HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO

BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTAL INFORMATION
AND
SUPPLEMENTAL INFORMATION

Year Ended March 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Niewedde & Wiens
Randal D. Niewedde, CPA
Jeffrey J. Wiens, CPA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Sterling, Colorado

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Housing Authority of the City of Sterling, Colorado, as of and for the year ended March 31, 2016, and the related notes to the basic financial statements, which collectively comprise the Housing Authority of the City of Sterling, 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 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 basic 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 City of Sterling, Colorado, as of March 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

P.O. Box 98 • York, Nebraska 68467 • Ph: 402-362-4410 • Fax: 402-362-4418
Jeff: jeff@nwcpas.net Randal: randal@nwcpas.net

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Housing Authority of the City of Sterling, Colorado's basic financial statements. The Program Financial Schedules, Financial Data Schedule and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Program Financial Schedules, Financial Data Schedule and Schedule of Expenditures of Federal Awards are the responsibility of management and were 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 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 Program Financial Schedules, Financial Data Schedule and Schedule of Expenditures of Federal Awards are 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 August 15, 2016 on our consideration of the Housing Authority of the City of Sterling, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Sterling, Colorado's internal control over financial reporting and compliance.

Nieweddo & Wiens, CPA's

York, Nebraska
August 15, 2016

REQUIRED SUPPLEMENTAL INFORMATION -
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of Sterling, Colorado's annual financial report presents our managements analysis of the Authority's financial performance during the fiscal year ended on March 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 March 31, 2016 was $3,672,903. The net position decreased by $73,618, a decrease of 2% from the prior year. Of this amount, $1,766,078 was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to citizens, creditors and operations of facilities.

Operating revenues for the Authority was $998,329 for the year ended March 31, 2016. This was an increase of less than 1% over the prior year.

Operating expenses for the Authority were $1,257,719 for the year ended March 31, 2016. This was a decrease of 1% from the prior year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report includes this *Management 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) included in the *Supplemental Information* section. The Authority's basic financial statements are presented as fund level financial statements because the Authority only has a single proprietary fund.

Required Basic 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, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources and obligations of the Authority creditors. 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.

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONT'D)

come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The Authority reports a single enterprise fund.

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) included in the *Supplemental Information* section. HUD has established *Uniform Financial Reporting Standards* that requires the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2016 and is required to be included in the audit reporting package.

FINANCIAL HIGHLIGHTS AND ANALYSIS

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 3,672,903 at the close of the year ended March 31, 2016. This represents a decrease of $73,618, or 2% over the prior year. The unrestricted component of net position was $1,766,078 as of March 31, 2016 which was an increase of $99,887 as a result of operations and the use of $50,000 of capital funds for operations.

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

The restricted component of net position consisted replacement, residual and insurance reserves.

Current and other assets increased $132,497. Within this cash and investments increased $80,623 and the receivable from HUD increased $50,151.

Current liabilities increased due to the note the Authority's Platte Valley 1 program has with Colorado Housing Finance Authority maturing on October 1, 2016 and being shown as a current liability at March 31, 2016. The balance at March 31, 2016 was $28,831.27. The decrease in long-term liabilities was due to this and the required debt service payment made during the year.

FINANCIAL HIGHLIGHTS AND ANALYSIS (CONT'D)

CONDENSED STATEMENTS OF NET POSITION

	FY 2016	FY 2015	Dollar Change	Percent Change
Current and other assets	$ 2,117,939	$ 1,985,442	$ 132,497	6.7%
Capital assets	3,389,994	3,638,078	(248,084)	-6.8%
Total Assets	5,507,933	5,623,520	(115,586)	-2.1%
Current liabilities	205,080	168,374	36,706	21.8%
Long-term debt	1,629,950	1,708,625	(78,675)	-4.6%
Total Liabilities	1,835,030	1,876,999	(41,969)	-2.2%
Net Position				
Net investment in capital assets	1,682,253	1,888,525	(206,272)	-10.9%
Restricted	224,573	191,806	32,767	17.1%
Unrestricted	1,766,078	1,666,190	99,887	6.0%
Total Net Position	$ 3,672,903	$ 3,746,521	$ (73,618)	-2.0%

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

As noted in the table on the next page, rental income increased $11,008. Occupancy by program was as follows:

Program	Units Available	2016 Units Leased	2015 Units Leased	Increase/ (Decrease)	Change in Average Rent
Public Housing	1320	1247	1218	29	$ (49.27)
MacLaren House	648	622	606	16	$ 6.50
Platte Valley I	384	349	352	(3)	$ (8.03)

Program contributions included rental assistance, operating subsidy, capital fund grants used for operations and interest subsidy. There were only minor fluctuations in the various categories except for capital funds used for operations which decreased by $86,397 to $50,000. The Authority only used a portion of its 2015 capital funds grant for operations in the current year when the entire 2014 grant was used for operations in the prior.

Operating expenses decreased by $14,568 with administrative expenses decreasing $32,501, utilities decreasing $12,939, maintenance increasing $23,378 and general expenses increasing $9,395. The decrease in administrative expenses was due to a full-time staff being reduced to part-time. The increase in maintenance expenses was due to an increase in maintenance materials and damage to some units that was more extensive than normal.

FINANCIAL HIGHLIGHTS AND ANALYSIS (CONT'D)

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FY 2016	FY 2015	Dollar Change	Percent Change
Revenues				
Program revenues				
Rental	$ 645,020	$ 634,012	$ 11,008	1.7%
Program contributions	558,392	638,103	(79,711)	-12.5%
Program income	-	22,232	(22,232)	-100.0%
Other	43,345	42,276	1,069	2.5%
General revenues				
Interest	251	256	(5)	-2.0%
Other	-	10,190	(10,190)	100.0%
Total Revenues	1,247,007	1,347,068	(100,061)	-7.4%
Expenses				
Operating, less depreciation	929,491	944,060	(14,568)	-1.5%
Depreciation	328,228	332,402	(4,175)	-1.3%
Nonoperating	124,430	122,279	2,151	1.8%
Total Expenses	1,382,149	1,398,741	(16,592)	-1.2%
Excess (Deficiency) Before Special Items	(135,142)	(51,673)	(83,469)	
Special items, net	61,524	-	61,524	
Changes in Net Position	(73,618)	(51,673)	(21,945)	
Beginning net position	3,746,521	3,798,193	(51,673)	
Ending net position	$ 3,672,903	$ 3,746,521	$ (73,618)	

Special items consistent mostly of insurance proceeds from a fire caused by arson and storm damage which was offset by the various repairs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The Housing Authority of the City of Sterling, Colorado's capital assets as of March 31, 2016 were $3,389,994. Capital assets includes land, buildings, improvements, equipment and construction in progress net of accumulated depreciation.

