

**ROCKY FORD HOUSING AUTHORITY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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April 19, 2018

ROCKY FORD HOUSING AUTHORITY

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# HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS  
601 SOUTH EIGHTH STREET  
ROCKY FORD, COLORADO 81067

Patrick A. Hancock CPA 719-688-0812  
Andrew H. Froese CPA 719-980-1962

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Rocky Ford Housing Authority

We have audited the accompanying financial statements of the business-type activities and each major fund of the Rocky Ford Housing Authority, as of and for the years ended December 31, 2017 and 2016, 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.

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

Our responsibility is to express an opinion 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Rocky Ford Housing Authority, as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Rocky Ford Housing Authority's basic financial statements. The financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 financial data schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018 on our consideration of the Rocky Ford Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rocky Ford Housing Authority's internal control over financial reporting and compliance.

*Hancock Froese & Company LLC*

Hancock Froese & Company LLC

March 21, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

ROCKY FORD HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017

The following is a narrative overview and analysis of Rocky Ford Housing Authority's (the "Authority") financial activities for the year ended December 31, 2017. Please read it in conjunction with the Authority's financial statements.

#### FINANCIAL HIGHLIGHTS

- Total net position decreased by \$15,353 (1.8%) from the prior year. This decrease is due to a slight increase in operating expenses and a slight decrease in operating revenues.
- The assets of RFHA exceeded liabilities at December 31, 2017 by \$820,955 (net position). Of this amount, \$217,768 (unrestricted net position) may be used to meet ongoing obligation, \$590,292 is the net investment in capital assets, and \$12,895 is restricted to meet future obligations.
- Net capital assets decreased due to current year depreciation. No additions or disposals were noted in 2017. As of December 31, 2017, net capital assets were \$590,292 a decrease of \$51,501 from the prior year.
- Total liabilities decreased by \$38,910 (46.8%) from the prior year due to a reduction in notes payable and unearned revenue.
- Operating revenues slightly decreased by \$1,510 (0.2%) in comparison to the prior year due to a decrease in government rent subsidy payments.
- Operating expenses slightly increased by \$481 (0.1%) in comparison to the prior year. Increases in salary expenses and a decrease in housing assistance payments contributed to the variance.
- Non-operating revenues, net of non-operating expenses, slightly increased by \$410 (3.8%). This increase is primarily due to the reduction in miscellaneous income and interest expense.

#### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The statement of net position presents the Authority's total assets and total liabilities at the end of the year. The difference between the two is reported as net position, which represents the Authority's ownership interest, or net worth, in its total assets as opposed to the creditor's interest (total liabilities). Over time, increases or decreases in net position is a useful indicator as to whether the Authority's financial health is improving or deteriorating.

The statement of activities shows how the Authority's net position changed during the calendar year. All changes in the net position are reported on the accrual basis of accounting, which reports the event as it occurs, rather than when the cash changes hands (cash basis of accounting).

The statement of cash flows reports how the Authority's cash and cash equivalents increased or decreased during the year. The statement shows how cash and cash equivalents were provided by and used in the Authority's operating, non-capital financing, capital and related financing, and investing activities. The net increase or decrease in the Authority's cash and cash equivalents is added to or subtracted from the balance at the beginning of the year to arrive at the cash and cash equivalents balance at the end of the year. These statements are presented on a cash basis and only present cash receipts and cash disbursement information.

The notes to the financial statements are an integral part of the financial statements, disclosing information which is essential to a full understanding of the statements.

#### FINANCIAL ANALYSIS

The financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The current year financial statements reflect that the Authority has incurred an operating loss in providing essential services. In 2017, the net position decreased by \$15,353 and in 2016 the net position decreased by \$13,772 due to normal operating and non-operating activities. Below is a summary of changes in assets and liabilities and net position.

