

**HOUSING AUTHORITY OF THE
CITY OF JULESBURG, COLORADO**

FINANCIAL STATEMENTS

December 31, 2016

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October 5, 2018

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Julesburg
Julesburg, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Julesburg, Colorado as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 of the Housing Authority of the City of Julesburg, Colorado as of December 31, 2016, and the respective 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 3 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Julesburg, Colorado's basic financial statements. The schedule of operating expenses and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 such 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 expenses by program and the U.S. Department of Housing and Urban Development supplementary financial data schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Plutt Hanson, P.C.

June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

Management's Discussion & Analysis Year Ended December 31, 2016

The following discussion and analysis of the financial statements of the Housing Authority of the City of Julesburg, Colorado, ("the Authority") provides an overview of the financial activities for the fiscal year ended December 31, 2016. Please consider the following information in addition to your review of the information in the basic financial statements.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Authority. This information contained herein this Management Discussion and Analysis (MD&A) should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has one program. The Low Rent Public Housing Program consisting of 52 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing & Urban Development based on a formula. Included in the Low Rent Program are the Capital Fund grants which are also a formula based program from HUD. The purpose is to provide funding for the modernization and improvement of the Low Rent Public Housing Program units. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

Financial Highlights

The Authority's financial condition continues to decline as grant funding continues to decrease.

- Total Net Position was \$1,245,215 at December 31, 2016, an increase of \$240,920 or 23.99% from the \$1,004,295 reported at December 31, 2015.
- Public Housing Annual Contributions for 2016 were \$113,637 representing an increase in the amount of 9,795 from fiscal year 2015 funding of \$103,842.
- Capital Grants for 2016 were \$71,456 representing an increase in the amount of \$3,325 from fiscal year 2015 funding of \$68,131.
- Total Cash and Cash Equivalents were \$238,963 in 2016 and \$113,360 at December 31, 2015 an increase of \$125,603.
- Total Capital Assets, Net increased \$119,727 from \$899,871 in 2015 to \$1,019,598 at December 31, 2016. This was the result of the addition of Building Improvements of \$223,879 Dwelling Equipment of \$3,306, Loss on Disposition of Assets of \$2,684 and the recording of Depreciation Expense of \$104,774.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authorities basic financial statements. The basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

Management's Discussion & Analysis Year Ended December 31, 2016

The **statement of net position** presents information on all of 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 position of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- Restricted Net Position consists of assets that are restricted by limitations placed on these assets by an external source or party.
- Unrestricted Net Position consists of net assets that do not meet the definition of the above categories. Unrestricted net position is basically the amount of funds available for future year appropriations.

The **statement of revenues, expenses and changes in net position** presents information showing how the 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 of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future periods.

The **statement of cash flows** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2016.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. The Authority's fund is a proprietary fund type.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately after the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**Management's Discussion & Analysis
Year Ended December 31, 2016**

Housing Authority Financial Analysis

As earlier noted, changes in net position may serve as a useful indicator of changes in the financial position of an organization. On December 31, 2016 assets exceeded liabilities by \$1,245,215. This amount is broken down to \$1,019,598 that is invested in capital assets, \$84,500 that is restricted for repairs from insurance proceeds and \$141,117 that is unrestricted. Capital Assets, Net represent the largest portion of assets at \$1,019,598. Cash represent the next largest portion of assets at \$238,963. The increase in cash is due to the proceeds from insurance in 2016.

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended December 31, 2016 and 2015.

