HOUSING AUTHORITY OF THE CITY OF
STERLING, COLORADO

BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTAL INFORMATION
AND
SUPPLEMENTAL INFORMATION

Year Ended March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Niewedde & Wiens

Randal D. Niewedde, CPA
Jeffrey J. Wiens, CPA

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Sterling, Colorado

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Housing Authority of the City of Sterling, Colorado, as of and for the year ended March 31, 2017, and the related notes to the basic financial statements, which collectively comprise the Housing Authority of the City of Sterling, Colorado's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Sterling, Colorado, as of March 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Housing Authority of the City of Sterling, Colorado's basic financial statements. The Program Financial Schedules, Financial Data Schedule and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Program Financial Schedules, Financial Data Schedule and Schedule of Expenditures of Federal Awards are the responsibility of management and were 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 Program Financial Schedules, Financial Data Schedule and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2017 on our consideration of the Housing Authority of the City of Sterling, Colorado'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 solely 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 the effectiveness of the Housing Authority of the City of Sterling, Colorado's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Sterling, Colorado's internal control over financial reporting and compliance.

Niewedde & Wiens, CPA's

York, Nebraska
August 30, 2017

REQUIRED SUPPLEMENTAL INFORMATION - MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of Sterling, Colorado's annual financial report presents our managements analysis of the Authority's financial performance during the fiscal year ended on March 31, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the basic financial statements as a whole.

FINANCIAL HIGHLIGHTS

The term "Net Position" refers to the difference between assets and liabilities. The Authority's total net position as of March 31, 2017 was $3,659,882. The net position decreased by $13,021, a decrease of 0.4% from the prior year. Of this amount, $1,882,664 was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to citizens, creditors and operations of facilities.

Operating revenues for the Authority was $1,009,959 for the year ended March 31, 2017. This was an increase of 1% over the prior year.

Operating expenses for the Authority were $1,256,729 for the year ended March 31, 2017. This was a decrease of less than 1% from the prior year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Basic Financial Statements*. This report also contains the Financial Data Schedule (FDS) included in the *Supplemental Information* section. The Authority's basic financial statements are presented as fund level financial statements because the Authority only has a single proprietary fund.

Required Basic Financial Statements

Proprietary Fund Financial Statements - The basic financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources and obligations of the Authority creditors. It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONT'D)

come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The Authority reports a single enterprise fund.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) included in the *Supplemental Information* section. HUD has established *Uniform Financial Reporting Standards* that requires the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2017 and is required to be included in the audit reporting package.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by $3,659,882 at the close of the year ended March 31, 2017. This represents a decrease of $13,021, or 0.4% from the prior year. The unrestricted component of net position was $1,882,664 as of March 31, 2017 which was an increase of $116,586 as a result of operations and the use of $60,000 of capital funds for operations.

A portion of the Authority's net position reflects its net investment in capital assets (e.g. land, buildings and equipment less accumulated depreciation and related debt). The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

The restricted component of net position consisted replacement, residual and insurance reserves.

Current and other assets increased $131,380. Within this cash and investments increased $49,971 and the receivable from other governments increased $77,034.

The decrease in long-term debt was just related to required payments being made.

FINANCIAL HIGHLIGHTS AND ANALYSIS (CONT'D)

CONDENSED STATEMENT OF NET POSITION

	FY 2017	FY 2016	Dollar Change	Percent Change
Current and other assets	$ 2,249,319	$ 2,117,939	$ 131,380	6.2%
Capital assets	3,192,009	3,389,994	(197,985)	-5.8%
Total Assets	5,441,328	5,507,933	(66,605)	-1.2%
Current liabilities	204,368	205,080	(712)	-0.3%
Long-term debt	1,577,078	1,629,950	(52,872)	-3.2%
Total Liabilities	1,781,446	1,835,030	(53,584)	-2.9%
Net Position				
Net investment in capital assets	1,533,539	1,682,253	(148,713)	-8.8%
Restricted	243,679	224,573	19,106	8.5%
Unrestricted	1,882,664	1,766,078	116,586	6.6%
Total Net Position	$ 3,659,882	$ 3,672,903	$ (13,021)	-0.4%

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

As noted in the table on the next page, rental income decreased $4,960. Occupancy by program was as follows:

Program	Units Available	2017 Units Leased	2016 Units Leased	Increase/ (Decrease)
Public Housing	1320	1276	1247	29
MacLaren House	648	624	622	2
Platte Valley I	384	324	349	(25)

Program contributions included rental assistance, operating subsidy, capital fund grants used for operations and interest subsidy. There were only minor fluctuations in the various categories except for capital funds used for operations which increased by $10,000 to $60,000 and the rental assistance in the MacLaren program increased $11,356.

