

**HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
FOUNTAIN, COLORADO**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2017

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Office of the State Auditor

June 5, 2018

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Fountain
Fountain, Colorado

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Fountain (Authority), Colorado, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions 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 entity'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 entity'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.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Fountain, Colorado, as of December 31, 2017, and the respective changes in financial position, and, where applicable, 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-vii 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. 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 basic financial statements, and other knowledge I obtained during my audit of the basic 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Fountain, Colorado’s basic financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 21, 2018, on my consideration of the Housing Authority of the City of Fountain, Colorado’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 Housing Authority of the City of Fountain, Colorado’s internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

May 21, 2018

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2017

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Our discussion and analysis of the Housing Authority of the City of Fountain, Colorado (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2017. Please read the MD&A in conjunction with the Authority's financial statements.

For accounting purposes, the Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Overview of the Financial Statements

This annual report consists of Management's Discussion and Analysis, the financial statements, and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the Authority's financial performance and activities for the year ended December 31, 2017. The statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The financial statements consist of three statements:

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Housing Authority is improving.

The Statement of Revenues, Expenses and Changes in Fund Net Position represent information showing how the Housing Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related to cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.

The Statement of Cash Flows presents information showing how the Housing Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

The Housing Authority's financial statements are the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2017. The Statement of Revenues, Expenses and Changes in Net Position summarizes the revenues and sources of those revenues generated during the year ended December 31, 2017 and the expenses incurred in operating the Housing Authority for the year ended December 31, 2017.

HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2017.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2017

Housing Authority Activities and Highlights

The following is a brief description of the programs and services that the Housing Authority provides to the City of Fountain:

Low Income Public Housing (LIPH) Grinde Manor

The Housing Authority owns 40 units of Low Income Public Housing at one site, Grinde Manor, in the City of Fountain. The Authority is responsible for the management, maintenance and utilities for all of the units at this site. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

HUD conducts Public Housing Assessment System (PHAS) reviews of the Low Income Public Housing Program. PHAS is a comprehensive review of the operations of the program and includes; the Physical Conditions, Financial Accountability, Management Operations and Operation of the Capital Fund Program. High Performer designation is given to Housing Authorities scoring 90% or higher on their PHAS assessment. HUD released a PHAS score of 92 for the Housing Authority in 2017 qualifying the Housing Authority for Small PHA deregulation (SPD) based on the number of ACC units and the Housing Authority's previous PHAS score and designation as a "High Performer".

Capital Fund Grant (CFP)

This grant program is awarded by HUD on an annual basis. The purpose of these grants is to improve the Authority's Low Income Public Housing units and, is also available for certain management costs of the Authority. The Authority requisitions funds from HUD as the Authority expends funds. The Authority is permitted four years to fully expend an annual award.

Section 8 Housing Choice Vouchers (Section 8 Vouchers)

HUD has contracted with the Housing Authority support for 240 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to Landlords for low income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

HUD conducts a Section Eight Management Assessment Program (SEMAP) review every other year. This review measures the performance of public housing agencies Section 8 Housing Choice Voucher Program in 14 key areas. The Housing Authority was assessed under SEMAP in 2016 receiving a final score of 100% and the designation of "High Performer". The Housing Authority was exempt from assessment under SEMAP for 2017.

Section 8 New Construction Multi-family Program (Fountain Townhomes)

The Housing Authority owns 14 multi-family units under the Section 8 New Construction Program located at scattered sites in the City of Fountain. The Authority is responsible for the management, maintenance and utilities for all of the units included in this program. On an annual basis, the Housing Authority executes an annual Housing Assistance Payment contract with HUD which sets the market rent rate for each size of unit for the next 12 months. The Housing Authority submits a monthly request to the Colorado Housing and Finance Authority (CHFA) for Housing Assistance Payments that match the difference between the total rent that the Housing Authority may

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2017

Housing Authority Activities and Highlights – (Continued)

Section 8 New Construction Multi-family Program (Fountain Townhomes) – (Continued)

charge for the unit under the annual contract with HUD and the amount that the tenant can pay. CHFA is the contract administrator for HUD on this project and holds the first mortgage on the property.

Resolution Trust Corporation (RTC) Affordable Housing Multi-family Units (Fountain Mesa Court Townhomes)

The Housing Authority owns 64 multi-family units under the RTC Affordable Housing Program located at one site, the Fountain Mesa Court Townhomes on Hadley Street, in the City of Fountain. The Authority is responsible for the management and maintenance of the units included in this program. There is no subsidy for this program which is financed entirely by tenant rent payments. The property is subject to a restrictive deed that requires the Housing Authority to maintain affordable rents for the property and to rent 13 units to very low-income residents and 13 units to low income residents. CHFA holds the mortgage on the property and ensures compliance with the rent restrictions on the property.

Financial Highlights

Total assets of the Authority for the year ended December 31, 2017 were \$3,503,893. Total liabilities were \$1,292,894. Total assets exceeded liabilities by \$2,210,999 (net position). The Housing Authority's net position decreased by \$5,932 during the year ended December 31, 2017 as shown in the table below.

