



**HOUSING AUTHORITY OF THE
COUNTY OF MONTROSE, COLORADO**

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

December 31, 2016



RECEIVED

By Justin L. Smith at 1:20 pm, Apr 26, 2017

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

February 10, 2017

Board of Commissioners
Housing Authority of the County of Montrose, Colorado
Olathe, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the County of Montrose, Colorado (Authority) 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of 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 assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes assessing 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.



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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 financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the County of Montrose, 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 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 an opinion on the Authority's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



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Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Chadwick, Steinkirchner, Davis & Co., P.C.

**Montrose County Housing Authority
Management's Discussion and Analysis
Year Ended December 31, 2016**

This narrative overview and analysis of the Montrose County Housing Authority (MCHA), performance through December 31, 2016 is provided as a supplement to MCHA year-end financial statements. Please read it in conjunction with the transmittal letter at the beginning of this report, the basic financial statements following this section and the notes to the basic financial statements.

Financial Highlights

- The assets of MCHA exceeded liabilities at December 31, 2016 by \$3.91 million. Of this amount, \$1.3 million (unrestricted net position) may be used to meet ongoing obligations and \$2.3 million is the net investment in capital assets.
- The MCHA total net position increased by \$70,895, up 2% from the prior year.
- Operating revenues increased \$128,056 from 2015 (8.1%) due primarily to additional HUD funding.
- Operating expenses increased \$38,249 (2.4%) in comparison to the prior year due primarily to additional Housing Assistance Payments.
- Additions to capital assets were completed at the Olathe Meadows with the Asphalt repaving; the purchase of 2 residential rental houses as well as new fencing and landscaping at Barbara Court. Overall, capital assets, net of accumulated depreciation, increased by \$289,546.
- Total long term debt decreased by \$15,963 from the prior year.

Overview of the Basic Financial Statements

This discussion and analysis is intended only to serve as an introduction to MCHA's basic financial statements. The MCHA financial statements are comprised of a series of *financial exhibits* highlighting the important statements found in most organizational audits, followed by *Notes to the Basic Financial Statements* that provide additional disclosure of some of the information in the basic financial statements.

The Statement of Net Position presents information on MCHA'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 as to whether the MCHA's financial health is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present information showing how MCHA's net position changed during the 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. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future years.

The Statement of Cash Flows reports how MCHA's cash and cash equivalents were used in (and provided by) its operating, non-capital financing, capital and related financing, and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances at December 31, 2016. The MCHA uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. These statements provide answers to such questions as where did cash come from, how cash was used and what was the change in the cash balance during the year.

Notes to the Basic Financial Statements provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to comprehensive understanding of the information provided in the basic financial statements.

Financial Analysis

Net Position is summarized in the table below:

	2015	2016
Current Assets	\$ 1,697,282	\$ 1,432,403
Restricted Assets	\$ 216,917	\$ 251,585
Capital assets, net	\$ 2,129,354	\$ 2,418,900
Total Assets	\$ 4,043,553	\$ 4,102,888
Current Liabilities	\$ 55,612	\$ 45,619
Noncurrent Liabilities	\$ 152,675	\$ 151,108
Total Liabilities	\$ 208,287	\$ 196,727
Invested in capital assets, net of related debt	\$ 1,960,723	\$ 2,266,232
Restricted for debt service and vouchers	\$ 244,723	\$ 331,343
Unrestricted	\$ 1,629,820	\$ 1,308,586
Total Net Position	\$ 3,835,266	\$ 3,906,161

The MCHA's current ratio reflects the relationship between current assets and current liabilities and is a measure of MCHA's ability to pay short-term obligations. At December 31, 2016 MCHA's current ratio is over 31:1.

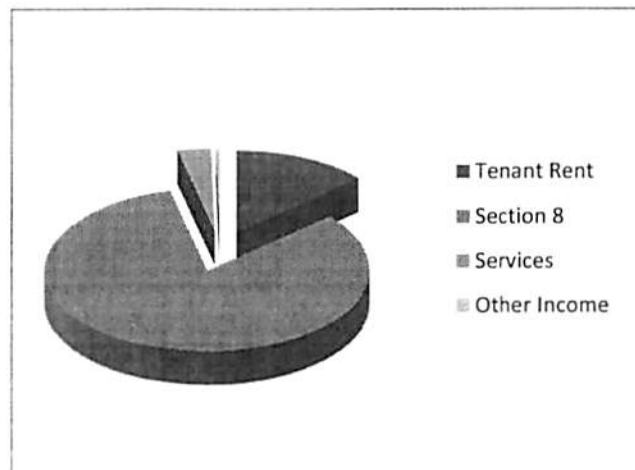
A large portion of MCHA's net position consists of its investment in capital assets net of outstanding related debt. Excluding related debt, MCHA's ownership interest in its capital assets is (94%) of over \$2.4 million total capital assets. MCHA utilizes the capital assets to fulfill its mission of providing low income housing for the residents of Montrose County.