CONDENSED STATEMENT OF NET POSITION				
	2016		2015	
ASSETS				
Current and Other Assets	\$ 257,902	20.2%	\$ 133,413	12.9%
Capital Assets	1,019,598	79.8%	899,871	87.1%
Total Assets	1,277,500	100.0%	1,033,284	100.0%
LIABILITIES				
Current Liabilities	31,134	2.4%	27,732	2.7%
Noncurrent Liabilities	1,151	0.1%	1,257	0.1%
Total Liabilities	32,285	2.5%	28,989	2.8%
NET POSITION				
Net Investment in Capital Asset	1,019,598	79.8%	899,871	87.1%
Restricted for Repair	84,500	6.6%	-	0.0%
Unrestricted	141,117	11.0%	104,424	10.1%
Total Net Position	\$ 1,245,215	97.5%	\$ 1,004,295	97.2%

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**Management's Discussion & Analysis
Year Ended December 31, 2016**

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<u>2016</u>		<u>2015</u>	
OPERATING REVENUE				
Rental	\$ 187,900	26.8%	\$ 168,022	46.0%
Grants	185,093	26.4%	171,973	47.1%
Other	18,291	2.6%	24,889	6.8%
GENERAL REVENUE				
Interest	103	0.0%	53	0.0%
Other	309,280	44.1%	-	0.0%
Total Revenue	<u>700,667</u>	<u>100.0%</u>	<u>364,937</u>	<u>100.0%</u>
EXPENSES				
Operating, less Depreciation	352,289	76.6%	296,995	73.4%
Depreciation	104,774	22.8%	107,643	26.6%
Nonoperating	2,684	0.6%	-	0.0%
Total Expenses	<u>459,747</u>	<u>100.0%</u>	<u>404,638</u>	<u>100.0%</u>
Change in Net Position	240,920	24.0%	(39,701)	-3.8%
Net Position, Beginning	<u>1,004,295</u>	<u>100.0%</u>	<u>1,043,996</u>	<u>100.0%</u>
Net Position, Ending	<u>\$ 1,245,215</u>	<u>124.0%</u>	<u>\$ 1,004,295</u>	<u>96.2%</u>

As noted in the table above, rental income increased by \$19,878. The number of units leased in Public Housing was 572 monthly units out of an available 624 monthly units.

HUD Program contributions consist of Public Housing operating subsidy, capital funds grant used for non-capital purposes and rental assistance. Public Housing operating subsidy revenue increased \$9,795 in 2016 over 2015. Operating subsidy is based on a HUD formula that relies heavily on historic income and utility expenses and is subject to a pro-ration factor based on available funding. Public Housing capital funds grant revenue increased \$3,325 in 2016 over 2015.

The Authority received insurance proceeds of \$309,280 for storm damages to buildings during 2016. Repairs of \$224,780 were performed during the year leaving a balance of \$84,500 that is reserved for additional repairs to be made.

Operating expenses increased by \$55,294 or 18.62%. Within the increase, administrative expense increased \$2,481 or 3.26%, maintenance increased \$7,932 or 7.14%, extraordinary maintenance increased by \$42,345. Depreciation expense decreased \$2,869.

HUD capital contributions were \$71,456 for the year ended December 31, 2016. This was an increase from the prior year of \$3,325. The Authority is allocated capital grant money each year as determined by HUD based on the Authority's number of units. The amount presented will vary from year to year depending on the timing of projects as outlined in the HUD approved capital grant budget.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**Management's Discussion & Analysis
Year Ended December 31, 2016**

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

Capital Assets

During 2016 there was \$227,185 in additions to capital assets. The additions were for roofing, soffit replacement, refurbishing units, water heaters and washing machines. Further information on the Authority's capital assets can be found in Notes 1 and 6 in the notes to financial statements.

CAPITAL ASSETS				
	Balance 12/31/15	Additions	Retirements	Balance 12/31/16
Non-Depreciable Assets				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Depreciable Assets				
Buildings and Improvements	2,656,279	223,879	3,992	2,876,166
Equipment - Dwellings	28,761	3,306	1,055	31,012
Equipment - Administration	81,794	-	-	81,794
Total Depreciable Assets	2,766,834	227,185	5,047	2,988,972
Total Capital Assets	2,776,834	227,185	5,047	2,998,972
Accumulated Depreciation				
Buildings and Improvements	1,812,490	96,687	1,073	1,908,104
Equipment - Dwellings	9,149	3,110	1,290	10,969
Equipment - Administration	55,324	4,977	-	60,301
Total Accumulated Depreciation	1,876,963	104,774	2,363	1,979,374
Depreciable Assets Net	889,871	122,411	2,684	1,009,598
Net Capital Assets	\$ 899,871	\$ 122,411	\$ 2,684	\$ 1,019,598

Debt Administration

The Housing Authority has no debt.