Statement of Net Position				
December 31,				
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$1,648,761	\$1,766,939	(\$118,178)	-7%
Non-current Assets	389,271	376,112	\$13,159	3%
Capital Assets, Net	\$1,465,861	\$1,558,784	(\$92,923)	-6%
Total Assets	<u>\$3,503,893</u>	<u>\$3,701,835</u>	<u>(\$197,942)</u>	<u>-5%</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current Liabilities	\$210,635	\$214,096	(\$3,461)	-2%
Non-Current Liabilities	\$1,082,259	\$1,145,667	(\$63,408)	-6%
Total Liabilities	<u>\$1,292,894</u>	<u>\$1,359,763</u>	<u>(\$66,869)</u>	<u>-5%</u>
Deferred Inflow of Resources	<u>-</u>	<u>(125,141)</u>	<u>\$125,141</u>	<u>-100%</u>
Net Position:				
Net Investment in Capital Assets	\$424,236	\$450,490	(\$26,254)	-6%
Restricted Assets	\$339,267	\$446,459	(\$107,192)	-24%
Unrestricted Assets	\$1,447,496	\$1,319,982	\$127,514	10%
Total Net Position	<u>\$2,210,999</u>	<u>\$2,216,931</u>	<u>(\$5,932)</u>	<u>0%</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2017

Significant Changes in the Statement of Net Position

Restricted cash and cash equivalents decreased from \$ 634,523 in FY 2016 to \$ 390,908 in FY 2017 substantially due to the receipt from HUD of Housing Assistance Payments and Administrative fees in December 2016 for January 2017. In addition, funds were withdrawn from the Reserve for Replacement accounts to pay for work at the Fountain Mesa Court Townhomes and the Fountain Townhomes.

Capital assets decreased from \$1,558,784 in FY 2016 to \$1,465,861 in FY 2017 due to the depreciation of the assets.

Long-term debt, net of current portion, decreased from \$1,036,424 in 2016 to \$964,165 in 2017 as a result of the payment of mortgage principal for the Fountain Mesa Court Townhomes and the Fountain Townhomes during the year.

Changes in Net Position
For the Year Ended December 31,

<u>Category</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>%-Change</u>
Tenant Revenue	\$584,205	\$583,786	\$419	0%
HUD Operating Grants	\$1,750,309	\$1,870,901	(\$120,592)	-6%
Capital Grants	\$16,614	\$0	\$16,614	100%
Interest Income	18,662	6,835	\$11,827	173%
Other Revenue	59,380	20,065	\$39,315	196%
Total Revenue	\$2,429,170	\$2,481,587	(\$52,417)	-2%
Administration	\$354,476	\$341,666	\$12,810	4%
Utilities	\$95,860	\$95,331	\$529	1%
Ordinary Maintenance	\$260,726	\$254,024	\$6,702	3%
Protective Services	\$608	\$0	\$608	100%
General Expense	\$76,089	\$68,371	\$7,718	11%
Interest Expense	\$72,659	\$49,048	\$23,611	48%
Casualty Losses	\$3,282	\$0	\$3,282	100%
Housing Assistance Payments	\$1,448,451	\$1,509,677	(\$61,226)	-4%
Depreciation	\$122,951	\$122,465	\$486	0%
Total Expenses	\$2,435,102	\$2,440,582	(\$5,480)	0%
Excess of Revenue over Expenses	(\$5,932)	\$41,005	(\$46,937)	-114%
Net Position, Beginning of Year	\$2,216,931	\$2,175,926	\$41,005	2%
Net Position, End of Year	\$2,210,999	\$2,216,931	(\$5,932)	0%

Operating Revenue and Expenses

During the year there was an increase in the receipt of other income due to a refund of insurance premiums from State Farm Fire & Casualty Company as a result of unilateral increases in premiums by the Company without notice for the years between 2012 and 2016 which is required by Colorado law.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2017

Nonoperating Revenue and Expenses

Operating grants decreased from \$1,870,901 in FY 2016 to \$1,750,309 in FY 2017 due to the receipt of funds in December of 2016 for January 2017 for operating the Housing Choice Voucher Program.

Interest expense increased as a result of the assignment of the surplus cash notes owed by the Fountain Mesa Court Townhomes to the Colorado Division of Housing as part of the sale of the Fountain Ridge South Apartments to Archway Fountain Ridge South, LLC.

A tight rental market also continues to challenge the Housing Authority's ability to lease-up families under the Housing Choice Voucher Program. This led to a decrease in Housing Assistance Payments made for the program in 2017. The Housing Authority is working to increase lease-up rate through outreach to area landlords, implementation of Small Area Fair Market Rents as the payment standard and the use of project-based vouchers.

Financial Position and Results of Operations

The Housing Authority's net position decreased in 2017 by \$5,932 from \$2,216,931 in 2016 to \$2,210,999 in 2017.

Capital Assets

Capital Assets are the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at December 31, 2017:

Capital Assets at Year End				
(Net of Accumulated Depreciation)				
December 31,				
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>%-Change</u>
Land	\$259,361	\$259,361	\$0	0%
Buildings	\$3,656,218	\$3,611,632	\$44,586	1%
Equipment - dwellings	\$216,819	\$214,705	\$2,114	1%
Equipment - administration	\$163,925	\$147,311	\$16,614	11%
Leasehold improvements	\$634,164	\$622,864	\$11,300	2%
Construction in progress	\$16,189	\$60,775	(\$44,586)	-73%
Subtotal	\$4,946,676	\$4,916,648	\$30,028	1%
Accumulated depreciation	(\$3,480,815)	(\$3,357,864)	(\$122,951)	4%
Net Capital Assets	<u>\$1,465,861</u>	<u>\$1,558,784</u>	<u>(\$92,923)</u>	<u>-6%</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2017

Debt Administration

The largest liability of the Authority consists of mortgages on the Fountain Mesa Court Townhomes and the Fountain Townhomes. Debt service requirements to maturity are as follows:

Debt service requirements to maturity are as follows:

<u>Year Ending Dec 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	77,460	42,756	120,216
2019	83,489	36,727	120,216
2020	89,994	30,222	120,216
2021	97,012	23,204	120,216
2022	103,840	16,376	120,216
2023-2027	105,685	141,363	247,048
2028-2033	484,145	52,813	536,958
	<u>1,041,625</u>	<u>343,462</u>	<u>1,385,087</u>

Debt decreased for the year by \$66,669 due to monthly principal payments.

