

# DELTA HOUSING AUTHORITY

AUDITED FINANCIAL STATEMENTS

Delta, Colorado  
December 31, 2017

*Goldie Roberts*

Certified Public Accountant



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Fredericksburg, IN 47301  
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Office of the State Auditor

October 9, 2018

DELTA  
HOUSING AUTHORITY

Delta, Colorado  
DECEMBER 31, 2017

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# Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.  
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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Delta Housing Authority  
501 14<sup>th</sup> Street  
Delta, Colorado 81416

### Report on the Financial Statements

I have audited the accompanying financial statements of the Delta Housing Authority ("the Authority") which comprise the Statement of Net Position as of December 31, 2017, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Delta Housing Authority's financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delta Housing Authority as of December 31, 2017, 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.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through ix be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Other Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals and Audit Requirements for Federal Awards*, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

In regard to, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents, 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated April 6, 2018 on my consideration of the Delta Housing Authority's internal control over financial reporting and on my 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 my 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 Delta Housing Authority's internal control over financial reporting and compliance.

*Goldie Roberts*

Certified Public Accountant

Fredericksburg, Indiana  
April 6, 2018

# DELTA HOUSING AUTHORITY

Delta, Colorado

## MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

### Management's Discussion and Analysis

As management of the Delta Housing Authority (DHA), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ending December 31, 2017. We encourage the readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Executive Director.

### Financial Highlights

In addition to this overview, more descriptive explanations of the below items are provided on the following pages of this report.

The total net position of the Authority at the beginning of 2017 was \$8,412,605 and by year end December 31, 2017 were \$8,385,587.

The Authority's restricted and non-restricted cash balances as of December 31, 2017, were \$2,586,921 representing a decrease of \$209,870 from December 31, 2016.

The Authority had Housing and Urban Development capital grant revenues of \$101,983.

### Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

**Statement of Net Position** – This statement reports the Authority's assets and liabilities and provides information pertaining to the nature of the Authority's current financial resources (short-term spendable resources) with capital assets and long-term debt obligations. With this statement a reader is provided a basis for determining the overall financial health of the Authority including liquidity and financial flexibility.

**Statement of Revenues, Expenses and Changes in Fund Net Position** – The statement reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.

**Statement of Cash Flows** – The cash flows statement reports the Authority's cash flow from operating, investing, capital and non-capital activities.

# DELTA HOUSING AUTHORITY

Delta, Colorado

## MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

(Continued)

### Overview of the Financial Statements (continued)

Following is our analysis of the Authority as a whole. The most important question asked about the Authority's finances - "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of entity wide net position, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects the Authority's net position and the changes in the net position during 2017. The Authority's net position is the difference between what the Authority owns (i.e., assets) and what the Authority owes (i.e., liabilities), as one measure of the Authority's financial health.

Over time, changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Readers need to consider other non-financial factors such as changes in family compositions, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets to assess the overall health of the Authority.

### Current and Future Events (New Business)

The Federal Agency of Housing and Urban Development (HUD) has the responsibility of monitoring the performance of Housing Authorities throughout the United States. HUD has established various categories for measuring and reporting the status of Housing Authorities; DHA falls under the "Small PHA Deregulation" status. HUD continues to reduce subsidy levels for the PHA and the Section 8 programs. To address the continuing reduction in subsidies, DHA staff closely monitors program compliance, expenses and debt.

The **Public Housing** program maintained its 100% occupancy rate for the 75 units it owns. The Capital Fund projects for the Public Housing Program included sewer improvements, concrete repair, updated appliances in tenant units, replacement of 19 tenant sheds (Phase II of the project) and tree pruning. The 2017 capital budget for Public Housing set aside resources for more needed sewer improvements, office remodel, tree pruning services, flooring for tenant units and other improvements. Effective August 2016, DHA implemented a smoke free policy for all DHA owned or managed properties.

# DELTA HOUSING AUTHORITY

Delta, Colorado

## MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

(Continued)

### Current and Future Events (New Business) (continued)

The **Section 8 Housing Choice Voucher** program, administering 226 vouchers throughout Delta County continued its stellar performance record in 2017. The success rate for how many issued vouchers went under a Housing Assistance Contract is 97%, indicating full leasing indicator points in the Section Eight Management Assessment Program (SEMAP). DHA is considered a high performer.

In 2017, DHA kept its remaining six scattered site properties (**Affordable Housing Program**) on the market, but did not sell any properties. There is no debt on those scattered site properties.

The **Housing Rehabilitation Program** originated 26 projects, exceeding the original goal of 25. The loan amount for 2017 totaled approximately \$300,000. The number of projects within the following counties: Delta - 14, Montrose - 8, Ouray -1, Gunnison – 2 and San Miguel -1. Several new partnerships are developing in several counties leading to new collaboration and increased referrals.

The **Down Payment Assistance Program**. One loan was closed this year. This was actually the first loan originated in-house and provided the opportunity to develop a working protocol. The market conditions are still not in-line with HUD eligibility requirements for many potential borrowers so outreach and marketing has been scaled back.

**Rental Rehabilitation Loan Program (Two Year Pilot Program)**. The program provides rehabilitation assistance to landlords of eligible rental properties. The property rents must be within certain target limits and be occupied by tenants who are within allowable income levels. In recent months the local rental costs have been rising. A number of applications received were determined not eligible due to those rents exceeding the target limits (FMR) as set by HUD. It is hoped that the new limits, published annually, and expected to be known soon will be adjusted within closer parameters of the current market conditions. Meanwhile the focus is on existing voucher program landlords and also on those properties that tend to have lowest rents. These properties may also have the biggest need.

### ANALYSIS OF ENTITY WIDE NET POSITION (STATEMENT OF NET POSITION)

**Net Position** at December 31, 2016, was \$8,412,605, and at December 31, 2017, the amount was \$8,385,587. This represents a net decrease of \$27,018 mainly due to depreciation, the purchase of public housing sheds that didn't qualify for depreciation and write-off's of old uncollectible notes receivable in the housing rehab and down payment programs.

**DELTA HOUSING AUTHORITY**

Delta, Colorado

**MANAGEMENT DISCUSSION AND ANALYSIS**

DECEMBER 31, 2017

(Continued)

Cash, Cash Equivalents and Restricted Cash decreased by \$209,870 from the prior year.

