

**HOUSING AUTHORITY OF THE TOWN OF
KEENESBURG, COLORADO**

**BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTAL INFORMATION
AND
SUPPLEMENTAL INFORMATION**

Year Ended December 31, 2016

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TABLE OF CONTENTS

	<u>Page No.</u>
Required Supplemental Information:	
Management's Discussion and Analysis	1
Independent Auditor's Report	6
Financial Statements:	
Statement of Net Position – Proprietary Fund	8
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	9
Statement of Cash Flows – Proprietary Fund	10
Notes to Financial Statements	12
Supplemental Information:	
Financial Data Schedule	19
Government Auditing Standards Section:	
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	22
Summary Schedule of Prior Audit Findings	24
Schedule of Findings and Responses	25
Corrective Action Plan	26

**REQUIRED SUPPLEMENTAL INFORMATION-
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Housing Authority of the Town of Keenesburg

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MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2016

This section of the Housing Authority of the Town of Keenesburg, Colorado's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the basic financial statements as a whole.

FINANCIAL HIGHLIGHTS

The term "Net Position" refers to the difference between assets and liabilities. The Authority's total net position as of December 31, 2016 was \$507,281. The net position decreased by (\$11,990), a decrease of 2% from the prior year. Of this amount, \$201,667 was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to creditors and operations of facilities.

Operating income for the Authority was \$78,183 for the year ended December 31, 2016. This was an increase of \$8,102 or 12% over the prior year.

Operating expenses for the Authority were \$153,136 for the year ended December 31, 2016. This was a decrease of (\$5,311) or 3% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management's Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Basic Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of supplemental information. Since the Authority is comprised of all enterprise funds, no entity-wide basic financial statements are shown.

Required Financial Statements

Proprietary Fund Financial Statements - The basic financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

**HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The Authority's Public Housing Program is the only major proprietary fund for presentation purposes. The Authority has no nonmajor funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authorities to submit financial information electronically to HUD using the FDS format. The submitted financial information transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2016 is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

CONDENSED STATEMENT OF NET POSITION

	FY 2016	FY 2015	Dollar Change	Percent Change
Current and other assets	\$ 223,921	\$ 213,744	\$ 10,177	5%
Capital assets	305,614	318,699	(13,085)	-4%
Total Assets	<u>529,535</u>	<u>532,443</u>	<u>(2,908)</u>	<u>-1%</u>
Current liabilities	22,254	13,172	9,082	69%
Total Liabilities	<u>22,254</u>	<u>13,172</u>	<u>9,082</u>	<u>69%</u>
Net Position				
Net investment in capital assets	305,614	318,699	(13,085)	-4%
Unrestricted	201,667	200,572	1,095	1%
Total Net Position	<u>\$ 507,281</u>	<u>\$ 519,271</u>	<u>\$ (11,990)</u>	<u>-2%</u>

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016

FINANCIAL ANALYSIS (CONT'D)

Net Position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$507,281 at the close of the year ended December 31, 2016. This represents a decrease of (\$11,990) which is a decrease of 2% from the prior year. The majority of the decrease is attributable to the recording of depreciation which was \$34,503 for the year end December 31, 2016.

Current and other assets increased by \$10,177. This was attributed to operations before depreciation of \$31,300 and offset by nonroutine maintenance of (\$11,285) and non-capital grant funds used for capital improvements of (\$9,868) which resulted in a net increase in cash and investments of \$1,140. In addition, the amount receivable from HUD increased by \$8,494 which is merely the result of when funds are requisitioned.

Current liabilities increased by \$9,082. There was no unusual reason for the change only the typical variability from year to year based on the timing of payments.

The largest portion of the Authority's net position reflects its net investment in capital assets (e.g. land, buildings and equipment less accumulated depreciation). The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

Unrestricted net position as of December 31, 2016 was \$201,667. Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to creditors and operations of facilities. The Authority has sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to sustain operations. The Authority had no restricted net position that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

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

As can be seen on the next page, total revenues increased by \$11,164, primarily due to the increase in rental income of \$9,904 or 15% and Federal operating grants of \$3,054 or 4%. The increase in rental income was not attributed to any unusual or significant event, only the normal fluctuation from year-to-year based on occupancy and rent composition.