Operating expenses decreased by $4,181. Within this, administrative expenses increased $11,119, maintenance decreased $29,122 and general expenses increased $9,693. The majority of the increase in administrative expenses as in wages while the decrease in maintenance was a decrease in maintenance staff. General expenses increased due to an increase in insurance expense.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The Housing Authority of the City of Sterling, Colorado's capital assets as of March 31, 2017 were $3,192,009. Capital assets includes land, buildings, improvements, equipment and construction in progress net of accumulated depreciation.

The total decrease in the Authority's capital assets for the current fiscal year was 5.8% in terms of net book value. Actual expenditures to purchase or construct capital assets were $133,433. This consisted largely of siding, gutters and soffits in the Public Housing program and lighting improvements in both the Public Housing and MacLaren programs.

Depreciation expense for the year was $331,419.

Additional information on the Authority's capital assets can be found in Note G of the notes to the basic financial statements of this report.

Debt Administration – The only debt activity for the year ended March 31, 2017 was related to the payment of debt. No new debt was issued during the year. Additional information on the Authority's debt can be found in Note J of the notes to the basic financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Agency considered many factors when approving the fiscal year 2018 budget. The user charges are based on tenant's income as established by HUD and RD guidelines and are not adjustable. 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.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Sterling, Colorado, 1200 N. 5th Street, Sterling, Colorado, 80751.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF NET POSITION - PROPRIETARY FUND
March 31, 2017

			Housing
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$	1,447,260.49
Investments			300,961.98
Accounts receivable, net			4,338.45
Due from other governments			168,520.00
Accrued interest receivable			1.24
Prepaid insurance			23,621.80
Restricted:			
Cash and cash equivalents			60,936.37
	TOTAL CURRENT ASSETS		2,005,640.33
NONCURRENT ASSETS:			
Restricted:			
Cash and cash equivalents			243,678.82
Capital Assets, non-depreciable			428,758.83
Capital Assets, depreciable, net			2,763,250.16
	TOTAL NONCURRENT ASSETS		3,435,687.81
	TOTAL ASSETS	$	5,441,328.14
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable		$	7,527.77
Accrued wages and benefits payable			320.07
Compensated absences payable			24,847.00
Due to other governments			22,545.56
Accrued interest payable			3,254.07
Unearned revenue			3,545.69
Trust and deposit liabilities			60,936.37
Current portion long-term debt			81,391.61
	TOTAL CURRENT LIABILITIES		204,368.14
NONCURRENT LIABILITIES			
Mortgage payable			1,577,078.15
	TOTAL NONCURRENT LIABILITIES		1,577,078.15
	TOTAL LIABILITIES		1,781,446.29
NET POSITION			
Net investment in capital assets			1,533,539.23
Restricted for:			
Replacement reserve, residual receipts, insurance			243,678.82
Unrestricted			1,882,663.80
	TOTAL NET POSITION	$	3,659,881.85

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
Year Ended March 31, 2017

		Housing
OPERATING REVENUES		
Rental income		$ 640,060.00
Rental assistance		325,501.00
Other income		44,398.28
	TOTAL OPERATING REVENUES	1,009,959.28
OPERATING EXPENSES		
Administrative		279,551.13
Tenant services		3,816.00
Utilities		202,979.14
Ordinary maintenance and operations		288,330.85
Protective services		12,155.00
General expense		138,477.91
Depreciation		331,418.72
	TOTAL OPERATING EXPENSES	1,256,728.75
	OPERATING INCOME (LOSS)	(246,769.47)
NONOPERATING REVENUES (EXPENSES)		
HUD operating subsidy		166,006.00
HUD capital fund grants		60,000.00
Interest income		550.59
USDA interest subsidy		33,983.76
Interest expense		(99,836.02)
	TOTAL NONOPERATING REVENUES(EXPENSES)	160,704.33
	INCOME(LOSS) BEFORE CONTRIBUTIONS	(86,065.14)
CONTRIBUTIONS		
HUD capital fund grants		73,044.00
	INCREASE (DECREASE) IN NET POSITION	(13,021.14)
NET POSITION:		
Net position, beginning balance		3,672,902.99
	TOTAL NET ASSETS - ENDING POSITION	$ 3,659,881.85