Capital Assets decreased by \$75,976. The change in capital assets was primarily due to depreciation for 2017 of \$127,250 and capital additions of \$51,272.

**Change in Notes Payable**

A summary of changes in notes payable is as follows:

Notes payable – January 1, 2017	\$ 125,465
Increase in debt	0
Decrease in debt – principal payments and payoffs	<u>( 6,462)</u>
Notes payable – December 31, 2017	<u>\$ 119,003</u>

Current Liabilities decreased by \$94,907 primarily due to a decrease in unearned revenue.

**TABLE A**  
**Condensed Statements of Net Position**

	2017	2016	Change
Current Assets	\$3,298,168	\$3,404,827	\$(106,659)
Noncurrent Assets	5,349,917	5,367,033	( 17,116)
<b>Total Assets</b>	<b><u>\$8,648,085</u></b>	<b><u>\$8,771,860</u></b>	<b><u>\$(123,775)</u></b>
Current Liabilities	\$ 117,522	\$ 212,429	\$( 94,907)
Noncurrent Liabilities	144,976	146,826	( 1,850)
<b>Total Liabilities</b>	<b><u>\$ 262,498</u></b>	<b><u>\$ 359,255</u></b>	<b><u>\$ ( 96,757)</u></b>
Net Investment in Capital Assets	\$1,920,775	\$1,990,289	\$( 69,514)
Restricted	73,492	71,849	1,643
Unrestricted	6,391,320	6,350,467	40,853
<b>Total Net Position</b>	<b><u>\$8,385,587</u></b>	<b><u>\$8,412,605</u></b>	<b><u>\$( 27,018)</u></b>

**DELTA HOUSING AUTHORITY**

Delta, Colorado

**MANAGEMENT DISCUSSION AND ANALYSIS**

DECEMBER 31, 2017

(Continued)

**ANALYSIS OF ENTITY WIDE REVENUES (STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION)**

For the years ending December 31, 2016 and 2017 total revenues were \$2,192,245 and \$2,092,978 respectively. Comparatively, the 2017 revenues reflected a decrease of \$99,267. Operating revenues decreased by \$116,717 from \$459,084 in 2016 to \$342,367 for 2017. The non-operating income and expenses are made up of federal operating grants, capital grants, state grants, interest income and interest expense. The decrease in operating revenues is due to developer fee income in the Business Activities program that was received in 2016, but not in 2017 because the project was completed in 2016.

The Authority administers the following programs and the revenues generated from these programs during the year ending December 31, 2017, were as follows:

<b>Low Income Public Housing</b>		
Tenant Rent	\$ 200,401	
Other	2,978	
HUD Operating Subsidy	<u>152,957</u>	\$ 356,336
<b>Section 8 Vouchers</b>		
HAP and Admin. Fees Earned	1,249,117	
Other	<u>15,260</u>	1,264,377
<b>Rural Development - Grand Manor</b>		
Tenant Rent	19,798	
Rent Income - USDA - RD	44,426	
Other	<u>20</u>	64,244
<b>Business Activities (General and AH)</b>		
Tenant Rent	38,864	
Other	<u>118,974</u>	157,838
<b>Capital Grants</b>		
HUD for Operations	20,059	
Capital Grants	<u>101,983</u>	122,042
<b>State and Local</b>		
CDBG grant	120,066	
Other	<u>8,075</u>	<u>128,141</u>
<b>Total revenues</b>		<b><u>\$ 2,092,978</u></b>

**DELTA HOUSING AUTHORITY**

Delta, Colorado

**MANAGEMENT DISCUSSION AND ANALYSIS**

DECEMBER 31, 2017

(Continued)

**ANALYSIS OF ENTITY WIDE EXPENDITURES**

Total operating expenses increased by \$234,742 in FYE 2017 as compared to FYE 2016. In FYE 2016 and FYE 2017 total expenses were \$1,875,144 and \$2,109,886 respectively. The increase is mainly from higher housing assistance payments for the Section 8 Voucher program, purchase of public housing sheds that did not qualify for depreciation and staff position that changed from part-time to full-time. In addition, old uncollectible notes receivable in the State and Local program (housing rehab and down payment) were written off.

**TABLE B**

Condensed Statements of Changes in Net Position

	<b>2017</b>	<b>2016</b>	<b>Change</b>
Total operating revenues	\$ 342,367	\$ 459,084	\$( 116,717)
Operating expenses			
Administrative	531,224	483,214	( 48,010)
Utilities	61,469	59,705	( 1,764)
Ordinary maintenance & operation	224,557	133,515	( 91,042)
General expense	69,879	39,048	( 30,831)
Housing assistance payments	1,095,507	1,034,633	( 60,874)
Depreciation expense	127,250	125,029	( 2,221)
Total operating expenses	2,109,886	1,875,144	( 234,742)
Operating income (loss)	(1,767,519)	(1,416,060)	( 351,459)
Non-operating revenue	1,648,628	1,681,960	( 33,332)
Interest Expense	( 10,110)	( 11,527)	1,417
Capital contributions	101,983	51,201	50,782
Change in net position	\$( 27,018)	\$ 305,574	\$( 332,592)

**DELTA HOUSING AUTHORITY**

Delta, Colorado

**MANAGEMENT DISCUSSION AND ANALYSIS**

DECEMBER 31, 2017

(Continued)

**CAPITAL ASSETS**

As of December 31, 2017, the Housing Authority had \$2,039,778 invested in capital assets. This amount represents capital expenditures of \$51,272 and current year's depreciation of \$127,250.

	<u>2017</u>	<u>2016</u>	Increase <u>(Decrease)</u>
Land	\$ 484,796	\$ 484,796	\$ 0
Buildings and Improvements	4,581,506	4,557,559	23,947
Furniture, Equipment & Machinery	<u>122,968</u>	<u>95,643</u>	<u>27,325</u>
Subtotal	5,189,270	5,137,998	51,272
Accumulated Depreciation	<u>(3,149,492)</u>	<u>( 3,022,244)</u>	<u>( 127,248)</u>
Capital Assets	<u>\$ 2,039,778</u>	<u>\$ 2,115,754</u>	<u>\$ ( 75,976)</u>

The current year capital additions were:

Paver project – Thompson Manor	\$ 11,750
Sewer improvements	2,800
Vehicle	27,325
Building improvements – 238 Columbia	4,300
Admin building remodel	<u>5,097</u>
Total Additions	<u>51,272</u>
Increase in Capital Assets	<u>\$ 51,272</u>

**NOTES PAYABLE**

At December 31, 2017, the notes payable balances were \$119,003. The loan portfolio includes only the Rural Development property known as Grand Manor and has an interest rate of 8.25%. The portion of debt due in 2018 is \$7,015.