FINANCIAL ANALYSIS (Continued)

Summary of Net Position:

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 243,550	\$ 239,835
Restricted Cash	31,422	37,899
Capital Assets	<u>590,292</u>	<u>641,793</u>
Total Assets	<u>\$ 865,264</u>	<u>\$ 919,527</u>
Current Liabilities	<u>\$ 44,309</u>	<u>\$ 83,219</u>
Net Position		
Net Investment in Capital Assets	590,292	621,056
Restricted	12,895	1,498
Unrestricted	<u>217,768</u>	<u>213,754</u>
Total Net Position	<u>820,955</u>	<u>836,308</u>
Total Liabilities & Net Position	<u>\$ 865,264</u>	<u>\$ 919,527</u>

The Authority's total assets exceeded total liabilities by \$820,955 as of December 31, 2017 compared to \$836,308 as of December 31, 2016. Of this amount \$590,292 is the net investment in capital assets, \$12,895 restricted for future expenses and \$217,768 is unrestricted and may be used to meet ongoing obligations.

The Authority's decrease in total assets of \$54,263 was offset by a decrease in total liabilities of \$38,910 which causes net position to decrease by \$15,353, for the year ended December 31, 2017. The decrease in assets and liabilities was caused by using cash to make payments on the note payable as well as normal operations.

Summary of Activities:

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Rent	\$ 335,777	\$ 333,800
Government Subsidy	<u>613,193</u>	<u>616,680</u>
Total Operating Revenues	<u>948,970</u>	<u>950,480</u>
Operating Expenses		
Administrative	756,506	739,094
Depreciation	51,501	51,542
Assistance Payments	<u>167,471</u>	<u>184,361</u>
Total Operating Expenses	<u>975,478</u>	<u>974,997</u>
Operating Income (Loss)	(26,508)	(24,517)
Non-Operating Revenues (Expenses)	<u>11,155</u>	<u>10,745</u>
Change in Net Position	(15,353)	(13,772)
Net Position January 1	<u>836,308</u>	<u>850,080</u>
Net Position December 31	<u>\$ 820,955</u>	<u>\$ 836,308</u>

The operating revenues for 2017 slightly decreased by 0.2% compared to 2016. The decrease is primarily due to a decrease in subsidy payments received as well as the increase in monthly rent charged on nonsubsidized units when compared to the prior year.

The operating expenses increased by approximately 0.1% compared to 2016. This is primarily due to an increase in salary expenses and a decrease in housing assistance payments.

## FINANCIAL ANALYSIS (Continued)

The non-operating revenues (expenses) consists of interest on the note payable less interest earned on the cash equivalents as well as cable TV, laundry and other miscellaneous revenues.

### Summary of Cash Flows:

	<u>2017</u>	<u>2016</u>
Cash Flows From (Used In) Operations	\$ 7,971	\$ 47,830
Cash Flows Used In Capital and Financing	(21,081)	(69,452)
Cash Flows From Investing	<u>11,409</u>	<u>14,212</u>
Net Change in Cash	(1,701)	(7,410)
Cash Beginning	<u>258,754</u>	<u>266,164</u>
Cash Ending	<u>\$ 257,053</u>	<u>\$ 258,754</u>

The cash flows used in capital and financing activities are principally payments of principal and interest on the note payable.

The difference between cash flows from operations and operating income is due to depreciation a non-cash expense.

The ending cash balance includes the restricted cash accounts.

### Capital Assets

Capital Assets mainly include the costs involved in constructing buildings for tenants and the land purchased. The Capital Assets less depreciation was \$590,292 as of December 31, 2017.

### Authority Debt

The debt is due in monthly installments and is collateralized by the land and buildings. The debt was originally incurred for the construction of the various buildings. In 2017, the outstanding debt balance due was paid in full. See the accompanying notes to the financial statements for additional information on the debt.

## CONTACTING THE AUTHORITY

This financial report is designed to provide those interested with a general overview of the Authority's finances and accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Authority at 702 Sandia Drive, Rocky Ford, Colorado 81067, or telephone at 719-254-6902.

