

**SHERIDAN HOUSING AUTHORITY**

**FINANCIAL STATEMENTS**

**December 31, 2016**



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Board of Commissioners  
Sheridan Housing Authority  
Sheridan, Colorado

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

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

***Other Matters (Required Supplementary Information)***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed 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 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.

***Report on Summarized Comparative Information***

We have previously audited the Sheridan Housing Authority's financial statements as of and for the year ended December 31, 2015, and we expressed unmodified audit opinions on the business-type activities and each major fund in our report dated April 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017, on our consideration of the Sheridan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheridan Housing Authority's internal control over financial reporting and compliance.



May 2, 2017

**SHERIDAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
Required Supplementary Information  
December 31, 2016

As management of the Sheridan Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements and notes to the financial statements.

**Financial Highlights**

- Cash and Investments at year end are 405,775, with \$110,739 available for the Housing Choice Voucher program and \$295,036 in unrestricted cash for future projects.
- The Net Position is \$278,114 at year end, and the Authority had excess expenses over revenues at December 2016 of (\$105,458).
- The total HUD subsidy received in 2016 for landlord payments (HAP) was \$1,609,804 less total expenses of (\$1,672,693) resulted in excess HAP expenses over HAP revenues of (\$62,889).

**Using the Basic Financial Statements**

The Financial Statements consist of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Authority as an entire operating entity.

The Statement of Net Position-Enterprise Funds presents information on all the Authority's Assets and Liabilities. The difference between Assets and Liabilities is Net Position. Over time, increases and decreases in Net Position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position--Enterprise Funds show the reader Operating Revenues and Expenses by funds and by the Authority in total. This is reported on a full-accrual basis where income is reported when earned, and expenses are reported as incurred. This report shows the reader Operations Profit/Loss.

A fund is a self-balancing set of accounts recording Cash and other financial resources together with all related Liabilities and Net Position and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions.

The Statement of Cash Flows--Enterprise Funds provides our third statement which converts our accrual accounting to cash to let the reader know by fund and by the Authority as a whole; did the Authority increase or decrease our cash position this year and what were the sources or uses of the cash.

**SHERIDAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
 Required Supplementary Information  
 December 31, 2016

**Using the Basic Financial Statements (continued)**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements and can be found on pages 4 through 8 of the report.

**Authority Financial Analysis**

**STATEMENT OF NET POSITION  
 ENTERPRISE FUNDS**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current Assets	\$ 441,692	\$ 394,793	\$ 46,899	11.9%
Total Assets	<u>441,692</u>	<u>394,793</u>	<u>46,899</u>	<u>11.9%</u>
<b>LIABILITIES</b>				
Current Liabilities	161,209	11,221	149,988	1336.7%
Long Term Liabilities	<u>2,369</u>	<u>0</u>	<u>2,369</u>	<u>N/A</u>
Total Liabilities	<u>163,578</u>	<u>11,221</u>	<u>152,357</u>	<u>1357.8%</u>
<b>NET POSITION</b>				
Restricted for Housing Assistance Payments	-	13,433	(13,433)	N/A
Unrestricted	<u>278,114</u>	<u>370,139</u>	<u>(92,025)</u>	<u>-24.9%</u>
Total Net Position	<u>278,114</u>	<u>383,572</u>	<u>(105,458)</u>	<u>-27.5%</u>
Total Liabilities and Net Position	\$ <u>441,692</u>	\$ <u>394,793</u>	\$ <u>46,899</u>	<u>11.9%</u>

- Total Assets increased by \$46,899; a \$15,056 increase in Cash and Investments primarily because the January HAP payments of \$143,752 were received in December and an increase in Accounts Receivable of \$31,843 made up of port in receivables and tenant fraud.
- Current Liabilities increased by \$149,988 from last year due to an increase in unearned revenues of \$143,752, and accounts payable of \$6,236. The unearned revenue was HAP received from HUD for the January 2017 landlord payments received on December 31<sup>st</sup>.
- There was an increase in Long Term Liabilities by \$2,369 due to FSS Escrow.
- Total Net Position at yearend was \$278,114, a decrease this year of (\$105,458).

**SHERIDAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
 Required Supplementary Information  
 December 31, 2016

**Authority Financial Analysis (continued)**

**STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 ENTERPRISE FUNDS**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
OPERATING REVENUES	\$ 1,793,817	\$ 1,647,756	\$ 146,061	8.9%
OPERATING EXPENSES	<u>1,850,915</u>	<u>1,633,530</u>	<u>217,385</u>	<u>13.3%</u>
NET OPERATING INCOME (LOSS)	<u>(57,098)</u>	<u>14,226</u>	<u>(71,324)</u>	<u>-501.4%</u>
NONOPERATING REVENUES	<u>(48,360)</u>	<u>527</u>	<u>(48,887)</u>	<u>9276.5%</u>
CHANGE IN NET POSITION	(105,458)	14,753	(120,211)	-814.8%
NET POSITION, BEGINNING	<u>383,572</u>	<u>368,819</u>	<u>14,753</u>	<u>4.0%</u>
NET POSITION, ENDING	\$ <u><u>278,114</u></u>	\$ <u><u>383,572</u></u>	\$ <u><u>(105,458)</u></u>	<u><u>-27.5%</u></u>

- Operating Revenue totaled \$1,793,817, a \$146,061 increase from 2015. This includes grants for HAP of \$1,609,804, Earned Administrative Fees of \$107,777, Incoming Portable Voucher HAP Revenues of \$61,432, and Administrative Fees for Incoming Portable Vouchers of \$2,471 plus Fraud and Other Income of \$12,333.
- HUD Annual Contributions increased by \$80,773 from \$1,529,031 received in 2015 to \$1,609,804 in 2016. Administrative Fees decreased by (\$5,139) to \$107,777 for 2016 compared to \$112,916 received in 2015. Port-In HAP income increased by \$59,948 to \$63,903 earned in 2016 compared to \$3,955 earned in 2015. Other income increased by \$10,479 to \$12,333 from 2015's \$1,854. Total revenue increased by \$146,061 or 8.9% from 2015.
- Operating Expenses increased in 2016 by (\$217,385) due to increases in HAP expenses by (\$156,303); portable vouchers by (\$56,113) and an increase of (\$4,969) in administrative costs.

**SHERIDAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
Required Supplementary Information  
December 31, 2016

**Authority Financial Analysis (continued)**

- Non-operating Revenues (Expenses) were (\$48,360). In 2016 the General Fund contributed (\$50,000) to the Help for Homes Program. Non-operating Revenue for 2016 was made up of interest income of \$1,640.
- There was a negative change in Net Position at December 2016 yearend of (\$105,458) compared to a positive Position of \$14,753 in 2015. The year ended with a Net Position of \$278,114.

**Capital Assets**

As of December 31, 2016, the Authority did not have Capital Assets.

**Debt Administration**

As of December 31, 2016, the Authority had no Long-Term Debt.

**Funds**

1. General Fund: The Unrestricted Net Position (UNP) in this fund is a result of historic transactions such as rental property that was sold, rehabilitation projects that are now complete as well as other investments of the Authority. In 2016, the change in Net Position was (\$48,360) for an ending Net Position of \$295,036.
2. Housing Choice Vouchers: This is the major program of the Authority at this time and has been the focus of this report. The Authority was able to utilize 91.67% of the 2,124 unit months available for its program of 177 Vouchers or 1,947 unit months, an average of 162 vouchers issued to low income clients in the City of Sheridan. The total HUD subsidy received in 2016 for landlord payments (HAP) was \$1,609,804 less total expenses of (\$1,672,693) resulted in excess HAP expenses over HAP revenues of (\$62,889). 2016, the change in Net Position was (\$57,098) for an ending Net Position of (\$16,922).

**The Future of the Authority-2017**

In 2016, HUD continued to require all housing authorities to use excess reserve funding--Net Restricted Position (NRP) for HAP costs and Unrestricted Net Position (UNP) for Administrative Expenses. The minimum reserve balance for HAP has been set at one month of costs; anything remaining is considered excess. However, utilizing all our budget authority from HUD in 2016, the Authority comes into 2017 without reserves.

**SHERIDAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
Required Supplementary Information  
December 31, 2016

**The Future of the Authority-2017 (continued)**

We are working closely with a team of HUD specialists to serve our voucher holders, decrease our program and stay within the budget allocation to finish 2017 with the minimum reserve balance restored. In 2017, HAP disbursements from HUD will be restored to 100% and Earned Administrative Fees will be 74% of normal funding. Maximizing Voucher utilization while controlling program costs will be a focus in 2017. The Housing Choice Voucher Program will strive to maintain its high-quality program.