Economic Factors and Future Plans for 2017

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2017 budget. In the year to come the Authority plans on continuing to provide an opportunity for a healthy, affordable, decent and safe living environment for the community through its programs. The Public Housing Program will continue with scheduled preventive and regular maintenance to maintain the properties and fund planned rehabilitation projects with Capital funds that will be expended on the dwelling units. Additional repairs will be made from the remaining balance of

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**Management's Discussion & Analysis
Year Ended December 31, 2016**

insurance proceeds. Rental charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on rental income, other income and utility consumption and costs. The amount of funding is also established and approved by HUD. In projecting the amount of rental income, the Authority considered prior year rental income and occupancy rates. The operating expenses are expected to increase by the economy's inflation rate.

Requests for Information

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

The Housing Authority of the City of Julesburg
Alice Osborn, Executive Director
520 West 9th
Julesburg, Colorado 80737

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2016

(With Comparative Actual Amounts at December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 220,727	\$ 98,506
Accounts Receivable:		
Tenants - Dwelling Rents	3,841	6,757
Allowance for Doubtful Accounts - Dwelling Rents	(750)	(3,000)
Prepaid Assets	9,604	9,572
Materials Inventory	<u>6,244</u>	<u>6,724</u>
Total Current Assets	<u>239,666</u>	<u>118,559</u>
Noncurrent Assets		
Cash - Restricted	18,236	14,854
Capital Assets Not Being Depreciated	10,000	10,000
Capital Assets, net of Depreciation	<u>1,009,598</u>	<u>889,871</u>
Total Noncurrent Assets	<u>1,037,834</u>	<u>914,725</u>
Total Assets	<u>1,277,500</u>	<u>1,033,284</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	6,212	6,280
Accrued Wage and Related Liabilities	4,020	4,025
Accrued Compensated Absences - Current	1,151	1,257
Tenant Security Deposits	18,236	14,854
Deferred Revenue	<u>1,515</u>	<u>1,316</u>
Total Current Liabilities	<u>31,134</u>	<u>27,732</u>
Compensated Absences Due Beyond One Year	<u>1,151</u>	<u>1,257</u>
Total Liabilities	<u>32,285</u>	<u>28,989</u>
NET POSITION		
Net Investment in Capital Assets	1,019,598	899,871
Restricted Net Position	84,500	-
Unrestricted Net Position	<u>141,117</u>	<u>104,424</u>
Total Net Position	<u>\$ 1,245,215</u>	<u>\$ 1,004,295</u>

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND**

For the Year Ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Dwelling Rents	\$ 187,900	\$ 168,022
Other Tenant Revenue	<u>18,191</u>	<u>24,664</u>
Tenant Revenue	206,091	192,686
HUD Operating Contributions and Grants	113,637	103,842
Other Revenue	<u>100</u>	<u>225</u>
Total Revenue	<u>319,828</u>	<u>296,753</u>
OPERATING EXPENSES		
Administrative	78,617	76,136
Tenant Services	1,042	1,004
Utilities	75,732	75,204
Maintenance & Operations	114,474	106,842
Insurance Premiums	23,745	21,233
Other General Expense	16,334	16,576
Extraordinary Maintenance	42,345	-
Depreciation Expense	<u>104,774</u>	<u>107,643</u>
Total Operating Expenses	<u>457,063</u>	<u>404,638</u>
OPERATING INCOME (LOSS)	<u>(137,235)</u>	<u>(107,885)</u>
OTHER INCOME		
HUD Capital Grants	71,456	68,131
Investment Income - Unrestricted	103	53
Loss on Disposition of Assets	(2,684)	-
Insurance Proceeds	<u>309,280</u>	<u>-</u>
Total Other Income	<u>378,155</u>	<u>68,184</u>
CHANGE IN NET POSITION	240,920	(39,701)
NET POSITION, Beginning	<u>1,004,295</u>	<u>1,043,996</u>
NET POSITION, Ending	<u>\$ 1,245,215</u>	<u>\$ 1,004,295</u>

