

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

FINANCIAL STATEMENTS

December 31, 2017

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October 5, 2018

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Supplementary Information	
Schedule of Operating Expenses	21
U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule	22
Other Information	
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	24

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Julesburg, 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Julesburg, Colorado as of December 31, 2017, and the respective 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 3 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Julesburg, Colorado's basic financial statements. The schedule of operating expenses and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule 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 our opinion, the schedule of expenses by program and the U.S. Department of Housing and Urban Development supplementary financial data schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Plutt Hanson, P.C.

June 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

Management's Discussion & Analysis Year Ended December 31, 2017

The following discussion and analysis of the financial statements of the Housing Authority of the City of Julesburg, Colorado, ("the Authority") provides an overview of the financial activities for the fiscal year ended December 31, 2017. Please consider the following information in addition to your review of the information in the basic financial statements.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Authority. This information contained herein this Management Discussion and Analysis (MD&A) should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has one program. The Low Rent Public Housing Program consisting of 52 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing & Urban Development based on a formula. Included in the Low Rent Program are the Capital Fund grants which are also a formula based program from HUD. The purpose is to provide funding for the modernization and improvement of the Low Rent Public Housing Program units. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

Financial Highlights

The Authority's financial condition continues to decline as grant funding continues to decrease.

- Total Net Position was \$1,179,141 at December 31, 2017, a decrease of \$66,074 or 5.31% from the \$1,245,215 reported at December 31, 2016.
- Public Housing Annual Contributions for 2017 were \$84,226 representing a decrease in the amount of \$29,411 from fiscal year 2016 funding of \$113,637.
- Capital Grants for 2017 were \$90,154 representing an increase in the amount of \$18,698 from fiscal year 2016 funding of \$71,456.
- Total Cash and Cash Equivalents were \$130,468 in 2017 and \$238,963 at December 31, 2016 a decrease of \$108,495.
- Total Capital Assets, Net decreased \$43,831 from \$1,019,598 in 2016 to \$975,767 at December 31, 2017. This was the result of the addition of Building Improvements of \$65,077 and the recording of Depreciation Expense of \$108,908.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authorities basic financial statements. The basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

Management's Discussion & Analysis Year Ended December 31, 2017

The **statement of net position** presents information on all of 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 position of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- Restricted Net Position consists of assets that are restricted by limitations placed on these assets by an external source or party.
- Unrestricted Net Position consists of net assets that do not meet the definition of the above categories. Unrestricted net position is basically the amount of funds available for future year appropriations.

The **statement of revenues, expenses and changes in net position** presents information showing how the 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 of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future periods.

The **statement of cash flows** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2017.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. The Authority's fund is a proprietary fund type.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately after the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**Management's Discussion & Analysis
Year Ended December 31, 2017**

Housing Authority Financial Analysis

As earlier noted, changes in net position may serve as a useful indicator of changes in the financial position of an organization. On December 31, 2017 assets exceeded liabilities by \$1,179,141. This amount is broken down to \$975,767 that is invested in capital assets, \$71,951 that is restricted for repairs from insurance proceeds and \$131,423 that is unrestricted. Capital Assets, Net represent the largest portion of assets at \$975,767. Cash represent the next largest portion of assets at \$130,468. The decrease in cash is due to using the proceeds from the insurance received in 2016.

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended December 31, 2017 and 2016.

CONDENSED STATEMENT OF NET POSITION				
	2017		2016	
ASSETS				
Current and Other Assets	\$ 239,043	19.7%	\$ 257,902	20.2%
Capital Assets	975,767	80.3%	1,019,598	79.8%
Total Assets	1,214,810	100.0%	1,277,500	100.0%
LIABILITIES				
Current Liabilities	33,307	2.7%	31,134	2.4%
Noncurrent Liabilities	2,362	0.2%	1,151	0.1%
Total Liabilities	35,669	2.9%	32,285	2.5%
NET POSITION				
Net Investment in Capital Asset	975,767	80.3%	1,019,598	79.8%
Restricted for Repair	71,951	5.9%	84,500	6.6%
Unrestricted	131,423	10.8%	141,117	11.0%
Total Net Position	\$ 1,179,141	97.1%	\$ 1,245,215	97.5%

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**Management's Discussion & Analysis
Year Ended December 31, 2017**