## **BASIC FINANCIAL STATEMENTS**

ROCKY FORD HOUSING AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 225,631	\$ 220,855
Inventory	2,880	4,018
Accounts receivable - tenants	5,613	5,613
Prepays	<u>9,426</u>	<u>9,349</u>
<b>TOTAL CURRENT ASSETS</b>	<u>243,550</u>	<u>239,835</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash	<u>31,422</u>	<u>37,899</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	159,200	159,200
Buildings and equipment	2,651,109	2,651,109
Accumulated depreciation	<u>(2,220,017)</u>	<u>(2,168,516)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>590,292</u>	<u>641,793</u>
<b>TOTAL ASSETS</b>	<u>\$ 865,264</u>	<u>\$ 919,527</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 19,015	\$ 20,780
Accrued expenses	4,420	3,800
Security deposits	18,527	18,510
Unearned revenue	2,347	19,392
Current portion of term liabilities	<u>-</u>	<u>20,737</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>44,309</u>	<u>83,219</u>
<b>NET POSITION</b>		
Net investment in capital assets	590,292	621,056
Restricted for future expenses	12,895	1,498
Unrestricted	<u>217,768</u>	<u>213,754</u>
<b>TOTAL NET POSITION</b>	<u>820,955</u>	<u>836,308</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 865,264</u>	<u>\$ 919,527</u>

ROCKY FORD HOUSING AUTHORITY

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Rent	\$ 335,777	\$ 333,800
Government rent - subsidy	613,193	616,680
	<u>948,970</u>	<u>950,480</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Salary - administrative	169,683	152,760
Salary - other	119,646	114,373
Utilities	267,260	267,925
Repairs and maintenance	67,127	66,542
Office expense	5,261	6,537
Property insurance	27,922	27,594
Payments in lieu of taxes	15,960	15,960
Legal and accounting	20,050	20,025
Employee benefits	53,097	56,361
Other	10,500	11,017
Depreciation	51,501	51,542
Assistance payments	167,471	184,361
	<u>975,478</u>	<u>974,997</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	(26,508)	(24,517)
NON OPERATING REVENUES (EXPENSES)		
Interest income	130	113
Other	11,279	14,099
Interest expense	(254)	(3,467)
	<u>(15,353)</u>	<u>(13,772)</u>
CHANGE IN NET POSITION		
NET POSITION - JANUARY 1	<u>836,308</u>	<u>850,080</u>
NET POSITION - DECEMBER 31	<u>\$ 820,955</u>	<u>\$ 836,308</u>

ROCKY FORD HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	\$ 931,925	\$ 968,378
Cash payment to suppliers for goods and services	(619,392)	(637,691)
Cash payments to employees for services	(288,602)	(266,897)
Payment in lieu of taxes	(15,960)	(15,960)
	<u>7,971</u>	<u>47,830</u>
NET CHANGE IN CASH FOR OPERATING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on notes	(20,737)	(66,192)
Interest paid on notes	(361)	(3,467)
Security deposits	17	207
	<u>(21,081)</u>	<u>(69,452)</u>
NET CHANGE IN CASH FOR CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on savings and other	11,409	14,212
	<u>11,409</u>	<u>14,212</u>
NET CHANGE IN CASH	(1,701)	(7,410)
CASH BEGINNING OF YEAR - INCLUDING RESTRICTED CASH	<u>258,754</u>	<u>266,164</u>
CASH END OF YEAR - INCLUDING RESTRICTED CASH	<u>\$ 257,053</u>	<u>\$ 258,754</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED FOR OPERATING ACTIVITIES		
Operating loss	\$ (26,508)	\$ (24,517)
Adjustments to reconcile operating loss to net cash provided for operating activities		
Depreciation	51,501	51,542
Change in assets and liabilities:		
Accounts receivable	-	607
Inventories and prepaids	1,061	(421)
Accounts payable	(1,765)	3,091
Unearned revenue	(17,045)	17,292
Accrued expenses	727	236
	<u>7,971</u>	<u>47,830</u>
NET CHANGE IN CASH FOR OPERATING ACTIVITIES	<u>\$ 7,971</u>	<u>\$ 47,830</u>

See Notes To Financial Statements

**NOTES TO FINANCIAL STATEMENTS**

ROCKY FORD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE -1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Rocky Ford Housing Authority (the "Authority") provides low-income housing to farm labors, rural inhabitants and the elderly in the Rocky Ford, Colorado area. Approximately 70% of the tenants receive assistance payments from the federal government for the difference in the fair market value of the rentals and their individual income levels.

Accounting Policies

The accounting policies of the Rocky Ford Housing Authority conform to governmental accounting principles generally accepted in the United States.