Subsequent Events

Future Events (New Business)

In December 2017, the Housing Authority entered into an Agreement to enter into a Housing Assistance Payment Contract for 16 Project Based Vouchers in connection with the construction of 24 apartment units at Trailside Manor in Fountain. It is anticipated that these units will be completed and occupied by January 2019.

Funding available for Housing Assistance Payments under the Housing Choice Voucher Program as well as the Administrative fees is uncertain at this time but the Housing Authority expects to receive 100% of funding eligibility for Housing Assistance Payments and a proration of 77% for Administrative Fees. In addition, the Housing Authority was required to implement Small Area Fair Market rents by April 1, 2018 which increased the payment standard for the Housing Authority’s jurisdiction by 19%. This increase may limit the number of families that the Housing Authority may assist due to anticipated increases in the amount of Housing Assistance Payments for each family participating in the program, thereby reducing the administrative fees earned to operate the program.

The Housing Authority is eligible to receive \$62,474 in operating subsidy for Grinde Manor in 2018. The total amount of funding that will be available is subject to a proration determination by HUD and may not impact the operations of the project.

The Housing Authority has \$50,009 of capital funds available to fund operating costs and capital improvements at Grinde Manor from HUD approved allocations in 2015, 2016 and 2017. The amount of \$42,825 has been designated to pay for improvements as set forth in the Five-Year Capital Action Plan for the years 2015-2019. The remaining \$7,184 is designated for operating expenses of Grinde Manor.

A Housing Assistance Payment Contract for the Fountain Townhomes was executed for 2018 that includes a 1.014% increase in the rent rate for the Fountain Townhomes for 2018.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2017

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Housing Authority of the City of Fountain
Attn: Katherine Roby, Executive Director
501 E. Iowa Avenue
Fountain, CO 80817

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF NET POSITION
December 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$	1,149,050
Cash - restricted		390,908
Investments		69,325
Receivables - net of allowances		7,564
Inventory - net of allowances		25,270
Prepaid expenses		<u>6,644</u>

Total Current Assets 1,648,761

Non-current Assets:

Long term receivables		389,271
Capital assets:		
Land and construction in progress		275,550
Other capital assets, net of depreciation		<u>1,190,311</u>

Total capital assets - net 1,465,861

Total Non-current Assets 1,855,132

Total Assets and Deferred Outflow of Resources \$ 3,503,893

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF NET POSITION - (Continued)
December 31, 2017

LIABILITIES

Current Liabilities:

Accounts payable	\$	23,308
Accrued salaries and benefits		41,073
Tenant security deposit liability		51,641
Accrued compensated absences		10,270
Accrued interest payable		228
Current portion of long term debt		77,460
Unearned revenues		<u>6,655</u>

Total Current Liabilities 210,635

Non-current Liabilities:

Long term debt, net of current portion		964,165
Compensated absences		<u>118,094</u>

Total Non-current Liabilities 1,082,259

Total Liabilities 1,292,894

NET POSITION

Net investment in capital assets		424,236
Restricted		339,267
Unrestricted		<u>1,447,496</u>

Total Net Position 2,210,999

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 3,503,893

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2017

OPERATING REVENUES	
Tenant revenue	\$ 584,205
Governmental grants and subsidy	1,750,309
Miscellaneous	<u>59,380</u>
Total operating revenue	<u>2,393,894</u>
OPERATING EXPENSES	
Administrative	354,476
Utilities	95,860
Ordinary maintenance and operations	260,726
Protective services	608
Insurance	54,336
General	21,753
Non-routine maintenance	3,282
Housing assistance payment	1,448,451
Depreciation expense	<u>122,951</u>
Total operating expenses	<u>2,362,443</u>
Operating income (loss)	<u>31,451</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	11,159
Mortgage interest income	7,503
Interest expense	<u>(72,659)</u>
Net non-operating revenues (expenses)	<u>(53,997)</u>
Income (loss) before contributions and transfers	<u>(22,546)</u>
Capital contributions	<u>16,614</u>
Change in net position	(5,932)
Total net position - beginning of year	<u>2,216,931</u>
Total net position - end of year	\$ <u><u>2,210,999</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$	578,342
Received from governmental grants and subsidy		1,739,564
Received from other operating activities		54,295
Payments for goods and services		(344,116)
Payments to employees		(559,528)
Payment in lieu of taxes		(1,180)
Payment for housing assistance		<u>(1,448,451)</u>

Net cash provided by (used in) operating activities 18,926

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions		16,614
Purchases of capital assets		(30,028)
Principal paid on capital debt		(66,669)
Interest paid on capital debt		<u>(72,659)</u>

Net cash provided by (used in) capital and related financing activities (152,742)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments		(69,325)
Receipts of interest and dividends		<u>11,158</u>

Net cash provided by (used in) investing activities (58,167)

Net increase (decrease) in cash and cash equivalents (191,983)

Cash and cash equivalents at beginning of year 1,731,941

Cash and cash equivalents at end of year \$ 1,539,958

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended December 31, 2017

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

Operating income (loss)	\$	31,451
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		122,951
Change in assets and liabilities:		
Receivables, net		(3,161)
Inventories, net		(5,891)
Prepaid expenses		(1,083)
Accounts and other payables		(3,079)
Tenant security deposit		614
Deferred revenues		(134,794)
Compensated absences		5,122
Accrued expenses		<u>6,796</u>
Net cash provided by (used) by operating activities	\$	<u>18,926</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

Low Rent – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Capital Fund Program – The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

Housing Choice Vouchers – The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

Section 8 New Construction (Fountain Townhomes) – The organization operates 14 unit apartment project located in Fountain, Colorado under Colorado Housing and Finance Authority (CHFA) Insured Project. Under this program, HUD provides Section 8 project-based assistance to the housing authorities to help bridge the gap between the rents needed to make a project feasible and the rents affordable to the tenants.