**BUDGETARY ANALYSIS**

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public housing is adopted on the basis of accounting prescribed by the Housing and Urban Development, which differs in some respects from generally accepted accounting principles. Program budgets for the Section 8 Programs are approved by the U.S. Department of Housing and Urban Development.

# DELTA HOUSING AUTHORITY

Delta, Colorado

## MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

(Continued)

### ECONOMIC FACTORS AND FUTURE YEAR'S BUDGETS

In 2017 DHA focused on the following objectives:

- GOAL 1: Continue to explore increasing Affordable Housing stock in Delta County**
- Strategy 1: Visit with representatives from the housing industry to address affordable housing needs in Delta County and to discuss funding options
- Objective: Meet with representatives from the Colorado Division of Housing, the Colorado Housing and Finance Authority to discuss future options
- Objective: Meet on a regular basis with the Delta County Task Force to discuss and explore affordable housing options
- Objective: Consider Project Basing Vouchers to support affordable housing within Delta County
- GOAL 2: Public Housing Units - focus on completing landscape projects and addressing sewer issues (PHA)**
- Strategy 1: Evaluate sewer system needs and resources
- Objective: Continue with sewer upgrades
- Objective: Work in partnership with the City of Delta for sewer line replacements/upgrades
- Strategy 2: Evaluate site regarding seeping water on the hillside behind Thompson Manor
- Objective: Determine property line on hillside
- Objective: Get engineering plans for stabilizing hillside and managing the water
- Objective: Contact Delta/Montrose Water Commissioner to find possible solution in regards to the seeping ditch which is running behind Thompson Manor
- Objective: Set time line and budget for addressing hillside issues
- Strategy 3: Evaluate remaining landscape needs and resources
- Objective: Issue RFP for work to be completed
- Objective: Complete actual work
- GOAL 3: Public Housing – ADA Unit remodels**
- Strategy 1: Assess existing PHA housing stock to determine needed ADA upgrades
- Objective: Go out for RFP for Architect/Engineering Services
- Objective: Review plans from architect and draft plan on how to proceed
- Objective: Issue RFP for work to be completed
- Objective: Complete actual work
- GOAL 4: Continue to promote and expand Voucher Program**
- Strategy 1: Foster relationships with landlords
- Objective: Continue to maintain good working relationships with existing landlords by contacting them on regular basis to address issues
- Objective: Recruit new landlords

# DELTA HOUSING AUTHORITY

Delta, Colorado

## MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2017

(Continued)

Objective: Use webpage to actively market to program participants and to landlords and to keep landlords updated about changes in program rules. Add information for landlords to the Website

**GOAL 5: Continue to cross-train staff as appropriate**

Strategy 1: Determine what cross-training makes sense and would benefit agency

Objective: Review current job assignments and determine what cross-training would be appropriate

Objective: Identify appropriate training sources, whether in-house or through an outside provider, would be available and best suited to DHA needs

Objective: Secure resources for training and send staff to appropriate trainings

**GOAL 6: Update software systems**

Strategy 1: Implement WinTen 2+ software update

Objective: Meet with representatives from Tenmast to develop a transition plan and to establish computer system requirements

Objective: Apportion time for staff to work through TenMast University to begin learning new system

Strategy 2: Update software programs (GMS, MINC, etc) on a regular basis

Strategy 3: Update staff computers as needed

**GOAL 7: Maintain all DHA owned properties in a safe and decent manner**

Strategy 1: Continue to evaluate and address ongoing maintenance issues of all DHA owned properties

Looking forward for 2018, DHA will maintain its focus on continued high levels of performance in all program areas currently under its administration and explore other opportunities to generate additional revenue to support and sustain safe, decent, affordable housing for Delta County.

FINANCIAL STATEMENTS

DELTA HOUSING AUTHORITY  
Delta, Colorado

STATEMENT OF NET POSITION  
DECEMBER 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,506,204
Restricted cash and cash equivalents	80,717
Accounts receivable, net	697,684
Prepaid expenses	3,008
Inventory	10,555
<b>Total Current Assets</b>	<b><u>3,298,168</u></b>

Capital Assets

Land and other nondepreciable assets	484,796
Depreciable capital assets, net	1,554,982
<b>Total Capital Assets</b>	<b><u>2,039,778</u></b>

Noncurrent Assets

Investments in joint ventures	620,037
Notes receivable	2,690,102
<b>Total Noncurrent Assets</b>	<b><u>3,310,139</u></b>

**TOTAL ASSETS**

**8,648,085**

LIABILITIES

Current liabilities

Accounts payable	30,127
Accrued liabilities	43,492
Current portion of long term debt	7,015
Payable from restricted cash and cash equivalents:	
Tenants security deposits	36,888
<b>Total Current Liabilities</b>	<b><u>117,522</u></b>

Noncurrent Liabilities

Other noncurrent liabilities	32,988
Long term debt	111,988
<b>Total Noncurrent Liabilities</b>	<b><u>144,976</u></b>

**Total Liabilities**

**262,498**

NET POSITION

Net investment in capital assets	1,920,775
Restricted	73,492
Unrestricted	6,391,320

**Total Net Position**

**\$ 8,385,587**

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

DELTA HOUSING AUTHORITY  
Delta, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES

Rental income	\$ 259,063
Other income	83,304
	<hr/>
TOTAL OPERATING REVENUE	342,367

OPERATING EXPENSES

Administrative	531,224
Utilities	61,469
Ordinary maintenance and operation	224,557
General expense	69,879
Housing assistance payments	1,095,507
Depreciation expense	127,250
	<hr/>
TOTAL OPERATING EXPENSES	2,109,886

OPERATING INCOME (LOSS)	<hr/> <u>(1,767,519)</u>
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NONOPERATING REVENUES (EXPENSE)

Federal operating grants	1,586,625
Interest expense	(10,110)
Interest income	62,003
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSE)	1,638,518

Net income (loss) before capital contributions	<hr/> <u>(129,001)</u>
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CAPITAL CONTRIBUTIONS	<hr/> 101,983
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CHANGE IN NET POSITION	(27,018)
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TOTAL NET POSITION - BEGINNING OF YEAR	<hr/> 8,412,605
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TOTAL NET POSITION - END OF YEAR	<hr/> <u>\$ 8,385,587</u>
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The accompanying notes are an integral part of these financial statements