The total decrease in the Authority's capital assets for the current fiscal year was 6.8% in terms of net book value. Actual expenditures to purchase or construct capital assets were $86,532. This consisted largely of capitalized repairs from storm damage and apartment remodels

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Depreciation charges for the year totaled $328,228. Additional information on the Authority's capital assets can be found in Note H of the notes to the basic financial statements of this report.

Debt Administration – The only debt activity for the year ended March 31, 2016 was related to the payment of debt. No new debt was issued during the year. Additional information on the Authority's debt can be found in Note J of the notes to the basic financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Agency considered many factors when approving the fiscal year 2017 budget. The user charges are based on tenant's income as established by HUD and RD guidelines and are not adjustable. 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 City of Sterling, Colorado, 1200 N. 5th Street, Sterling, Colorado, 80751.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF NET POSITION - PROPRIETARY FUND
March 31, 2016

		Housing
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	1,413,991.17
Investments		300,961.98
Accounts receivable, net		1,283.04
Due from other governments		91,486.00
Accrued interest receivable		1.24
Prepaid insurance		22,302.38
Restricted:		
Cash and cash equivalents		63,340.31
TOTAL CURRENT ASSETS		1,893,366.12
NONCURRENT ASSETS:		
Restricted:		
Cash and cash equivalents		224,572.97
Capital Assets, non-depreciable		355,714.83
Capital Assets, depreciable, net		3,034,279.28
TOTAL NONCURRENT ASSETS		3,614,567.08
TOTAL ASSETS	$	5,507,933.20
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$	7,198.31
Accrued wages and benefits payable		614.69
Compensated absences payable		24,973.84
Due to other governments		21,852.78
Accrued interest payable		4,759.04
Unearned revenue		4,549.64
Trust and deposit liabilities		63,340.31
Current portion long-term debt		77,791.41
TOTAL CURRENT LIABILITIES		205,080.02
NONCURRENT LIABILITIES		
Mortgage payable		1,629,950.19
TOTAL NONCURRENT LIABILITIES		1,629,950.19
TOTAL LIABILITIES		1,835,030.21
NET POSITION		
Net investment in capital assets		1,682,252.51
Restricted for:		
Replacement reserve, residual receipts, insurance		224,572.97
Unrestricted		1,766,077.51
TOTAL NET POSITION	$	3,672,902.99

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
Year Ended March 31, 2016

		Housing
OPERATING REVENUES		
Rental income	$	645,020.00
Rental assistance		309,964.00
Other income		43,344.54
TOTAL OPERATING REVENUES		998,328.54
OPERATING EXPENSES		
Administrative		268,432.27
Tenant services		4,136.09
Utilities		198,046.94
Ordinary maintenance and operations		317,452.46
Protective services		12,640.00
General expense		128,783.59
Depreciation		328,227.56
TOTAL OPERATING EXPENSES		1,257,718.91
OPERATING INCOME (LOSS)		(259,390.37)
NONOPERATING REVENUES (EXPENSES)		
HUD operating subsidy		169,138.00
HUD capital fund grants		50,000.00
Interest income		250.75
Loss on disposition of capital assets		(5,283.40)
USDA interest subsidy		29,289.76
Interest expense		(119,146.25)
TOTAL NONOPERATING REVENUES(EXPENSES)		124,248.86
INCOME(LOSS) BEFORE SPECIAL ITEMS		(135,141.51)
SPECIAL ITEMS		
Insurance proceeds		82,583.92
Casualty loss expenses		(15,343.19)
Nonroutine maintenance		(5,717.00)
INCREASE (DECREASE) IN NET POSITION		(73,617.78)
NET POSITION:		
Net position, beginning balance		3,746,520.77
TOTAL NET ASSETS - ENDING POSITION	$	3,672,902.99

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended March 31, 2016

		Housing
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tenant receipts	$	672,281.64
Rental assistance receipts		309,964.00
Other receipts		1,232.18
Trust and deposits		1,810.36
Cash payments for goods and services		(558,103.35)
Cash payments to employees for services		(360,977.36)
NET CASH PROVIDED USED BY OPERATING ACTIVITIES		66,207.47
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
HUD operating subsidy		168,997.00
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		168,997.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases and construction of capital assets		(86,532.11)
Proceeds from sale of capital assets		1,105.00
Insurance proceeds		82,583.92
Nonroutine maintenance		(15,343.19)
Casualty loss payments		(5,717.00)
Principal paid on mortgage payable		(41,811.69)
Interest paid on capital debt		(89,117.27)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(154,832.34)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		250.75
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		250.75
NET INCREASE (DECREASE) IN CASH		80,622.88
CASH AND CASH EQUIVALENTS-BEGINNING		1,621,281.57
CASH AND CASH EQUIVALENTS-ENDING	$	1,701,904.45

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONT'D)
Year Ended March 31, 2016

		Housing
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$	(259,390.37)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation		328,227.56
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		71.67
(Increase) decrease in prepaid insurance		(1,805.21)
Increase (decrease) in accounts payable		(1,472.36)
Increase (decrease) in accrued wages and benefits payable		255.96
Increase (decrease) in accrued leave		(1,776.16)
Increase (decrease) in due to governments		1,368.97
Increase (decrease) in trust and deposit liabilities		1,810.36
Increase (decrease) in unearned revenue		(1,082.95)
NET CASH PROVIDED USED BY OPERATING ACTIVITIES	$	66,207.47

See accompanying notes.