The Authority is accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes. Enterprise funds are accounted for using accrual basis of accounting; revenues are recognized when earned, and expenses are recognized when incurred. The enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund is charges to tenants and government subsidized rent. Operating expenses for the enterprise fund include the cost of rent and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Program revenues consist of government subsidized rent from the Section 8 Housing Choice Vouchers Program and the Section 8 Housing Assistance Payments Program.

The Authority does not have any indirect expenses. Direct expenses are those that are clearly identifiable with a specific function or segment.

Reporting Entity

The Rocky Ford Housing Authority is governed by a five-member board affirmed by the council of the City of Rocky Ford. The Authority provides housing to certain qualified residents and is principally funded through Federal grants and rental charges. Because these appointments are administrative in nature and control over the organization is at the Federal Government level, the Authority is treated as a related organization of the City of Rocky Ford rather than a component unit. Currently no component units have been included in the Authority's reporting entity because of a lack of operational relationships or financial accountability to the Authority.

Budgets

The Rocky Ford Housing Authority is not legally required to adopt budgets nor are there legal requirements to hold public hearings. However, the Authority adopts budgets for administrative controls. The budgets are not compatible with the GAAP financial presentation included in this report. Therefore, the budgetary data is not included in the financial statements. All annual appropriations lapse at fiscal year end. The Authority does not use encumbrance accounting procedures.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are represented by cash on hand as well as demand deposits and certificate of deposits held in banks. For purposes of the statement of cash flows, the Authority considers all certificates of deposit to be cash equivalents.

Restricted Cash

Restricted cash accounts are maintained to account for resources to repay tenant security deposits and to account for overfunded Housing Assistance Payments, if applicable.

ROCKY FORD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE -1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

The inventory of appliances and supplies is reported at cost, using the first-in, first-out method.

Property and Equipment

Property and equipment is stated at cost. Depreciation is determined using the straight-line method based on the estimated useful lives of three to twenty-five years for equipment and fifty years for buildings. The capitalization limit is \$5,000.

Expenditures for maintenance and repairs are charged to expenses as incurred; expenditures for renewals and betterments are generally capitalized. Gains or losses due to disposal are charged or credited to income.

Net Position

In the proprietary financial statements, net position is classified in the following categories:

Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by outstanding debt, if applicable, attributed to the acquisition, construction, or improvement of those assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted net position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position”

Use of Estimates

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

NOTE -2 DEPOSITS

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial credit risk is that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. The following discloses the credit risk of the Authority.

At December 31, 2017, the Rocky Ford Housing Authority cash deposits had a bank balance of \$281,348 and a corresponding carrying balance as follows:

Insured deposits	\$ 254,634
Cash on hand	<u>2,419</u>
	<u>\$ 257,053</u>

Deposits are accounted for in the accompanying balance sheet as follows:

Cash on hand and in banks	\$ 225,631
Restricted cash	<u>31,422</u>
Total	<u>\$ 257,053</u>

ROCKY FORD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE -3 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2017, is as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 159,200	\$ -	\$ -	\$ 159,200
Capital assets being depreciated				
Buildings	2,355,066	-	-	2,355,066
Equipment	296,043	-	-	296,043
Less accumulated depreciation for buildings & equipment	<u>(2,168,516)</u>	<u>(51,501)</u>	<u>-</u>	<u>(2,220,017)</u>
TOTAL	<u>\$ 641,793</u>	<u>\$ (51,501)</u>	<u>\$ -</u>	<u>\$ 590,292</u>

For the year ending December 31, 2017, the total amount of depreciation charged to expense was \$51,501.

NOTE -4 CHANGES IN LONG TERM NOTE

The following is a summary of debt transactions of the Authority as of December 31, 2017:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities:				
Note payable	<u>\$ 20,737</u>	<u>\$ -</u>	<u>\$ (20,737)</u>	<u>\$ -</u>

The note was payable to a local bank and was collateralized by the buildings of the Authority. The note was payable in monthly installments of \$5,805, principal and interest and had an interest rate that was variable. As of April 24, 2017, the note was paid in full.

NOTE -5 CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures or claims which may be disallowed by the grantor cannot be determined at this time although the Rocky Ford Housing Authority expects such amounts, if any, to be immaterial.