State & Local (Fountain Mesa Court Townhomes) – The organization operates 64 unit apartment project located in Fountain, Colorado under Colorado Housing and Finance Authority (CHFA) Insured Project.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1E. Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

1F. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of miscellaneous, notes and tenant accounts receivable.

Inventories

Inventories are accounted for under the consumption method and recorded at lower of cost or market. Inventories consist primarily of maintenance materials and supplies held for consumption. The cost of these supplies is regarded as an expenditure at the time the items are consumed. Inventories are classified as current assets on the Statement of Net Position, net of an allowance for obsolete inventory.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$1,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity - (Continued)

Fixed Assets - (Continued)

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	15-40 years
Furniture, equipment and machinery - dwelling	5 years
Furniture, equipment and machinery - administrative	3-7 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to the security deposit fund, HAP fund and reserve accounts under the Low Rent, Housing Choice Vouchers, Section 8 N/C and State & Local program.

Compensated Absences

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

Equity Classifications

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

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

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1G. Revenues, Expenditures, and Expenses – (Continued)

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Section 8 New Construction - (Fountain Townhomes)	U.S. Department of Housing and Urban Development
State & Local - (Fountain Mesa Court Townhomes)	State of Colorado

2B. Deposits and Investments Laws and Regulations

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (Continued)

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Capital Fund Program	Modernization
HAP Grant	Housing assistance payments

For the year ended December 31, 2017, the Authority complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash and Investments

As of December 31, 2017, the Authority had the following cash deposits and investments:

Cash deposits	\$ 1,539,958
Certificate of deposit	<u>69,325</u>
Total	<u>\$ 1,609,283</u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2017:

Cash and cash equivalents	\$ 1,149,050
Restricted assets	390,908
Investments	<u>69,325</u>
Total	<u>\$ 1,609,283</u>

Deposits

Custodial Credit Risk - Deposits

For an investment, custodial credit risk 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 investment or collateral securities that are in the possession of an outside party. At December 31, 2017, the Authority's bank balances of \$1,594,043 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3A. Cash and Investments – (Continued)

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* 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 investment or collateral securities that are in the possession of an outside party. At December 31, 2017, the Authority's investment balance of \$69,325 was entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank.

The State of Colorado's (the State) Public Deposit Protection Act (PDPA) precludes the Authority from requiring banks to hold securities in the Authority's name. The Authority deposits are subject to and in accordance with the PDPA. Under this act, all uninsured deposits are fully collateralized. The eligible collateral pledged is held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner prescribed by rule and regulation or is segregated from other trust department securities. All collateral so held must be clearly identified as being securities maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. The depository has the right at any time to make substitutions of eligible collateral maintained or pledged and must at all times be entitled to collect and retain all income derived from those investments without restriction.

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing 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 investment consisted of certificate of deposits with maturities less than two years.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2017, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 35,669	2/28/2018
Certificate of Deposit	<u>33,656</u>	4/19/2018
Total	\$ <u>69,325</u>	

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3B. Restricted Assets

Restricted assets at December 31, 2017 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Reserve account	\$ 339,267	\$ ----	\$ ----	\$ 339,267
Security deposit	<u>51,641</u>	<u>----</u>	<u>----</u>	<u>51,641</u>
Total	<u>\$ 390,908</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 390,908</u>

3C. Receivables

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

Tenants	\$ 5,152	
Less: Allowance for doubtful account - tenants	<u>(3,009)</u>	\$ 2,143
Miscellaneous	13,100	
Less: Allowance for doubtful account – miscellaneous	<u>(7,681)</u>	5,419
Accrued interest		<u>2</u>
Total Accounts Receivable		<u>\$ 7,564</u>

3D. Long Term Receivable

The Authority has provided a note receivable to Fountain Ridge South Apartments, LLP in the amount of \$389,271. The maturity date of the note is July 1, 2044. The interest rate is 1%.

The Authority is a special limited partner in the Fountain Ridge South Apartments, LLP. The ownership interest is .05%. The partnership is a tax credit partnership that has 75 units in Fountain, Colorado. The partnership interest is recorded on the equity basis and is presently (\$675). The notes receivable is \$389,271 and are secured by a lien on the property. The notes are classified as long term because current payments are not expected. The notes receivable is part of the financing from the Colorado Division of Housing that were provided to the Partnership but are required to be given to a non-profit organization such as the Housing Authority.