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended March 31, 2017

		Housing
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tenant receipts	$	668,242.01
Rental assistance receipts		321,628.00
Other receipts		12,156.91
Trust and deposits		(2,403.94)
Cash payments for goods and services		(587,646.89)
Cash payments to employees for services		(338,381.78)
NET CASH PROVIDED USED BY OPERATING ACTIVITIES		73,594.31
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
HUD operating subsidy		140,889.00
HUD capital fund grants		50,000.00
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		190,889.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases and construction of capital assets		(133,433.60)
HUD capital fund grants		35,000.00
Principal paid on mortgage payable		(49,271.84)
Interest paid on capital debt		(67,357.23)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(215,062.67)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		550.59
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		550.59
NET INCREASE (DECREASE) IN CASH		49,971.23
CASH AND CASH EQUIVALENTS-BEGINNING		1,701,904.45
CASH AND CASH EQUIVALENTS-ENDING	$	1,751,875.68

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONT'D)
Year Ended March 31, 2017

		Housing
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$	(246,769.47)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation		331,418.72
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		(3,055.41)
(Increase) decrease in due from other governments		(3,873.00)
(Increase) decrease in prepaid insurance		(1,319.42)
Increase (decrease) in accounts payable		329.46
Increase (decrease) in accrued wages and benefits payable		(294.62)
Increase (decrease) in accrued leave		(126.84)
Increase (decrease) in due to governments		692.78
Increase (decrease) in trust and deposit liabilities		(2,403.94)
Increase (decrease) in unearned revenue		(1,003.95)
NET CASH PROVIDED USED BY OPERATING ACTIVITIES	$	73,594.31

See accompanying notes.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture.

The basic financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

Financial Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision whether to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Government Accounting Standards Board Codification. These criteria state that the financial reporting entity consist of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's basic financial statements from being misleading. In such instances, that organization should be included as a component unit. Based on these criteria, there are no additional agencies or entities which should be included in the basic financial statements of the Authority.

Basis of accounting, measurement focus, and financial statement presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred out flows of resources, liabilities, deferred inflows of resources, fund net position, revenues and expenditures or expenses, as appropriate.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses and Changes in Fund Net Position. For this purpose,

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

the Authority's operating revenues result from providing low-income housing services such as tenant rent, rental assistance and other tenant charges. Operating expenses include the cost attributed to administration, tenant services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

The reporting model as defined in Statement No. 34 and modified establishes criteria (percentage of the combined assets and deferred outflows of resources, combined liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major Funds. The Authority only has the Public Housing Program therefore it is the sole major Fund.

Budgetary Process

The Authority establishes a budget for the fiscal year and is adopted by the Board of Commissioners.

Estimates

The preparation of basic 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, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments

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 Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these basic 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 to be "cash equivalents".

The Authority's deposits can only be invested in the following HUD approved investments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of federal government agencies, securities of government-sponsored agencies, demand and savings deposits, money-market deposit accounts, municipal depository fund, super now accounts, certificate of deposit, repurchase agreements, sweep accounts, separate trading of registered interest and principal securities (STRIPS), and mutual funds that consist of securities purchased from the HUD approved list.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounts Receivable

All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

Prepaid Items

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

Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. Contributions of assets are recorded at acquisition value at the date received. The Authority generally capitalized assets with a cost of $1,000 or more as purchases and construction outlays occur.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5-10 years
Equipment	3-10 years

Use of Restricted/Unrestricted Net Position

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

Investment Income

Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average pooled cash and investments balance.

Compensated Absences

The Authority's policy allows employees to accumulate vacation leave not to exceed 30 working days. Sick leave may not be accumulated.

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 unearned revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB)

OPEB 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 GASB 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.

Leases

The majority of leases and subleases are short-term operating leases.

Taxpayer's Bill of Rights

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 governmental entities for the years beginning after 1992, but exempts "enterprise" funds from the limitations. The Board of Commissioners of the Authority believes it is exempt form the provisions of the TABOR amendment because it is an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenue from state and local grants) as defined in the constitutional amendment. The Board also believes it is not subject to the provisions of TABOR because the governing board is not an elected board, does not have an electoral constituency, and does not have the power to impose taxes, all basic operational requirements of TABOR.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

At March 31, 2017, the Authority's carrying amount of deposits was $1,946,153.93 and the bank balances were $1,954,870.59. The Authority had cash on hand of $500 as of March 131, 2016.