DELTA HOUSING AUTHORITY  
Delta, Colorado

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	342,367
Payments to vendors		(563,519)
Payments to landlords		(1,095,507)
Payments to employees		(517,116)
Net Cash Used by Operating Activities		<u>(1,833,775)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received		<u>1,586,625</u>
Net Cash From Noncapital Financing Activities		<u>1,586,625</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on notes		(6,462)
Interest paid on notes		(10,110)
Federal capital grants received		101,983
Acquisition and construction of capital assets		(51,274)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities		<u>34,137</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in notes receivable		(58,860)
Interest received		62,003
Net Cash From Investing Activities		<u>3,143</u>

Net Increase (Decrease) in Cash and Cash Equivalents (209,870)

Cash - Beginning of year 2,796,791

Cash - End of year \$ 2,586,921

Reconciliation of Cash and Cash Equivalents:

Deposits in bank	\$	2,506,204
Restricted cash		<u>80,717</u>
Total Cash and Cash Equivalents	\$	<u><u>2,586,921</u></u>

Continued

DELTA HOUSING AUTHORITY  
Delta, Colorado

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO  
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$	(1,767,519)
Adjustments to reconcile net operating income (loss) to net cash Provided by operating activities:		
Depreciation		127,250
- Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(103,915)
Prepaid expenses		(218)
Inventory		922
Increase (Decrease) in:		
Accounts payable		(11,873)
Accrued liabilities		28,530
Unearned revenue		(106,952)
Net Cash Flows Provided (Used) by Operating Activities	\$	<u>(1,833,775)</u>

The accompanying notes are an integral part of these financial statements

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE A - Summary of Significant Accounting Policies and Organization:**

The financial statements of the DELTA HOUSING AUTHORITY ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Delta Housing Authority is a political subdivision both corporate and politic which was established under the provision of Colorado Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a Low-Income Public Housing program under Annual Contributions Contract DEN-527 and Section 8 Housing Assistance Payments Program under Annual Contributions Contracts CO-040, and 05-15. The financial statements also include the Rural Economic and Community Development (RECD), the Affordable Housing Program, the Housing Rehabilitation and Down Payment Assistance Program (CDBG).

**Reporting Entity**

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Delta Housing Authority, a primary government. Although it is legally separate from the Delta Housing Authority, the Housing Delta County, LLC is reported as if it were part of the primary government because its sole purpose is to work in conjunction with the Housing Authority to assist with providing housing for low and moderate income individuals. The criteria for inclusion as a component unit include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Accordingly Housing Delta County, LLC has been blended with the Delta Housing Authority. There are no other component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

The financial statements of the Delta Housing Authority include the following:

At December 31, 2017, the Housing Authority has 317 units in management.

<u>Project</u>	<u>Units</u>
Low Income Public Housing	75
Housing Choice Vouchers	226
Rural Economic & Community Development	10
Affordable Housing Program	<u>6</u>
TOTAL	<u>317</u>

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

**Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

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 present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net position categories:

**Net Investment in Capital Assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has debt on the Rural Rental Housing Program.

**Restricted:** Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

**Unrestricted:** Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

**Accounting Policies** - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Use of Enterprise Accounting** - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes.

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

Budget compared to actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board and approved by HUD. This budget does not represent an appropriated budget that has been signed into law or a nonappropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of checking and savings accounts. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Housing Authority Board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Notes Receivable - These notes consist of the following:

- a) Deferred Loans - These are real estate loans which payments are deferred until the property is sold by the owner.
- b) CDBG Loans - These are loans made to individuals who qualified under the HOME Investment Partnership Program, financed by the State's HOME Program. The interest rates on these loans are between 0% and 8%.
- c) Down Payment (ROAD) - These loans are for down payment and closing costs for low to moderate income families who need extra help to purchase a home. The annual interest rates are between 3% and 8%.

Prepaid - Prepays represent payments made to vendors for services that will benefit beyond December 31, 2017.

Inventories - Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Interprogram Due From and Due To - During the course of its operations, the Authority has interprogram transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs for which the applicable cash transfer had not been made as of the balance sheet date. Interprogram accounts have been eliminated for financial statement reporting purposes.

Capital Assets - Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. The capitalization practice of the Authority requires assets to be capitalized when their cost is \$2,500. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs. The Authority does not have any infrastructure assets.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Building & Improvements	10-40 years
Furniture, Equipment & Machinery	3-7 years

Restricted Assets - When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, and then restricted resources as they are needed.

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. 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 non operating revenues and expenses.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and paid time off. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Leasing Activities (as Lessor) - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Income associated with these leases are recorded in the financial statements and schedules as "Rental income". Rental income per resident generally remains consistent from year to year, but is affected by general economic conditions which impact personal income, such as local job availability.

NOTE B - Deposits, Cash and Cash Equivalents:

1. HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The institution is allowed 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits.

2. Risk Disclosures

A. Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2017, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

B. Credit Risk: This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

NOTE B - Deposits, Cash and Cash Equivalents: (Continued)

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

At December 31, 2017, the carrying amount of the Authority's deposits was \$2,586,921. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits, escrow accounts and bond reserve funds.

Deposits consist of the following:

Checking and Savings accounts	<u>\$ 2,586,921</u>
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NOTE C - Accounts Receivable:

Accounts receivable at December 31, 2017, consist of the following:

Tenants, net of allowance of \$5,980	\$ 1,118
Current portion of notes receivable	81,180
Accrued interest receivable	574,548
CDBG	23,060
HUD Capital Fund	11,305
USDA (Rural Development)	2,627
Tax Credit	<u>3,846</u>
Total	<u>\$ 697,684</u>

NOTE D - Prepaid Expenses:

Prepaid expenses at December 31, 2017, consist of the following:

Prepaid insurance	<u>\$ 3,088</u>
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NOTE E - Inventory:

Inventory at December 31, 2017, consists of the following:

Materials and supplies	<u>\$ 10,555</u>
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Materials inventories are recorded at cost. The first-in first-out (FIFO) inventory flow assumption is used to determine expenditures. Expenditures are recorded when inventory is consumed.