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 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) and the U.S. Department of Agriculture.

The basic 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 consist 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 basic 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 basic 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 out flows of resources, liabilities, deferred inflows of resources, fund 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, deferred outflow of resources, liabilities and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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,

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

the Authority's operating revenues result from providing low-income housing services such as tenant rent, rental assistance 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, 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 reporting model as defined in Statement No. 34 and modified establishes criteria (percentage of the combined assets and deferred outflows of resources, combined liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major Funds. The Authority only has the Public Housing Program therefore it is the sole major Fund.

Budgetary Process

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

Estimates

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

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 basic 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.

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

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.

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 fair market value at the date donated. The Authority generally capitalized assets with a cost of $1,000 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 and 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 components of net position are available, the Authority's policy is to apply restricted first.

Investment Income

Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average pooled cash and investments balance.

Compensated Absences

The Authority's policy allows employees to accumulate vacation leave not to exceed 30 working days. Sick leave may not be accumulated.

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.

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.

Leases

The majority of leases and subleases are short-term operating leases.

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 form 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

Deposits

At March 31, 2016, the Authority's carrying amount of deposits was $1,896,553.23 and the bank balances were $1,900,578.05. The Authority had cash on hand of $500 as of March 131, 2016.

As required by the Colorado Public Deposit Protection Act (PDPA), any amount in excess of $250,000 (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. The entire balance was covered FDIC insurance and the Public Deposit Protection Act.

NOTE B - DEPOSITS AND INVESTMENTS (Cont'd)

Investments

At March 31, 2016, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less Than 1 Year
Colotrust Prime	$ 105,813.20	$ 105,813.20

Interest Rate Risk: The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Authority has no investment policy that would limit its investment choices. At March 31, 2016, the Authority's investment in the Colotrust Fund was rated AAAm by Standard & Poor's, AAA/V1+ by Fitch and Aaa by Moody's.

The Colotrust Prime invests only in U.S. Treasury and government agencies.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer.

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Statement of Net Position	
Cash and cash equivalents	$ 1,413,991.17
Investments	300,961.98
Restricted cash – current	63,340.31
Restricted cash - noncurrent	224,572.97
	$ 2,002,866.43
Bank deposits	$ 1,896,553.23
Investments	105,813.20
Cash on hand	500.00
	$ 2,002,866.43

NOTE C – ACCOUNTS RECEIVABLE

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

Tenant receivables	$	1,408.54
Allowance for doubtful accounts		(125.50)
	$	1,283.04

NOTE D – DUE FROM OTHER GOVERNMENTS

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

HUD - Operating Subsidy	$	41,486.00
HUD - Capital Funds		50,000.00
	$	91,486.00

NOTE E—RESTRICTED ASSETS

The following is a summary of restricted assets at March 31, 2016:

Tenant security deposits	$	63,340.31
Replacement reserves		181,757.51
Residual receipts		6,646.86
Insurance escrow		36,168.60
	$	287,913.28

NOTE F – ACCOUNTS PAYABLE

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

Vendors and contractors	$	7,198.31

NOTE G – DUE TO OTHER GOVERNMENTS

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

Payments in lieu of taxes	$	21,852.78

NOTE H – CAPITAL ASSETS

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

	Balance 4/1/2015	Increases	Decreases	Balance 3/31/2016
Non-depreciable assets:				
Land	$ 355,714.83	$ -	$ -	$ 355,714.83
Construction in progress	-	-	-	-
Total non-depreciable assets	355,714.83	-	-	355,714.83
Depreciable assets				
Buildings	9,119,524.19	86,532.11	-	9,206,056.30
Equipment - Dwelling	149,111.23	-	(17,035.73)	132,075.50
Equipment - Administration	90,732.45	-	(4,316.73)	86,415.72
Total depreciable assets	9,359,367.87	86,532.11	(21,352.46)	9,424,547.52
Total Capital Assets	9,715,082.70	86,532.11	(21,352.46)	9,780,262.35
Accumulated depreciation				
Buildings	5,943,494.45	312,531.21	-	6,256,025.66
Equipment - Dwelling	65,841.66	5,839.82	(6,070.06)	65,611.42
Equipment - Administration	67,668.63	9,856.53	(8,894.00)	68,631.16
Total accumulated depreciation	6,077,004.74	328,227.56	(14,964.06)	6,390,268.24
Depreciable assets, net	3,282,363.13	(241,695.45)	(6,388.40)	3,034,279.28
Capital assets, net	$ 3,638,077.96	$ (241,695.45)	$ (6,388.40)	$ 3,389,994.11

NOTE I – UNEARNED REVENUE

A summary of unearned revenue as presented in the Statement of Net Position at March 31, 2016 is as follows:

Prepaid rent	$ 4,549.64

NOTE J—LONG TERM DEBT

MacLaren House – The first mortgage payable as of March 31, 2016, represents permanent loan from the Colorado Housing Finance Authority under the SMART program with an original loan amount of $893,000 date March 15, 2001. The loan is due April 1, 2031 and had an annual interest rate of 6.35% which was modified to 6% on August 1, 2015. The loan requires monthly payment of $5,556.56. Principal and accrued interest payable at March 31, 2016 were $645,518.32 and $3,227.59, respectively. This loan was modified on June 1, 2016 by reducing the interest rate from 6% to 3.5% and the monthly payment to $4,605.91.

NOTE J—LONG TERM DEBT (CONT'D)

Platte Valley Village – The following is a summary of the mortgages related to the program known as Platte Valley Village:

USDA Loan: The Authority refinanced the original construction of subsidized rental housing through a subsidized interest mortgage note from the USDA Rural Development dated August 14, 1996 for $702,488.88. This note bears interest at 8.00%, however the Authority only pays 1% and the difference is subsidized by USDA. The loan had an outstanding balance at March 31, 2016 of $652,540.91. Principal and interest is payable in monthly installments of $1,068.04.