HUD operating subsidy for the Authority was \$63,997 for the year ended December 31, 2016. This was an increase of \$1,494 over the prior year. The operating subsidy funding is determined by HUD on an annual basis and is primarily based on income and utility expenses. The Authority also expended \$7,055 of HUD capital grants for operations for the fiscal year ended December 31, 2016 compared to \$5,495 in the previous year. This amount will vary on the approved budget by HUD. The Authority has flexibility in the use of these funds.

**HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

FINANCIAL ANALYSIS (CONT'D)

**CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Program revenues				
Rental	\$ 75,765	\$ 65,861	\$ 9,904	15%
HUD program contributions	71,052	67,998	3,054	4%
General revenues				
Interest	698	690	8	1%
Other	2,418	4,220	(1,802)	-43%
Total Revenues	<u>149,933</u>	<u>138,769</u>	<u>11,164</u>	<u>8%</u>
Expenses				
Depreciation	34,503	35,113	(610)	-2%
Operating	118,633	123,334	(4,701)	-4%
Nonoperating	-	418	(418)	-100%
Total Expenses	<u>153,136</u>	<u>158,865</u>	<u>(5,729)</u>	<u>-4%</u>
Excess (deficiency) before contributions and special items	(3,203)	(20,096)	16,893	-84%
Capital Contributions	2,498	20,048	(17,550)	
Special Items:				
Nonroutine maintenance	(11,285)	(4,725)	(6,560)	
Changes in Net Position	(11,990)	(4,773)	(7,217)	
Beginning Net Position	519,271	524,044	(4,773)	
Ending Net Position	<u>\$ 507,281</u>	<u>\$ 519,271</u>	<u>\$ (11,990)</u>	

Operating expenses for the Authority were \$118,633 for the year ended December 31, 2016. This was a decrease of (\$4,701) or 4% from the prior year. The various category fluctuations were not attributed to any specific event or unusual circumstance other than the typical variability from year to year.

HUD capital contributions were \$2,498 for the year ended December 31, 2016. This was a decrease of (\$17,550) from the prior year. The Authority is allocated capital grant money each year as determined by HUD and remains relatively consistent from year to year 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 TOWN OF KEENESBURG, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

OCCUPANCY

The occupancy rate for 2016 was 100%. During 2016 there were 2 turnovers. The apartments were vacated for a combined total of 152 days for normal cleaning, updating and repairing as needed after tenants vacate. We currently have a 2 to 3 year waiting list, with the majority of applicants being low income families with children and elderly.

CAPITAL ASSETS

The Authority's net investment in capital assets as of December 31, 2016 amounts to \$305,614. This investment in capital assets includes land, buildings, improvements, equipment and construction in progress, less accumulated depreciation.

The total decrease in the Authority's net investment in capital assets for the current fiscal year was 4% in terms of net book value. The actual amount to purchase or construct capital assets was \$12,366 for the year. Depreciation charges for the year totaled \$34,503. Additional information on the Authority's capital assets can be found in Note F of the notes to the basic financial statements of this report.

Improvements made in 2016 under capital funds included sidewalk repair and installation, tree removal, new trees purchased and planted, and 2 new refrigerators. Other improvements included painting, flooring, grass seed, etc. that is needed due to normal wear and tear of apartments and grounds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2017 budget. The user 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.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Housing Authority of the Town of Keenesburg, 250 East Woodward Ave., PO Box 367, Keenesburg, CO 80643.

INDEPENDENT AUDITOR'S REPORT

Randal D. Niewedde, CPA
Jeffrey J. Wiens, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Housing Authority of the Town of Keenesburg, Colorado

Report on the Basic Financial Statements

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

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Keenesburg, Colorado as of December 31, 2016, and the changes in its financial position and its cash flows 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the Housing Authority of the Town of Keenesburg, Colorado's basic financial statements. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplemental information as described 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. Such Information has been subjected to 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2017 on our consideration of the Housing Authority of the Town of Keenesburg, Colorado'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 the 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 Housing Authority of the Town of Keenesburg, Colorado's internal control over financial reporting and compliance.