NOTE -6 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 manages its risk by purchasing commercial insurance for all risks of loss, including health insurance for its employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

ROCKY FORD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE -7 GENERAL INFORMATION

In November 1992, the voters of the State of Colorado approved an amendment to the State's constitution limiting the amount of revenue, which may be spent or retained by Colorado governmental entities. The amendment is in effect for most governments for years beginning after 1992, but exempts "enterprise" funds and activities from the limitations. The Board of Commissioners of the Authority believes that it is exempt from the provisions of TABOR because it qualifies as an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenues from state and local government grants) as defined by in the constitutional amendment.

Additionally, the Board believes that it is not subject to the provisions of TABOR because the governing board is not an elected board, does not have an electoral constituency, and does not have the power to impose taxes, all basic operational requirements of TABOR.

NOTE -8 INCOME TAXES

The Authority is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Authority's tax-exempt purpose is subject to taxation as unrelated business income.

The Authority adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Authority has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Authority believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Authority's financial condition, results of operations or cash flows. Accordingly, the Authority has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2017.

The Authority is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE -9 SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

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

# HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS  
601 SOUTH EIGHTH STREET  
ROCKY FORD, COLORADO 81067

Patrick A. Hancock CPA 719-688-0812  
Andrew H. Froese CPA 719-980-1962

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

Board of Commissioners  
Rocky Ford Housing Authority

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 business-type and each major fund of the Rocky Ford Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Rocky Ford Housing Authority's basic financial statements, and have issued our report thereon dated March 21, 2018.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Rocky Ford Housing Authority'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 result 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.

*Hancock Froese & Company LLC*

Hancock Froese & Company LLC

March 21, 2018

**FINANCIAL DATA SCHEDULE**

## ROCKY FORD HOUSING AUTHORITY

## FINANCIAL DATA SCHEDULE

DECEMBER 31, 2017

**Program Balance Sheet Summary**

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
111 Cash - Unrestricted	\$30,269		\$195,362	\$225,631
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$12,895		\$12,895
114 Cash - Tenant Security Deposits	\$5,944		\$12,583	\$18,527
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$36,213	\$12,895	\$207,945	\$257,053
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$3,572		\$2,041	\$5,613
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0	\$0
126.2 Allowance for Doubtful Accounts - Other				
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,572	\$0	\$2,041	\$5,613
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets			\$9,426	\$9,426
143 Inventories			\$2,880	\$2,880
143.1 Allowance for Obsolete Inventories			\$0	\$0
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$39,785	\$12,895	\$222,292	\$274,972
161 Land				
162 Buildings			\$2,810,309	\$2,810,309
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration				
165 Leasehold Improvements				
166 Accumulated Depreciation			-\$2,220,017	-\$2,220,017
167 Construction in Progress				
168 Infrastructure				

ROCKY FORD HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE

DECEMBER 31, 2017

**Program Balance Sheet Summary**

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$590,292	\$590,292
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$0	\$0	\$590,292	\$590,292
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$39,785	\$12,895	\$812,584	\$865,264
311 Bank Overdraft				
312 Accounts Payable <= 90 Days			\$19,015	\$19,015
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable			\$4,420	\$4,420
322 Accrued Compensated Absences - Current Portion				
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government				
341 Tenant Security Deposits	\$5,944		\$12,583	\$18,527
342 Unearned Revenue	\$1,494		\$853	\$2,347
343 Current Portion of Long-term Debt - Capital				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$7,438	\$0	\$36,871	\$44,309
351 Long-term Debt, Net of Current - Capital Projects/Mortgage				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current				
355 Loan Liability - Non Current				

ROCKY FORD HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 DECEMBER 31, 2017

**Program Balance Sheet Summary**

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities				
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0
300 Total Liabilities	\$7,438	\$0	\$36,871	\$44,309
400 Deferred Inflow of Resources				
508.4 Net Investment in Capital Assets			\$590,292	\$590,292
511.4 Restricted Net Position		\$12,895		\$12,895
512.4 Unrestricted Net Position	\$32,347	\$0	\$185,421	\$217,768
513 Total Equity - Net Assets / Position	\$32,347	\$12,895	\$775,713	\$820,955
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$39,785	\$12,895	\$812,584	\$865,264