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<u>2017</u>		<u>2016</u>	
OPERATING REVENUE				
Rental	\$ 176,379	47.4%	\$ 187,900	26.8%
Grants	174,380	46.9%	185,093	26.4%
Other	24,015	6.5%	18,291	2.6%
GENERAL REVENUE				
Interest	106	0.0%	103	0.0%
Other	(2,781)	-0.7%	309,280	44.1%
Total Revenue	<u>372,099</u>	<u>100.0%</u>	<u>700,667</u>	<u>100.0%</u>
EXPENSES				
Operating, less Depreciation	330,265	75.4%	352,289	76.6%
Depreciation	108,908	24.9%	104,774	22.8%
Nonoperating	(1,000)	-0.2%	2,684	0.6%
Total Expenses	<u>438,173</u>	<u>100.0%</u>	<u>459,747</u>	<u>100.0%</u>
Change in Net Position	(66,074)	-5.3%	240,920	24.0%
Net Position, Beginning	<u>1,245,215</u>	<u>100.0%</u>	<u>1,004,295</u>	<u>100.0%</u>
Net Position, Ending	<u>\$ 1,179,141</u>	<u>94.7%</u>	<u>\$ 1,245,215</u>	<u>124.0%</u>

As noted in the table above, rental income decreased by \$11,521. The number of units leased in Public Housing was 572 monthly units out of an available 624 monthly units. The decrease was a result of a decrease in monthly rental units and minimum rental rates.

HUD Program contributions consist of Public Housing operating subsidy, capital funds grant used for non-capital purposes and rental assistance. Public Housing operating subsidy revenue decreased \$29,411 in 2017 over 2016. Operating subsidy is based on a HUD formula that relies heavily on historic income and utility expenses and is subject to a pro-ration factor based on available funding. Public Housing capital funds grant revenue increased \$18,698 in 2017 over 2016.

The Authority received insurance proceeds of \$309,280 for storm damages to buildings during 2016. Repairs of \$224,780 were performed during 2016 and \$12,549 were performed in 2017 leaving a balance of \$71,951 that is reserved for additional repairs to be made.

Operating expenses decreased by \$17,890 or 3.91%. Within the decrease, administrative expense increased \$1,003 or 1.28%, utilities increased by \$10,692 or 14.12%, maintenance increased \$6,315 or 5.52%, extraordinary maintenance decreased by \$42,345, other general expense increased \$1,929 or 11.81%, depreciation expense increased \$4,134 or 3.95%.

HUD capital contributions were \$84,226 for the year ended December 31, 2017. This was a decrease from the prior year of \$29,411. The Authority is allocated capital grant money each year as determined by HUD based on the Authority's number of units. The amount presented will vary from year to year

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**Management's Discussion & Analysis
Year Ended December 31, 2017**

depending on the timing of projects as outlined in the HUD approved capital grant budget. Capital grants expended were \$90,154.

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

Capital Assets

During 2017 there was \$65,077 in additions to capital assets. The additions were for roofing, soffit replacement, refurbishing units, water heaters and washing machines. Further information on the Authority's capital assets can be found in Notes 1 and 6 in the notes to financial statements.

CAPITAL ASSETS				
	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/17</u>
Non-Depreciable Assets				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Depreciable Assets				
Buildings and Improvements	2,876,166	65,077	1,084	2,940,159
Equipment - Dwellings	31,012	-	-	31,012
Equipment - Administration	81,794	-	6,624	75,170
Total Depreciable Assets	<u>2,988,972</u>	<u>65,077</u>	<u>7,708</u>	<u>3,046,341</u>
Total Capital Assets	<u>2,998,972</u>	<u>65,077</u>	<u>7,708</u>	<u>3,056,341</u>
Accumulated Depreciation				
Buildings and Improvements	1,908,104	103,212	1,084	2,010,232
Equipment - Dwellings	10,969	3,101	-	14,070
Equipment - Administration	60,301	2,595	6,624	56,272
Total Accumulated Depreciation	<u>1,979,374</u>	<u>108,908</u>	<u>7,708</u>	<u>2,080,574</u>
Depreciable Assets Net	<u>1,009,598</u>	<u>(43,831)</u>	<u>-</u>	<u>965,767</u>
Net Capital Assets	<u>\$ 1,019,598</u>	<u>\$ (43,831)</u>	<u>\$ -</u>	<u>\$ 975,767</u>

Debt Administration

The Housing Authority has no debt.