Niewedde & Wiens, CPA's

York, Nebraska
April 18, 2017

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
STATEMENT OF NET POSITION
December 31, 2016

ASSETS	Public Housing
CURRENT ASSETS:	
Cash and cash equivalents	\$ 73,156
Investments	108,125
Accounts receivable, net	207
Due from other governments	27,997
Accrued interest receivable	235
Prepaid items	8,458
<i>Restricted:</i>	
Cash and cash equivalents	5,743
TOTAL CURRENT ASSETS	223,921
NONCURRENT ASSETS:	
Capital Assets, non-depreciable	12,000
Capital Assets, depreciable, net	293,614
TOTAL NONCURRENT ASSETS	305,614
TOTAL ASSETS	529,535
 LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	12,911
Accrued payroll and benefits payable	1,635
Due to other governments	1,962
Unearned revenue	3
Tenant security deposits payable	5,743
TOTAL CURRENT LIABILITIES	22,254
TOTAL LIABILITIES	22,254
 NET POSITION	
Net investment in capital assets	305,614
Unrestricted	201,667
TOTAL NET POSITION	\$ 507,281

See accompanying notes.

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
Year Ended December 31, 2016

		<u>Public Housing</u>
OPERATING REVENUES		
Rental income	\$	75,765
Other income		<u>2,418</u>
TOTAL OPERATING REVENUES		78,183
OPERATING EXPENSES		
Administrative		32,008
Utilities		35,565
Ordinary maintenance and operations		38,550
General expense		12,510
Depreciation		<u>34,503</u>
TOTAL OPERATING EXPENSES		<u>153,136</u>
OPERATING INCOME (LOSS)		<u>(74,953)</u>
NONOPERATING REVENUES (EXPENSES)		
HUD operating subsidy		63,997
HUD capital grants - operations		7,055
Interest income		<u>698</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		<u>71,750</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS		(3,203)
CAPITAL CONTRIBUTIONS		
HUD capital fund grants		2,498
SPECIAL ITEMS		
Nonroutine maintenance		<u>(11,285)</u>
INCREASE (DECREASE) IN NET POSITION		(11,990)
NET POSITION:		
Net position, beginning balance		<u>519,271</u>
TOTAL NET POSITION - ENDING BALANCE	\$	<u><u>507,281</u></u>

See accompanying notes.

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended December 31, 2016

	<u>Public Housing</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Rental receipts	\$ 75,558
Other receipts	2,418
Tenant security deposits	246
Cash payments for goods and services	(77,312)
Cash payments to employees for services	(41,872)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(40,962)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
HUD operating subsidy	55,503
HUD capital grants - operations	7,055
Nonroutine maintenance	(11,285)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>51,273</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases and construction of capital assets	(12,366)
HUD capital fund grants	2,498
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(9,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net (deposits) withdrawals to investments	(603)
Interest received	697
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>94</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	537
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>78,362</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 78,899</u>

See accompanying notes.

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
STATEMENT OF CASH FLOWS-PROPRIETARY FUND (CONT'D)
Year Ended December 31, 2016

	<u>Public Housing</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (74,953)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	34,503
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(207)
(Increase) decrease in prepaid items	(333)
Increase (decrease) in accounts payable	74
Increase (decrease) in tenant security deposits payable	246
Increase (decrease) in salaries and benefits payable	(866)
Increase (decrease) in due to other governments	574
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>(40,962)</u>

See accompanying notes.

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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 United States Housing Act of 1937 and amendments contained in the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

Financial Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Government Accounting Standards Board Codification. These criteria state that the financial reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit. Based on these criteria, there are no additional agencies or entities which should be included in the financial statements of the Authority.