As required by the Colorado Public Deposit Protection Act (PDPA), any amount in excess of $250,000 (including accrued interest) shall be collateralized as required by the Public Deposit Protection Acts, article 10.5 of title 11, C.R.S., as amended or article 47 of title 11, C.R.S, as amended. The entire balance was covered FDIC insurance and the Public Deposit Protection Act.

NOTE B - DEPOSITS AND INVESTMENTS (Cont'd)

Investments

At March 31, 2017, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less Than 1 Year
Colotrust Prime	$ 106,183.73	$ 106,183.73

Interest Rate Risk: The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Authority has no investment policy that would limit its investment choices. At March 31, 2017, the Authority's investment in the Colotrust Fund was rated AAAm by Standard & Poor's, AAA/V1+ by Fitch and Aaa by Moody's.

The Colotrust Prime invests only in U.S. Treasury and government agencies.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer.

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Statement of Net Position		
Cash and cash equivalents	$	1,447,260.49
Investments		300,961.98
Restricted cash – current		60,936.37
Restricted cash - noncurrent		243,678.82
	$	2,052,837.66
Bank deposits	$	1,946,153.93
Investments		106,183.73
Cash on hand		500.00
	$	2,052,837.66

NOTE C – ACCOUNTS RECEIVABLE

A summary of accounts receivable as presented in the Statement of Net Position at March 31, 2017 is as follows:

Tenant receivables	$	2,625.79
Miscellaneous		1,712.66
Allowance for doubtful accounts		-
	$	4,338.45

NOTE D – DUE FROM OTHER GOVERNMENTS

A summary of due from other governments as presented in the Statement of Net Position at March 31, 2017 is as follows:

HUD - Operating Subsidy	$	66,603.00
HUD - Capital Funds		98,044.00
USDA - rental assistance		3,873.00
	$	168,520.00

NOTE E—RESTRICTED ASSETS

The Authority's restricted cash and cash equivalents at March 31, 2017 which were restricted for:

Tenant security deposits	$	60,936.37
Replacement reserves		209,325.56
Residual receipts		6,647.01
Insurance escrow		27,706.25
	$	304,615.19

NOTE F – ACCOUNTS PAYABLE

A summary of accounts payable as presented in the Statement of Net Position at March 31, 2017 is as follows:

Vendors and contractors	$	7,527.77

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2017, was as follows:

	Balance 4/1/2016	Increases	Decreases	Balance 3/31/2017
Non-depreciable assets:				
Land	$ 355,714.83	$ -	$ -	$ 355,714.83
Construction in progress	-	73,044.00	-	73,044.00
Total non-depreciable assets	355,714.83	73,044.00	-	428,758.83
Depreciable assets				
Buildings	9,206,056.30	60,389.60	-	9,266,445.90
Equipment - Dwelling	132,075.50	-	-	132,075.50
Equipment - Administration	86,415.72	-	-	86,415.72
Total depreciable assets	9,424,547.52	60,389.60	-	9,484,937.12
Total Capital Assets	9,780,262.35	133,433.60	-	9,913,695.95
Accumulated depreciation				
Buildings	6,256,025.66	319,560.10	-	6,575,585.76
Equipment - Dwelling	65,611.42	6,009.81	-	71,621.23
Equipment - Administration	68,631.16	5,848.81	-	74,479.97
Total accumulated depreciation	6,390,268.24	331,418.72	-	6,721,686.96
Depreciable assets, net	3,034,279.28	(271,029.12)	-	2,763,250.16
Capital assets, net	$ 3,389,994.11	$ (197,985.12)	$ -	$ 3,192,008.99

NOTE H – DUE TO OTHER GOVERNMENTS

A summary of due to other governments as presented in the Statement of Net Position at March 31, 2017 is as follows:

Payments in lieu of taxes	$ 22,545.56

NOTE I – UNEARNED REVENUE

A summary of unearned revenue as presented in the Statement of Net Position at March 31, 2017 is as follows:

Prepaid rent	$ 3,545.69

NOTE J—LONG TERM DEBT

MacLaren House – The first mortgage payable as of March 31, 2017, represents permanent loan from the Colorado Housing Finance Authority under the SMART program with an original loan amount of $893,000 date March 15, 2001. The loan is due April 1, 2031 and had an annual interest rate of 6.35% which was modified to 6% on August 1, 2015 and then modified again to 3.5% on June 1, 2016. The loan requires monthly payment of $4,605.91. Principal and accrued interest payable at March 31, 2017 were $613,854.31 and $1,790.41, respectively.