Economic Factors and Future Plans for 2018

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2018 budget. In the year to come the Authority plans on continuing to provide an opportunity for a healthy, affordable, decent and safe living environment for the community through

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**Management's Discussion & Analysis
Year Ended December 31, 2017**

its programs. The Public Housing Program will continue with scheduled preventive and regular maintenance to maintain the properties and fund planned rehabilitation projects with Capital funds that will be expended on the dwelling units. Additional repairs will be made from the remaining balance of insurance proceeds. Rental charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on rental income, other income and utility consumption and costs. The amount of funding is also established and approved by HUD. In projecting the amount of rental income, the Authority considered prior year rental income and occupancy rates. The operating expenses are expected to increase by the economy's inflation rate.

Requests for Information

The financial report is designed to provide a general overview of Housing Authority of the City of Julesburg, Colorado's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

The Housing Authority of the City of Julesburg
Alice Osborn, Executive Director
520 West 9th
Julesburg, Colorado 80737

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2017

(With Comparative Actual Amounts at December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash	\$ 109,001	\$ 220,727
Accounts Receivable:		
Tenants - Dwelling Rents	2,843	3,841
Allowance for Doubtful Accounts - Dwelling Rents	(750)	(750)
Prepaid Assets	10,324	9,604
Materials Inventory	6,004	6,244
Due from Other Governments - HUD	90,154	-
	<u>217,576</u>	<u>239,666</u>
Noncurrent Assets		
Cash - Restricted	21,467	18,236
Capital Assets Not Being Depreciated	10,000	10,000
Capital Assets, net of Depreciation	965,767	1,009,598
	<u>997,234</u>	<u>1,037,834</u>
	<u>1,214,810</u>	<u>1,277,500</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	5,982	6,212
Accrued Wage and Related Liabilities	4,280	4,020
Accrued Compensated Absences - Current	787	1,151
Tenant Security Deposits	21,467	18,236
Deferred Revenue	791	1,515
	<u>33,307</u>	<u>31,134</u>
Compensated Absences Due Beyond One Year	2,362	1,151
	<u>35,669</u>	<u>32,285</u>
NET POSITION		
Net Investment in Capital Assets	975,767	1,019,598
Restricted Net Position	71,951	84,500
Unrestricted Net Position	131,423	141,117
	<u>\$ 1,179,141</u>	<u>\$ 1,245,215</u>

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND**

For the Year Ended December 31, 2017

(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Dwelling Rents	\$ 176,379	\$ 187,900
Other Tenant Revenue	<u>23,790</u>	<u>18,191</u>
Tenant Revenue	200,169	206,091
HUD Operating Contributions and Grants	84,226	113,637
Other Revenue	<u>225</u>	<u>100</u>
Total Revenue	<u>284,620</u>	<u>319,828</u>
OPERATING EXPENSES		
Administrative	79,620	78,617
Tenant Services	805	1,042
Utilities	86,424	75,732
Maintenance & Operations	120,789	114,474
Insurance Premiums	24,364	23,745
Other General Expense	18,263	16,334
Extraordinary Maintenance	-	42,345
Depreciation Expense	<u>108,908</u>	<u>104,774</u>
Total Operating Expenses	<u>439,173</u>	<u>457,063</u>
OPERATING INCOME (LOSS)	<u>(154,553)</u>	<u>(137,235)</u>
OTHER INCOME		
HUD Capital Grants	90,154	71,456
Investment Income - Unrestricted	106	103
Gain (Loss) on Disposition of Assets	1,000	(2,684)
Insurance Proceeds	<u>(2,781)</u>	<u>309,280</u>
Total Other Income	<u>88,479</u>	<u>378,155</u>
CHANGE IN NET POSITION	(66,074)	240,920
NET POSITION, Beginning	<u>1,245,215</u>	<u>1,004,295</u>
NET POSITION, Ending	<u><u>\$ 1,179,141</u></u>	<u><u>\$ 1,245,215</u></u>