Changes in net position are summarized in the table below:

	2015	2016
Operating Revenues	\$ 1,584,840	\$ 1,712,896
Operating Expenses	<u>\$ 1,608,103</u>	<u>\$ 1,646,352</u>
Operating (loss) income	\$ (23,263)	\$ 66,544
Nonoperating revenues (expenses)	<u>\$ (132,976)</u>	<u>\$ 4,351</u>
Change in net position	\$ (156,239)	\$ 70,895
Net Position, January 1	<u>\$ 3,991,505</u>	<u>\$ 3,835,266</u>
Total Net Position December 31	<u><u>\$ 3,835,266</u></u>	<u><u>\$ 3,906,161</u></u>

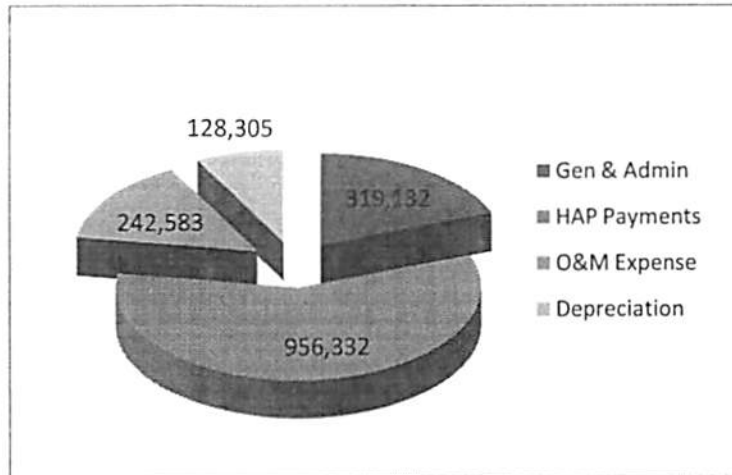
Operating Revenues by Source

Tenant Rent	230,403
Section 8	1,419,823
Services	56,358
Other Income	<u>6,312</u>
	<u>1,712,896</u>



Operating Expenses by Source

Gen & Admin	319,132
HAP Payments	956,332
O&M Expense	242,583
Depreciation	<u>128,305</u>
	1,646,352



Capital Assets

	2015	2016
Land	\$ 354,001	\$ 354,001
Building	\$ 3,901,471	\$ 4,319,322
Vehicle	\$ 14,400	\$ 14,400
Furniture & Equipment	\$ <u>70,358</u>	\$ <u>70,358</u>
Total Capital Assets (being depreciated)	\$ 3,986,229	\$ 4,404,080
Less: Accumulated Depreciation	\$ <u>(2,210,876)</u>	\$ <u>(2,339,181)</u>
Capital Assets being depreciated	\$ <u>1,775,353</u>	\$ <u>2,064,899</u>
Net Capital Assets	\$ <u><u>2,129,354</u></u>	\$ <u><u>2,418,900</u></u>

Additional Information on MCHA's capital assets can be found in **Note D** to the basic financial statements.

Debt Administration

	2015	2016
Mortgage Payable	\$ <u>168,631</u>	\$ <u>152,668</u>

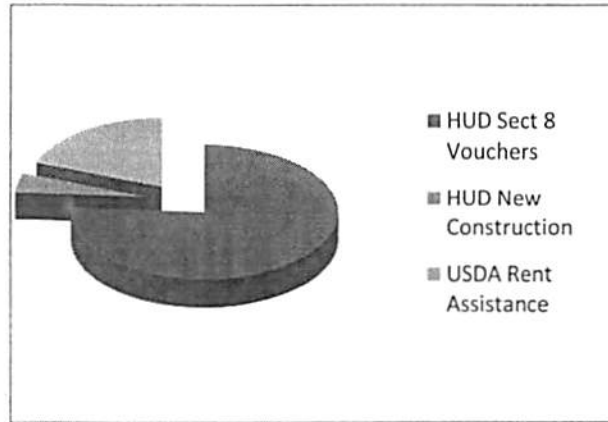
All debt service payments were made in 2016 as scheduled.

Additional information on MCHA’s long-term debt can be found in **Note E** to the basic financial statements.

Federal Subsidy Utilization

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS - 2016

HUD Sect 8 Vouchers	1,213,158
HUD New Construction	72,200
USDA Rent Assistance	310,666
	1,596,024



Management Analysis and Comment

Organizational Structure

The housing authority is a quasi-government business entity, organized around a 5-member board of commissioners, all individually appointed to serve 5-year terms by the 3-member Board of County Commissioners. The housing authority appoints an Executive Director, their sole employee, to carry out the mission of the housing authority. The board is ultimately responsible for providing oversight and governance of the housing authority. The board meets monthly on the last Wednesday of each month. No new Commissioners were appointed in of 2016.

As a quasi-government business entity, MCHA is highly regulated and governed by the federal government through Housing and Urban Development (HUD), state government through the Colorado Division of Housing, as well as the local board of county commissioners. In addition, MCHA reports to each private or public funding agency with whom we maintain a financial relationship such as the Colorado Department of Local Affairs for community development block grants, the U.S.D.A. Rural Development for farm labor housing grants, the Colorado Division of Housing for HOME funds, and Colorado Housing Finance Authority (CHFA) for tax credit issues. MCHA is a classified as a 501(c)(3) non-profit corporation.

2016 Highlights

- The drainage issue on Rebekah Drive was corrected and paving was completed at Olathe Meadows and the parking area around the Housing Authority office.
- The number of Housing Choice Vouchers leased up was maintained at 182.

- Five more of the 14 Veteran’s Administration Supportive Housing Vouchers awarded in 2014 were leased up in 2016 – bringing the total to 11, and 1 additional VASH voucher was assigned.
- In keeping with goals set in 2015, when the Board of Directors voted to approve the acquisition of homes for rent to low-income families, 2 rental homes have been purchased. Both are now under lease to Housing Choice Voucher participants.