CHFA Loan: The Authority refinanced the original note payable dated November 26, 1996 to the Colorado Housing and Finance Authority on November 1, 2003. The new note bears interest at 6.5% and is due August 1, 2031. The note requires monthly payments of $3,036.76. The principal balance outstanding and accrued interest payable at March 31, 2016 were $380,851.10 and $281.73, respectively.

CHFA Loan: The Authority had an original note payable dated August 14, 1996 to the Colorado Housing and Finance Authority with an original amount of $60,000 which was modified on September 30, 2011. The modified note required payment to reduce the new loan balance to $28,831.27. The modified note bears interest at 1% and is due October 1, 2016.

A summary of changes in notes payable as of March 31, 2016 is as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within 1 Year
Long-term debt	$ 1,749,553.29	$ --	$ (41,811.69)	$ 1,707,741.60	$ 77,791.41

The principal and interest scheduled to be retired on these notes is as follows:

	Principal	Interest	Total
2017	$ 77,791.41	$ 97,610.90	$ 175,402.31
2018	52,872.02	96,109.18	148,981.20
2019	55,425.96	93,555.24	148,981.20
2020	58,120.18	90,861.02	148,981.20
2021	60,963.29	88,017.91	148,981.20
2022 - 2026	353,358.70	391,547.30	744,906.00
2027 - 2031	959,362.42	97,424.50	1,056,786.92
2032	89,847.62	2,302.32	92,149.94
	$ 1,707,741.60	$ 957,428.37	$ 2,665,169.97

NOTE K--RETIREMENT PLAN

The Housing Authority participates in a qualified simplified employee pension plan. All eligible employees must participate. Eligible employees must be at least 21 and has performed services for the Authority in at least 3 of the preceding 5 years. The Housing Authority contributes an amount equal to 3.00% of the member's pay for the pay period. The total Housing Authority contribution was $7,603.92 for the fiscal year ended March 31, 2016 based on wages of $253,464. Total wages for the Authority was $281,928.

NOTE L—NET POSITION

The fund financial statements utilize a net position presentation. The components of net position are net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets*** – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

- ***Restricted*** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- ***Unrestricted*** – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The Authority has restricted net position in the following categories:

Replacement reserves	$	181,757.51
Residual receipt reserves		6,646.86
Insurance escrow		36,168.60
	$	224,572.97

NOTE M – 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.

NOTE M – RISK MANAGEMENT (CONT'D)

During the year ended March 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.

NOTE N – CONTINGENT LIABILITIES

The Authority receives revenues from various federal and state grant programs, which are subject to audit and adjustment by the respective grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. 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.

NOTE O – SUBSEQUENT EVENTS

During the year ended March 31, 2016, the Authority was in the process of obtaining approval to transfer ownership of the property know as Platte Valley Village to Platte Valley Village LLC, an unrelated company. The terms to complete this transfer from USDA Rural Development made the transfer no longer desirable to Platte Valley Village LLC and they are no longer interested in the property. After March 31, 2016, the Authority was approached by another unrelated company that was interested in taking over ownership of Platte Valley Village. The terms and structure of this have not yet been finalized.

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SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF NET POSITION
March 31, 2016

ASSETS	Public Housing	Section 8 Administration	MacLaren	Platte Valley Village	Totals
CURRENT ASSETS:					
Cash and cash equivalents	$ 961,266.66	$ 50,519.38	$ 350,332.69	$ 51,872.44	$ 1,413,991.17
Investments	300,961.98	-	-	-	300,961.98
Accounts receivable, net	546.48	-	392.00	344.56	1,283.04
Due from other governments	91,486.00	-	-	-	91,486.00
Accrued interest receivable	1.24	-	-	-	1.24
Prepaid insurance	15,103.81	-	4,780.66	2,417.91	22,302.38
Restricted:					
Cash and cash equivalents	33,614.85	-	12,955.00	16,770.46	63,340.31
TOTAL CURRENT ASSETS	1,402,981.02	50,519.38	368,460.35	71,405.37	1,893,366.12
NONCURRENT ASSETS:					
Restricted:					
Cash and cash equivalents	-	-	153,115.73	71,457.24	224,572.97
Capital Assets, non-depreciable	138,017.40	-	94,394.49	123,302.94	355,714.83
Capital Assets, depreciable, net	1,107,494.10	-	733,581.37	1,193,203.81	3,034,279.28
TOTAL NONCURRENT ASSETS	1,245,511.50	-	981,091.59	1,387,963.99	3,614,567.08
TOTAL ASSETS	$ 2,648,492.52	$ 50,519.38	$ 1,349,551.94	$ 1,459,369.36	$ 5,507,933.20
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	$ 4,719.83	$ -	$ 2,341.48	$ 137.00	$ 7,198.31
Accrued wages and benefits payable	383.54	-	190.70	40.45	614.69
Compensated absences payable	14,559.48	-	7,185.03	3,229.33	24,973.84
Due to other governments	21,852.78	-	-	-	21,852.78
Accrued interest payable	-	-	3,227.59	1,531.45	4,759.04
Unearned revenue	2,925.64	-	1,111.00	513.00	4,549.64
Trust and deposit liabilities	33,614.85	-	12,955.00	16,770.46	63,340.31
Current portion long-term debt	-	-	31,664.01	46,127.40	77,791.41
TOTAL CURRENT LIABILITIES	78,056.12	-	58,674.81	68,349.09	205,080.02
NONCURRENT LIABILITIES					
Mortgage payable	-	-	613,854.31	1,016,095.88	1,629,950.19
TOTAL NONCURRENT LIABILITIES	-	-	613,854.31	1,016,095.88	1,629,950.19
TOTAL LIABILITIES	78,056.12	-	672,529.12	1,084,444.97	1,835,030.21
NET POSITION					
Net investment in capital assets	1,245,511.50	-	182,457.54	254,283.47	1,682,252.51
Restricted	-	-	153,115.73	71,457.24	224,572.97
Unrestricted	1,324,924.90	50,519.38	341,449.55	49,183.68	1,766,077.51
TOTAL NET POSITION	$ 2,570,436.40	$ 50,519.38	$ 677,022.82	$ 374,924.39	$ 3,672,902.99