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended December 31, 2017

(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Receipts from Tenants	\$ 201,167	\$ 206,757
Receipts from HUD	84,226	113,637
Receipts from Others	(499)	299
Tenant Security Deposits	3,231	3,382
Payments to Employees	(126,915)	(120,661)
Payments to Suppliers	(293,107)	(231,465)
Net Cash (Used) by Operating Activities	<u>(131,897)</u>	<u>(28,051)</u>
Cash Flows from Noncapital Financing Activities		
Other Non-operating Revenues	<u>(2,781)</u>	<u>309,280</u>
Cash Flows from Capital and Related Financing Activities		
HUD Capital Grants	90,154	71,456
Disposition of Capital Assets	1,000	-
Acquisition of Capital Assets	(65,077)	(227,185)
Net Cash Provided by Capital and Related Financing Activities	<u>26,077</u>	<u>(155,729)</u>
Cash Flows from Investing Activities		
Earnings on Investments	<u>106</u>	<u>103</u>
Net Cash Provided (Used) by Investing Activities	<u>106</u>	<u>103</u>
Net Change in Cash	(108,495)	125,603
CASH, Beginning	<u>238,963</u>	<u>113,360</u>
CASH, Ending	<u>\$ 130,468</u>	<u>\$ 238,963</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating Income (Loss)	\$ (154,553)	\$ (137,235)
Depreciation	108,908	104,774
Changes in operating assets and liabilities:		
Accounts Receivable	998	666
Prepaid Expenses	(720)	(32)
Materials Inventory	240	480
Due from Other Governments	(90,154)	-
Accounts Payable	(230)	(68)
Accrued Salaries and Benefits	260	(5)
Accrued Compensated Absences	847	(212)
Tenant Security Deposits	3,231	3,382
Deferred Revenue	(724)	199
Net Cash (Used) by Operating Activities	<u>\$ (131,897)</u>	<u>\$ (28,051)</u>

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority was created under the laws of the State of Colorado. The purpose of the Authority is to administer the Housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. The Federal Government through the U.S. Department of Housing and Urban Development (HUD) subsidizes these programs. The Department of Housing and Urban Development has direct responsibility for the administering of low-income housing programs. The Housing Authority has entered into an annual contribution contract with the Department of Housing and Urban Development for the funding of these programs through annual contributions and subsidies.

This summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Authority's accounting policies are described below.

Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Authority has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Authority has no component units.

Nature of operations

The following program is administered by the Housing Authority:

Public Housing Program - This program consists of 52 public housing units. Under this program, HUD provides funding through an annual contribution contract. These funds, along with dwelling rental income received from the tenants, are used to maintain the dwelling units. Included within this program are the Capital Fund grants which provide funding for the modernization and improvement of the Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Authority are organized on the basis of a proprietary fund types, specifically enterprise funds. The activities of these funds are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities that (a) are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (b) are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (c) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (assets less liabilities) are segregated into net invested in capital assets, restricted for debt service and unrestricted components. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Housing Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

A Statement of Net Position provides information about the assets, liabilities, and net position of the Authority at the end of the year. Assets and liabilities are classified as current, noncurrent, or other assets. Net position is classified according to availability of assets to satisfy the Authority's obligations. Net invested in capital assets represents that value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Restricted net position represents resources that have been externally restricted for specific purposes. Unrestricted net position, include all other net position, including those that have been designated by management to be used for other than general operating purposes.

A Statement of Revenues, Expenses and Changes in Net Position provide information about the Authority's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions.

Operating revenues and expenses generally result from providing services in connection with providing low income housing. Accordingly, revenue such as dwelling rent, operating grants and subsidies from HUD, and other tenant charges are considered to be operating revenues. Other revenues, such as interest income and capital contributions provided for building improvement projects or equipment purchases, are considered to be nonoperating revenues. Operating expenses include: administrative, maintenance, utilities, tenant services, depreciation on capital assets, and other general expenses.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

A Statement of Cash Flow provides information about the Authority's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating activities, non-capital financing, and capital financing or investing.

Assets, Liabilities and Net Position

Cash and cash equivalents - For the purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Investments that are available upon demand are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of ninety days or less are also considered "cash equivalents".

Receivables - All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible account and revenues net of uncollectible. Allowances are reported when account are proven to be uncollectible. An allowance of \$2,952 has been provided at year end.

Prepaid assets - Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

Materials inventory - Inventory balances consist of supplies that are recorded at the lower of cost or market on a first-in first-out basis.