**Requests for Information**

The financial report is designed to provide a general overview of the Sheridan Housing Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Sheridan Housing Authority  
C/O 3460 S. Sherman Street, Suite 101  
Englewood, CO 80113

## **BASIC FINANCIAL STATEMENTS**

SHERIDAN HOUSING AUTHORITY

STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
 December 31, 2016

	GENERAL	HOUSING CHOICE VOUCHERS	TOTALS	
			2016	2015
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 295,036	\$ 110,739	\$ 405,775	\$ 377,286
Restricted Cash and Investments	-	-	-	13,433
Accounts Receivable	-	35,917	35,917	4,074
<b>TOTAL ASSETS</b>	<u>\$ 295,036</u>	<u>\$ 146,656</u>	<u>\$ 441,692</u>	<u>\$ 394,793</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ -	\$ 17,457	\$ 17,457	\$ 11,221
Unearned Revenues	-	143,752	143,752	-
<b>TOTAL CURRENT LIABILITIES</b>	-	161,209	161,209	11,221
<b>Long-Term Liabilities</b>				
Escrow Deposits	-	2,369	2,369	-
<b>TOTAL LIABILITIES</b>	-	163,578	163,578	11,221
<b>NET POSITION</b>				
Restricted for Housing Assistance Payments	-	-	-	13,433
Unrestricted	295,036	(16,922)	278,114	370,139
<b>TOTAL NET POSITION</b>	<u>295,036</u>	<u>(16,922)</u>	<u>278,114</u>	<u>383,572</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 295,036</u>	<u>\$ 146,656</u>	<u>\$ 441,692</u>	<u>\$ 394,793</u>

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

SHERIDAN HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
ENTERPRISE FUNDS  
 Year Ended December 31, 2016

	GENERAL	HOUSING CHOICE VOUCHERS	TOTALS	
			2016	2015
OPERATING REVENUES				
Grants	\$ -	\$ 1,781,484	\$ 1,781,484	\$ 1,645,902
Other	-	12,333	12,333	1,854
TOTAL OPERATING REVENUES	-	1,793,817	1,793,817	1,647,756
OPERATING EXPENSES				
Housing Assistance Payments	-	1,734,125	1,734,125	1,520,114
General and Administrative	-	116,790	116,790	113,416
TOTAL OPERATING EXPENSES	-	1,850,915	1,850,915	1,633,530
NET OPERATING INCOME (LOSS)	-	(57,098)	(57,098)	14,226
NONOPERATING REVENUES (EXPENSES)				
Interest Income	1,640	-	1,640	527
Help for Homes Program Donation	(50,000)	-	(50,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(48,360)	-	(48,360)	527
CHANGE IN NET POSITION	(48,360)	(57,098)	(105,458)	14,753
NET POSITION, Beginning	343,396	40,176	383,572	368,819
NET POSITION, Ending	\$ 295,036	\$ (16,922)	\$ 278,114	\$ 383,572

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

SHERIDAN HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

Increase (Decrease) in Cash and Cash Equivalents  
Year Ended December 31, 2016

	GENERAL	HOUSING CHOICE VOUCHERS	TOTALS	
			2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Grants	\$ -	\$ 1,901,676	\$ 1,901,676	\$ 1,645,902
Cash Received from Tenants and Others	-	4,050	4,050	3,856
Housing Assistance Payments	-	(1,731,756)	(1,731,756)	(1,523,456)
Cash Payments to Vendors and Others	-	(110,554)	(110,554)	(109,706)
Net Cash Provided (Used) by Operating Activities	-	63,416	63,416	16,596
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Paid to the City of Sheridan	(50,000)	-	(50,000)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	1,640	-	1,640	527
NET CHANGE IN CASH AND CASH EQUIVALENTS	(48,360)	63,416	15,056	17,123
CASH AND CASH EQUIVALENTS, Beginning	343,396	47,323	390,719	373,596
CASH AND CASH EQUIVALENTS, Ending	\$ 295,036	\$ 110,739	\$ 405,775	\$ 390,719
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Net Operating Income (Loss)	\$ -	\$ (57,098)	\$ (57,098)	\$ 14,226
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Changes in Assets and Liabilities				
Accounts Receivable	-	(31,843)	(31,843)	2,002
Accounts Payable	-	6,236	6,236	3,710
Unearned Revenues	-	143,752	143,752	-
Escrow Deposits	-	2,369	2,369	(3,342)
Net Cash Provided (Used) by Operating Activities	\$ -	\$ 63,416	\$ 63,416	\$ 16,596

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

SHERIDAN HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

Based on the application of this criteria, the Authority does not include additional organizations within its reporting entity.