Basis of accounting, measurement focus, and financial statement presentation

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

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses and Changes in Fund Net Position. For this purpose, the Authority's operating revenues result from providing low-income housing services such as tenant rent and other tenant charges. Operating expenses include the cost attributed to administration, tenant services, utilities, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Proprietary Fund Financial Statements include a Statement of Net Position,

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

The model as defined in Statement No. 34 establishes criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major Funds. If non-major funds exist, these funds are combined in a single column in the fund financial statements.

The Authority has a sole enterprise fund which includes the activities of the following programs:

Public Housing Program. This fund accounts for the operation, maintenance, and development of housing units which are owned by the Authority. The development of the projects were funded primarily by the U.S. Department of Housing and Urban Development through loans and bonds. The loans have been forgiven by HUD and the bond debt service and repayment requirements are the responsibility of HUD and therefore no outstanding liabilities are recorded. The program is subsidized annually by operating subsidy from HUD and through Capital Grants for capital improvements.

Budgetary Process

The Authority establishes a budget for the fiscal year and is adopted by the Board of Commissioners.

Cash and Investments

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 Cash Investments are available upon demand and 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 to be "cash equivalents".

The Authority's deposits can only be invested in the following HUD approved investments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of federal government agencies, securities of government-sponsored agencies, demand and savings deposits, money-market deposit accounts, municipal depository fund, super now accounts, certificate of deposit, repurchase agreements, sweep accounts, separate trading of registered interest and principal securities (STRIPS), and mutual funds that consist of securities purchased from the HUD approved list.

Accounts Receivable

All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Items

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

Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. Contributions of assets are recorded at acquisition value. The Authority generally capitalized assets with cost of \$500 or more as purchases and construction outlays occur.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-40 years
Building improvements	10-40 years
Furniture and fixtures	5-10 years
Equipment	3-10 years

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority's policy is to apply restricted net position first.

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, deferred outflows, liabilities, deferred inflows, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

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 unearned revenue.

Compensated Absences

The Authority's policy does not allow employees to accumulate unused vacation or sick leave.

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB)

OPEB 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 GASB 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.

Taxpayer's Bill of Rights

In November, 1992, the voters of the State of Colorado approved an amendment to the State's Constitution limiting the amount of revenue which may be spent or retained by Colorado governmental entities. The amendment is in effect for most governmental entities for the years beginning after 1992, but exempts "enterprise" funds from the limitations. The Board of Commissioners of the Authority believes it is exempt from the provisions of the TABOR amendment because it is an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenue from state and local grants) as defined in the constitutional amendment. The Board also believes it is not subject to the provisions of TABOR because the governing board is not an elected board, does not have an electoral constituency, and does not have the power to impose taxes, all basic operational requirements of TABOR.

NOTE B - DEPOSITS AND INVESTMENTS

At December 31, 2016, the Authority's carrying amount of deposits was \$187,004 and the bank balances were \$188,075. As required by the Colorado Public Deposit Protection Act (PDPA), any amount in excess of the FDIC threshold (including accrued interest) shall be collateralized as required by the Public Deposit Protection Acts, article 10.5 of title 11, C.R.S., as amended or article 47 of title 11, C.R.S, as amended. All of the bank balances were covered by federal depository insurance. The Authority had cash on hand of \$20 as of December 31, 2016.

NOTE C – ACCOUNTS RECEIVABLE

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

Tenants	\$	207
Allowance for doubtful accounts		--
	\$	<u>207</u>

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE D – DUE FROM OTHER GOVERNMENTS

A summary of due from other governments as presented in the Statement of Net Position at December 31, 2016 is as follows:

HUD – operating subsidy	\$ <u>27,997</u>
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NOTE E – PREPAID ITEMS

A summary of prepaid items as presented in the Statement of Net Position at December 31, 2016 are as follows:

Prepaid insurance	\$ 7,935
Prepaid software support	523
	\$ <u>8,458</u>

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016
Non-depreciable assets:				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Construction in progress	-	2,498	(2,498)	-
Total non-depreciable assets	<u>12,000</u>	<u>2,498</u>	<u>(2,498)</u>	<u>12,000</u>
Depreciable assets				
Buildings	1,156,864	20,050	-	1,176,914
Equipment - Dwelling	10,364	1,368	-	11,732
Equipment - Administration	24,170	-	-	24,170
Total depreciable assets	<u>1,191,398</u>	<u>21,418</u>	<u>-</u>	<u>1,212,816</u>
Total Capital Assets	<u>1,203,398</u>	<u>23,916</u>	<u>(2,498)</u>	<u>1,224,816</u>
Accumulated depreciation				
Buildings	862,395	31,978	-	894,372
Equipment - Dwelling	5,965	749	-	6,714
Equipment - Administration	16,339	1,777	-	18,115
Total accumulated depreciation	<u>884,699</u>	<u>34,503</u>	<u>-</u>	<u>919,202</u>
Depreciable assets, net	<u>306,699</u>	<u>(13,085)</u>	<u>-</u>	<u>293,614</u>
Capital assets, net	<u>\$ 318,699</u>	<u>\$ (10,587)</u>	<u>\$ (2,498)</u>	<u>\$ 305,614</u>

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE G – RESTRICTED ASSETS

Cash and cash equivalents of \$5,743 as presented in the Statement of Net Position at December 31, 2016 is restricted for tenant security deposits.

NOTE H – ACCOUNTS PAYABLE

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

Vendors and contractors	\$ <u>12,911</u>
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NOTE I – DUE TO OTHER GOVERNMENTS

A summary of due to other governments as presented in the Statement of Net Position at December 31, 2016 is as follows:

Payments in lieu of taxes	\$ <u>1,962</u>
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NOTE J—NET POSITION

The fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets and unrestricted.

- **Net Investment in Capital Assets** – This component groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation reduces the balance in this category.
- **Unrestricted** – This category represents net position of the Authority, not restricted for any project or other purposes.

NOTE K – CONTINGENCIES

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. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any to be immaterial.

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE L - 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 for which the Authority purchases commercial insurance.

During the year ended December 31, 2016, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

SUPPLEMENTAL INFORMATION

Housing Authority of the Town of Keenesburg (CO020)
Keenesburg, CO
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2016

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$73,156	\$73,156		\$73,156
114 Cash - Tenant Security Deposits	\$5,743	\$5,743		\$5,743
100 Total Cash	\$78,899	\$78,899		\$78,899
122 Accounts Receivable - HUD Other Projects	\$27,997	\$27,997		\$27,997
126 Accounts Receivable - Tenants	\$207	\$207		\$207
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
129 Accrued Interest Receivable	\$235	\$235		\$235
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$28,439	\$28,439		\$28,439
131 Investments - Unrestricted	\$108,125	\$108,125		\$108,125
142 Prepaid Expenses and Other Assets	\$8,458	\$8,458		\$8,458
150 Total Current Assets	\$223,921	\$223,921		\$223,921
161 Land	\$12,000	\$12,000		\$12,000
162 Buildings	\$1,176,914	\$1,176,914		\$1,176,914
163 Furniture, Equipment & Machinery - Dwellings	\$11,732	\$11,732		\$11,732
164 Furniture, Equipment & Machinery - Administration	\$24,170	\$24,170		\$24,170
166 Accumulated Depreciation	-\$919,202	-\$919,202		-\$919,202
160 Total Capital Assets, Net of Accumulated Depreciation	\$305,614	\$305,614		\$305,614
180 Total Non-Current Assets	\$305,614	\$305,614		\$305,614
290 Total Assets and Deferred Outflow of Resources	\$529,535	\$529,535		\$529,535
312 Accounts Payable <= 90 Days	\$636	\$636		\$636
321 Accrued Wage/Payroll Taxes Payable	\$1,635	\$1,635		\$1,635
333 Accounts Payable - Other Government	\$1,962	\$1,962		\$1,962
341 Tenant Security Deposits	\$5,743	\$5,743		\$5,743
342 Unearned Revenue	\$3	\$3		\$3
346 Accrued Liabilities - Other	\$12,275	\$12,275		\$12,275
310 Total Current Liabilities	\$22,254	\$22,254		\$22,254
300 Total Liabilities	\$22,254	\$22,254		\$22,254
508.4 Net Investment in Capital Assets	\$305,614	\$305,614		\$305,614
512.4 Unrestricted Net Position	\$201,667	\$201,667		\$201,667
513 Total Equity - Net Assets / Position	\$507,281	\$507,281		\$507,281
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$529,535	\$529,535		\$529,535

