

HUDSON HOUSING AUTHORITY

FINANCIAL STATEMENTS

March 31, 2016



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Single Audit

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Board of Commissioners
Hudson Housing Authority
Hudson, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Hudson Housing Authority as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Hudson Housing Authority, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Hudson Housing Authority as of March 31, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial statements as of and for the year ended March 31, 2015, have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters (Required Supplementary Information)

The Hudson Housing Authority has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016, on our consideration of the Hudson Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hudson Housing Authority's internal control over financial reporting and compliance.



September 22, 2016

BASIC FINANCIAL STATEMENTS

HUDSON HOUSING AUTHORITY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

March 31, 2016

	<u>GENERAL</u>	<u>PRAIRIE VIEW</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 36,199	\$ 46,848	\$ 83,047
Interfund Receivables	10,411	-	10,411
Utility Deposit	-	90	90
TOTAL CURRENT ASSETS	<u>46,610</u>	<u>46,938</u>	<u>93,548</u>
NONCURRENT ASSETS			
Restricted Cash	-	98,815	98,815
Capital Assets, Not Being Depreciated	-	11,500	11,500
Capital Assets, Net of Accumulated Depreciation	-	119,060	119,060
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>229,375</u>	<u>229,375</u>
TOTAL ASSETS	<u>\$ 46,610</u>	<u>\$ 276,313</u>	<u>\$ 322,923</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ -	\$ 11,924	\$ 11,924
Interfund Payables	-	10,411	10,411
Tenant Security Deposits	-	5,131	5,131
Accrued Interest Payable, Current Portion	-	7,861	7,861
Loans Payable, Current Portion	-	15,699	15,699
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>51,026</u>	<u>51,026</u>
LONG-TERM LIABILITIES			
Accrued Interest Payable	-	17,390	17,390
Loans Payable	-	616,403	616,403
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>633,793</u>	<u>633,793</u>
TOTAL LIABILITIES	<u>-</u>	<u>684,819</u>	<u>684,819</u>
NET POSITION			
Net Investment in Capital Assets	-	(501,542)	(501,542)
Restricted for Insurance	-	6,417	6,417
Restricted for Repair and Replacement	-	92,398	92,398
Unrestricted	46,610	(5,779)	40,831
TOTAL NET POSITION	<u>46,610</u>	<u>(408,506)</u>	<u>(361,896)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 46,610</u>	<u>\$ 276,313</u>	<u>\$ 322,923</u>

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

HUDSON HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended March 31, 2016

	<u>GENERAL</u>	<u>PRAIRIE VIEW</u>	<u>TOTAL</u>
OPERATING REVENUES			
Rental	\$ -	\$ 62,504	\$ 62,504
Operating Grants	-	129,802	129,802
Management Fees	17,905	-	17,905
Other	-	1,662	1,662
	<u>17,905</u>	<u>193,968</u>	<u>211,873</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
General and Administrative	8,470	44,023	52,493
Utilities	-	35,324	35,324
Maintenance and Operations	-	87,135	87,135
Insurance and Benefits	-	5,762	5,762
Depreciation	-	16,977	16,977
	<u>8,470</u>	<u>189,221</u>	<u>197,691</u>
TOTAL OPERATING EXPENSES			
NET OPERATING INCOME	<u>9,435</u>	<u>4,747</u>	<u>14,182</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	37	68	105
Interest Expense	-	(9,240)	(9,240)
	<u>37</u>	<u>(9,172)</u>	<u>(9,135)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)			
CHANGE IN NET POSITION	9,472	(4,425)	5,047
NET POSITION, Beginning	<u>37,138</u>	<u>(404,081)</u>	<u>(366,943)</u>
NET POSITION, Ending	<u>\$ 46,610</u>	<u>\$ (408,506)</u>	<u>\$ (361,896)</u>

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

HUDSON HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Increase (Decrease) in Cash
Year Ended March 31, 2016