Respectfully Submitted,

Susan Barrientos
Executive Director
Montrose County Housing Authority

Request for Information

The financial report is designed to provide the reader with a general overview of MCHA’s finances. Questions concerning any of the information provided in this annual audit or requests for additional information should be addressed to:

**Montrose County Housing Authority
Susan Barrientos, Executive Director
222 Hap Court
Olathe, Colorado 81425**

Housing Authority of the County of Montrose, Colorado

STATEMENT OF NET POSITION

December 31, 2016

ASSETS		
Current assets		
Cash and investments		\$ 1,432,403
	Total current assets	<u>1,432,403</u>
Noncurrent assets		
Restricted cash and investments		
Tenant security deposits		16,852
Loan and replacement reserves		234,733
	Total restricted assets	<u>251,585</u>
Capital assets, net of accumulated depreciation		2,418,900
	Total noncurrent assets	<u>2,670,485</u>
	Total assets	4,102,888
LIABILITIES		
Liabilities		
Current liabilities		
Accounts payable		9,889
Accrued payroll		2,799
Security deposits held		16,852
Current maturity of long-term debt		16,079
	Total current liabilities	<u>45,619</u>
Noncurrent liabilities		
Compensated absences		14,519
Long-term debt		136,589
	Total noncurrent liabilities	<u>151,108</u>
	Total liabilities	<u>196,727</u>
NET POSITION		
Net investment in capital assets		2,266,232
Restricted for debt service and replacements		234,733
Restricted for vouchers		96,610
Unrestricted		1,308,586
	Total net position	<u>\$ 3,906,161</u>

The accompanying notes are an integral part of this statement.

Housing Authority of the County of Montrose, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2016

Operating revenue		
Tenant rent income		\$ 230,403
Rent income - HUD/USDA		1,419,823
Other administrative income		56,358
Other operating income		6,312
	Total operating revenue	<u>1,712,896</u>
Operating expenses		
General and administrative		319,132
Housing assistance payments		956,332
Maintenance and operations		242,583
Depreciation		128,305
	Total operating expenses	<u>1,646,352</u>
	Net operating income	66,544
Non-operating revenue (expense)		
Interest income		5,483
Interest expense		(1,132)
	Total non-operating revenue (expense)	<u>4,351</u>
	Change in net position	70,895
Net position at beginning of year		<u>3,835,266</u>
Net position at end of year		<u><u>\$ 3,906,161</u></u>

The accompanying notes are an integral part of this statement.

Housing Authority of the County of Montrose, Colorado

STATEMENT OF CASH FLOWS

Year ended December 31, 2016

Cash flows from operating activities	
Cash received from housing assistance and rent payments	\$ 1,654,889
Other operating receipts	62,670
Tenant security deposits received (refunded)	4,259
Cash paid to suppliers	(1,229,620)
Cash paid to employees	(288,283)
	<u>203,915</u>
Net cash provided (used) by operating activities	
Cash flows from capital and related financing activities	
Purchase of capital asset improvements	(417,851)
Principal payments on debt	(15,963)
Interest paid	(1,132)
	<u>(434,946)</u>
Net cash provided (used) by capital and related financing activities	
Cash flows from investing activities	
Interest received	5,483
	<u>5,483</u>
Net cash provided (used) by investing activities	
Increase (decrease) in cash and cash equivalents	
	<u>(225,548)</u>
Cash and cash equivalents at beginning of year	<u>1,909,536</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,683,988</u></u>

Reconciliation of net operating income to net cash provided (used) by operating activities:

Net operating income	\$ 66,544
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:	
Depreciation	128,305
(Increase) decrease in accounts receivable	4,663
Increase (decrease) in accounts payable	(2,617)
Increase (decrease) in compensated absences	(38)
Increase (decrease) in security deposits	4,259
Increase (decrease) in accrued liabilities	2,799
	<u>137,371</u>
	Total adjustments
Net cash provided (used) by operating activities	<u><u>\$ 203,915</u></u>

The accompanying notes are an integral part of this statement.

Housing Authority of the County of Montrose, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of the County of Montrose, Olathe, Colorado (Authority) conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to governments. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

1. Reporting Entity

The Authority was established in 1981 under State of Colorado statute and is governed by a five member Board of Commissioners. As required by US GAAP, these financial statements present the activities of the Authority.

Olathe Meadows consist of 24 rental units. The Authority has a housing assistance payment contract with U.S. Department of Housing and Urban Development (HUD) renewable annually in February of each year. Under the contract, HUD pays the Authority the difference between the established rental value of the units and the amount paid by the tenants. The tenants' share of the rent is based on their income.

Family Housing Duplexes consist of 24 rental units. The Authority receives rental subsidies from U. S. Department of Agriculture under the rural rental assistance payments program. The program provides rental assistance for farm and migrant workers.

Colorado Division of Housing consists of 90 units under contract. This program provides rental assistance to low-income families.

Section 8 Housing Choice Vouchers program administers 183 vouchers under the HUD Rental Assistance Program. This program provides rental assistance to low-income families.

Barbara Courts consist of 24 rental units. The Authority receives rental subsidies from the U. S. Department of Agriculture under the rural rental assistance payments program. Of the 24 units, 17 are set aside for low-income families.

The Board of Commissioners is appointed by the Montrose County Board of Commissioners and has total control of financial resources, can buy or sell property, enter into contracts and acquire indebtedness on behalf of the Authority. The Authority is the primary government. The Authority has no component units.