Housing Authority of the Town of Keenesburg (CO020)
Keenesburg, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2016

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$74,229	\$74,229		\$74,229
70400 Tenant Revenue - Other	\$1,536	\$1,536		\$1,536
70500 Total Tenant Revenue	\$75,765	\$75,765	\$0	\$75,765
70600 HUD PHA Operating Grants	\$71,052	\$71,052		\$71,052
70610 Capital Grants	\$2,498	\$2,498		\$2,498
71100 Investment Income - Unrestricted	\$698	\$698		\$698
71500 Other Revenue	\$2,418	\$2,418		\$2,418
70000 Total Revenue	\$152,431	\$152,431	\$0	\$152,431
91100 Administrative Salaries	\$17,638	\$17,638		\$17,638
91200 Auditing Fees	\$3,100	\$3,100		\$3,100
91400 Advertising and Marketing	\$38	\$38		\$38
91500 Employee Benefit contributions - Administrative	\$1,406	\$1,406		\$1,406
91600 Office Expenses	\$4,067	\$4,067		\$4,067
91800 Travel	\$1,164	\$1,164		\$1,164
91900 Other	\$4,595	\$4,595		\$4,595
91000 Total Operating - Administrative	\$32,008	\$32,008	\$0	\$32,008
93100 Water	\$12,418	\$12,418		\$12,418
93200 Electricity	\$11,787	\$11,787		\$11,787
93300 Gas	\$8,250	\$8,250		\$8,250
93600 Sewer	\$3,110	\$3,110		\$3,110
93000 Total Utilities	\$35,565	\$35,565	\$0	\$35,565
94100 Ordinary Maintenance and Operations - Labor	\$20,340	\$20,340		\$20,340
94200 Ordinary Maintenance and Operations - Materials and Other	\$9,709	\$9,709		\$9,709
94300 Ordinary Maintenance and Operations Contracts	\$6,879	\$6,879		\$6,879
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,622	\$1,622		\$1,622
94000 Total Maintenance	\$38,550	\$38,550	\$0	\$38,550
96110 Property Insurance	\$7,239	\$7,239		\$7,239
96120 Liability Insurance	\$1,722	\$1,722		\$1,722
96130 Workmen's Compensation	\$1,452	\$1,452		\$1,452
96140 All Other Insurance	\$135	\$135		\$135
96100 Total Insurance Premiums	\$10,548	\$10,548	\$0	\$10,548
96300 Payments in Lieu of Taxes	\$1,962	\$1,962		\$1,962
96000 Total Other General Expenses	\$1,962	\$1,962	\$0	\$1,962
96900 Total Operating Expenses	\$118,633	\$118,633	\$0	\$118,633
97000 Excess of Operating Revenue over Operating Expenses	\$33,798	\$33,798	\$0	\$33,798
97400 Depreciation Expense	\$34,503	\$34,503		\$34,503
90000 Total Expenses	\$153,136	\$153,136	\$0	\$153,136
10010 Operating Transfer In	\$7,055	\$7,055	-\$7,055	\$0
10020 Operating transfer Out	-\$7,055	-\$7,055	\$7,055	\$0
10080 Special Items (Net Gain/Loss)	-\$11,285	-\$11,285		-\$11,285
10100 Total Other financing Sources (Uses)	-\$11,285	-\$11,285	\$0	-\$11,285
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$11,990	-\$11,990	\$0	-\$11,990
11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	\$519,271	\$519,271		\$519,271
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0		\$0
11190 Unit Months Available	236	236		236
11210 Number of Unit Months Leased	236	236		236
11270 Excess Cash	\$183,323	\$183,323		\$183,323
11620 Building Purchases	\$20,170	\$20,170		\$20,170
11630 Furniture & Equipment - Dwelling Purchases	\$624	\$624		\$624
11640 Furniture & Equipment - Administrative Purchases	\$624	\$624		\$624