Capital assets - All capital assets with a unit cost greater than \$1,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. The Authority does not capitalize interest costs related to its constructed fixed assets.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Estimated Useful Lives</u>
Buildings and Improvements	10 – 40 years
Furniture and Fixtures	5 – 7 years
Equipment	3 – 10 years

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Compensated absences - The Authority's personnel policies permit employees to carryover and receive vacation or sick leave benefits upon request.

Vacation leave for full time permanent employees will be earned and accumulated on a per month basis, based on at least a 24-hour work week. New employees (one year of employment) accrue one week (24hrs) based on at least a 24-hour work week. Year 2 through 9 years employment two weeks (48hrs) based on at least a 24-hour workweek. Ten years or longer of employment- three weeks (72hrs) based on at least a 24-hour work week. Vacation hours earned each year must be taken within the calendar year. Hours not used will be forfeited. Employees who are terminated or resign will be paid for any earned vacation time.

Sick Leave - Full-time employees receive four hours of sick leave per month; any unused portion at year end is treated as accumulated sick leave. Sick leave may accrue up to a maximum of 240 hours. Accumulated sick leave will be paid upon separation after five years at the rate of one day per each four days accumulated. No accumulated sick leave will be paid in cases where employees are discharged.

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. This liability has been recorded in the financial statements pursuant to GASB Statement No. 16, "Accounting for Compensated Absences."

Net position - Net position represent the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors (such as through debt covenants), grantors or laws or regulations of other governments. Unrestricted Net Position - All other assets net assets that do not meet the definition, of "restricted" or "invested in capital assets, net of related debt".

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

Grant revenue - The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as deferred revenue.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Operating revenues and expenses - Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

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

Postemployment Benefits Other Than Pensions (OPES) - OPES benefits are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Authority has not incurred, adopted a plan or obligated resources to other postemployment benefits as defined in GASS Statement No. 45.

Income Taxes - The Authority is a governmental subdivision of the State of Colorado and is exempt from Federal and State income taxes.

Budgetary Information - 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. This budget does not represent an appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board; therefore, budgetary data and presentation is not legally required. Therefore, budgetary information is not presented in the financial statements.

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.

Incomes 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.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2: CASH AND INVESTMENTS

A summary of the Authority's cash at December 31, 2017 follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured Deposits	\$ 137,115	\$ 130,143
Change Fund Cash	-	100
Petty Cash	-	225
Total Cash	<u>\$ 137,115</u>	<u>\$ 130,468</u>
Unrestricted Cash		\$ 109,001
Restricted - Tenant Deposits		<u>21,467</u>
Total Cash		<u>\$ 130,468</u>

Cash Deposits

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2017, the Authority's deposits amounting to \$137,115 were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

Investments

The Authority's formal investment policy is to follow Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

At December 31, 2017, the Authority did not have any investments.

NOTE 3: ACCOUNTS RECEIVABLE

A summary of accounts receivable as presented in the Statement of Net Assets at December 31, 2017 are as follows:

Tenants	\$ 2,843
Allowance for Doubtful Accounts - Dwelling Rents	<u>(750)</u>
Total	<u>\$ 2,093</u>

NOTE 4: PREPAID EXPENSES

Prepaid expenses as presented in the Statement of Net Position at December 31, 2017 consisted of prepaid insurance in the amount of \$10,324.

NOTE 5: MATERIALS INVENTORY

A summary of materials inventory as presented in the Statement of Net Position at December 31, 2017 is as follows:

Materials inventory	\$ 6,004
Allowance for obsolete inventory	<u>-</u>
Total	<u>\$ 6,004</u>

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/17</u>
Non-Depreciable Assets				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Depreciable Assets				
Buildings and Improvements	2,876,166	65,077	1,084	2,940,159
Equipment - Dwellings	31,012	-	-	31,012
Equipment - Administration	81,794	-	6,624	75,170
Total Depreciable Assets	<u>2,988,972</u>	<u>65,077</u>	<u>7,708</u>	<u>3,046,341</u>
Total Capital Assets	<u>2,998,972</u>	<u>65,077</u>	<u>7,708</u>	<u>3,056,341</u>
Accumulated Depreciation				
Buildings and Improvements	1,908,104	103,212	1,084	2,010,232
Equipment - Dwellings	10,969	3,101	-	14,070
Equipment - Administration	60,301	2,595	6,624	56,272
Total Accumulated Depreciation	<u>1,979,374</u>	<u>108,908</u>	<u>7,708</u>	<u>2,080,574</u>
Depreciable Assets Net	<u>1,009,598</u>	<u>(43,831)</u>	<u>-</u>	<u>965,767</u>
Net Capital Assets	<u>\$ 1,019,598</u>	<u>\$ (43,831)</u>	<u>\$ -</u>	<u>\$ 975,767</u>