Housing Authority of the County of Montrose, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of a proprietary fund. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Authority has implemented GASB No. 34 and related statements. Since the operations of the Authority are accounted for on a fund basis in a single enterprise fund, it is the only fund presented. A description of the fund type used by the Authority follows:

Proprietary Fund – is used to account for those operations that are financed and operated in a manner similar to private business. Activities of the Authority are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Basis of accounting refers to when revenues or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of a fund are included on the statement of net position. Net position is categorized as net investment in capital assets, restricted for debt service and Voucher expenses, and unrestricted. Fund operating statements present increases (e.g., revenues and contributions) and decreases (e.g., expenses) in net position. Proprietary funds are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Authority uses the accrual basis of accounting. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services within the scope of the enterprise operation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues from grants are recognized in the year in which all eligibility requirements have been satisfied.

3. Budgetary Control and Authority

The Board of Commissioners of the Authority adopts, by resolution, an annual budget for each fund or project of the Authority. The budget adoption process is not authorized by constitution, charter, statute or ordinance. Fund budgets are adopted to provide internal financial management and oversight control.

Housing Authority of the County of Montrose, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities and Equity

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be unrestricted and restricted cash on hand and demand deposits.

Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, prepaid expenses, accounts and notes receivable, accounts payable, and debt. The Authority estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments or the nature of the debt.

Restricted Assets – Cash and Cash Equivalents

Certain cash accounts of the Authority are classified as restricted since their use requires the permission of the U.S. Department of Agriculture, Rural Development Administration (RDA) or the U.S. Department of Housing and Urban Development (HUD) or represents escrows.

Tenant Security Deposits

Tenant security deposits held by HUD and Rural Development Rental Housing projects are segregated in separate bank accounts.

Accounts Receivable

Management of the Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Capital Assets

Capital assets of the Authority are recorded at cost if purchased or constructed. Capital assets have an initial cost of \$5,000 or more and a life greater than one year. Donated assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over their estimated useful lives of 7 to 40 years.

Housing Authority of the County of Montrose, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities and Equity- continued

Compensated Absences

The Authority's policy is to allow employees to accumulate a limited amount of earned but unused vacation leave which will be taken after the year end or paid upon termination.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years.

Estimates

The preparation of financial statements in accordance with US GAAP involves the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

NOTE B – CASH AND CASH EQUIVALENTS

Cash

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. As of December 31, 2016, \$466,991 of the Authority's bank deposits were not covered by FDIC insurance, but are covered under PDPA as explained above.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest. The Authority is authorized to invest in obligations of the (1) U.S. Treasury, (2) obligations unconditionally guaranteed by U.S. agencies, (3) certain international agency securities, (4) types of bonds of U.S. local government entities, (5) bankers' acceptances of certain banks, (6) commercial paper, (7) written repurchase agreements collateralized by certain authorized securities, (8) certain money market funds, and (9) guaranteed investment contracts.

Housing Authority of the County of Montrose, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B – CASH AND CASH EQUIVALENTS – CONTINUED

The Authority has invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. Colotrust is a Level 2 investment in the fair value hierarchy established by GASB 72 and is valued using significant observable inputs other than quoted market prices in active markets for identical securities.

Cash and cash equivalents consist of the following at December 31, 2016:

Cash in banks	\$ 945,571
Colotrust	<u>738,417</u>
	1,683,988
Less amounts restricted for tenant security deposits, specific expenditures, loan reserves	<u>251,585</u>
	<u><u>\$ 1,432,403</u></u>

NOTE C – RESTRICTED NET POSITION

Debt service, replacements, and unused Housing Assistance Payments (HAP) – the amounts represent the current balance of reserves mandated by the U.S. Department of Agriculture (USDA) for debt service and replacements and U.S. Department of Housing and Urban Development (HUD) for the Vouchers program unused HAP and escrow balances.

NOTE D – CAPITAL ASSETS

At December 31, 2016, capital asset transactions and balances include the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Land	\$ 354,001	\$ –	\$ –	\$ 354,001
Depreciable assets:				
Buildings and improvements	3,901,471	417,851	–	4,319,322
Vehicles	14,400	–	–	14,400
Furniture and equipment	<u>70,358</u>	–	–	<u>70,358</u>
Total capital assets, being depreciated	3,986,229	417,851	–	4,404,080
Less accumulated depreciation:	<u>(2,210,876)</u>	<u>(128,305)</u>	–	<u>(2,339,181)</u>
Total capital assets, being depreciated, net	<u>1,775,353</u>	<u>289,546</u>	–	<u>2,064,899</u>
Total capital assets, net	<u><u>\$2,129,354</u></u>	<u><u>\$ 289,546</u></u>	<u><u>\$ –</u></u>	<u><u>\$2,418,900</u></u>

Housing Authority of the County of Montrose, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E – LONG-TERM DEBT

The Authority has two mortgages payable to the U. S. Department of Agriculture, Office of Rural Development (formerly FMHA). The first mortgage has a monthly installment due of \$960, with an annual interest rate at 1.0%. This mortgage is collateralized by a lien on the apartments, on the real property and a security interest in rents, profits and reserve accounts. The second mortgage has a monthly installment due of \$464, with an annual interest rate at 1%. This mortgage is collateralized by a lien on the real property and a security interest in rents, profits and reserve accounts.