Housing Authority of the Town of Keenesburg (CO020)
Keenesburg, CO
Single Project Revenue and Expense

Submission Type: Audited/Non Single
Audit

Fiscal Year End: 12/31/2016

Project: CO02000001 TIMBERWOOD

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$74,229		\$74,229
70400 Tenant Revenue - Other	\$1,536		\$1,536
70500 Total Tenant Revenue	\$75,765	\$0	\$75,765
70600 HUD PHA Operating Grants	\$63,997	\$7,055	\$71,052
70610 Capital Grants		\$2,498	\$2,498
71100 Investment Income - Unrestricted	\$698		\$698
71500 Other Revenue	\$2,418		\$2,418
70000 Total Revenue	\$142,878	\$9,553	\$152,431
91100 Administrative Salaries	\$17,638		\$17,638
91200 Auditing Fees	\$3,100		\$3,100
91400 Advertising and Marketing	\$38		\$38
91500 Employee Benefit contributions - Administrative	\$1,406		\$1,406
91600 Office Expenses	\$4,067		\$4,067
91800 Travel	\$1,164		\$1,164
91900 Other	\$4,595		\$4,595
91000 Total Operating - Administrative	\$32,008	\$0	\$32,008
93100 Water	\$12,418		\$12,418
93200 Electricity	\$11,787		\$11,787
93300 Gas	\$8,250		\$8,250
93600 Sewer	\$3,110		\$3,110
93000 Total Utilities	\$35,565	\$0	\$35,565
94100 Ordinary Maintenance and Operations - Labor	\$20,340		\$20,340
94200 Ordinary Maintenance and Operations - Materials and Other	\$9,709		\$9,709
94300 Ordinary Maintenance and Operations Contracts	\$6,879		\$6,879
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,622		\$1,622
94000 Total Maintenance	\$38,550	\$0	\$38,550
96110 Property Insurance	\$7,239		\$7,239
96120 Liability Insurance	\$1,722		\$1,722
96130 Workmen's Compensation	\$1,452		\$1,452
96140 All Other Insurance	\$135		\$135
96100 Total insurance Premiums	\$10,548	\$0	\$10,548
96300 Payments in Lieu of Taxes	\$1,962		\$1,962
96000 Total Other General Expenses	\$1,962	\$0	\$1,962
96900 Total Operating Expenses	\$118,633	\$0	\$118,633
97000 Excess of Operating Revenue over Operating Expenses	\$24,245	\$9,553	\$33,798
97400 Depreciation Expense	\$34,503		\$34,503
90000 Total Expenses	\$153,136	\$0	\$153,136
10010 Operating Transfer In	\$7,055		\$7,055
10020 Operating transfer Out		-\$7,055	-\$7,055
10080 Special Items (Net Gain/Loss)	-\$11,285		-\$11,285
10100 Total Other financing Sources (Uses)	-\$4,230	-\$7,055	-\$11,285
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$14,488	\$2,498	-\$11,990
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$519,271	\$0	\$519,271
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$2,498	-\$2,498	\$0
11190 Unit Months Available	236		236
11210 Number of Unit Months Leased	236		236
11270 Excess Cash	\$183,323		\$183,323
11620 Building Purchases	\$18,920	\$1,250	\$20,170
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$624	\$624
11640 Furniture & Equipment - Administrative Purchases	\$0	\$624	\$624

GOVERNMENT AUDITING STANDARDS SECTION

Randal D. Niewedde, CPA
Jeffrey J. Wiens, CPA

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

Independent Auditors Report

To the Board of Commissioners
Housing Authority of the Town of Keenesburg, 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 basic financial statements of the Housing Authority of the Town of Keenesburg, Colorado, as of and for the year ended December 31, 2016, and the related notes to the basic financial statements, which collectively comprise the Housing Authority of the Town of Keenesburg, Colorado's basic financial statements, and have issued our report thereon dated April 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Housing Authority of the Town of Keenesburg, 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 opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Town of Keenesburg, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the Town of Keenesburg, Colorado's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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 reasonably possibility that a material misstatement of the entity's basic 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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2016-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Keenesburg, Colorado's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have direct and material effect on the determination of basic 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*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Housing Authority of the Town of Keenesburg, Colorado in the accompanying schedule of findings and responses as Finding 2016-2.