ROCKY FORD HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 FOR YEAR ENDED DECEMBER 31, 2017

**Program Revenue and Expense Summary**

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
70300 Net Tenant Rental Revenue	\$213,676		\$611,606	\$825,282
70400 Tenant Revenue - Other				
70500 Total Tenant Revenue	\$213,676	\$0	\$611,606	\$825,282
70600 HUD PHA Operating Grants	\$409,674	\$203,519		\$613,193
70610 Capital Grants				
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted		\$69	\$61	\$130
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue			\$11,279	\$11,279
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$623,350	\$203,588	\$622,946	\$1,449,884
91100 Administrative Salaries	\$42,060	\$34,526	\$93,097	\$169,683
91200 Auditing Fees	\$3,700	\$3,700	\$5,450	\$12,850
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$7,449	\$7,971	\$16,488	\$31,908
91600 Office Expenses			\$5,261	\$5,261
91700 Legal Expense				
91800 Travel				
91810 Allocated Overhead				
91900 Other	\$1,296	\$2,304	\$14,100	\$17,700
91000 Total Operating - Administrative	\$54,505	\$48,501	\$134,396	\$237,402
92000 Asset Management Fee				
92100 Tenant Services - Salaries	\$76,138		\$43,508	\$119,646
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services	\$13,484		\$7,705	\$21,189

ROCKY FORD HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 FOR YEAR ENDED DECEMBER 31, 2017

**Program Revenue and Expense Summary**

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
92400 Tenant Services - Other				
92500 Total Tenant Services	\$89,622	\$0	\$51,213	\$140,835
93100 Water			\$106,235	\$106,235
93200 Electricity			\$98,734	\$98,734
93300 Gas			\$52,049	\$52,049
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense			\$10,242	\$10,242
93000 Total Utilities	\$0	\$0	\$267,260	\$267,260
94100 Ordinary Maintenance and Operations - Labor				
94200 Ordinary Maintenance and Operations - Materials and			\$67,127	\$67,127
94300 Ordinary Maintenance and Operations Contracts				
94500 Employee Benefit Contributions - Ordinary Maintenance				
94000 Total Maintenance	\$0	\$0	\$67,127	\$67,127
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance			\$27,922	\$27,922
96120 Liability Insurance				
96130 Workmen's Compensation				
96140 All Other Insurance				
96100 Total insurance Premiums	\$0	\$0	\$27,922	\$27,922
96200 Other General Expenses				
96210 Compensated Absences				
96300 Payments in Lieu of Taxes			\$15,960	\$15,960
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$0	\$0	\$15,960	\$15,960

ROCKY FORD HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 FOR YEAR ENDED DECEMBER 31, 2017

**Program Revenue and Expense Summary**

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)			\$254	\$254
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$254	\$254
96900 Total Operating Expenses	\$144,127	\$48,501	\$564,132	\$756,760
97000 Excess of Operating Revenue over Operating Expenses	\$479,223	\$155,087	\$58,814	\$693,124
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$489,505	\$167,471		\$656,976
97350 HAP Portability-In				
97400 Depreciation Expense			\$51,501	\$51,501
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$633,632	\$215,972	\$615,633	\$1,465,237
10010 Operating Transfer In		\$23,781		\$23,781
10020 Operating transfer Out			-\$23,781	-\$23,781
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$23,781	-\$23,781	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$10,282	\$11,397	-\$16,468	-\$15,353
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$42,629	\$1,498	\$792,181	\$836,308

ROCKY FORD HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 FOR YEAR ENDED DECEMBER 31, 2017

**Program Revenue and Expense Summary**

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
11040 Prior Period Adjustments, Equity Transfers and Correction				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$0		\$0
11180 Housing Assistance Payments Equity		\$12,895		\$12,895
11190 Unit Months Available	840	600	480	1920
11210 Number of Unit Months Leased	820	499	465	1784
11270 Excess Cash				
11610 Land Purchases				
11620 Building Purchases				
11630 Furniture & Equipment - Dwelling Purchases				
11640 Furniture & Equipment - Administrative Purchases				
11650 Leasehold Improvements Purchases				
11660 Infrastructure Purchases				
13510 CFFP Debt Service Payments				
13901 Replacement Housing Factor Funds				