Platte Valley Village – The following is a summary of the mortgages related to the program known as Platte Valley Village:

USDA Loan: The Authority refinanced the original construction of subsidized rental housing through a subsidized interest mortgage note from the USDA Rural Development dated August 14, 1996 for $702,488.88. This note bears interest at 8.00%, however the Authority only pays 1% and the difference is subsidized by USDA. The loan had an outstanding balance at March 31, 2017 of $647,285.08. Principal and interest is payable in monthly installments of $1,033.

CHFA Loan: The Authority refinanced the original note payable dated November 26, 1996 to the Colorado Housing and Finance Authority on November 1, 2003. The new note bears interest at 6.5% and is due August 1, 2031. The note requires monthly payments of $3,036.76. The principal balance outstanding and accrued interest payable at March 31, 2017 were $368,810.79 and $242.64, respectively.

CHFA Loan: The Authority had an original note payable dated August 14, 1996 to the Colorado Housing and Finance Authority with an original amount of $60,000 which was modified on September 30, 2011. The modified note bears interest at 1% and is due October 1, 2017. The principal balance outstanding and accrued interest payable at March 31, 2017 were $28,519.58 and $188.02, respectively.

A summary of changes in notes payable as of March 31, 2017 is as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within 1 Year
Long-term debt	$ 1,707,741.60	$ - -	$ (49,271.84)	$ 1,658,469.76	$ 81,391.61

NOTE J—LONG TERM DEBT (CONT'D)

The principal and interest scheduled to be retired on these notes is as follows:

	Principal	Interest	Total
2018	$ 81,391.61	$ 96,397.48	$ 177,789.09
2019	55,425.97	93,555.23	148,981.20
2020	58,120.16	90,861.04	148,981.20
2021	60,963.28	88,017.92	148,981.20
2022	63,964.57	85,016.63	148,981.20
2023 - 2027	934,750.29	351,113.27	1,285,863.56
2028 - 2032	403,853.88	55,024.07	458,877.95
	$ 1,658,469.76	$ 859,985.64	$ 2,518,455.40

NOTE K--RETIREMENT PLAN

The Housing Authority participates in a qualified simplified employee pension plan. All eligible employees must participate. Eligible employees must be at least 21 and has performed services for the Authority in at least 3 of the preceding 5 years. The Housing Authority contributes an amount equal to 3.00% of the member's pay for the pay period. The total Housing Authority contribution was $6,743.68 for the fiscal year ended March 31, 2017 based on wages of $224,789.33. Total wages for the Authority was $266,349.49.

NOTE L—NET POSITION

The fund financial statements utilize a net position presentation. The components of net position are net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets*** – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

- ***Restricted*** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- ***Unrestricted*** – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE L—NET POSITION (CONT'D)

The Authority has restricted net position in the following categories:

Replacement reserves	$	209,325.56
Residual receipt reserves		6,647.01
Insurance escrow		27,706.25
	$	243,678.82

NOTE M – 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 for which the Authority purchases commercial insurance.

During the year ended March 31, 2017, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

NOTE N – CONTINGENT LIABILITIES

The Authority receives revenues from various federal and state grant programs, which are subject to audit and adjustment by the respective grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

NOTE O – SUBSEQUENT EVENTS

The Authority was approached by Platte Valley Village LLC with a proposal to take over ownership of Platte Valley Village for which the Authority has agreed to pending approval from USDA Rural Development. The request to transfer to the property has been submitted to USDA Rural Development but has not yet been approved.