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

NOTE F - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance <u>12/31/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance <u>12/31/17</u>
Capital assets, not being depreciated:					
Land	\$ 484,796	\$ 0	\$( 0)	\$ 0	\$ 484,796
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>( 0)</u>	<u>0</u>
Total Capital Assets, Not being depreciated	<u>484,796</u>	<u>0</u>	<u>( 0)</u>	<u>( 0)</u>	<u>484,796</u>
Capital Assets, being depreciated:					
Buildings & Improvements	4,557,559	23,947	( 0)	0	4,581,506
Furniture, Equipment & Machinery	<u>95,643</u>	<u>27,325</u>	<u>0</u>	<u>0</u>	<u>122,968</u>
Total Capital Assets, being depreciated	<u>4,653,202</u>	<u>51,272</u>	<u>( 0)</u>	<u>0</u>	<u>4,704,474</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	( 2,936,197)	( 121,090)	0	0	( 3,057,287)
Furniture, Equipment and Machinery	<u>( 86,047)</u>	<u>( 6,158)</u>	<u>0</u>	<u>0</u>	<u>( 92,205)</u>
Total Accumulated Depreciation:	<u>( 3,022,244)</u>	<u>( 127,248)</u>	<u>0</u>	<u>0</u>	<u>( 3,149,492)</u>
Total Capital Assets, being depreciated, net	<u>1,630,958</u>	<u>( 75,976)</u>	<u>( 0)</u>	<u>0</u>	<u>1,554,982</u>
Capital Assets, Net	<u>\$ 2,115,754</u>	<u>\$( 75,976)</u>	<u>\$( 0)</u>	<u>\$ 0</u>	<u>\$ 2,039,778</u>

Major construction renovation through the Capital Fund Grant Program costs of \$123,823 are yet to be expended under the current programs. HUD has approved funding for the above amount.

Depreciation expense of \$127,250 was incurred during the year.

NOTE G - Notes Receivable:

Notes receivable at December 31, 2017, consist of the following:

Villas at the Bluff	\$ 1,000,000
Farmers Home Loan Bank	192,000
Developer fees	375,508
CDBG (Rehab)	1,286,473
Down payment (ROAD)	<u>19,868</u>

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

NOTE G - Notes Receivable: (Continued)

Subtotal	2,873,849
Less allowance for uncollectible notes	<u>( 102,567)</u>
Total notes receivable	<u>\$ 2,771,282</u>
Long-term notes receivable, net of allowance	\$ 2,690,102
Current portion	<u>81,180</u>
Total	<u>\$ 2,771,282</u>

NOTE H - Investments in Joint Ventures:

Investments at December 31, 2017, consist of the following:

Villas at the Bluff limited partnership Phase I	\$ 301,149
Villas at the Bluff limited partnership Phase II	<u>318,888</u>
Total	<u>\$ 620,037</u>

The Authority entered into a limited partnership (Villas at the Bluff Limited Partnership) agreement for the purpose of constructing and managing a 48-unit complex of eight one bedroom units, twenty-four two bedroom units and sixteen three bedroom units. The partnership has received tax credits from the State of Colorado. The Authority holds a 0.01% general partnership interest, with the remaining 99.99% limited partnership interests held by unrelated investors.

The Authority entered into a limited partnership (Villas at the Bluff II Limited Partnership) agreement for the purpose of constructing and managing a 32-unit complex of twelve one bedroom units, sixteen two bedroom units and four three bedroom units. The partnership has received tax credits from the State of Colorado. The Authority holds a 0.01% general partnership interest, with the remaining 99.99% limited partnership interests held by unrelated investors.

NOTE I - Accounts Payable:

Accounts payable at December 31, 2017, consist of the following:

Vendors' accounts payable	\$ 10,127
Due to tax credit projects	<u>20,000</u>
Total	<u>\$ 30,127</u>

NOTE J - Accrued Liabilities:

Accrued liabilities at December 31, 2017, consist of the following:

Accrued wages/payroll taxes	\$ 23,612
Accrued compensated absences	3,665
Accrued compensated absences	<u>16,215</u>
Total	<u>\$ 43,492</u>

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

**NOTE K - Other Noncurrent Liabilities:**

Other noncurrent liabilities at December 31, 2017, consist of the following:

Accrued compensated absences:

<u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/17</u>	<u>Current Portion</u>	<u>Long Term Portion</u>
\$ 30,913	\$ 5,740	(\$ 0)	\$ 36,653	\$ 3,665	\$ 32,988

**NOTE L - Long-Term Debt:**

At December 31, 2017, a long-term debt consisted of the following:

Mortgage payable to United State Department of Agriculture (FMHA), with a monthly payment of \$1,381, including subsidized interest at an annual rate of 8 1/4%. This mortgage is collateralized by a lien on the apartments, on the land and a security interest in rents, profits and reserve accounts of the Authority.

	FMHA Mortgage payable	\$ <u>119,003</u>
	Total debt payable	119,003
	Current portion	<u>7,015</u>
	Long term	<u>\$ 111,988</u>
	<u>Principal</u>	<u>Interest</u>
2018	\$ 6,967	\$ 9,605
2019	7,564	9,008
2020	8,213	8,359
2021	8,916	7,656
2022	9,681	6,891
2023-2027	62,362	20,497
2028	<u>15,300</u>	<u>718</u>
Total	<u>\$ 119,003</u>	<u>\$ 62,734</u>
Change in debt	<u>12/31/2016</u>	<u>Increases</u>
	<u>Decreases</u>	<u>12/31/2017</u>
	<u>\$ 125,465</u>	<u>\$ 0</u>
	<u>\$ ( 6,462)</u>	<u>\$ 119,003</u>

The decrease of \$6,462 in long-term debt is due to the current year mortgage principal payments.

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

**NOTE M - Federal and State Operating Grants:**

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Public Housing Operating Subsidy	\$ 152,957
Capital Fund Program	20,059
Housing Choice Vouchers	1,249,117
Rural Rental Housing Loans	10,450
Rural Rental Assistance Payments	33,976
CDBG	<u>120,066</u>
Total	<u>\$ 1,586,625</u>

**NOTE N - Federal Capital Grants:**

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended December 31, 2017, were \$101,983.

**NOTE O - Commitments and Contingencies:**

**Litigation:** At December 31, 2017, the Authority was not involved in any threatened litigation.

**Examinations:** The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no formal examinations during the year ended December 31, 2017.

