Total Other General Expenses	\$2,800	\$0	\$965		\$4,700	\$3,780	\$12,225	\$12,225
96710 Interest of Mortgage (or Bonds) Payable					\$20,059	\$28,989	\$49,048	\$49,048
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0		\$20,059	\$28,989	\$49,048	\$49,048
96900 Total Operating Expenses	\$191,492	\$0	\$122,433		\$137,107	\$357,408	\$808,440	\$808,440
97000 Excess of Operating Revenue over Operating Expenses	\$32,773	\$0	\$1,567,629		\$17,521	\$55,224	\$1,673,147	\$1,673,147
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments			\$1,509,677				\$1,509,677	\$1,509,677
97350 HAP Portability-In								
97400 Depreciation Expense	\$72,183				\$19,076	\$31,196	\$122,465	\$122,465

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense, housing assistance payments and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue, gains and losses on the disposal of capital assets and interest expense in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

ANNUAL CONTRIBUTION CONTRACT	PROGRAM AND ASSISTANCE TYPE	CFDA NUMBER	AWARD	EXPENDITURES
<u>U. S. DEPARTMENT OF HUD</u>				
DEN-934	Section 8 New Construction	14.182	\$ 120,787	\$ 120,787
DEN-2319	Low Income Public Housing Operating subsidy	14.850	68,051	68,051
DEN-2319	Housing Choice Vouchers	14.871	1,676,391	1,676,391
DEN-934	Capital Fund Program	14.872	<u>124,621</u>	<u>5,672</u>
TOTAL OPERATING GRANTS			<u>\$ 1,989,850</u>	<u>1,870,901</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT HOUSING LOANS</u>				
	Multifamily Assisted Housing Reform and Afford ability Act	14.197		500,032
	Home Investment Partnership	14.239		119,303
	Multifamily Assisted Living	14.314		<u>510,127</u>
TOTAL LOANS				<u>1,179,462</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 3,050,363</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Housing Authority of the City of Fountain under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Housing Authority of the City of Fountain, it is not intended to and does not present the financial position, changes in net position or cash flow of Housing Authority of the City of Fountain.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note A. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Housing Authority of the City of Fountain has elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3 Guaranteed Debt

The HUD insured debt expenditures include \$1,108,294 in HUD guaranteed debt.

OTHER REPORTS

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

Report On Internal Control Over Financial Reporting and on Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Fountain
501 East Iowa Ave.
Fountain, CO 80817-2252

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Fountain, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Fountain's basic financial statements and have issued my report thereon dated May 9, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Fountain's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Fountain's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Fountain's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Fountain's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of the Housing Authority of the City of Fountain in a separate letter dated May 9, 2017.

Purpose Of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
May 9, 2017

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Fountain
501 East Iowa Ave.
Fountain, CO 80817-2252

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Fountain's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Fountain's major federal programs for the year ended December 31, 2016. The Housing Authority of the City of Fountain's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Housing Authority of the City of Fountain's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Fountain, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Fountain is responsible for establishing and maintaining effective internal control over the type of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of the City of Fountain's internal control over compliance with the types of

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
May 9, 2017

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

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May 9, 2017

Management and
Board of Commissioners of the
Housing Authority of the City of Fountain
Fountain, CO

In the conduct of my work over the financial statements of the Housing Authority of the City of Fountain as of and for the year ended December 31, 2015, I was engaged to consider the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my work, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated May 9, 2017 on the financial statements of the Authority.

I will review the status of the comment during my next audit engagement. I have already discussed the comment and suggestion with Authority personnel, and will be pleased to discuss the comment in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. My comments are summarized as follows:

1. **CONDITION: LACK OF A JOURNAL VOUCHER INTERNAL CONTROL SYSTEM**

During the review of the accounting records provided by the fee accountant it was noted that there was no documented system of internal control over the journal entries. The Authority requested the journal voucher file that was normally received in the past be sent to the auditor. An internal control system over journal entries requires the entries to be numbered, supported by appropriate documentation, and signed by the preparer and the reviewer. There is no documentation that this task was completed and that there were adequate segregation of duties and internal control.

RECOMMENDATION:

The Authority should consider going out to bid for another fee accountant or change the existing contract to ensure all documentation required for an audit is available.

2. **CONDITION: LACK OF TIMELINESS AND REPORTING INTERNAL CONTROLS**

During the review of the accounting records provided by the fee accountant it was noted that there was a lack of timeliness. The Authority did not receive financial statements from the fee accountant for the last four months of the year until March 10, 2017. The submission of the FDS was also late. The Authority did not have the opportunity to review the FDS submission before it went into REAC. This represents a lack of an appropriate internal control system over reporting. During the last half of the year, the Authority's Executive Director requested the records several times and was informed that due to staff shortages there was a delay in preparing the monthly statements.

RECOMMENDATION:

The Authority should consider going out to bid for another fee accountant or change the existing contract to ensure all documentation required is available within reasonable timeframes after each month and for an audit is available.

3. CONDITION: LACK OF ACCURACY IN MONTHLY ACCOUNTING AND YEAR END REPORTING

During the review of the accounting records provided by the fee accountant it was noted that there were numerous immaterial errors. The accountant in charge of this client was unable to accurately post and report the debt transactions for the housing authority notes with the Colorado Housing and Finance Authority throughout the year. There are also several year end adjustments that are somewhat unique to this Authority and the accountants assigned to this task did not have the skills or expertise to accurately record these entries. There is no documentation that indicates this accountant's work was adequately supervised or reviewed by the fee accountant's management.

RECOMMENDATION:

The Authority should consider going out to bid for another fee accountant or change the existing contract to ensure the accountant is adequately trained and supervised.

I wish to thank the Executive Director and the staff of the Authority for their support and assistance during my audit.

This report is intended solely for the information and use of the Authority's management, Federal and State Awarding Agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Goldie Roberts

Goldie Roberts
Certified Public Accountant