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended March 31, 2016

	Public Housing	Section 8 Administration	MacLaren	Platte Valley Village	Totals
OPERATING REVENUES					
Rental income	$ 336,261.00	$ -	$ 170,506.00	$ 138,253.00	$ 645,020.00
Rental assistance	-	-	268,276.00	41,688.00	309,964.00
Other income	20,335.14	2,084.18	7,341.17	13,584.05	43,344.54
TOTAL OPERATING REVENUES	356,596.14	2,084.18	446,123.17	193,525.05	998,328.54
OPERATING EXPENSES					
Administrative	152,272.85	-	81,362.51	34,796.91	268,432.27
Tenant services	3,664.05	-	472.04	-	4,136.09
Utilities	124,076.27	-	48,533.43	25,437.24	198,046.94
Ordinary maintenance and operations	183,868.73	-	89,225.06	44,358.67	317,452.46
Protective services	5,700.00	-	6,940.00	-	12,640.00
General expense	84,226.79	244.55	23,591.95	20,720.30	128,783.59
Depreciation	168,927.82	-	94,821.76	64,477.98	328,227.56
TOTAL OPERATING EXPENSES	722,736.51	244.55	344,946.75	189,791.10	1,257,718.91
OPERATING INCOME (LOSS)	(366,140.37)	1,839.63	101,176.42	3,733.95	(259,390.37)
NONOPERATING REVENUES (EXPENSES)					
HUD operating subsidy	169,138.00	-	-	-	169,138.00
HUD capital fund grants	50,000.00	-	-	-	50,000.00
Interest income	205.57	4.76	27.50	12.92	250.75
Loss on disposition of capital assets	(2,905.04)	-	(2,378.36)	-	(5,283.40)
USDA interest subsidy	-	-	-	29,289.76	29,289.76
Interest expense	-	-	(40,220.42)	(78,925.83)	(119,146.25)
TOTAL NONOPERATING REVENUES(EXPENSES)	216,438.53	4.76	(42,571.28)	(49,623.15)	124,248.86
INCOME(LOSS) BEFORE TRANSFERS AND SPECIAL ITEMS	(149,701.84)	1,844.39	58,605.14	(45,889.20)	(135,141.51)
TRANSFERS					
Transfers in	-	-	-	15,106.00	15,106.00
Transfers out	-	(15,106.00)	-	-	(15,106.00)
SPECIAL ITEMS					
Insurance proceeds	12,344.00	-	-	70,239.92	82,583.92
Casualty loss expenses	(15,343.19)	-	-	-	(15,343.19)
Nonroutine maintenance	(5,717.00)	-	-	-	(5,717.00)
INCREASE (DECREASE) IN NET POSITION	(158,418.03)	(13,261.61)	58,605.14	39,456.72	(73,617.78)
NET POSITION:					
Net position, beginning balance	2,728,854.43	63,780.99	618,417.68	335,467.67	3,746,520.77
TOTAL NET POSITION - ENDING BALANCE	$ 2,570,436.40	$ 50,519.38	$ 677,022.82	$ 374,924.39	$ 3,672,902.99

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF CASH FLOWS
Year Ended March 31, 2016

	Public Housing	Section 8 Administration	MacLaren	Platte Valley Village	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Tenant receipts	$ 351,256.69	$ -	$ 174,837.42	$ 146,187.53	$ 672,281.64
Rental assistance receipts	-	-	268,276.00	41,688.00	309,964.00
Program income	-	1,232.18	-	-	1,232.18
Trust and deposits	733.43	-	(130.00)	1,206.93	1,810.36
Cash payments for goods and services	(335,222.48)	(8.34)	(139,068.82)	(83,803.71)	(558,103.35)
Cash payments to employees for services	(214,798.82)	-	(111,421.93)	(34,756.61)	(360,977.36)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(198,031.18)	1,223.84	192,492.67	70,522.14	66,207.47
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
HUD operating subsidy	168,997.00	-	-	-	168,997.00
Transfers in (out)	-	(15,106.00)	-	15,106.00	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	168,997.00	(15,106.00)	-	15,106.00	168,997.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchases and construction of capital assets	(27,375.40)	-	(8,592.38)	(50,564.33)	(86,532.11)
Proceeds from the sale of capital assets	737.00	-	368.00	-	1,105.00
Insurance proceeds	12,344.00	-	-	70,239.92	82,583.92
Nonroutine maintenance	(15,343.19)	-	-	-	(15,343.19)
Casualty loss payments	(5,717.00)	-	-	-	(5,717.00)
Principal paid on mortgage payable	-	-	(25,365.52)	(16,446.17)	(41,811.69)
Interest paid on capital debt	-	-	(40,542.92)	(48,574.35)	(89,117.27)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(35,354.59)	-	(74,132.82)	(45,344.93)	(154,832.34)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	205.57	4.76	27.50	12.92	250.75
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	205.57	4.76	27.50	12.92	250.75
NET INCREASE (DECREASE) IN CASH	(64,183.20)	(13,877.40)	118,387.35	40,296.13	80,622.88
CASH AND CASH EQUIVALENTS-BEGINNING	1,059,064.71	64,396.78	398,016.07	99,804.01	1,621,281.57
CASH AND CASH EQUIVALENTS-ENDING	$ 994,881.51	$ 50,519.38	$ 516,403.42	$ 140,100.14	$ 1,701,904.45

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF CASH FLOWS (CONT'D)
Year Ended March 31, 2016

	Public Housing	Section 8 Administration	MacLaren	Platte Valley Village	Totals
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (366,140.37)	$ 1,839.63	$ 101,176.42	$ 3,733.95	$ (259,390.37)
Adjustments to reconcile income from operations to net cash provided by operating activities:					
Depreciation	168,927.82	-	94,821.76	64,477.98	328,227.56
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(254.86)	-	(367.00)	693.53	71.67
(Increase) decrease in prepaid insurance	(710.42)	244.55	(1,907.73)	568.39	(1,805.21)
Increase (decrease) in accounts payable	(1,125.15)	-	(354.21)	7.00	(1,472.36)
Increase (decrease) in accrued wages and benefits payable	168.43	(8.34)	83.40	12.47	255.96
Increase (decrease) in accrued leave	(579.52)	(852.00)	(359.97)	15.33	(1,776.16)
Increase (decrease) in due to governments	1,368.97	-	-	-	1,368.97
Increase (decrease) in trust and deposit liabilities	733.43	-	(130.00)	1,206.93	1,810.36
Increase (decrease) in unearned revenue	(419.51)	-	(470.00)	(193.44)	(1,082.95)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (198,031.18)	$ 1,223.84	$ 192,492.67	$ 70,522.14	$ 66,207.47