	<u>GENERAL</u>	<u>PRAIRIE VIEW</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Tenants	\$ -	\$ 64,744	\$ 64,744
Cash Received from Grants	-	129,802	129,802
Cash Received from Other Funds	7,768	-	7,768
Cash Payments to Employees	-	(56,899)	(56,899)
Cash Payments to Suppliers	(8,470)	(105,686)	(114,156)
Cash Paid to Other Funds	-	(7,768)	(7,768)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	(702)	24,193	23,491
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payments on Loans	-	(23,309)	(23,309)
Interest Payments on Loans	-	(8,239)	(8,239)
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(31,548)	(31,548)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	37	68	105
	<u> </u>	<u> </u>	<u> </u>
NET DECREASE IN CASH	(665)	(7,287)	(7,952)
CASH, Beginning	36,864	152,950	189,814
	<u> </u>	<u> </u>	<u> </u>
CASH, Ending	\$ <u>36,199</u>	\$ <u>145,663</u>	\$ <u>181,862</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net Operating Income	\$ 9,435	\$ 4,747	\$ 14,182
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	-	16,977	16,977
Changes in Assets and Liabilities			
Interfund Receivables	(10,137)	-	(10,137)
Prepaid Expenses	-	2,293	2,293
Utility Deposit	-	(90)	(90)
Accounts Payable	-	(10,449)	(10,449)
Interfund Payables	-	10,137	10,137
Tenant Security Deposits	-	578	578
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(702)</u>	\$ <u>24,193</u>	\$ <u>23,491</u>

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

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hudson Housing Authority (the “Authority”) was formed in 1979 to acquire, construct, and operate a 20-unit apartment complex for low-income seniors located in the Town of Hudson, Colorado.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the Authority, organizations for which the Authority is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Authority. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. Legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Authority.

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 funds to report its financial position and activities. Fund accounting is designed to segregate transactions related to certain functions or activities. All of the Authority’s funds are classified as enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where fees are charged to external users for goods and services.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund’s principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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 a specific use, it is the Authority's practice to use restricted resources first, and the unrestricted resources as they are needed.

Major individual funds are reported as separate columns in the financial statements. The Authority reports the following major proprietary funds:

The *General Fund* accounts for the general administration and operations of the Authority.

The *Prairie View Apartments Fund* is used to account for the activities of Prairie View Apartments, a 20-unit senior housing apartment complex.

Assets, Liabilities and Net Position

Interfund Receivables and Payables - During the course of operations, certain transactions occur between the individual funds. The resulting receivables and payables are classified on the statement of net position as *interfund receivables* and *interfund payables*.

Capital Assets - Capital assets, which include land, buildings and equipment, are recorded at cost. The Authority capitalizes all assets with an initial, individual cost of \$5,000 or more, and a useful life in excess of one year. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives of the assets.

Land Improvements	40 years
Buildings	40 years
Building Improvements	15 - 25 years
Equipment and Vehicles	7 - 15 years

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted for all funds as a management control device, but are not legally required. Therefore, budgetary information is not presented in the financial statements.

Accountability

At March 31, 2016, the Prairie View Apartments Fund had a deficit net position of \$408,506. Revenues of the property have not historically been sufficient to cover operating costs, in addition to depreciation and interest accrued on the HUD loans.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

NOTE 3: CASH AND INVESTMENTS

Cash at March 31, 2016, consisted of the following:

Bank Deposits	\$ 83,047
Cash Held by Third Party	<u>98,815</u>
Total	<u>\$ 181,862</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to 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. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

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

The Authority had no investments at March 31, 2016.

Restricted Cash

At March 31, 2016, the Colorado Housing and Finance Authority held cash of \$6,417 and \$92,398 on behalf of the Authority, representing insurance escrow and repair and replacement reserves, respectively, as required by its loan agreements.

NOTE 4: INTERFUND BALANCES

At March 31, 2016, the Prairie View Apartments Fund owed the General Fund \$10,411, representing earned management fees.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2016, is summarized below.

	Balance 3/31/15	Additions	Deletions	Balance 3/31/16
Prairie View Apartments Fund				
Capital Assets, Not Being Depreciated				
Land	\$ 11,500	\$ -	\$ -	\$ 11,500
Capital Assets, Being Depreciated				
Land Improvements	70,661	-	-	70,661
Buildings	608,396	-	-	608,396
Building Improvements	14,435	-	-	14,435
Equipment and Vehicles	72,866	-	720	72,146
Total Capital Assets, Being Depreciated	766,358	-	720	765,638
Less Accumulated Depreciation				
Land Improvements	(56,300)	(1,767)	-	(58,067)
Buildings	(486,720)	(15,210)	-	(501,930)
Building Improvements	(14,435)	-	-	(14,435)
Equipment and Vehicles	(72,866)	-	(720)	(72,146)
Total Accumulated Depreciation	(630,321)	(16,977)	(720)	(646,578)
Capital Assets, Being Depreciated, Net	136,037	(16,977)	-	119,060
Total Capital Assets, Net	<u>\$ 147,537</u>	<u>\$ (16,977)</u>	<u>\$ -</u>	<u>\$ 130,560</u>

NOTE 6: LONG-TERM DEBT

A summary of long-term debt activity for the year ended March 31, 2016, is presented below:

	Balance 3/31/15	Additions	Payments	Balance 3/31/16	Due Within One Year
Prairie View Apartments Fund					
CHFA Loan	\$ 23,645	\$ -	\$ 974	\$ 22,671	\$ 1,002
HUD Restructuring Loan	539,872	-	22,335	517,537	14,697
HUD Restructuring Loan	91,894	-	-	91,894	-
Total	<u>\$ 655,411</u>	<u>\$ -</u>	<u>\$ 23,309</u>	<u>\$ 632,102</u>	<u>\$ 15,699</u>

During 2003, the Authority obtained a loan from the Colorado Housing and Finance Authority (CHFA) in the amount of \$33,000. Proceeds of the loan were used to rehabilitate the Prairie View Apartments. Monthly principal and interest payments of \$139 are due on the loan through September 1, 2033. Interest accrues at the rate of 3% per annum.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

NOTE 6: LONG-TERM DEBT (Continued)

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

<u>Year Ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,002	\$ 668	\$ 1,670
2018	1,032	638	1,670
2019	1,064	606	1,670
2020	1,096	574	1,670
2021	1,128	542	1,670
2022 - 2026	6,174	2,176	8,350
2027 - 2031	7,172	1,178	8,350
2032 - 2034	<u>4,003</u>	<u>167</u>	<u>4,170</u>
Total	<u>\$ 22,671</u>	<u>\$ 6,549</u>	<u>\$ 29,220</u>

During 2003, the Authority entered into two mortgage restructuring loan agreements with the U. S. Department of Housing and Urban Development (HUD) for \$639,175 and \$102,545. Annual principal and interest payments are due on July 10 if the property generates surplus cash. The loans accrue interest at 1.5% per annum. All outstanding principal and interest is due on July 10, 2033.

NOTE 7: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for its workers compensation claims. For other risks of loss, the Authority, through the Town of Hudson, participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverages and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the Authority does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgements

The Authority participates in a number of federal, state, and local 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 March 31, 2016, 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. However, management believes the Authority is exempt from the provisions of the Amendment.

NOTE 9: RESTATEMENT

During the year ended March 31, 2016, the Authority removed loan origination costs capitalized in previous years from the financial statements, in accordance with generally accepted accounting principles. As a result, capital assets and net position of the Prairie View Apartments Fund were restated to correct this misstatement, as follows.

	<u>Capital Assets</u>	<u>Net Position</u>
Balances, March 31, 2015, as Originally Stated	\$ 225,388	\$ (326,230)
Loan Origination Costs	<u>(77,851)</u>	<u>(77,851)</u>
Balances, March 31, 2015, as Restated	<u>\$ 147,537</u>	<u>\$ (404,081)</u>

SINGLE AUDIT



Board of Commissioners
Hudson Housing Authority
Hudson, Colorado

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Hudson Housing Authority as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Hudson Housing Authority, and have issued our report thereon dated September 22, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of the Hudson Housing Authority's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hudson Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



September 22, 2016



Board of Commissioners
Hudson Housing Authority
Hudson, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE,
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited the Hudson Housing Authority's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Hudson Housing Authority's major federal programs for the year ended March 31, 2016. The Hudson Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Hudson Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hudson Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hudson Housing Authority's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and each major fund of the Hudson Housing Authority as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Hudson Housing Authority. We issued our report thereon dated September 22, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hudson Housing Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



September 22, 2016

HUDSON HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2016

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

• Material weaknesses identified? _____ yes x no

• Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major federal programs:

• Material weaknesses identified? _____ yes x no

• Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditors' report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of OMB's Uniform Guidance? _____ yes x no

Identification of major federal program:

14.000 Mortgage Restructuring Loans

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes _____ no

Financial Statement Findings

The audit of the financial statements did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose fraud, noncompliance, or abuse that were material to those financial statements.

Federal Awards Findings and Questioned Costs

The audit of federal awards did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose instances of noncompliance or abuse that were material to those federal awards.

HUDSON HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended March 31, 2016

Federal Grantor / Program Title	CFDA Number	Expenditures/ Balance
U.S. Department of Housing and Urban Development		
Direct Program		
Mortgage Restructuring Loans	14.000	\$ 631,766
Passed through the Colorado Housing and Finance Authority		
Section 8 New Construction and Substantial Rehabilitation	14.182	<u>129,802</u>
 TOTAL FEDERAL FINANCIAL ASSISTANCE		 <u>\$ 761,568</u>

See the accompanying Independent Auditors' Report.

HUDSON HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended March 31, 2016

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.