Response to Findings

The Housing Authority of the Town of Keenesburg, Colorado's responses to the findings identified in our audit are described in the accompanying corrective action plan. The Housing Authority of the Town of Keenesburg, Colorado's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the responses.

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.

Niewedde & Wiens, CPA's

York, Nebraska
April 18, 2017

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2016

The audit report for the year ended December 31, 2015 contained one finding and no questioned costs.

Finding 2015-1: Internal Controls – This finding is repeated because the Authority is a small entity and it is not financially feasible to correct this finding.

HOUSING AUTHORITY OF THE TOWN OF KEENESBURG, COLORADO
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2016

Finding 2016-1: Internal Control Structure
Material Weakness

Criteria: A properly designed internal control structure relies greatly on a proper segregation of duties between several individuals. The duties related to initiating, authorizing, recording, processing and reporting financial data would be segregated so there is less likelihood that a misstatement of the entity's financial statements would occur.

Condition: The Authority consists of one administrative employee and as a result does not have personnel assigned responsibilities in such a way that different employees handle different parts of the same transaction. The limited number of employees results in an inadequate overall internal control structure design.

Cause: The Authority has limited staff and does not have the resources to properly segregate duties.

Effect or Potential Effect: The lack of segregation of duties related to the controls over the categories above are significant deficiencies that could result in a material misstatement in the financial statements.

Recommendation: The Authority has limited resources and additional controls are not financially feasible in the hiring of additional staff. The Authority is a small entity and the lack of segregation of duties is common among entities with minimal employees and should be recognized as such. However, it is not our intent to establish internal controls as the Authority's Board should make the final determination in the cost versus benefit.

Finding 2016-2: Allowable Costs/Cost Principles
Immaterial Noncompliance
Questioned Costs \$2,100

Criteria – The Authority is required to follow OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards contained in 2CFR Chapter I and Chapter II. One of the general criteria contained in §200.444, the general costs of government are unallowable which include salaries and other expenses of a local governmental body incurred for purposes of executive direction.

Condition - During our audit we noted the Authority had approved to disburse an annual amount to each Board Member in the amount of \$500 for the Board Chair and \$400 for each member which totaled \$2,100 for the year ended December 31, 2016. This cost is unallowable according to the above referenced requirements related to cost principles in the administration of Federal Awards.

Cause - The Authority was unaware that this was an unallowable practice.

Effect - The annual payment to each Board Member is unallowable and resulted in questioned costs of \$2,100.

Recommendation - We recommend in the future the Authority discontinue the practice of making annual payments to Board Members.

Housing Authority of the Town of Keenesburg

P.O. Box 367, 250 E. Woodward Ave., Keenesburg, CO 80643 Phone: 303-732-4221

Fax: 303-732-0979

**CORRECTIVE ACTION PLAN
Year Ended December 31, 2016**

The following are responses to and the corrective action to be taken in regard to the findings as reported in the accompanying Schedule of Findings and Responses for the fiscal year ended December 31, 2016:

ITEM

- 2016-1** The Authority is a small entity and recognizes the lack of segregation of duties associated with the limited number of personnel. Due to our small size the cost of adding employees to implement these controls, the expected benefit would be a significant increase in the cost and at this time we feel the cost would exceed the benefit.
- 2016-2** The Authority was unaware that annual gift/payment to each Board Member was unallowable. The Authority will discontinue the annual payments from this moment on.

Contact Person: Adriane Roskop, Executive Director
250 East Woodward Ave.
Keenesburg, CO 80643
303-732-4221