**Grant Disallowances:** Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, 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 P - Pension Plan:**

The Authority provides pension benefits for all its employees through a Simple Individual Retirement Account (IRA), which is a defined contribution plan. The plan is administered by American Funds. The Housing Authority Board is authorized to establish or amend the IRA benefits. Benefits depend solely on amounts contributed to the IRA plus investment earnings. To be eligible, employees must have received at least \$5,000 in compensation during any one prior year and it is reasonably expected that employee earns at least \$5,000 in compensation during the current year. The Authority contributes an amount equal to 3% of the employee's base salary each month. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately.

The Authority's total payroll in fiscal year 2017 was \$459,076. The Authority made contributions, amounting to \$10,059 from the Authority and \$29,123 from the employees.

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(Continued)

NOTE Q - Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management, which includes public officials, tenant discrimination, workman's compensation, flood, property, and auto insurance. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE R - Economic Dependency:

The Authority receives approximately 76% of its revenues from HUD and RECD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE S - Conduit Type Debt:

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Delta Housing Authority.

HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

NOTE T - Contingencies - Taxpayer's Bill of Rights:

In November, 1992, the voters of the State of Colorado approved an amendment to the states 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 and activities from the limitations. The Board of Commissioners of the Authority believes it is exempt from the provisions of the Taxpayer's Bill of Rights because it is an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenues 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 which are all the basic operational requirements of TABOR. However, many provisions of the TABOR Amendment are complex and subject to further interpretation and will require judicial interpretation.

NOTE U - Related Party:

The Authority acts as a management agent for the Villas at the Bluff Limited Partnerships I & II. The Authority has housing Choice Voucher residents in the partnership building. The Authority bills the partnership for a management fee and other expenses. Copies of their reports are available for review at the Housing Authority office.

DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE V - Subsequent Events:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through April 6, 2018 the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTAL FINANCIAL INFORMATION

DELTA HOUSING AUTHORITY  
Delta, Colorado

COMBINING SCHEDULE OF PROGRAM NET POSITION  
DECEMBER 31, 2017

	Annual Contributions Contracts		
	DEN 527	DEN 527	05-15
	Low Income Public Housing	Capital Fund Programs	Rural Rental Assist. Payments
<b><u>ASSETS</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 873,597	\$ 0	\$ 51,097
Restricted Cash and cash equivalents	29,663	0	47,786
Accounts receivable, net	12,253	0	2,637
Prepaid expenses	1,799	0	725
Inventory	0	0	0
<b>Total Current Assets</b>	<b>917,312</b>	<b>0</b>	<b>102,245</b>
<b><u>Capital Assets</u></b>			
Land and other nondepreciable assets	444,196	0	10,150
Depreciable capital assets, net	1,010,754	0	129,863
<b>Total Capital Assets</b>	<b>1,454,950</b>	<b>0</b>	<b>140,013</b>
<b><u>Noncurrent Assets</u></b>			
Investments in joint ventures	0	0	0
Notes receivable	0	0	0
<b>Total Noncurrent Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>2,372,262</b>	<b>0</b>	<b>242,258</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current liabilities</u></b>			
Accounts payable	6,696	0	600
Accrued liabilities	8,988	0	809
Current portion of long term debt	0	0	7,015
Payable from restricted cash and and cash equivalents:			
Tenants security deposits	29,663	0	3,957
<b>Total Current liabilities</b>	<b>45,347</b>	<b>0</b>	<b>12,381</b>
<b><u>Noncurrent Liabilities</u></b>			
Other noncurrent liabilities	13,661	0	1,606
Long term debt	0	0	111,988
<b>Total Noncurrent Liabilities</b>	<b>13,661</b>	<b>0</b>	<b>113,594</b>
<b>Total Liabilities</b>	<b>59,008</b>	<b>0</b>	<b>125,975</b>
<b><u>NET POSITION</u></b>			
Net investmet in capital assets	1,454,950	0	21,010
Restricted	29,663	0	43,829
Unrestricted	828,641	0	51,444
<b>Total Net Position</b>	<b>\$ 2,313,254</b>	<b>\$ 0</b>	<b>\$ 116,283</b>

CO040				
Housing Choice Vouchers	Business Activities	Community Development Block Grant	Interfund Elimination	Total
\$ 456,959	\$ 836,050	\$ 288,501	\$ 0	\$ 2,506,204
0	3,268	0	0	80,717
0	578,554	104,240	0	697,684
267	160	57	0	3,008
0	10,555	0	0	10,555
<b>457,226</b>	<b>1,428,587</b>	<b>392,798</b>	<b>0</b>	<b>3,298,168</b>
0	30,450	0	0	484,796
129,962	284,403	0	0	1,554,982
<b>129,962</b>	<b>314,853</b>	<b>0</b>	<b>0</b>	<b>2,039,778</b>
0	620,037	0	0	620,037
0	1,567,508	1,122,594	0	2,690,102
0	2,187,545	1,122,594	0	3,310,139
<b>587,188</b>	<b>3,930,985</b>	<b>1,515,392</b>	<b>0</b>	<b>8,648,085</b>
2,450	20,065	316	0	30,127
4,995	8,415	20,285	0	43,492
0	0	0	0	7,015
0	3,268	0	0	36,888
<b>7,445</b>	<b>31,748</b>	<b>20,601</b>	<b>0</b>	<b>117,522</b>
9,223	1,673	6,825	0	32,988
0	0	0	0	111,988
<b>9,223</b>	<b>1,673</b>	<b>6,825</b>	<b>0</b>	<b>144,976</b>
<b>16,668</b>	<b>33,421</b>	<b>27,426</b>	<b>0</b>	<b>262,498</b>
129,962	314,853	0	0	1,920,775
0	0	0	0	73,492
440,558	3,582,711	1,487,966	0	6,391,320
<b>\$ 570,520</b>	<b>\$ 3,897,564</b>	<b>\$ 1,487,966</b>	<b>\$ 0</b>	<b>\$ 8,385,587</b>