	Loan Balance December 31, 2015	Additions	Reductions	Loan Balance December 31, 2016	Due in one year
Compensated absences	\$ 14,557	\$ -	\$ 38	\$ 14,519	\$ -
83-20	116,523	-	10,402	106,121	10,507
84-20	<u>52,108</u>	<u>-</u>	<u>5,561</u>	<u>46,547</u>	<u>5,572</u>
Totals	<u>\$ 183,188</u>	<u>\$ -</u>	<u>\$ 16,001</u>	<u>\$ 167,187</u>	<u>\$ 16,079</u>

Maturities of the mortgage notes are as follows:

Year ending December 31,

	Principal	Interest	Total
2017	\$ 16,079	\$ 1,014	\$ 17,093
2018	16,185	908	17,093
2019	16,292	801	17,093
2020	16,399	694	17,093
2021	16,508	585	17,093
2022 – 2026	<u>71,205</u>	<u>1,258</u>	<u>72,463</u>
Total	<u>\$ 152,668</u>	<u>\$ 5,260</u>	<u>\$ 157,928</u>

NOTE F – GRANTS

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 expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Housing Authority of the County of Montrose, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G – OPERATING SUBSIDY – HUD

Existing Section 8 Voucher projects operate under annual contribution contracts with HUD whereby HUD reimburses the project for rent subsidy payments made for eligible participants and certain administrative expenses. Rent subsidy payments are determined under HUD guidelines, which require that an eligible participant pay rent only equal to a percentage of their income. The difference between the participant's actual cost of rent and the calculated maximum is paid by HUD through the project.

NOTE H – RENT INCOME

The Olathe Meadows project receives a substantial portion of their rental income from HUD under a Section 8 Housing Assistance Payment Contract. The project is subject to HUD guidelines which state that tenants can only be charged a monthly rental equal to a percentage of their income. The balance of the tenants' rent is paid by HUD under this Housing Assistance Payment contract.

The Family Housing Duplexes and Barbara Courts projects receive a substantial portion of their rental income from the U.S. Department of Agriculture (USDA) - Rural Rental Housing program. The projects are subject to Rural Rental Housing guidelines which state that tenants can only be charged a monthly rental equal to a percentage of their income. The balance of the tenants' rent is paid by the USDA under the Rural Rental Housing program.

NOTE I – DEFINED CONTRIBUTION PENSION PLAN

The Authority contributes to the Colorado Officials and Employees Retirement Association through Montrose County, a multiple-employer defined contribution plan (Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. An agreement between the Authority and the Plan requires the Authority to contribute 3.0% of a participant's basic monthly salary. Participation is on a voluntary basis.

The Authority made the required 3.0% matching contribution in the amount of \$5,520 for the year ended December 31, 2016. The Authority allocates employer contributions to the various programs based on participating employees directly attributable to that program.

The Plan had no investments in or loans to the Authority during the year ended December 31, 2016.

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS

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 governments. The amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the amendment. However, the Authority has made certain interpretations of the amendment's language in order to determine its compliance.

Housing Authority of the County of Montrose, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE K – SUNSHINE PEAK APARTMENT HOMES AND ANNEX

The Authority is a less than 1% member in Sunshine Peak Apartments and Annex, a 91-unit multi-family housing low-income tax credit project. After completion of the 15 year low-income housing tax credit compliance period (August 31, 2022) and withdrawal of the non-managing member, Boston Capital, the project will be transferred to the Authority.

SUPPLEMENTARY INFORMATION

Housing Authority of the

SCHEDULE OF NET

	December 31,			
	General Administration	Olathe Meadows	Rental Properties	Family Housing Duplexes
ASSETS				
Current assets				
Cash and cash equivalents	\$ 627,887	\$ 443,607	\$ 9,100	\$ 52,646
Accounts receivable, less allowance of \$-0-	21,781	-	-	-
Total current assets	<u>649,668</u>	<u>443,607</u>	<u>9,100</u>	<u>52,646</u>
Restricted cash and investments				
Tenant security deposits	-	288	2,200	8,906
Loan and replacement reserves	-	-	-	173,397
Total restricted assets	<u>-</u>	<u>288</u>	<u>2,200</u>	<u>182,303</u>
Capital assets	<u>128,602</u>	<u>506,749</u>	<u>689,169</u>	<u>740,060</u>
Total assets	778,270	950,644	700,469	975,009
LIABILITIES				
Current liabilities				
Accounts payable	1,513	5,688	240	6,739
Accrued payroll	2,799	-	-	-
Security deposits held	-	288	2,200	8,906
Current portion of long-term debt	-	-	-	10,507
Total current liabilities	<u>4,312</u>	<u>5,976</u>	<u>2,440</u>	<u>26,152</u>
Compensated absences	14,519	-	-	-
Long-term debt, net of current portion	-	-	-	95,614
Total liabilities	<u>18,831</u>	<u>5,976</u>	<u>2,440</u>	<u>121,766</u>
NET POSITION				
Net investment in capital assets	128,602	506,749	689,169	633,939
Restricted for debt service and replacements	-	-	-	173,397
Restricted for vouchers	-	-	-	-
Unrestricted	630,837	437,919	8,860	45,907
Total net position	<u>\$ 759,439</u>	<u>\$ 944,668</u>	<u>\$ 698,029</u>	<u>\$ 853,243</u>