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Receipts from Tenants	\$ 206,757	\$ 192,255
Receipts from HUD	113,637	103,842
Receipts from Others	299	(1,658)
Tenant Security Deposits	3,382	1,612
Payments to Employees	(120,661)	(117,066)
Payments to Suppliers	(231,465)	(181,762)
Net Cash (Used) by Operating Activities	<u>(28,051)</u>	<u>(2,777)</u>
Cash Flows from Noncapital Financing Activities		
Other Non-operating Revenues	<u>309,280</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
HUD Capital Grants	71,456	68,131
Acquisition of Capital Assets	(227,185)	(30,768)
Net Cash Provided by Capital and Related Financing Activities	<u>(155,729)</u>	<u>37,363</u>
Cash Flows from Investing Activities		
Earnings on Investments	<u>103</u>	<u>53</u>
Net Cash Provided (Used) by Investing Activities	<u>103</u>	<u>53</u>
Net Change in Cash	125,603	34,639
CASH, Beginning	<u>113,360</u>	<u>78,721</u>
CASH, Ending	<u>\$ 238,963</u>	<u>\$ 113,360</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating Income (Loss)	\$ (137,235)	\$ (107,885)
Depreciation	104,774	107,643
Changes in operating assets and liabilities:		
Accounts Receivable	666	(431)
Prepaid Expenses	(32)	(1,113)
Materials Inventory	480	241
Accounts Payable	(68)	(2,047)
Accrued Salaries and Benefits	(5)	612
Accrued Compensated Absences	(212)	474
Tenant Security Deposits	3,382	1,612
Deferred Revenue	199	(1,883)
Net Cash (Used) by Operating Activities	<u>\$ (28,051)</u>	<u>\$ (2,777)</u>

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority was created under the laws of the State of Colorado. The purpose of the Authority is to administer the Housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. The Federal Government through the U.S. Department of Housing and Urban Development (HUD) subsidizes these programs. The Department of Housing and Urban Development has direct responsibility for the administering of low-income housing programs. The Housing Authority has entered into an annual contribution contract with the Department of Housing and Urban Development for the funding of these programs through annual contributions and subsidies.

This summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Authority's accounting policies are described below.

Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Authority has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Authority has no component units.

Nature of operations

The following program is administered by the Housing Authority:

Public Housing Program - This program consists of 52 public housing units. Under this program, HUD provides funding through an annual contribution contract. These funds, along with dwelling rental income received from the tenants, are used to maintain the dwelling units. Included within this program are the Capital Fund grants which provide funding for the modernization and improvement of the Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Authority are organized on the basis of a proprietary fund types, specifically enterprise funds. The activities of these funds are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities that (a) are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (b) are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (c) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (assets less liabilities) are segregated into net invested in capital assets, restricted for debt service and unrestricted components. 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.

The Housing Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

A Statement of Net Position provides information about the assets, liabilities, and net position of the Authority at the end of the year. Assets and liabilities are classified as current, noncurrent, or other assets. Net position is classified according to availability of assets to satisfy the Authority's obligations. Net invested in capital assets represents that value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Restricted net position represents resources that have been externally restricted for specific purposes. Unrestricted net position, include all other net position, including those that have been designated by management to be used for other than general operating purposes.

A Statement of Revenues, Expenses and Changes in Net Position provide information about the Authority's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions.