NOTE 7: ACCRUED COMPENSATED ABSENCES

A summary of accrued compensated absences as presented in the Statement of Net Assets as of December 31, 2017 is as follows:

	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/17</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 2,302</u>	<u>\$ 8,939</u>	<u>\$ 8,092</u>	<u>\$ 3,149</u>	<u>\$ 787</u>

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 8: RISK MANAGEMENT

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workers compensation and employee health and accident insurance. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Federal funding

The Authority recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. Management believes the Authority is exempt from the provisions of the Amendment.

NOTE 10: ECONOMIC DEPENDENCY

The Housing Authority is economically dependent on annual contributions and grants received from HUD. The extent of this funding from HUD depends upon appropriations from the federal level.

Supplementary Information

Supplementary information includes schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such schedules include:

- Schedule of Operating Expenses
- U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule – This fiscal-year report is required by the U.S. Department of Housing and Urban Development and is used to gather financial information from the Public Housing Authority.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**SCHEDULE OF OPERATING EXPENSES
PROPRIETARY FUND**

For the Year Ended December 31, 2017

(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
OPERATING EXPENSES		
Administrative		
Administrative Salaries	\$ 54,630	\$ 54,013
Auditing Fees	3,500	3,000
Advertising and Marketing	1,582	1,239
Employee Benefit Contributions	5,898	6,813
Office Expenses	6,251	6,709
Legal Expense	2,088	-
Travel	1,038	1,925
Other	4,633	4,918
Total Administrative	<u>79,620</u>	<u>78,617</u>
Tenant Services		
Tenant Services - Other	805	1,042
Utilities		
Water	19,939	16,331
Electricity	27,849	24,961
Gas	19,975	17,043
Sewer	18,661	17,397
Total Utilities	<u>86,424</u>	<u>75,732</u>
Maintenance & Operations		
Labor	64,453	57,893
Materials	16,387	15,769
Contracts	34,875	35,613
Maintenance	5,074	5,199
Total Maintenance & Operations	<u>120,789</u>	<u>114,474</u>
Insurance Premiums		
Property Insurance	11,574	11,574
Liability Insurance	8,163	7,406
Workmen's Compensation	4,592	4,058
All Other Insurance	35	707
Total Insurance Premiums	<u>24,364</u>	<u>23,745</u>
Other General Expense		
Compensated Absences	8,939	8,538
Bad debt - Tenant Rents	9,324	7,796
Total Other General Expenses	<u>18,263</u>	<u>16,334</u>
Total Operating Expenses	<u>330,265</u>	<u>309,944</u>
Non-Operating Expenses		
Extraordinary Maintenance	-	42,345
Depreciation Expense	108,908	104,774
Total Non-Operating Expenses	<u>108,908</u>	<u>147,119</u>
Total Expenses	<u>\$ 439,173</u>	<u>\$ 457,063</u>

See the accompanying Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUPPLEMENTARY
FINANCIAL DATA SCHEDULE
December 31, 2017**