County of Montrose, Colorado

POSITION - ALL PROGRAMS

2016

<u>Section 8 Vouchers</u>	<u>Barbara Courts</u>	<u>Eliminating Entries</u>	<u>Total</u>
\$ 243,286	\$ 55,877	\$ -	\$ 1,432,403
-	-	(21,781)	-
<u>243,286</u>	<u>55,877</u>	<u>(21,781)</u>	<u>1,432,403</u>
-	5,458	-	16,852
-	61,336	-	234,733
-	<u>66,794</u>	-	<u>251,585</u>
-	354,320	-	2,418,900
<u>243,286</u>	<u>476,991</u>	<u>(21,781)</u>	<u>4,102,888</u>
12,043	5,447	(21,781)	9,889
-	-	-	2,799
-	5,458	-	16,852
-	5,572	-	16,079
<u>12,043</u>	<u>16,477</u>	<u>(21,781)</u>	<u>45,619</u>
-	-	-	14,519
-	40,975	-	136,589
<u>12,043</u>	<u>57,452</u>	<u>(21,781)</u>	<u>196,727</u>
-	307,773	-	2,266,232
-	61,336	-	234,733
96,610	-	-	96,610
<u>134,633</u>	<u>50,430</u>	-	<u>1,308,586</u>
<u>\$ 231,243</u>	<u>\$ 419,539</u>	<u>\$ -</u>	<u>\$ 3,906,161</u>

Housing Authority of the
SCHEDULE OF
REVENUES, EXPENSES,

	Year ended			
	General Administration	Olathe Meadows	Rental Properties	Family Housing Duplexes
Operating revenue				
Tenant rent income	\$ -	\$ 51,776	\$ 32,849	\$ 79,340
Rent income - HUD/USDA	-	72,200	-	84,311
Other administrative income	102,918	-	-	-
Other operating income	-	-	-	-
Total operating revenue	102,918	123,976	32,849	163,651
Operating expenses				
General and administrative	89,977	27,546	9,318	27,430
Housing assistance payments	-	-	-	-
Maintenance and operations	-	81,469	12,112	83,160
Depreciation	6,722	23,918	22,075	43,239
Total operating expenses	96,699	132,933	43,505	153,829
Net operating income (loss)	6,219	(8,957)	(10,656)	9,822
Non-operating revenue (expense)				
Interest income	2,408	2,910	1	88
Interest expense	-	-	-	(1,120)
Transfers	(641,271)	-	708,684	-
Total non-operating revenue (expense)	(638,863)	2,910	708,685	(1,032)
Change in net position	(632,644)	(6,047)	698,029	8,790
Net position at beginning of year	1,392,083	950,715	-	844,453
Net position at end of year	\$ 759,439	\$ 944,668	\$ 698,029	\$ 853,243

County of Montrose, Colorado

INDIVIDUAL PROGRAM
AND CHANGES IN NET POSITION

December 31, 2016

<u>Section 8 Vouchers</u>	<u>Barbara Courts</u>	<u>Eliminating Entries</u>	<u>Total</u>
\$ -	\$ 66,438	\$ -	\$ 230,403
1,208,185	55,127	-	1,419,823
-	-	(46,560)	56,358
6,312	-	-	6,312
<u>1,214,497</u>	<u>121,565</u>	<u>(46,560)</u>	<u>1,712,896</u>
189,413	22,008	(46,560)	319,132
956,332	-	-	956,332
-	65,842	-	242,583
-	32,351	-	128,305
<u>1,145,745</u>	<u>120,201</u>	<u>(46,560)</u>	<u>1,646,352</u>
<u>68,752</u>	<u>1,364</u>	<u>-</u>	<u>66,544</u>
57	19	-	5,483
-	(12)	-	(1,132)
(67,413)	-	-	-
<u>(67,356)</u>	<u>7</u>	<u>-</u>	<u>4,351</u>
1,396	1,371	-	70,895
<u>229,847</u>	<u>418,168</u>	<u>-</u>	<u>3,835,266</u>
<u>\$ 231,243</u>	<u>\$ 419,539</u>	<u>\$ -</u>	<u>\$ 3,906,161</u>

Housing Authority of the County of Montrose, Colorado
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2016

<u>C.F.D.A. PROGRAM TITLE</u>	<u>C.F.D.A. PROGRAM NUMBER</u>	<u>AMOUNT OF EXPENDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Section 8 Housing Choice Vouchers	14.871	\$ 1,213,158
Section 8 New Construction and Substantial Rehabilitation	14.182	<u>72,200</u>
Total U.S. Department of Housing and Urban Development		1,285,358
U.S. DEPARTMENT OF AGRICULTURE		
Rural Rental Housing Loans	10.415	171,228
Rural Rental Assistance Payments	10.427	<u>139,438</u>
Total U.S. Department of Agriculture		<u>310,666</u>
Total Expenditures of Federal Awards		<u>\$ 1,596,024</u>

The accompanying notes are an integral part of this schedule.

Housing Authority of the County of Montrose, Colorado

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2016

NOTE A – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the Housing Authority of the County of Montrose, Colorado. The Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE C – FEDERAL LOAN AND INSURANCE PROGRAMS

The Authority also participates in the following Rural Housing Service loan program, a direct program, through the U.S. Department of Agriculture-Rural Development Division:

	<u>CFDA Program Number</u>	<u>Ending Balance of Direct Loans</u>
Rural Rental Housing Loans	10.415	\$ 152,668

NOTE D – INDIRECT COST RATE

The Organization did not elect to use the 10 percent de minimus indirect cost rate.



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*

February 10, 2017

Board of Commissioners
Housing Authority of the County of Montrose, Colorado
Olathe, 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 Housing Authority of the County of Montrose, Colorado (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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.