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SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF NET POSITION
March 31, 2017

ASSETS	Public Housing	Section 8 Administration	MacLaren	Platte Valley Village	Totals
CURRENT ASSETS:					
Cash and cash equivalents	$ 902,236.52	$ 50,520.01	$ 452,610.74	$ 41,893.22	$ 1,447,260.49
Investments	300,961.98	-	-	-	300,961.98
Accounts receivable, net	2,808.80	-	24.00	1,505.65	4,338.45
Due from other governments	164,647.00	-	-	3,873.00	168,520.00
Accrued interest receivable	1.24	-	-	-	1.24
Prepaid insurance	15,289.61	-	5,528.32	2,803.87	23,621.80
Restricted:					
Cash and cash equivalents	33,298.52	-	13,777.00	13,860.85	60,936.37
TOTAL CURRENT ASSETS	1,419,243.67	50,520.01	471,940.06	63,936.59	2,005,640.33
NONCURRENT ASSETS:					
Restricted:					
Cash and cash equivalents	-	-	171,462.04	72,216.78	243,678.82
Capital Assets, non-depreciable	211,061.40	-	94,394.49	123,302.94	428,758.83
Capital Assets, depreciable, net	969,460.51	-	667,544.39	1,126,245.26	2,763,250.16
TOTAL NONCURRENT ASSETS	1,180,521.91	-	933,400.92	1,321,764.98	3,435,687.81
TOTAL ASSETS	$ 2,599,765.58	$ 50,520.01	$ 1,405,340.98	$ 1,385,701.57	$ 5,441,328.14
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	$ 4,905.72	$ -	$ 2,485.05	$ 137.00	$ 7,527.77
Accrued wages and benefits payable	208.35	-	85.43	26.29	320.07
Compensated absences payable	15,430.00	-	7,696.00	1,721.00	24,847.00
Due to other governments	22,545.56	-	-	-	22,545.56
Accrued interest payable	-	-	1,790.41	1,463.66	3,254.07
Unearned revenue	2,049.16	-	1,140.00	356.53	3,545.69
Trust and deposit liabilities	33,298.52	-	13,777.00	13,860.85	60,936.37
Current portion long-term debt	-	-	34,333.31	47,058.30	81,391.61
TOTAL CURRENT LIABILITIES	78,437.31	-	61,307.20	64,623.63	204,368.14
NONCURRENT LIABILITIES					
Mortgage payable	-	-	579,521.00	997,557.15	1,577,078.15
TOTAL NONCURRENT LIABILITIES	-	-	579,521.00	997,557.15	1,577,078.15
TOTAL LIABILITIES	78,437.31	-	640,828.20	1,062,180.78	1,781,446.29
NET POSITION					
Net investment in capital assets	1,180,521.91	-	148,084.57	204,932.75	1,533,539.23
Restricted	-	-	171,462.04	72,216.78	243,678.82
Unrestricted	1,340,806.36	50,520.01	444,966.17	46,371.26	1,882,663.80
TOTAL NET POSITION	$ 2,521,328.27	$ 50,520.01	$ 764,512.78	$ 323,520.79	$ 3,659,881.85

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended March 31, 2017

	Public Housing	Section 8 Administration	MacLaren	Platte Valley Village	Totals
OPERATING REVENUES					
Rental income	$ 345,184.00	$ -	$ 172,620.00	$ 122,256.00	$ 640,060.00
Rental assistance	-	-	279,632.00	45,869.00	325,501.00
Other income	25,975.41	-	7,874.89	10,547.98	44,398.28
TOTAL OPERATING REVENUES	371,159.41	-	460,126.89	178,672.98	1,009,959.28
OPERATING EXPENSES					
Administrative	162,068.35	-	81,469.75	36,013.03	279,551.13
Tenant services	3,483.96	-	332.04	-	3,816.00
Utilities	125,759.48	-	51,172.19	26,047.47	202,979.14
Ordinary maintenance and operations	161,682.62	-	88,286.64	38,361.59	288,330.85
Protective services	5,700.00	-	6,455.00	-	12,155.00
General expense	89,327.29	-	27,608.41	21,542.21	138,477.91
Depreciation	171,772.87	-	92,687.30	66,958.55	331,418.72
TOTAL OPERATING EXPENSES	719,794.57	-	348,011.33	188,922.85	1,256,728.75
OPERATING INCOME (LOSS)	(348,635.16)	-	112,115.56	(10,249.87)	(246,769.47)
NONOPERATING REVENUES (EXPENSES)					
HUD operating subsidy	166,006.00	-	-	-	166,006.00
HUD capital fund grants	60,000.00	-	-	-	60,000.00
Interest income	477.03	0.63	65.96	6.97	550.59
USDA interest subsidy	-	-	-	33,983.76	33,983.76
Interest expense	-	-	(24,691.56)	(75,144.46)	(99,836.02)
TOTAL NONOPERATING REVENUES(EXPENSES)	226,483.03	0.63	(24,625.60)	(41,153.73)	160,704.33
INCOME(LOSS) BEFORE CONTRIBUTIONS	(122,152.13)	0.63	87,489.96	(51,403.60)	(86,065.14)
CONTRIBUTIONS					
HUD capital fund grants	73,044.00	-	-	-	73,044.00
INCREASE (DECREASE) IN NET POSITION	(49,108.13)	0.63	87,489.96	(51,403.60)	(13,021.14)
NET POSITION:					
Net position, beginning balance	2,570,436.40	50,519.38	677,022.82	374,924.39	3,672,902.99
TOTAL NET POSITION - ENDING BALANCE	$ 2,521,328.27	$ 50,520.01	$ 764,512.78	$ 323,520.79	$ 3,659,881.85