Line Item No.	Description	Total Public Housing	Eliminations	Total
111	Cash - Unrestricted	\$ 109,001	\$ -	\$ 109,001
114	Cash - Tenant Security Deposits	21,467	-	21,467
100	Total Cash	130,468	-	130,468
122	Accounts Receivable - HUD Other Projects	90,154	-	90,154
126	Accounts Receivable - Tenants	2,843	-	2,843
126.1	Allowance for Doubtful Accounts -Tenants	(750)	-	(750)
120	Total Receivables, Net of Allowances for Doubtful Accounts	92,247	-	92,247
142	Prepaid Expenses and Other Assets	10,324	-	10,324
143	Inventories	6,004	-	6,004
150	Total Current Assets	239,043	-	239,043
161	Land	10,000	-	10,000
162	Buildings	2,940,159	-	2,940,159
163	Furniture, Equipment & Machinery - Dwellings	31,012	-	31,012
164	Furniture, Equipment & Machinery - Administration	75,170	-	75,170
166	Accumulated Depreciation	(2,080,574)	-	(2,080,574)
160	Total Capital Assets, Net of Accumulated Depreciation	975,767	-	975,767
180	Total Non-Current Assets	975,767	-	975,767
190	Total Assets	\$1,214,810	\$ -	\$1,214,810
312	Accounts Payable <= 90 Days	\$ 5,982	\$ -	5,982
321	Accrued Wage/Payroll Taxes Payable	4,280	-	4,280
322	Accrued Compensated Absences - Current Portion	787	-	787
341	Tenant Security Deposits	21,467	-	21,467
342	Deferred Revenues	791	-	791
310	Total Current Liabilities	33,307	-	33,307
354	Accrued Compensated Absences - Non Current	2,362	-	2,362
350	Total Non-Current Liabilities	2,362	-	2,362
300	Total Liabilities	35,669	-	35,669
508.1	Invested In Capital Assets, Net of Related Debt	975,767	-	975,767
511.1	Restricted Net Assets	71,951	-	71,951
512.1	Unrestricted Net Assets	131,423	-	131,423
513	Total Equity/Net Assets	1,179,141	-	1,179,141
600	Total Liabilities and Equity/Net Assets	\$1,214,810	\$ -	\$1,214,810

(CONTINUED)

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUPPLEMENTARY
FINANCIAL DATA SCHEDULE**

December 31, 2017

Line Item No.	Description	Public Housing 14.850	Capital Funds 14.872	Total Public Housing	Eliminations	Total
70300	Net Tenant Rental Revenue	\$ 176,379	\$ -	\$ 176,379	\$ -	\$ 176,379
70400	Tenant Revenue - Other	23,790	-	23,790	-	23,790
70500	Total Tenant Revenue	200,169	-	200,169	-	200,169
70600	HUD PHA Operating Grants	84,226	-	84,226	-	84,226
70610	Capital Grants	-	90,154	90,154	-	90,154
71100	Investment Income - Unrestricted	106	-	106	-	106
71500	Other Revenue	225	-	225	-	225
71600	Gain or Loss on Sale of Capital Assets	1,000	-	1,000	-	1,000
70000	Total Revenue	285,726	90,154	375,880	-	375,880
91100	Administrative Salaries	54,630	-	54,630	-	54,630
91200	Auditing Fees	3,500	-	3,500	-	3,500
91400	Advertising and Marketing	1,582	-	1,582	-	1,582
91500	Employee Benefit contributions - Administrative	5,898	-	5,898	-	5,898
91600	Office Expenses	6,251	-	6,251	-	6,251
91700	Legal Expense	2,088	-	2,088	-	2,088
91800	Travel	1,038	-	1,038	-	1,038
91900	Other	4,633	-	4,633	-	4,633
91000	Total Operating - Administrative	79,620	-	79,620	-	79,620
92400	Tenant Services - Other	805	-	805	-	805
92500	Total Tenant Services	805	-	805	-	805
93100	Water	19,939	-	19,939	-	19,939
93200	Electricity	27,849	-	27,849	-	27,849
93300	Gas	19,975	-	19,975	-	19,975
93600	Sewer	18,661	-	18,661	-	18,661
93000	Total Utilities	86,424	-	86,424	-	86,424
94100	Ordinary Maintenance and Operations - Labor	64,453	-	64,453	-	64,453
94200	Ordinary Maintenance and Operations - Materials and Other	16,387	-	16,387	-	16,387
94300	Ordinary Maintenance and Operations Contracts	34,875	-	34,875	-	34,875
94500	Employee Benefit Contributions - Ordinary Maintenance	5,074	-	5,074	-	5,074
94000	Total Maintenance	120,789	-	120,789	-	120,789
96110	Property Insurance	11,574	-	11,574	-	11,574
96120	Liability Insurance	8,163	-	8,163	-	8,163
96130	Workmen's Compensation	4,592	-	4,592	-	4,592
96140	All Other Insurance	35	-	35	-	35
96100	Total insurance Premiums	24,364	-	24,364	-	24,364
96210	Compensated Absences	8,939	-	8,939	-	8,939
96400	Bad debt - Tenant Rents	9,324	-	9,324	-	9,324
96000	Total Other General Expenses	18,263	-	18,263	-	18,263
96900	Total Operating Expenses	330,265	-	330,265	-	330,265
97000	Excess of Operating Revenue over Operating Expenses	(44,539)	90,154	45,615	-	45,615
97400	Depreciation Expense	108,908	-	108,908	-	108,908
90000	Total Expenses	439,173	-	439,173	-	439,173
10010	Operating Transfer In	90,154	-	90,154	(90,154)	-
10020	Operating transfer Out	-	(90,154)	(90,154)	90,154	-
10080	Special Items Insurance Proceeds	(2,781)	-	-2,781	-	(2,781)
10100	Total Other financing Sources (Uses)	87,373	(90,154)	(2,781)	-	(2,781)
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	\$ (66,074)	\$ -	\$ (66,074)	\$ -	\$ (66,074)
11030	Beginning Equity	1,245,215	-	1,245,215	-	1,245,215
11190	Unit Months Available	617	-	617	-	617
11210	Number of Unit Months Leased	572	-	572	-	572
11270	Excess Cash	100,593	-	100,593	-	100,593
11620	Building Purchases	223,879	-	223,879	-	223,879
11640	Furniture & Equipment - Administrative Purchases	3,306	-	3,306	-	3,306