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
FINANCIAL DATA SCHEDULE
March 31, 2016

Line Item No.	Description	Public Housing	Business	Section 8 Special Allocation 14.195	RD 10.415	RD 10.427	Totals
	Balance Sheet						
111	Cash-unrestricted	961,267	50,519	350,333	51,872	-	1,413,991
113	Cash-other restricted	-	-	153,116	71,457	-	224,573
114	Cash-tenant security deposits	33,615	-	12,955	16,770	-	63,340
100	**Total Cash**	**994,882**	**50,519**	**516,403**	**140,100**	**-**	**1,701,904**
122-010	*Accounts receivable - HUD other projects - Operating Subsidy*	*41,486*	-	-	-	-	41,486
122-020	*Accounts receivable - HUD other projects - Capital fund*	*50,000*	-	-	-	-	50,000
122	**Accounts receivable - HUD other projects**	**91,486**	**-**	**-**	**-**	**-**	**91,486**
126	Accounts receivable - tenants	546	-	392	470	-	1,409
126.1	Allowance for doubtful accounts - tenants	-	-	-	(126)	-	(126)
129	Accrued interest receivable	1	-	-	-	-	1
120	**Total receivables, net of allowance for doubtful accounts**	**92,034**	**-**	**392**	**345**	**-**	**92,770**
131	Investments - unrestricted	300,962	-	-	-	-	300,962
142	Prepaid expenses and other assets	15,104	-	4,781	2,418	-	22,302
150	**Total Current Assets**	**1,402,981**	**50,519**	**521,576**	**142,863**	**-**	**2,117,939**
161	Land	138,017	-	94,394	123,303	-	355,715
162	Buildings	4,788,202	-	2,181,815	2,236,039	-	9,206,056
163	Furniture, equipment and machinery - dwellings	68,999	-	57,976	5,101	-	132,076
164	Furniture, equipment and machinery - administration	76,010	-	9,372	1,034	-	86,416
166	Accumulated depreciation	(3,825,717)	-	(1,515,582)	(1,048,970)	-	(6,390,268)
160	**Total capital assets, net of accumulated depreciation**	**1,245,512**	**-**	**827,976**	**1,316,507**	**-**	**3,389,994**
180	**Total Non-current Assets**	**1,245,512**	**-**	**827,976**	**1,316,507**	**-**	**3,389,994**
190	**Total Assets**	**2,648,493**	**50,519**	**1,349,552**	**1,459,369**	**-**	**5,507,933**
200	**Deferred Outflow of Resources**	-	-	-	-	-	-
290	**Total Assets and Deferred Outflow of Resources**	**2,648,493**	**50,519**	**1,349,552**	**1,459,369**	**-**	**5,507,933**
312	Accounts payable <= 90 days	202	-	152	137	-	491
321	Accrued wage/payroll taxes payable	384	-	191	40	-	615
322	Accrued compensated absences - current portion	14,559	-	7,185	3,229	-	24,974
325	Accrued interest payable	-	-	3,228	1,531	-	4,759
333	Accounts payable - other government	21,853	-	-	-	-	21,853
341	Tenant security deposits	33,615	-	12,955	16,770	-	63,340
342-030	*Unearned revenue - Other*	*2,926*	-	*1,111*	*513*	-	4,550
342	**Unearned revenue**	**2,926**	**-**	**1,111**	**513**	**-**	**4,550**
343-020	*Capital Projects/ Mortgage Revenue*	-	-	*31,664*	*46,127*	-	77,791
343	**Current portion of long-term debt - capital projects/mortgage revenue bonds**	**-**	**-**	**31,664**	**46,127**	**-**	**77,791**
346	Accrued liabilities - other	4,518	-	2,189	-	-	6,707
310	**Total Current Liabilities**	**78,056**	**-**	**58,675**	**68,349**	**-**	**205,080**
351-020	*Long-term - Capital Projects/ Mortgage Revenue*	-	-	*613,854*	*1,016,096*	-	1,629,950
351	**Capital Projects/ Mortgage Revenue Bonds**	**-**	**-**	**613,854**	**1,016,096**	**-**	**1,629,950**
350	**Total Non-current liabilities**	**-**	**-**	**613,854**	**1,016,096**	**-**	**1,629,950**
300	**Total Liabilities**	**78,056**	**-**	**672,529**	**1,084,445**	**-**	**1,835,030**
508.4	Net Investment in Capital Assets	1,245,512	-	182,458	254,283	-	1,682,253
511.4	Restricted Net Position	-	-	153,116	71,457	-	224,573
512.4	Unrestricted Net Position	1,324,925	50,519	341,450	49,184	-	1,766,078
513	**Total Equity - Net Assets/Position**	**2,570,436**	**50,519**	**677,023**	**374,924**	**-**	**3,672,903**
600	**Total Liab., Def.Inflow of Res., and Equity - Net Assets/Position**	**2,648,493**	**50,519**	**1,349,552**	**1,459,369**	**-**	**5,507,933**

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
FINANCIAL DATA SCHEDULE
Year Ended March 31, 2016