3E. Inventory

Inventory at December 31, 2017 comprised of the following:

Inventory	\$ 26,600
Less: Allowance for obsolete inventory	<u>(1,330)</u>
Inventory - net of allowance	<u>\$ 25,270</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3F. Capital Assets

A summary of capital asset activity for the year ended December 31, 2017 is as follows:

	Balance January 1, 2017	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance December 31, 2017
Non-depreciable assets:					
Land	\$ 259,361	\$ -	\$ -	\$ -	\$ 259,361
Construction in progress	60,775	-	-	(44,586)	16,189
Total non-depreciable assets	<u>320,136</u>	<u>-</u>	<u>-</u>	<u>(44,586)</u>	<u>275,550</u>
Depreciable assets:					
Building	3,611,632	-	-	44,586	3,656,218
Equipment - dwelling	214,705	2,114	-	-	216,819
Equipment - administration	147,311	16,614	-	-	163,925
Leasehold improvements	622,864	11,300	-	-	634,164
Total depreciable assets	4,596,512	30,028	-	44,586	4,671,126
Accumulated depreciation	<u>(3,357,864)</u>	<u>(122,951)</u>	<u>-</u>	<u>-</u>	<u>(3,480,815)</u>
Total depreciable assets, net	<u>1,238,648</u>	<u>(92,923)</u>	<u>-</u>	<u>44,586</u>	<u>1,190,311</u>
Capital assets, net	<u>\$ 1,558,784</u>	<u>\$ (92,923)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,465,861</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 71,785
Sec 8 N/C	18,737
State & Local	<u>32,429</u>
Total depreciation expense	<u>\$ 122,951</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3G. Accounts Payable

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

Vendors & contractors	\$ 13,840
PILOT	400
Other	1,573
Accrued utilities	<u>7,495</u>
 Total Accounts Payable	 <u>\$ 23,308</u>

3H. Non-current Liabilities

Non-current liabilities at December 31, 2017, consist of the following:

Accrued compensated absences	\$ 118,094
Mortgage payable	<u>964,165</u>
 Total Non-Current Liabilities	 <u>\$ 1,082,259</u>

The following is the summary of changes in long-term liabilities:

	<u>Balance</u>				<u>Balance</u>	<u>Amounts</u>
	<u>Jan 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>		<u>Dec 31, 2017</u>	<u>Due within</u>
						<u>One Year</u>
Accrued compensated absences	\$ 109,243	\$ 8,851	\$ ---		\$ 118,094	\$ 10,270
Mortgage payable	<u>1,036,424</u>	<u>---</u>	<u>72,259</u>		<u>964,165</u>	<u>77,460</u>
 Total Non-Current Liabilities	 <u>\$ 1,145,667</u>	 <u>\$ 8,851</u>	 <u>\$ 72,259</u>		 <u>\$ 1,082,259</u>	 <u>\$ 87,730</u>

Annual Debt Service Requirements

The long-term debt consists of the following mortgages:

Fountain Townhomes:

The Authority has a mortgage payable to Colorado Housing and Finance Authority (CHFA) which is due in monthly installments of \$2,642, including principal and interest, with final maturity scheduled for December 1, 2033 at an interest rate of 5.75%. The balance due as of December 31, 2017 is \$330,154 (including current portion). The apartment project serves as collateral for this loan.

Additionally, the Authority has a second and third mortgage payable to Federal Housing Administration obtained through the Mark to Market program, consisting of a mortgage restructuring in the amount of \$140,399 and \$47,999 respectively. These mortgages have a maturity date of December 1, 2033 at an interest rate of 4.00%. Principal is due in full at maturity, however, if the Authority operates Fountain Townhomes as affordable housing until maturity, the second and third mortgages will be forgiven. The apartment project serves as collateral for this loan.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3H. Non-current Liabilities - (Continued)

Annual Debt Service Requirements – (Continued)

Fountain Townhomes – Continued):

The annual debt service requirements to maturity for long-term debt as of December 31, 2017, are as follows:

<u>Year Ending Dec 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	13,066	18,642	31,708
2019	13,837	17,871	31,708
2020	14,654	17,054	31,708
2021	15,520	16,188	31,708
2022	16,416	15,292	31,708
2023-2027	96,570	61,970	158,540
2028-2033	348,489	52,813	401,302
	<u>518,552</u>	<u>199,830</u>	<u>718,382</u>

Fountain Mesa Court Townhomes:

The Authority has a mortgage payable to Colorado Housing and Finance Authority which is due in monthly installments of \$7,376, including principal and interest, with final maturity scheduled for March 1, 2023 at an interest rate of 6.00%. The balance due as of December 31, 2017 is \$387,417 (including current portion). The apartment project serves as collateral for this loan.

Additionally, the Authority has a second and third mortgage payable to Colorado Division of Housing in the amount of \$78,802 and \$56,854. The note is due in one balloon payment on June 1, 2054. The apartment project serves as collateral for this loan.

The annual debt service requirements to maturity for long-term debt as of December 31, 2017, are as follows:

<u>Year Ending Dec 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	64,394	24,114	88,508
2019	69,652	18,856	88,508
2020	75,340	13,168	88,508
2021	81,492	7,016	88,508
2022	87,424	1,084	88,508
2023-2027	9,115	79,393	88,508
2054	135,656	-	135,656
	<u>523,073</u>	<u>143,632</u>	<u>666,705</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

3I. Inter-program Transactions and Balances

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

Operating Transfers

	Transfers In	Transfers Out
Low Rent	\$ 17,998	\$ -
Capital Fund Program	-	17,998
Total	\$ 17,998	\$ 17,998

NOTE 4 – OTHER NOTES

4A. Commitments – Construction

At December 31, 2017, the Authority had the following pending Capital Fund project in progress:

	Funds Approved	Funds Expended - Project to Date
CFP 501-15	\$ 44,998	\$ 44,065

4B. Contingencies

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. No significant violations of finance-related legal or contractual provisions occurred.

4C. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee’s health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with State Farm Insurance.
b. Physical property loss and natural disasters	Purchased commercial insurance with \$5,000 deductibles.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2017

NOTE 4 – OTHER NOTES - (Continued)

4D. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense, interest expense, extraordinary maintenance and Housing Assistance Payment (HAP) and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

4E. Related Party

The Authority is a special limited partner in the Fountain Ridge South Apartments, a tax-credit project. The equity interest is owned in the partnership is not material to the financial statements. The Authority has voucher clients housed in the tax credit project.