Board of Commissioners
Housing Authority of the
County of Montrose, Colorado
Olathe, Colorado

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's 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 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chadwick, Steinkirchner, Davis + Co., P.C.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

February 10, 2017

Board of Commissioners
Housing Authority of the County of Montrose, Colorado
Olathe, Colorado

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the County of Montrose, Colorado's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

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



Board of Commissioners
Housing Authority of the
County of Montrose, Colorado
Olathe, Colorado

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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



Board of Commissioners
Housing Authority of the
County of Montrose, Colorado
Olathe, Colorado

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

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

Chadwick, Steinkirchner, Davis & Co., P.C.

Housing Authority of the County of Montrose, Colorado
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified Opinion</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes	_____ <input checked="" type="checkbox"/> _____ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____ <input checked="" type="checkbox"/> _____ none reported
Noncompliance material to financial statements noted?	_____	yes	_____ <input checked="" type="checkbox"/> _____ no

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____	yes	_____ <input checked="" type="checkbox"/> _____ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____ <input checked="" type="checkbox"/> _____ none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____	yes	_____ <input checked="" type="checkbox"/> _____ no
--------------------------------------------------------------------------------------------------------------	-------	-----	----------------------------------------------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> _____	yes	_____	no
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SECTION II – FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

There are no findings required to be reported under generally accepted government auditing standards.

SECTION III – FINDINGS AND QUESTIONED COST UNDER THE UNIFORM GUIDANCE

There are no findings or questioned costs under the Uniform Guidance.

Montrose County Housing Authority

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended December 31, 2016

There were no findings in the prior year.



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTARY INFORMATION

March 15, 2017

Board of Commissioners
Housing Authority of the
County of Montrose, Colorado
Olathe, Colorado

We have audited the basic financial statements of the Housing Authority of the County of Montrose, Colorado for the year ended December 31, 2016, and have issued our report thereon dated February 10, 2017. Our audit of such financial statements was made in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying HUD REAC Electronic Submission Hard Copy Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

166 Accumulated Depreciation	-\$1,105,644		-\$13,551	-\$692,948	-\$437,034	-\$2,339,177		-\$2,339,177
167 Construction in Progress								
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,094,380	\$0	\$0	\$506,749	\$817,770	\$2,418,899	\$0	\$2,418,899
171 Notes, Loans and Mortgages Receivable - Non-Current								
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current								
174 Other Assets								
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$1,094,380	\$0	\$0	\$506,749	\$817,770	\$2,418,899	\$0	\$2,418,899
200 Deferred Outflow of Resources								
280 Total Assets and Deferred Outflow of Resources	\$1,452,001	\$0	\$243,286	\$950,644	\$1,478,738	\$4,124,669	-\$21,781	\$4,102,888
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$12,186		\$12,043	\$5,688	\$1,752	\$31,669	-\$21,781	\$9,888
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable					\$2,799	\$2,799		\$2,799
322 Accrued Compensated Absences - Current Portion								
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government								
341 Tenant Security Deposits	\$14,364			\$288	\$2,200	\$16,852		\$16,852
342 Unearned Revenue								
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$16,079					\$16,079		\$16,079
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
346 Accrued Liabilities - Other								
347 Inter Program - Due To								
348 Loan Liability - Current								
310 Total Current Liabilities	\$42,626	\$0	\$12,043	\$5,976	\$6,751	\$67,399	-\$21,781	\$45,618
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$138,589					\$138,589		\$138,589
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other								
354 Accrued Compensated Absences - Non Current					\$14,519	\$14,519		\$14,519
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	\$138,589	\$0	\$0	\$0	\$14,519	\$151,108	\$0	\$151,108

300 Total Liabilities	\$179,218	\$0	\$12,043	\$5,976	\$21,270	\$218,507	-\$21,781	\$196,726
400 Deferred Inflow of Resources								
508.4 Net Investment in Capital Assets	\$941,712	\$0		\$506,749	\$817,771	\$2,266,232		\$2,266,232
511.4 Restricted Net Position	\$234,733		\$96,610			\$331,343		\$331,343
512.4 Unrestricted Net Position	\$96,338	\$0	\$134,633	\$437,919	\$639,697	\$1,308,587		\$1,308,587
513 Total Equity - Net Assets / Position	\$1,272,783	\$0	\$231,243	\$944,668	\$1,457,468	\$3,906,162	\$0	\$3,906,162
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,452,001	\$0	\$243,286	\$950,644	\$1,478,738	\$4,124,669	-\$21,781	\$4,102,888

**Montrose County Housing Authority (CO087)
Olathe, CO**

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2016

	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$145,778			\$51,775	\$42,348	\$239,901		\$239,901
70400 Tenant Revenue - Other								
70500 Total Tenant Revenue	\$145,778	\$0	\$0	\$51,775	\$42,348	\$239,901	\$0	\$239,901
70600 HUD PHA Operating Grants		\$139,438	\$1,208,182	\$72,200		\$1,419,820		\$1,419,820
70610 Capital Grants								
70710 Management Fee						\$0	-\$46,560	-\$46,560
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue						\$0	-\$46,560	-\$46,560
70800 Other Government Grants								
71100 Investment Income - Unrestricted	\$96		\$57	\$2,910	\$2,409	\$5,472		\$5,472
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery			\$8,312			\$8,312		\$8,312
71500 Other Revenue					\$93,418	\$93,418		\$93,418
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$145,874	\$139,438	\$1,214,551	\$126,885	\$138,175	\$1,784,823	-\$46,560	\$1,718,363
91100 Administrative Salaries		\$28,575	\$121,288		\$2,780	\$152,621		\$152,621
91200 Auditing Fees			\$1,340		\$3,355	\$4,695		\$4,695
91300 Management Fee		\$32,160		\$14,400		\$46,560	-\$46,560	\$0
91310 Book-keeping Fee								
91400 Advertising and Marketing	\$972			\$45		\$1,017		\$1,017
91500 Employee Benefit contributions - Administrative		\$9,418	\$10,618		\$7,445	\$27,478		\$27,478
91600 Office Expenses	\$239		\$4,977	\$2,056	\$2,139	\$9,411		\$9,411
91700 Legal Expense			\$1,400	\$2,415	\$2,654	\$6,469		\$6,469
91800 Travel			\$956	\$100		\$956		\$956
91810 Allocated Overhead								
91900 Other	\$5,889		\$45,893	\$1,541	\$7,780	\$61,203		\$61,203