Operating revenues and expenses generally result from providing services in connection with providing low income housing. Accordingly, revenue such as dwelling rent, operating grants and subsidies from HUD, and other tenant charges are considered to be operating revenues. Other revenues, such as interest income and capital contributions provided for building improvement projects or equipment purchases, are considered to be nonoperating revenues. Operating expenses include: administrative, maintenance, utilities, tenant services, depreciation on capital assets, and other general expenses.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016**

A Statement of Cash Flow provides information about the Authority's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating activities, non-capital financing, and capital financing or investing.

Assets, Liabilities and Net Position

Cash and cash equivalents - For the purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Investments that are available upon demand are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of ninety days or less are also considered "cash equivalents".

Receivables - All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible account and revenues net of uncollectible. Allowances are reported when account are proven to be uncollectible. An allowance of \$2,952 has been provided at year end.

Prepaid assets - Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

Materials inventory - Inventory balances consist of supplies that are recorded at the lower of cost or market on a first-in first-out basis.

Capital assets - All capital assets with a unit cost greater than \$1,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. The Authority does not capitalize interest costs related to its constructed fixed assets.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Estimated Useful Lives</u>
Buildings and Improvements	10 – 40 years
Furniture and Fixtures	5 – 7 years
Equipment	3 – 10 years

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Compensated absences - The Authority's personnel policies permit employees to carryover and receive vacation or sick leave benefits upon request.

Vacation leave for full time permanent employees will be earned and accumulated on a per month basis, based on at least a 24-hour work week. New employees (one year of employment) accrue one week (24hrs) based on at least a 24-hour work week. Year 2 through 9 years employment two weeks (48hrs) based on at least a 24-hour workweek. Ten years or longer of employment- three weeks (72hrs) based on at least a 24-hour work week. Vacation hours earned each year must be taken within the calendar year. Hours not used will be forfeited. Employees who are terminated or resign will be paid for any earned vacation time.

Sick Leave - Full-time employees receive four hours of sick leave per month; any unused portion at year end is treated as accumulated sick leave. Sick leave may accrue up to a maximum of 240 hours. Accumulated sick leave will be paid upon separation after five years at the rate of one day per each four days accumulated. No accumulated sick leave will be paid in cases where employees are discharged.

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. This liability has been recorded in the financial statements pursuant to GASB Statement No. 16, "Accounting for Compensated Absences."

Net position - Net position represent the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors (such as through debt covenants), grantors or laws or regulations of other governments. Unrestricted Net Position - All other assets net assets that do not meet the definition, of "restricted" or "invested in capital assets, net of related debt".

Use of restricted/Unrestricted assets - When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the Authority's policy is to apply restricted assets first.

Grant revenue - The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as deferred revenue.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Operating revenues and expenses - Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Postemployment Benefits Other Than Pensions (OPES) - OPES benefits are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Authority has not incurred, adopted a plan or obligated resources to other postemployment benefits as defined in GASS Statement No. 45.

Income Taxes - The Authority is a governmental subdivision of the State of Colorado and is exempt from Federal and State income taxes.

Budgetary Information - 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 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. This budget does not represent an appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board; therefore, budgetary data and presentation is not legally required. Therefore, budgetary information is not presented in the financial statements.

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.

Incomes 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.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS

A summary of the Authority's cash at December 31, 2016 follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured Deposits	\$ 243,505	\$ 238,638
Change Fund Cash	-	100
Petty Cash	-	225
Total Cash	<u>\$ 243,505</u>	<u>\$ 238,963</u>
Unrestricted Cash		\$ 220,727
Restricted - Tenant Deposits		<u>18,236</u>
Total Cash		<u>\$ 238,963</u>

Cash Deposits

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2016, the Authority's deposits amounting to \$243,505 were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

Investments

The Authority's formal investment policy is to follow Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

- Obligations of the United States and certain U.S. government agency securities and the World Bank
- 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
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds

At December 31, 2016, the Authority did not have any investments.