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were 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.

In December 2017, the Housing Authority entered into an Agreement to enter into a Housing Assistance Payment Contract for 16 Project Based Vouchers in connection with the construction of 24 apartment units at Trailside Manor in Fountain, Colorado. It is anticipated that these units will be completed and occupied by January 2019.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2018 federal budget.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

Federal Grantor	Federal CFDA #	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Program	14.850	\$ 50,368
Capital Fund Program	14.872	44,065
Housing Choice Vouchers	14.871	1,550,238
Section 8 New Construction & Substantial Rehabilitation	14.182	122,252
Multifamily Assisted Housing Reform and Affordability Act	14.197	* 518,552
Home Investment Partnership	14.239	* 135,656
Assisted Living Conversion for Eligible Multifamily Housing Projects	14.314	* 387,417
Total Expenditures of Federal Awards		\$ 2,808,548

* Consists of principal loan balance at December 31, 2017.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Fountain (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 Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
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FINANCIAL DATA SCHEDULE
Year Ended December 31, 2017

	Project Total	2 State/Local	14.182 N/C/S/R Section 8 Programs	14.871 Housing Choice Vouchers	14.218 CDBG	14.197 Multifamily Assisted Housing Reform and Affordability Act	14.239 HOME Investment Partnerships Program	14.314 Assisted Living Conversion for Eligible Multifamily Housing Projects	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$358,359	\$421,594	\$27,385	\$341,712					\$1,149,050		\$1,149,050
113 Cash - Other Restricted		\$168,560	\$163,675	\$7,032					\$339,267		\$339,267
114 Cash - Tenant Security Deposits	\$3,600	\$43,111	\$4,930						\$51,641		\$51,641
100 Total Cash	\$361,959	\$633,265	\$195,990	\$348,744	\$0	\$0	\$0	\$0	\$1,539,958	\$0	\$1,539,958
125 Accounts Receivable - Miscellaneous	\$13,100	\$0	\$0						\$13,100		\$13,100
126 Accounts Receivable - Tenants	\$173	\$4,431	\$548						\$5,152		\$5,152
126.1 Allowance for Doubtful Accounts - Tenants	-\$9	-\$2,500	-\$500						-\$3,009		-\$3,009
126.2 Allowance for Doubtful Accounts - Other	-\$7,681	\$0	\$0						-\$7,681		-\$7,681
129 Accrued Interest Receivable	\$2	\$0	\$0						\$2		\$2
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,585	\$1,931	\$48	\$0	\$0	\$0	\$0	\$0	\$7,564	\$0	\$7,564
131 Investments - Unrestricted	\$35,669	\$0	\$0	\$33,656					\$69,325		\$69,325
142 Prepaid Expenses and Other Assets	\$6,644	\$0	\$0						\$6,644		\$6,644
143 Inventories	\$7,980	\$15,428	\$3,192						\$26,600		\$26,600
143.1 Allowance for Obsolete Inventories	-\$399	-\$771	-\$160						-\$1,330		-\$1,330
150 Total Current Assets	\$417,438	\$649,853	\$199,070	\$382,400	\$0	\$0	\$0	\$0	\$1,648,761	\$0	\$1,648,761
161 Land	\$26,742	\$182,432	\$50,187						\$259,361		\$259,361
162 Buildings	\$2,018,023	\$1,033,788	\$604,407						\$3,656,218		\$3,656,218
163 Furniture, Equipment & Machinery - Dwellings	\$127,361	\$65,376	\$24,082						\$216,819		\$216,819
164 Furniture, Equipment & Machinery - Administration	\$86,426	\$67,016	\$5,005	\$5,478					\$163,925		\$163,925
165 Leasehold Improvements	\$499,550	\$84,766	\$49,848						\$634,164		\$634,164
166 Accumulated Depreciation	\$2,073,092	-\$801,340	\$600,905	-\$5,478					\$3,480,815		\$3,480,815

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2017

	Project Total	2 State/ Local	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	14.218 CDBG	14.197 Multifamily Assisted Housing Reform and Affordability Act	14.239 HOME Investment Partnerships Program	14.314 Assisted Living Conversion for Eligible Multifamily Housing Projects	Subtotal	ELIM	Total
167 Construction in Progress	\$16,189	\$0	\$0						\$16,189		\$16,189
160 Total Capital Assets, Net of Accumulated Depreciation	\$701,199	\$632,038	\$132,624	\$0	\$0	\$0	\$0	\$0	\$1,465,861	\$0	\$1,465,861
171 Notes, Loans and Mortgages Receivable - Non-Current		\$389,271	\$0						\$389,271		\$389,271
180 Total Non-Current Assets	\$701,199	\$1,021,309	\$132,624	\$0	\$0	\$0	\$0	\$0	\$1,855,132	\$0	\$1,855,132
200 Deferred Outflow of Resources											
290 Total Assets and Deferred Outflow of Resources	\$1,118,637	\$1,671,162	\$331,694	\$382,400	\$0	\$0	\$0	\$0	\$3,503,893	\$0	\$3,503,893
312 Accounts Payable <= 90 Days	\$4,506	\$5,136	\$1,098	\$3,100					\$13,840		\$13,840
321 Accrued Wage/Payroll Taxes Payable	\$9,078	\$16,777	\$4,158	\$11,060					\$41,073		\$41,073
322 Accrued Compensated Absences - Current Portion	\$1,528	\$4,117	\$1,054	\$3,571					\$10,270		\$10,270
325 Accrued Interest Payable		\$0	\$228						\$228		\$228
333 Accounts Payable - Other Government	\$400	\$0	\$0						\$400		\$400
341 Tenant Security Deposits	\$3,600	\$43,111	\$4,930						\$51,641		\$51,641
342 Unearned Revenue	\$1,161	\$5,268	\$226						\$6,655		\$6,655
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$64,394	\$13,066						\$77,460		\$77,460
345 Other Current Liabilities	\$3,989	\$675	\$898						\$1,573		\$1,573
346 Accrued Liabilities - Other		\$147	\$3,359						\$7,495		\$7,495
347 Inter Program - Due To		\$0	\$0						\$0		\$0
310 Total Current Liabilities	\$24,262	\$139,625	\$29,017	\$17,731	\$0	\$0	\$0	\$0	\$210,635	\$0	\$210,635
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$458,679	\$505,486						\$964,165		\$964,165
354 Accrued Compensated Absences - Non Current	\$17,566	\$47,345	\$12,118	\$41,065					\$118,094		\$118,094
350 Total Non-Current Liabilities	\$17,566	\$506,024	\$517,604	\$41,065	\$0	\$0	\$0	\$0	\$1,082,259	\$0	\$1,082,259