Line Item No.	Description	Public Housing Operating Fund	Public Housing Capital Fund	Business	Section 8 Special Allocation 14.195	RD 10.415	RD 10.427	Elimination	Totals
	Income Statement								
70300	Net tenant rental revenue	336,261	-	-	170,506	138,253	-	-	645,020
70400	Tenant revenue - other	20,335	-	-	7,341	13,584	-	-	41,260
70500	Total Tenant Revenue	356,596	-	-	177,847	151,837	-	-	686,280
70600	**HUD PHA operating grants**	169,138	50,000	-	268,276	-	-	-	487,414
70800	Other government grants	-	-	-	-	29,290	41,688	-	70,978
71100	Investment income - unrestricted	206	-	5	3	3	-	-	216
71500	Other revenue	-	-	2,084	-	-	-	-	2,084
71600	Gain or loss on sale of capital assets	(2,905)	-	-	(2,378)	-	-	-	(5,283)
72000	Investment income - restricted	-	-	-	24	10	-	-	34
70000	**Total Revenue**	523,035	50,000	2,089	443,772	181,140	41,688	-	1,241,724
91100	Administrative salaries	99,072	-	-	49,872	22,512	-	-	171,456
91200	Auditing fees	5,239	-	-	2,620	592	-	-	8,450
91400	Advertising and Marketing	1,160	-	-	681	412	-	-	2,252
91500	Employee benefit contributions - administrative	28,634	-	-	14,914	2,878	-	-	46,427
91600	Office Expenses	8,909	-	-	5,331	3,577	-	-	17,817
91700	Legal Expense	1,484	-	-	150	1,936	-	-	3,570
91800	Travel	222	-	-	-	-	-	-	222
91900	Other	7,553	-	-	7,795	2,891	-	-	18,238
91000	**Total Operating-Administrative**	152,273	-	-	81,363	34,797	-	-	268,432
92400	Tenant services - other	3,664	-	-	472	-	-	-	4,136
92500	**Total Tenant Services**	3,664	-	-	472	-	-	-	4,136
93100	Water	27,713	-	-	18,447	21,261	-	-	67,421
93200	Electricity	60,335	-	-	22,322	2,515	-	-	85,171
93300	Gas	13,058	-	-	7,765	1,661	-	-	22,484
93600	Sewer	22,971	-	-	-	-	-	-	22,971
93000	**Total Utilities**	124,076	-	-	48,533	25,437	-	-	198,047
94100	Ordinary maintenance and operations - labor	66,942	-	-	35,214	8,316	-	-	110,472
94200	Ordinary maintenance and operations - materials and other	30,875	-	-	10,200	4,315	-	-	45,390
94300-010	*Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal*	*12,986*	-	-	*4,758*	*6,039*	-	-	23,783
94300-030	*Ordinary Maintenance and Operations Contracts - Snow Removal Contracts*	*3,133*	-	-	*1,617*	*1,830*	-	-	6,580
94300-040	*Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts*	*9,585*	-	-	*8,692*	-	-	-	18,277
94300-050	*Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts*	*15,690*	-	-	*7,030*	*6,280*	-	-	29,000
94300-060	*Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts*	*12,730*	-	-	*2,525*	*7,150*	-	-	22,405
94300-090	*Ordinary Maintenance and Operations Contracts - Extermination Contracts*	*3,993*	-	-	*2,599*	*2,361*	-	-	8,954
94300-120	*Ordinary Maintenance and Operations Contracts - Misc Contracts*	*8,194*	-	-	*5,805*	*7,005*	-	-	21,005
94300	**Ordinary Maintenance and Operations Contracts**	66,312	-	-	33,026	30,665	-	-	130,003
94500	Employee benefit contribution - ordinary maintenance	19,739	-	-	10,785	427	-	-	30,951
94000	**Total Maintenance**	183,869	-	-	89,225	43,723	-	-	316,816
95300	Protective services - other	5,700	-	-	6,940	-	-	-	12,640
95500	Employee benefit contributions - protective services	-	-	-	-	-	-	-	-
95000	**Total Protective Services**	5,700	-	-	6,940	-	-	-	12,640
96110	Property Insurance	47,763	-	-	17,865	13,490	-	-	79,117
96120	Liability Insurance	2,369	-	-	1,184	8	-	-	3,561
96130	Workmen's Compensation	3,307	-	236	1,910	1,058	-	-	6,510
96140	All Other Insurance	4,271	-	9	420	-	-	-	4,700
96100	**Total insurance Premiums**	57,709	-	245	21,379	14,555	-	-	93,888
96200	Other general expenses	-	-	-	40	-	-	-	40
96210	Compensated absences	-	-	-	-	15	-	-	15
96300	Payments in lieu of taxes	21,853	-	-	-	636	-	-	22,489
96400	Bad debt - tenant rents	4,665	-	-	2,173	6,150	-	-	12,987
96000	**Total Other General Expenses**	26,518	-	-	2,213	6,801	-	-	35,532
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	40,220	78,926	-	-	119,146
96700	**Interest expense and Amortization cost**	-	-	-	40,220	78,926	-	-	119,146
96900	**Total Operating Expenses**	553,809	-	245	290,345	204,239	-	-	1,048,638
97000	**Excess Revenue Over Operating Expenses**	(30,774)	50,000	1,844	153,427	(23,099)	41,688	-	193,086
97400	Depreciation expense	168,928	-	-	94,822	64,478	-	-	328,228
90000	**Total Expenses**	722,737	-	245	385,167	268,717	-	-	1,376,865
10010	Operating transfer in	50,000	-	-		56,794	-	(106,794)	-
10020	Operating transfer out	-	(50,000)	(15,106)	-	-	(41,688)	106,794	-
10080	Special items, net gain/loss	(8,716)	-	-	-	70,240	-	-	61,524
10100	**Total other financing sources (uses)**	41,284	(50,000)	(15,106)	-	127,034	(41,688)	-	61,524
10000	**Excess (Deficiency) of Revenue Over (Under) Expenses**	(158,418)	-	(13,262)	58,605	39,457	-	-	(73,618)
11020	Required Annual Debt Principal Payments	-	-	-	25,366	16,446	-	-	41,812
11030	Beginning equity	2,728,854	-	63,781	618,418	335,468	-	-	3,746,521
11190	**Unit Months Available**	1,320	n/a	-	648	384	-	-	2,352
11210	**Unit Months Leased**	1,247	n/a	-	622	349	-	-	2,218
11620	Building Purchases	27,375	-	n/a	n/a	n/a	n/a	n/a	27,375