The members of the City Council of the City of Sheridan also act as the governing board of the Authority. Therefore, the Authority is reported as a component unit of the City of Sheridan.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

SHERIDAN HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

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

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

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

The *Housing Choice Vouchers Fund* accounts for the financial activities of the Authority's Section 8 Housing Choice Vouchers program. The program has been allocated 177 vouchers by the U.S. Department of Housing and Urban Development (HUD).

**Assets, Liabilities and Net Position**

*Cash and Investments* - Cash equivalents include investments with original maturities of three months or less.

*Accounts Receivable* - Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible and are approved by the Board of Commissioners.

*Unearned Revenues* - Unearned revenues arise when resources are received by the Authority before it has a legal claim to them, including when cash is received before the eligibility requirements established by the grantor have been met.

*Escrow Deposits* - The Authority holds deposits in escrow for participants of the family self-sufficiency program. The deposits are returned to the participants upon the satisfaction of all program requirements.

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

**Management Agreement**

The Authority has entered into a management agreement with the Housing Authority of the City of Englewood. Under the terms of this agreement, the Authority contracts for salaries, benefits, maintenance, supplies, etc. The Authority has no employees and pays a management fee to the Housing Authority of the City of Englewood for these services.

**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. The Authority carries commercial insurance for these risks of loss.

SHERIDAN HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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

**Accountability**

At December 31, 2016, the Housing Choice Vouchers Fund had a negative net position of \$16,922. Management expects this negative balance to be eliminated with future federal revenues.

**NOTE 3: CASH AND INVESTMENTS**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

**Investments**

The Authority is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

SHERIDAN HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

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

*Fair Value Measurements* - The Authority reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2016, the Authority's investment in Colotrust was reported at the net asset value per share, measured utilizing quoted prices in active markets for similar investments (Level 2 inputs).

*Interest Rate Risk* - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes allow investments with specified ratings provided by nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk* - State statutes do not limit the amount the Authority may invest in one issuer of investment securities, except for corporate securities.

*Local Government Investment Pools* - At December 31, 2016, the Authority had \$210,493 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

SHERIDAN HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgements**

The Authority participates in federal programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor. At December 31, 2016, significant amounts of grant expenses have not been audited but management believes that subsequent audits will not have a material effect on the overall financial position of the Authority.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Tabor Amendment is subject to many interpretations, but the Authority believes it is exempt from the provisions of the Tabor Amendment.

**FEDERAL FINANCIAL ASSISTANCE**



Board of Commissioners  
Sheridan Housing Authority  
Sheridan, Colorado

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Sheridan Housing Authority, component unit of the City of Sheridan, Colorado, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Sheridan Housing Authority, and have issued our report thereon dated May 2, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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



May 2, 2017



Board of Commissioners  
Sheridan Housing Authority  
Sheridan, Colorado

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

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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

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

We have audited the financial statements of the business-type activities and each major fund of the Sheridan Housing Authority, component unit of the City of Sheridan, Colorado, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Sheridan Housing Authority. We issued our report thereon dated May 2, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheridan Housing Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



May 2, 2017

SHERIDAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2016

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

• Material weaknesses identified? \_\_\_\_\_ yes  no

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  no

*Federal Awards*

Internal control over major federal programs:

• Material weaknesses identified? \_\_\_\_\_ yes  no

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

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

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

Identification of major federal program:

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?  yes \_\_\_\_\_ no

**Financial Statement Findings**

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

**Federal Awards Findings and Questioned Costs**

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

SHERIDAN HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Program		
Section 8 Housing Choice Vouchers	14.871	\$ 1,787,012
Passed through various Housing Authorities		
Section 8 Housing Choice Vouchers	14.871	<u>63,903</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,850,915</u>

See the accompanying Independent Auditors' Report.

SHERIDAN HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The Authority does not charge a de minimis indirect cost rate.