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2017

	Project Total	2 State/ Local	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	14.218 CDBG	14.197 Multifamily Assisted Housing Reform and Affordability Act	14.239 HOME Investment Partnerships Program	14.314 Assisted Living Conversion for Eligible Multifamily Housing Projects	Subtotal	ELJM	Total
300 Total Liabilities	\$41,828	\$645,649	\$546,621	\$58,796	\$0	\$0	\$0	\$0	\$1,292,894	\$0	\$1,292,894
400 Deferred Inflow of Resources											
508.4 Net Investment in Capital Assets	\$701,199	\$108,965	\$385,928	\$0					\$424,236		\$424,236
511.4 Restricted Net Position	\$0	\$168,560	\$163,675	\$7,032					\$339,267		\$339,267
512.4 Unrestricted Net Position	\$375,610	\$747,988	\$7,326	\$316,572	\$0	\$0	\$0	\$0	\$1,447,496		\$1,447,496
513 Total Equity - Net Assets / Position	\$1,076,809	\$1,025,513	\$214,927	\$323,604	\$0	\$0	\$0	\$0	\$2,210,999	\$0	\$2,210,999
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,118,637	\$1,671,162	\$331,694	\$382,400	\$0	\$0	\$0	\$0	\$3,503,893	\$0	\$3,503,893

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2017

	Project Total	2 State/Local	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	14.218 CDBG	14.197 Multifamily Assisted Housing Reform and Affordability Act	14.239 HOME Investment Partnerships Program	14.314 Assisted Living Conversion for Eligible Multifamily Housing Projects	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$132,336	\$406,779	\$30,019						\$569,134		\$569,134
70400 Tenant Revenue - Other	\$1,289	\$12,870	\$912						\$15,071		\$15,071
70500 Total Tenant Revenue	\$133,625	\$419,649	\$30,931	\$0	\$0	\$0	\$0	\$0	\$584,205	\$0	\$584,205
70600 HUD PHA Operating Grants	\$77,819	\$0	\$122,252	\$1,550,238					\$1,750,309		\$1,750,309
70610 Capital Grants	\$16,614	\$0	\$0						\$16,614		\$16,614
71100 Investment Income - Unrestricted	\$3,457	\$2,940	\$128	\$3,458					\$9,983		\$9,983
71200 Mortgage Interest Income		\$7,503	\$0						\$7,503		\$7,503
71400 Fraud Recovery		\$0	\$0	\$176					\$176		\$176
71500 Other Revenue	\$23,337	\$26,609	\$9,258						\$59,204		\$59,204
72000 Investment Income - Restricted		\$1,117	\$59						\$1,176		\$1,176
70000 Total Revenue	\$254,852	\$457,818	\$162,628	\$1,553,872	\$0	\$0	\$0	\$0	\$2,429,170	\$0	\$2,429,170
91100 Administrative Salaries	\$37,381	\$77,586	\$19,811	\$81,407					\$216,185		\$216,185
91200 Auditing Fees	\$1,035	\$3,278	\$863	\$3,451					\$8,627		\$8,627
91400 Advertising and Marketing	\$55	\$0	\$0	\$95					\$150		\$150
91500 Employee Benefit contributions - Administrative	\$15,840	\$37,141	\$9,103	\$30,312					\$92,396		\$92,396
91600 Office Expenses	\$3,535	\$4,504	\$716	\$4,881					\$13,636		\$13,636
91700 Legal Expense		\$389	\$0						\$389		\$389
91900 Other	\$4,500	\$8,943	\$1,968	\$7,682					\$23,093		\$23,093
91000 Total Operating - Administrative	\$62,346	\$131,841	\$32,461	\$127,828	\$0	\$0	\$0	\$0	\$354,476	\$0	\$354,476
93100 Water	\$12,464	\$10,180	\$14,652						\$37,296		\$37,296
93200 Electricity	\$16,500	\$754	\$10,588						\$27,842		\$27,842
93300 Gas	\$8,663	\$655	\$5,514						\$14,832		\$14,832
93600 Sewer	\$8,611	\$947	\$6,332						\$15,890		\$15,890
93000 Total Utilities	\$46,238	\$12,536	\$37,086	\$0	\$0	\$0	\$0	\$0	\$95,860	\$0	\$95,860