91000 Total Operating - Administrative	\$7,100	\$70,151	\$188,468	\$20,557	\$26,134	\$310,410	-\$46,560	\$283,850
92000 Asset Management Fee								
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other								
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$22,355			\$11,123	\$1,382	\$34,880		\$34,880
93200 Electricity	\$850			\$2,590	\$674	\$4,114		\$4,114
93300 Gas	\$754			\$412	\$449	\$1,615		\$1,615
93400 Fuel								
93500 Labor								
93600 Sewer	\$22,355			\$11,123	\$1,382	\$34,880		\$34,880
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense				\$851	\$2,950	\$3,801		\$3,801
93000 Total Utilities	\$48,314	\$0	\$0	\$26,098	\$6,837	\$79,250	\$0	\$79,250
94100 Ordinary Maintenance and Operations - Labor		\$20,472		\$26,343	\$54,583	\$101,398		\$101,398
94200 Ordinary Maintenance and Operations - Materials and Other		\$23,655		\$11,677	\$774	\$36,106		\$36,106
94300 Ordinary Maintenance and Operations Contracts		\$18,425		\$11,043	\$8,547	\$38,015		\$38,015
94500 Employee Benefit Contributions - Ordinary Maintenance				\$4,852	\$7,148	\$12,000		\$12,000
94000 Total Maintenance	\$0	\$62,552	\$0	\$53,915	\$69,052	\$185,519	\$0	\$185,519
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$4,634	\$5,373		\$3,015	\$4,632	\$17,654		\$17,654
96120 Liability Insurance				\$3,015	\$4,632	\$7,647		\$7,647
96130 Workmen's Compensation		\$1,362		\$917		\$2,279		\$2,279
96140 All Other Insurance			\$2,942			\$2,942		\$2,942
96100 Total Insurance Premiums	\$4,634	\$6,735	\$2,942	\$6,947	\$9,264	\$30,522	\$0	\$30,522
96200 Other General Expenses	\$618			\$1,496	\$119	\$2,233		\$2,233
96210 Compensated Absences								
96300 Payments in Lieu of Taxes								
96400 Bad debt - Tenant Rents								
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								

96000 Total Other General Expenses	\$618	\$0	\$0	\$1,486	\$119	\$2,233	\$0	\$2,233
96710 Interest of Mortgage (or Bonds) Payable	\$1,456					\$1,456		\$1,456
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$1,456	\$0	\$0	\$0	\$0	\$1,456	\$0	\$1,456
96900 Total Operating Expenses	\$60,122	\$139,438	\$189,410	\$109,014	\$111,406	\$609,390	-\$46,560	\$562,830
97000 Excess of Operating Revenue over Operating Expenses	\$85,752	\$0	\$1,025,141	\$17,871	\$26,769	\$1,155,533	\$0	\$1,155,533
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments			\$956,332			\$956,332		\$956,332
97350 HAP Portability-In								
97400 Depreciation Expense	\$75,590			\$23,918	\$28,797	\$128,305		\$128,305
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$135,712	\$139,438	\$1,145,742	\$132,932	\$140,203	\$1,694,027	-\$46,560	\$1,647,467
10010 Operating Transfer In					\$708,684	\$708,684		\$708,684
10020 Operating transfer Out			-\$67,413		-\$641,271	-\$708,684		-\$708,684
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	\$0	\$0	-\$67,413	\$0	\$67,413	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$10,162	\$0	\$1,398	-\$6,047	\$65,385	\$70,896	\$0	\$70,896
11020 Required Annual Debt Principal Payments	\$15,963	\$0	\$0	\$0	\$0	\$15,963		\$15,963
11030 Beginning Equity	\$1,262,621	\$0	\$229,847	\$950,715	\$1,392,083	\$3,635,266		\$3,635,266
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors								
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								

11080	Changes in Special Term/Severance Benefits Liability						
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100	Changes in Allowance for Doubtful Accounts - Other						
11170	Administrative Fee Equity		\$134,633			\$134,633	\$134,633
11180	Housing Assistance Payments Equity		\$98,810			\$98,810	\$98,810
11190	Unit Months Available		2158			2158	2158
11210	Number of Unit Months Leased		2165			2165	2165
11270	Excess Cash						
11610	Land Purchases						
11620	Building Purchases						
11630	Furniture & Equipment - Dwelling Purchases						
11640	Furniture & Equipment - Administrative Purchases						
11650	Leasehold Improvements Purchases						
11660	Infrastructure Purchases						
13510	CFFP Debt Service Payments						
13901	Replacement Housing Factor Funds						