NOTE 3: ACCOUNTS RECEIVABLE

A summary of accounts receivable as presented in the Statement of Net Assets at December 31, 2016 are as follows:

Tenants	\$ 3,841
Allowance for Doubtful Accounts - Dwelling Rents	<u>(750)</u>
Total	<u><u>\$ 3,091</u></u>

NOTE 4: PREPAID EXPENSES

Prepaid expenses as presented in the Statement of Net Position at December 31, 2016 consisted of prepaid insurance in the amount of \$9,604.

NOTE 5: MATERIALS INVENTORY

A summary of materials inventory as presented in the Statement of Net Position at December 31, 2016 is as follows:

Materials inventory	\$ 6,244
Allowance for obsolete inventory	<u>-</u>
Total	<u><u>\$ 6,244</u></u>

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/16</u>
Non-Depreciable Assets				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Depreciable Assets				
Buildings and Improvements	2,656,279	223,879	3,992	2,876,166
Equipment - Dwellings	28,761	3,306	1,055	31,012
Equipment - Administration	81,794	-	-	81,794
Total Depreciable Assets	<u>2,766,834</u>	<u>227,185</u>	<u>5,047</u>	<u>2,988,972</u>
Total Capital Assets	<u>2,776,834</u>	<u>227,185</u>	<u>5,047</u>	<u>2,998,972</u>
Accumulated Depreciation				
Buildings and Improvements	1,812,490	96,687	1,073	1,908,104
Equipment - Dwellings	9,149	3,110	1,290	10,969
Equipment - Administration	55,324	4,977	-	60,301
Total Accumulated Depreciation	<u>1,876,963</u>	<u>104,774</u>	<u>2,363</u>	<u>1,979,374</u>
Depreciable Assets Net	<u>889,871</u>	<u>122,411</u>	<u>2,684</u>	<u>1,009,598</u>
Net Capital Assets	<u>\$ 899,871</u>	<u>\$ 122,411</u>	<u>\$ 2,684</u>	<u>\$ 1,019,598</u>

NOTE 7: ACCRUED COMPENSATED ABSENCES

A summary of accrued compensated absences as presented in the Statement of Net Assets as of December 31, 2016 is as follows:

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/16</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 2,514</u>	<u>\$ 8,538</u>	<u>\$ 8,750</u>	<u>\$ 2,302</u>	<u>\$ 1,151</u>

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: RISK MANAGEMENT

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workers compensation and employee health and accident insurance. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Federal funding

The Authority recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. Management believes the Authority is exempt from the provisions of the Amendment.

NOTE 10: ECONOMIC DEPENDENCY

The Housing Authority is economically dependent on annual contributions and grants received from HUD. The extent of this funding from HUD depends upon appropriations from the federal level.

Supplementary Information

Supplementary information includes schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such schedules include:

- Schedule of Operating Expenses
- U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule – This fiscal-year report is required by the U.S. Department of Housing and Urban Development and is used to gather financial information from the Public Housing Authority.

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HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**SCHEDULE OF OPERATING EXPENSES
PROPRIETARY FUND**