DELTA HOUSING AUTHORITY  
Delta, Colorado

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Annual Contributions Contracts		
	DEN 527	DEN 527	05-15
	Low Income Public Housing	Capital Fund Programs	Rural Rental Assist. Payments
<b><u>OPERATING REVENUES</u></b>			
Rental income	\$ 200,401	\$ 0	\$ 19,798
Other income	2,936	0	20
<b>TOTAL OPERATING REVENUE</b>	<b>203,337</b>	<b>0</b>	<b>19,818</b>
<b><u>OPERATING EXPENSES</u></b>			
Administrative	184,415	0	20,413
Utilities	51,817	0	6,898
Ordinary maintenance and operation	200,803	0	12,712
General expense	18,455	0	2,278
Housing assistance payments	0	0	0
Depreciation expense	96,197	0	9,673
<b>TOTAL OPERATING EXPENSES</b>	<b>551,687</b>	<b>0</b>	<b>51,974</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(348,350)</b>	<b>0</b>	<b>(32,156)</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Federal operating grants	152,957	20,059	44,426
Interest expense	0	0	(10,110)
Interest income	42	0	0
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>152,999</b>	<b>20,059</b>	<b>34,316</b>
<b>Net income before capital contributions</b>	<b>(195,351)</b>	<b>20,059</b>	<b>2,160</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>0</b>	<b>101,983</b>	<b>0</b>
Operating transfers	122,042	(122,042)	0
<b>CHANGE IN NET POSITION</b>	<b>(73,309)</b>	<b>0</b>	<b>2,160</b>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<b>2,386,563</b>	<b>0</b>	<b>114,123</b>
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 2,313,254</b>	<b>\$ 0</b>	<b>\$ 116,283</b>

<u>CO040</u>			
<u>Housing Choice Vouchers</u>	<u>Business Activities</u>	<u>Community Development Block Grant</u>	<u>Total</u>
\$ 0	\$ 38,864	\$ 0	\$ 259,063
15,220	57,053	8,075	83,304
<u>15,220</u>	<u>95,917</u>	<u>8,075</u>	<u>342,367</u>
161,030	32,800	132,566	531,224
1,583	799	372	61,469
651	10,177	214	224,557
8,070	1,450	39,626	69,879
1,095,507	0	0	1,095,507
5,993	15,387	0	127,250
<u>1,272,834</u>	<u>60,613</u>	<u>172,778</u>	<u>2,109,886</u>
<u>(1,257,614)</u>	<u>35,304</u>	<u>(164,703)</u>	<u>(1,767,519)</u>
1,249,117	0	120,066	1,586,625
0	0	0	(10,110)
40	61,921	0	62,003
<u>1,249,157</u>	<u>61,921</u>	<u>120,066</u>	<u>1,638,518</u>
<u>(8,457)</u>	<u>97,225</u>	<u>(44,637)</u>	<u>(129,001)</u>
0	0	0	101,983
0	0	0	0
<u>(8,457)</u>	<u>97,225</u>	<u>(44,637)</u>	<u>(27,018)</u>
578,977	3,800,339	1,532,603	8,412,605
<u>\$ 570,520</u>	<u>\$ 3,897,564</u>	<u>\$ 1,487,966</u>	<u>\$ 8,385,587</u>

DELTA HOUSING AUTHORITY

Delta, Colorado

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED

DECEMBER 31, 2017

Annual Contributions Contract DEN-2312

CFP  
501-15

1. The Capital Fund Grant Costs are as follows:

Funds Approved	\$	112,519
Funds Expended		<u>112,519</u>
Excess / (Deficiency) of Funds Approved	\$	<u><u>0</u></u>
Funds Advanced	\$	112,519
Funds Expended		<u>112,519</u>
Excess / (Deficiency) of Funds Advanced	\$	<u><u>0</u></u>

2. Costs additions totaling \$ 51,573 were made during the current audit period and, accordingly, were audited by Goldie Roberts, CPA.

3. The total amount of the Capital Fund Grant Costs at December 31, 2017 as shown above are in agreement with the Actual Capital Fund Cost Certificate submitted to HUD and approved by HUD.

4. All capital fund grant work in connection with the Project has been completed.

5. All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.

6. There were no budget overruns.







93100	Water	\$7,342	\$27	\$1,642	\$115	\$282	\$9,406	\$9,406
93200	Electricity	\$16,514	\$291	\$734	\$1,238	\$18	\$18,795	\$18,795
93300	Gas	\$11,913				\$51	\$11,964	\$11,964
93400	Fuel							
93500	Labor							
93600	Sewer	\$10,724	\$26	\$3,140	\$111	\$242	\$14,243	\$14,243
93700	Employee Benefit Contributions - Utilities		\$28	\$1,382	\$119	\$206	\$7,059	\$7,059
93800	Other Utilities Expense	\$5,324						
93900	Total Utilities	\$51,817	\$372	\$6,898	\$1,583	\$799	\$61,469	\$61,469
94100	Ordinary Maintenance and Operations - Labor	\$77,693		\$6,488		\$7,831	\$92,012	\$92,012
94200	Ordinary Maintenance and Operations - Materials and Other	\$105,332	\$32	\$4,846	\$162	\$1,589	\$111,961	\$111,961
94300	Ordinary Maintenance and Operations Contracts	\$17,778	\$182	\$1,378	\$489	\$757	\$20,584	\$20,584
94500	Employee Benefit Contributions - Ordinary Maintenance		\$214	\$12,712	\$651	\$10,177	\$224,557	\$224,557
94000	Total Maintenance	\$200,603						
95100	Protective Services - Labor							
95200	Protective Services - Other Contract Costs							
95300	Protective Services - Other							
95500	Employee Benefit Contributions - Protective Services							
95000	Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110	Property Insurance	\$9,618	\$21	\$1,127	\$227	\$865	\$11,658	\$11,658
96120	Liability Insurance	\$3,492	\$902	\$593	\$3,530	\$208	\$8,725	\$8,725
96130	Workmen's Compensation	\$3,065	\$1,265	\$224	\$1,675	\$151	\$6,400	\$6,400
96140	All Other Insurance	\$950	\$317	\$119	\$1,346	\$79	\$2,811	\$2,811
96100	Total Insurance Premiums	\$17,145	\$2,505	\$2,063	\$6,778	\$1,303	\$29,794	\$29,794
96200	Other General Expenses	\$1,310	\$37,121	\$215	\$1,292	\$147	\$40,085	\$40,085
96210	Compensated Absences							
96300	Payments in Lieu of Taxes							
96400	Bad debt - Tenant Rents							
96500	Bad debt - Mortgages							
96600	Bad debt - Other							
96800	Severance Expense							
96000	Total Other General Expenses	\$1,310	\$37,121	\$215	\$1,292	\$147	\$40,085	\$40,085
96710	Interest of Mortgage (or Bonds) Payable			\$10,110			\$10,110	\$10,110
96720	Interest on Notes Payable (Short and Long Term)							
96730	Amortization of Bond Issue Costs							
96700	Total Interest Expense and Amortization Cost	\$0	\$0	\$10,110	\$0	\$0	\$10,110	\$10,110
96900	Total Operating Expenses	\$455,490	\$172,778	\$52,411	\$171,334	\$45,226	\$897,239	\$897,239
97000	Excess of Operating Revenue over Operating Expenses	\$22,888	-\$44,637	\$1,383	\$1,093,043	\$112,612	\$1,195,739	\$1,195,739
97100	Extraordinary Maintenance							
97200	Casualty Losses - Non-capitalized							
97300	Housing Assistance Payments				\$1,095,507		\$1,095,507	\$1,095,507
97350	HAP Portability-In							
97400	Depreciation Expense	\$96,197		\$9,673	\$5,993	\$15,387	\$127,250	\$127,250
97500	Fraud Losses							
97600	Capital Outlays - Governmental Funds							
97700	Debt Principal Payment - Governmental Funds							
97800	Dwelling Units Rent Expense							
90000	Total Expenses	\$551,687	\$172,778	\$62,084	\$1,272,834	\$60,613	\$2,119,996	\$2,119,996