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2017

	Project Total	2 State/ Local	14.182 N/C/S/R Section 8 Programs	14.871 Housing Choice Vouchers	14.218 CDBG	14.197 Multifamily Assisted Housing Reform and Affordability Act	14.239 HOME Investment Partnerships Program	14.314 Assisted Living Conversion for Eligible Multifamily Housing Projects	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$27,648	\$49,025	\$11,020						\$87,693		\$87,693
94200 Ordinary Maintenance and Operations - Materials and Other	\$14,367	\$12,075	\$1,893	\$608					\$28,943		\$28,943
94300 Ordinary Maintenance and Operations Contracts	\$26,206	\$46,600	\$28,748						\$101,554		\$101,554
94500 Employee Benefit Contributions - Ordinary Maintenance	\$14,004	\$23,469	\$5,063						\$42,536		\$42,536
94000 Total Maintenance	\$82,225	\$131,169	\$46,724	\$608	\$0	\$0	\$0	\$0	\$260,726	\$0	\$260,726
95200 Protective Services - Other Contract Costs	\$608	\$0	\$0						\$608		\$608
95000 Total Protective Services	\$608	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$608	\$0	\$608
96110 Property Insurance	\$12,872	\$30,234	\$8,561	\$433					\$52,100		\$52,100
96120 Liability Insurance	\$90	\$290	\$74	\$298					\$752		\$752
96140 All Other Insurance	\$768	\$0	\$0	\$716					\$1,484		\$1,484
96100 Total Insurance Premiums	\$13,730	\$30,524	\$8,635	\$1,447	\$0	\$0	\$0	\$0	\$54,336	\$0	\$54,336
96200 Other General Expenses		\$0	\$898	\$2,501					\$3,399		\$3,399
96300 Payments in Lieu of Taxes	\$400	\$640	\$140						\$1,180		\$1,180
96400 Bad debt - Tenant Rents	\$321	\$9,172	\$0						\$9,493		\$9,493
96600 Bad debt - Other	\$7,681	\$0	\$0						\$7,681		\$7,681
96000 Total Other General Expenses	\$8,402	\$9,812	\$1,038	\$2,501	\$0	\$0	\$0	\$0	\$21,753	\$0	\$21,753
96710 Interest of Mortgage (or Bonds) Payable		\$47,420	\$25,239						\$72,659		\$72,659
96700 Total Interest Expense and Amortization Cost	\$0	\$47,420	\$25,239	\$0	\$0	\$0	\$0	\$0	\$72,659	\$0	\$72,659
96900 Total Operating Expenses	\$213,549	\$363,302	\$151,183	\$132,384	\$0	\$0	\$0	\$0	\$860,418	\$0	\$860,418

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2017

	Project Total	2 State/ Local	14.182 N/C/S/R Section 8 Programs	14.871 Housing Choice Vouchers	14.218 CDBG	14.197 Multifamily Assisted Housing Reform and Affordability Act	14.239 HOME Investment Partnerships Program	14.314 Assisted Living Conversion for Eligible Multifamily Housing Projects	Subtotal	ELJM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$41,303	\$94,516	\$11,445	\$1,421,488	\$0	\$0	\$0	\$0	\$1,568,752	\$0	\$1,568,752
97100 Extraordinary Maintenance	\$2,035	\$1,247	\$0						\$3,282		\$3,282
97300 Housing Assistance Payments	\$71,785	\$0	\$0	\$1,448,451					\$1,448,451		\$1,448,451
97400 Depreciation Expense	\$287,369	\$32,429	\$18,737						\$122,951		\$122,951
90000 Total Expenses		\$396,978	\$169,920	\$1,580,835	\$0	\$0	\$0	\$0	\$2,435,102	\$0	\$2,435,102
10010 Operating Transfer In	\$17,998	\$0	\$0						\$17,998	-\$17,998	\$0
10020 Operating transfer Out	-\$17,998	\$0	\$0						-\$17,998	\$17,998	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$32,517	\$60,840	-\$7,292	-\$26,963	\$0	\$0	\$0	\$0	-\$5,932	\$0	-\$5,932
11020 Required Annual Debt Principal Payments	\$0	\$19,831	\$19,831	\$0	\$0	\$0	\$0	\$0	\$39,662		\$39,662
11030 Beginning Equity	\$1,107,310	\$964,673	\$207,635	\$350,567	\$2,016	\$0	\$0	\$0	\$2,216,931		\$2,216,931
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$2,016				-\$2,016				\$0		\$0
11170 Administrative Fee Equity				\$316,572					\$316,572		\$316,572
11180 Housing Assistance Payments Equity				\$7,032					\$7,032		\$7,032
11190 Unit Months Available	480	768	168	2298	0				3714		3714
11210 Number of Unit Months Leased	467	735	159	2287	0				3648		3648
11270 Excess Cash	\$361,943								\$361,943		\$361,943
11630 Furniture & Equipment - Dwelling Purchases	\$1,537								\$1,537		\$1,537
11640 Furniture & Equipment - Administrative Purchases	\$16,614								\$16,614		\$16,614
11650 Leasehold Improvements Purchases	\$11,300								\$11,300		\$11,300



Audit Solutions, LLC.

Certified Public Accountant

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

Board of Commissioners
Housing Authority of the City of Fountain
Fountain, Colorado

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 business-type activities of the Housing Authority of the City of Fountain (Authority), Colorado, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated May 21, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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

Audit Solutions, LLC

Chesterfield, Missouri

May 21, 2018



Audit Solutions, LLC.

Certified Public Accountant

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

Board of Commissioners
Housing Authority of the City of Fountain
Fountain, Colorado

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Fountain (Authority), Colorado's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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 Authority's compliance with those requirements and performing such other procedures as I 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 Authority's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Fountain, Colorado, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

May 21, 2018

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
<u>Identification of major programs:</u>	
➤ CFDA #14.871	Housing Choice Vouchers
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended December 31, 2017 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the period ended December 31, 2017 disclosed no Federal Awards audit finding and questioned costs.