For the Year Ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES		
Administrative		
Administrative Salaries	\$ 54,013	\$ 53,624
Auditing Fees	3,000	3,000
Advertising and Marketing	1,239	627
Employee Benefit Contributions	6,813	6,279
Office Expenses	6,709	5,410
Legal Expense	-	132
Travel	1,925	1,934
Other	4,918	5,130
Total Administrative	<u>78,617</u>	<u>76,136</u>
Tenant Services		
Tenant Services - Other	1,042	1,004
Total Tenant Services	<u>1,042</u>	<u>1,004</u>
Utilities		
Water	16,331	14,985
Electricity	24,961	22,548
Gas	17,043	21,546
Sewer	17,397	16,125
Total Utilities	<u>75,732</u>	<u>75,204</u>
Maintenance & Operations		
Labor	57,893	56,283
Materials	15,769	13,018
Contracts	35,613	32,749
Maintenance	5,199	4,792
Total Maintenance & Operations	<u>114,474</u>	<u>106,842</u>
Insurance Premiums		
Property Insurance	11,574	10,244
Liability Insurance	7,406	5,500
Workmen's Compensation	4,058	3,741
All Other Insurance	707	1,748
Total Insurance Premiums	<u>23,745</u>	<u>21,233</u>
Other General Expense		
Compensated Absences	8,538	8,245
Bad debt - Tenant Rents	7,796	8,331
Total Other General Expenses	<u>16,334</u>	<u>16,576</u>
Total Operating Expenses	<u>309,944</u>	<u>296,995</u>
Non-Operating Expenses		
Extraordinary Maintenance	42,345	-
Depreciation Expense	104,774	107,643
Total Non-Operating Expenses	<u>147,119</u>	<u>107,643</u>
Total Expenses	<u>\$ 457,063</u>	<u>\$ 404,638</u>

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUPPLEMENTARY
FINANCIAL DATA SCHEDULE
December 31, 2016**

Line Item No.	Description	Total Public Housing	Eliminations	Total
111	Cash - Unrestricted	\$ 220,727	\$ -	\$ 220,727
114	Cash - Tenant Security Deposits	18,236	-	18,236
100	Total Cash	238,963	-	238,963
126	Accounts Receivable - Tenants	3,841	-	3,841
126.1	Allowance for Doubtful Accounts -Tenants	(750)	-	(750)
120	Total Receivables, Net of Allowances for Doubtful Accounts	3,091	-	3,091
142	Prepaid Expenses and Other Assets	9,604	-	9,604
143	Inventories	6,244	-	6,244
150	Total Current Assets	257,902	-	257,902
161	Land	10,000	-	10,000
162	Buildings	2,876,166	-	2,876,166
163	Furniture, Equipment & Machinery - Dwellings	31,012	-	31,012
164	Furniture, Equipment & Machinery - Administration	81,794	-	81,794
166	Accumulated Depreciation	(1,979,374)	-	(1,979,374)
160	Total Capital Assets, Net of Accumulated Depreciation	1,019,598	-	1,019,598
180	Total Non-Current Assets	1,019,598	-	1,019,598
190	Total Assets	\$1,277,500	\$ -	\$1,277,500
312	Accounts Payable <= 90 Days	\$ 6,212	\$ -	6,212
321	Accrued Wage/Payroll Taxes Payable	4,020	-	4,020
322	Accrued Compensated Absences - Current Portion	1,151	-	1,151
341	Tenant Security Deposits	18,236	-	18,236
342	Deferred Revenues	1,515	-	1,515
310	Total Current Liabilities	31,134	-	31,134
354	Accrued Compensated Absences - Non Current	1,151	-	1,151
350	Total Non-Current Liabilities	1,151	-	1,151
300	Total Liabilities	32,285	-	32,285
508.1	Invested In Capital Assets, Net of Related Debt	1,019,598	-	1,019,598
511.1	Restricted Net Assets	84,500	-	84,500
512.1	Unrestricted Net Assets	141,117	-	141,117
513	Total Equity/Net Assets	1,245,215	-	1,245,215
600	Total Liabilities and Equity/Net Assets	\$1,277,500	\$ -	\$1,277,500

(CONTINUED)

See the accompanying Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUPPLEMENTARY
FINANCIAL DATA SCHEDULE
December 31, 2016**