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2016

FEDERAL GRANTOR	FEDERAL CFDA NUMBER		FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Section 8 Housing Assistance Payments Program			
Rental Assistance	14.195		268,276.00
Public and Indian Housing			
Operating Subsidy	14.850		169,138.00
Capital Funds			
Capital funds	14.872		50,000.00
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		$	487,414.00
U.S DEPARTMENT OF AGRICULTURE			
Rural Rental Housing Assistance			
Rental assistance	10.427		41,688.00
Rural Rental Housing Loan			
Loan balance at March 31, 2015	10.415		657,393.92
Interest subsidy	10.415		29,289.76
	10.415		686,683.68
TOTAL U.S. DEPARTMENT OF AGRICULTURE		$	728,371.68
Total Federal Awards Expended		$	1,215,785.68

Notes to the Schedule

1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the City of Sterling, Colorado and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. The outstanding balance of the Rural Rental Housing Laon mortage at March 31, 2016 was $652,540.91.

3. The entity did not elect to use the 10% de minimus cost rate as covered in § 200.414 Indirect (F&A) costs.

SINGLE AUDIT SECTION

Niewedde & Wiens
Randal D. Niewedde, CPA
Jeffrey J. Wiens, CPA
CERTIFIED PUBLIC ACCOUNTANTS

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 Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Sterling, 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 City of Sterling, Colorado, as of and for the year ended March 31, 2016, and the related notes to the basic financial statements, which collectively comprise Housing Authority of the City of Sterling, Colorado's basic financial statements, and have issued our report thereon dated August 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Housing Authority of the City of Sterling, 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 Housing Authority of the City of Sterling, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Sterling, Colorado's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Sterling, Colorado's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance

P.O. Box 98 • York, Nebraska 68467 • Ph: 402-362-4410 • Fax: 402-362-4418
Jeff: jeff@nwcpas.net Randal: randal@nwcpas.net

with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Niewedde & Wiens, CPA's

York, Nebraska
August 15, 2016

Niewedde & Wiens
Randal D. Niewedde, CPA
Jeffrey J. Wiens, CPA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Sterling, Colorado

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Sterling, Colorado's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Sterling, Colorado's major federal programs for the year ended March 31, 2016. Housing Authority of the City of Sterling, Colorado'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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Sterling, Colorado'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 Housing Authority of the City of Sterling, Colorado's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Sterling, 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 March 31, 2016.

P.O. Box 98 • York, Nebraska 68467 • Ph: 402-362-4410 • Fax: 402-362-4418
Jeff: jeff@nwcpas.net Randal: randal@nwcpas.net

Report on Internal Control Over Compliance

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and question costs as Finding 2016-001 we consider to be a material weakness.

Housing Authority of the City of Sterling, Colorado's response to the internal control over compliance finding identified in our audit are described in the accompanying Corrective Action Plan. Housing Authority of the City of Sterling, Colorado's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Nieweddc & Wiens, CPA's

York, Nebraska
August 15, 2016

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2016

The audit report for the year ended March 31, 2015 contained no findings or questioned costs.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2016

<u>Section I - Summary of Auditors Results</u>:

- We issued an unmodified opinion on the financial statements of the Housing Authority of the City of Sterling, Colorado for the fiscal year ended March 31, 2016.

<u>Financial Statements:</u>

- The results of our audit procedures no material weaknesses and no significant deficiencies in internal control over financial reporting for the fiscal year ended March 31, 2016.

- No instances of noncompliance which are material to the financial statements for the fiscal year ended March 31, 2016 were noted.

<u>Federal Awards</u>:

- We issued an unmodified opinion on compliance for the major program for the fiscal year ended March 31, 2016.

- The results of our audit procedures disclosed one material weakness and no significant deficiencies in internal control over major programs for the fiscal year ended March 31, 2016. The material weakness is reported as Finding 2016-001.

- The results of our audit procedures disclosed one audit findings that are required to be reported under code § .516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

- The programs identified and audited as major are as follows: Section 8 Housing Assistance Payments Program (14.195).

- The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

- For the fiscal year ended March 31, 2016, the Housing Authority of the City of Sterling, Colorado qualified as a low-risk auditee.

<u>Section II - Financial Statement Findings:</u>

None

Section III - Federal Award Findings and Questioned Costs:

Finding 2016-001: Internal Control Structure
Section 8 Housing Assistance Payments Program - Eligibility
Material Weakness

Criteria: The Authority is responsible for establishing an effective internal control process to ensure the Authority complies with the requirements governing the Section 8 Housing Assistance Payments program.

Condition: In evaluating the controls over tenant files for the Section 8 Housing Assistance Payments program, we noted the tenant files were the responsibility of one employee without any supervisory or review controls in place.

Cause: The Authority has not evaluated the internal controls regarding tenant files of the Section8 Housing Assistance program.

Effect or Potential Effect: The control deficiencies are deficiencies that result in more than a reasonable possibility that material noncompliance with program requirements could occur and not be prevented or detected.

Recommendation: We recommend the Authority review its tenant file procedures and establish a document structure and system where tenant files calculations and procedure are at least sampled to ensure the tenant files are maintained in compliance with the applicable regulations.

View of the Responsible Officials of the Auditee: The auditee's management agrees with the finding.

Housing Authority of The City of Sterling

Phone 970-522-0869
970-522-1999
TDD 970-522-0869
FAX 970-522-6902

1200 NORTH FIFTH STREET
435 MacGREGOR ROAD
441 MacGREGOR ROAD
STERLING, COLORADO 80751

August 2, 2016

Reply to Audit dated 3/31/2016 Finding 2016-001: Internal Control Structure Section 8 Housing Assistance Payments Program – Eligibility Material Weakness.

Name of contact person responsible for the corrective action: William Herrboldt, Executive Director.

Corrective Action Planned: Sterling Housing Authority will develop a supervisory review of a sampling of 10% of the files, quarterly, to assure tenant fill calculations and procedures are followed correctly. Should staff changes be made where unexperienced staff are processing the calculations, a more rigorous sampling will be implemented.

Anticipated Completion Date: Plan will be implemented no later than October 1, 2016.