DELTA HOUSING AUTHORITY  
Delta, Colorado

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense, housing assistance payments and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue, gains and losses on the disposal of capital assets and interest expense in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

DELTA HOUSING AUTHORITY  
Delta, Colorado

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
<u>U.S. Department of HUD</u>				
DEN-527	Community Development Block Grant	14.228	\$ 120,066	\$ 120,066
DEN-527	Low Income Public Housing	14.850	152,757	152,757
CO-040	Housing Voucher Cluster Section 8 Housing Choice Voucher Program	14.871	1,249,117	1,249,117
DEN-527	Public Housing Capital Fund	14.872	<u>346,695</u>	<u>122,242</u>
<b>Total U.S. Department of HUD</b>			<u>1,868,635</u>	<u>1,644,182</u>
<u>U.S. Department Of Agriculture:</u>				
05-15	Rural Rental Housing Payments	10.427	33,976	33,976
U.S. Department of Agriculture Rural Development:				
05-15	Rural Rental Housing Loans	10.415	10,450	10,450
<u>Non-Cash Federal Assistance</u>				
Loan balance outstanding as of December 31, 2016			<u>0</u>	<u>125,465</u>
<b>Total U.S. Department of Agriculture</b>			<u>44,426</u>	<u>169,891</u>
<b>Total</b>			<u>\$ 1,913,061</u>	<u>\$ 1,814,073</u>

Notes to Schedule of Expenditures of Federal Awards

**Note 1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Delta Housing Authority under programs of the federal government for the year ended December 31, 2017. 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, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Delta Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flow of Delta Housing Authority.

**Note 2 Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note A. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to

**Note 2 Summary of Significant Accounting Policies (Continued)**

amounts reported as expenditures in prior years. The Delta Housing Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

**Note 3 Guaranteed Debt**

The USDA Rural Development RHS expenditures include \$125,465 in USDA Rural Development RHS guaranteed debt.

OTHER REPORTS

# Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

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*

## Independent Auditor's Report

Board of Commissioners  
Delta Housing Authority  
501 14<sup>th</sup> Street  
Delta, Colorado 81416

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Delta Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Delta Housing Authority's basic financial statements and have issued my report thereon dated April 6, 2018.

### **Internal Control Over Financial Reporting**

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

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

My 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 my audit I did not identify any deficiencies in internal control that I 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 Delta Housing Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an

opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of the Delta Housing Authority in a separate letter dated April 6, 2018.

**Purpose Of This Report**

The purpose of this report is solely to describe the scope of my 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 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.

*Goldie Roberts*

Certified Public Accountant

Fredericksburg, Indiana  
April 6, 2018

# Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by Uniform Guidance

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Delta Housing Authority  
501 14<sup>th</sup> Street  
Delta, Colorado 81416

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

I have audited the Delta Housing Authority'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 the Delta Housing Authority's major federal programs for the year ended December 31, 2017. The Delta Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance with each of the Delta Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I 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 Delta Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In my opinion, the Delta 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, 2017.

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

Management of the Delta Housing Authority is responsible for establishing and maintaining effective internal control over the type of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Delta 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 audit procedures that

are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Delta 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 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 a 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Goldie Roberts*

Certified Public Accountant

Fredericksburg, Indiana  
April 6, 2018

DELTA HOUSING AUTHORITY  
Delta, Colorado

DECEMBER 31, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

~ Material weakness(es) identified?

\_\_\_\_\_yes    X no

~ Significant deficiency(s) identified?

\_\_\_\_\_yes    X none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_yes    X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified?

\_\_\_\_\_yes    X no

~ Significant deficiency(s) identified that are not considered to be material weakness(es)?

\_\_\_\_\_yes    X 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 2 CFR 200.516(a)?

\_\_\_\_\_yes    X no

Identification of major programs:

CFDA Number

Name of Federal Program

14.871

Section 8 Vouchers

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes    \_\_\_\_\_no

DELTA HOUSING AUTHORITY  
Delta, Colorado

DECEMBER 31, 2017

PRIOR AUDIT FINDINGS

There were no Prior Year matters reported.

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

# Goldie Robert

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

Telephone No. (812) 472-3527

Facsimile No. (812) 472-3649

Mobile No. (404) 307-5903

April 6, 2018

Board of Commissioners  
Delta Housing Authority  
501 14<sup>th</sup> Street  
Delta, Colorado 81416

In planning and performing my audit of the financial statements of the Delta Housing Authority as of and for the year ended December 31, 2017, I considered the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter does not affect my report dated April 6, 2018 on the financial statements of the Authority.

I will review the status of the comments during my next audit engagement. I have already discussed the comment and suggestion with Authority personnel, and will be pleased to discuss the comment in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. My comment is summarized as follows:

1. **CONDITION: RENTAL RECEIPTS**

The Authority accepts cash and has deposit lags of up to 8 days.

RECOMMENDATION:

The Authority should consider changing the policy.

I wish to thank the Executive Director and the staff of the Authority for their support and assistance during my audit.

This report is intended solely for the information and use of the Board of Commissioners, Management, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Goldie Roberts  
Certified Public Accountant