Line Item No.	Description	Public Housing 14.850	Capital Funds 14.872	Total Public Housing	Eliminations	Total
70300	Net Tenant Rental Revenue	\$ 187,900	\$ -	\$ 187,900	\$ -	\$ 187,900
70400	Tenant Revenue - Other	18,191	-	18,191	-	18,191
70500	Total Tenant Revenue	206,091	-	206,091	-	206,091
70600	HUD PHA Operating Grants	113,637	-	113,637	-	113,637
70610	Capital Grants	-	71,456	71,456	-	71,456
71100	Investment Income - Unrestricted	103	-	103	-	103
71500	Other Revenue	100	-	100	-	100
71600	Gain or Loss on Sale of Capital Assets	(2,684)	-	(2,684)	-	(2,684)
70000	Total Revenue	317,247	71,456	388,703	-	388,703
91100	Administrative Salaries	54,013	-	54,013	-	54,013
91200	Auditing Fees	3,000	-	3,000	-	3,000
91400	Advertising and Marketing	1,239	-	1,239	-	1,239
91500	Employee Benefit contributions - Administrative	6,813	-	6,813	-	6,813
91600	Office Expenses	6,709	-	6,709	-	6,709
91800	Travel	1,925	-	1,925	-	1,925
91900	Other	4,918	-	4,918	-	4,918
91000	Total Operating - Administrative	78,617	-	78,617	-	78,617
92400	Tenant Services - Other	1,042	-	1,042	-	1,042
92500	Total Tenant Services	1,042	-	1,042	-	1,042
93100	Water	16,331	-	16,331	-	16,331
93200	Electricity	24,961	-	24,961	-	24,961
93300	Gas	17,043	-	17,043	-	17,043
93600	Sewer	17,397	-	17,397	-	17,397
93000	Total Utilities	75,732	-	75,732	-	75,732
94100	Ordinary Maintenance and Operations - Labor	57,893	-	57,893	-	57,893
94200	Ordinary Maintenance and Operations - Materials and Other	15,769	-	15,769	-	15,769
94300	Ordinary Maintenance and Operations Contracts	35,613	-	35,613	-	35,613
94500	Employee Benefit Contributions - Ordinary Maintenance	5,199	-	5,199	-	5,199
94000	Total Maintenance	114,474	-	114,474	-	114,474
96110	Property Insurance	11,574	-	11,574	-	11,574
96120	Liability Insurance	7,406	-	7,406	-	7,406
96130	Workmen's Compensation	4,058	-	4,058	-	4,058
96140	All Other Insurance	707	-	707	-	707
96100	Total insurance Premiums	23,745	-	23,745	-	23,745
96210	Compensated Absences	8,538	-	8,538	-	8,538
96400	Bad debt - Tenant Rents	7,796	-	7,796	-	7,796
96000	Total Other General Expenses	16,334	-	16,334	-	16,334
96900	Total Operating Expenses	309,944	-	309,944	-	309,944
97000	Excess of Operating Revenue over Operating Expenses	7,303	71,456	78,759	-	78,759
97100	Extraordinary Maintenance	42,345	-	42,345	-	42,345
97400	Depreciation Expense	104,774	-	104,774	-	104,774
90000	Total Expenses	457,063	-	457,063	-	457,063
10010	Operating Transfer In	71,456	-	71,456	(71,456)	-
10020	Operating transfer Out	-	(71,456)	(71,456)	71,456	-
10080	Special Items Insurance Proceeds	309,280	-	309,280	-	309,280
10100	Total Other financing Sources (Uses)	380,736	(71,456)	309,280	-	309,280
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	\$ 240,920	\$ -	\$ 240,920	\$ -	\$ 240,920
11030	Beginning Equity	1,004,295	-	1,004,295	-	1,004,295
11190	Unit Months Available	617	-	617	-	617
11210	Number of Unit Months Leased	572	-	572	-	572
11270	Excess Cash	100,593	-	100,593	-	100,593
11620	Building Purchases	223,879	-	223,879	-	223,879

See the accompanying Independent Auditors' Report.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Commissioners
Housing Authority of the City of Julesburg
Julesburg, Colorado

We 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 Julesburg, Colorado, 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 Julesburg, Colorado's basic financial statements and have issued our report thereon dated June 30, 2017.

Internal Control over Financial Reporting

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

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Julesburg, Colorado'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plutt Hanson, P.C.

June 30, 2017

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