See the accompanying Independent Auditors' Report.

**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 Julesburg
Julesburg, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Julesburg, Colorado, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Julesburg, Colorado's basic financial statements and have issued our report thereon dated June 29, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Julesburg, Colorado's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Plutt Hanson, P.C.

June 29, 2018

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June 29, 2018

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

We have audited the financial statements of the Housing Authority of the City of Julesburg, Colorado as of and for the year ended December 31, 2017 and have issued our report thereon dated June 30, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Housing Authority of the City of Julesburg, Colorado. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Housing Authority of the City of Julesburg, Colorado are described in Note 1 to the Basic Financial Statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Housing Authority of the City of Julesburg, Colorado during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense is based on projected useful lives of the underlying assets. We evaluated the key factors and assumptions used to develop the depreciation expense calculation in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by the Housing Authority of the City of Julesburg, Colorado, that could potentially cause future financial statements to be materially misstated; we have concluded that such adjustments are material to the current financial statements. We proposed no significant adjusting entries to the Housing Authority of the City of Julesburg, Colorado's financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the past year that are subject to the requirements of Statement on Auditing Standards No. 50, "Reports on the Application of Accounting Principles."

Other Matters

During the audit, we noted the following matters which do not have a significant effect on the Housing Authority of the City of Julesburg, Colorado's financial statements. However, they require Board of Commissioners' attention:

Due to the size of the Authority's finance staff it is not possible to have full review of the accounting function on a day to day basis. Due to this lack of staffing, the Executive Director and Board of Commissioners function as the secondary reviewers and therefore need to ensure that they understand the accounting process adequately in order to serve in that capacity.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Housing Authority of the City of Julesburg, Colorado's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

Conclusion

We would like to thank Alice Osborn and Sherri Schwartzkopf for making the audit process efficient and enjoyable. They were very helpful and cooperative.

This information is intended solely for the use of the Board and management of the Housing Authority of the City of Julesburg, Colorado and should not be used for any other purpose.

Very truly yours,

Plutt Hanson, P.C.

June 29, 2018

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

In planning and performing our audit of the financial statements of the business-type activities of the Housing Authority of the City of Julesburg, Colorado as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Housing Authority of the City of Julesburg, Colorado's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Julesburg, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Julesburg, Colorado's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose as described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Due to the size of the Housing Authority of the City of Julesburg, Colorado's finance staff it is not possible to have full review of the accounting function on a day to day basis. Due to this lack of staffing, the Executive Director and Board of Commissioners function as the secondary reviewers and therefore need to ensure that they understand the accounting process adequately in order to serve in that capacity.

Recognizing that the finance staff, management, and board have limited experience in the preparation of financial statements, the management is still required to understand the financial reporting requirements sufficiently to take responsibility for the information contained in the basic financial statements.

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

Very truly yours,

Plutt Hanson, P.C.