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF CASH FLOWS
Year Ended March 31, 2017

	Public Housing	Section 8 Administration	MacLaren	Platte Valley Village	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Tenant receipts	$ 363,738.59	$ -	$ 173,017.00	$ 131,486.42	$ 668,242.01
Rental assistance receipts	-	-	279,632.00	41,996.00	321,628.00
Other income	4,282.02	-	7,874.89	-	12,156.91
Trust and deposits	(316.33)	-	822.00	(2,909.61)	(2,403.94)
Cash payments for goods and services	(348,586.52)	-	(154,165.40)	(84,894.97)	(587,646.89)
Cash payments to employees for services	(198,046.98)	-	(101,357.02)	(38,977.78)	(338,381.78)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(178,929.22)	-	205,823.47	46,700.06	73,594.31
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
HUD operating subsidy	140,889.00	-	-		140,889.00
HUD capital fund grants	50,000.00	-	-	-	50,000.00
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	190,889.00	-	-	-	190,889.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchases and construction of capital assets	(106,783.28)	-	(26,650.32)	-	(133,433.60)
HUD capital fund grants	35,000.00	-	-	-	35,000.00
Principal paid on mortgage payable	-	-	(31,664.01)	(17,607.83)	(49,271.84)
Interest paid on capital debt	-	-	(26,128.74)	(41,228.49)	(67,357.23)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(71,783.28)	-	(84,443.07)	(58,836.32)	(215,062.67)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	477.03	0.63	65.96	6.97	550.59
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	477.03	0.63	65.96	6.97	550.59
NET INCREASE (DECREASE) IN CASH	(59,346.47)	0.63	121,446.36	(12,129.29)	49,971.23
CASH AND CASH EQUIVALENTS-BEGINNING	994,881.51	50,519.38	516,403.42	140,100.14	1,701,904.45
CASH AND CASH EQUIVALENTS-ENDING	$ 935,535.04	$ 50,520.01	$ 637,849.78	$ 127,970.85	$ 1,751,875.68

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF CASH FLOWS (CONT'D)
Year Ended March 31, 2017

	Public Housing	Section 8 Administration	MacLaren	Platte Valley Village	Totals
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (348,635.16)	$ -	$ 112,115.56	$ (10,249.87)	$ (246,769.47)
Adjustments to reconcile income from operations to net cash provided by operating activities:					
Depreciation	171,772.87	-	92,687.30	66,958.55	331,418.72
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(2,262.32)	-	368.00	(1,161.09)	(3,055.41)
(Increase) decrease in due from other governments	-	-	-	(3,873.00)	(3,873.00)
(Increase) decrease in prepaid insurance	(185.80)	-	(747.66)	(385.96)	(1,319.42)
Increase (decrease) in accounts payable	185.89	-	143.57	-	329.46
Increase (decrease) in accrued wages and benefits payable	(175.19)	-	(105.27)	(14.16)	(294.62)
Increase (decrease) in accrued leave	870.52	-	510.97	(1,508.33)	(126.84)
Increase (decrease) in due to governments	692.78	-	-	-	692.78
Increase (decrease) in trust and deposit liabilities	(316.33)	-	822.00	(2,909.61)	(2,403.94)
Increase (decrease) in unearned revenue	(876.48)	-	29.00	(156.47)	(1,003.95)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (178,929.22)	$ -	$ 205,823.47	$ 46,700.06	$ 73,594.31

Housing Authority of the City of Sterling (CO025)
STERLING, CO
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2017

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	$902,236	$452,611	$41,893		$50,520	$1,447,260		$1,447,260
113 Cash - Other Restricted		$171,462	$72,217			$243,679		$243,679
114 Cash - Tenant Security Deposits	$33,299	$13,777	$13,861			$60,937		$60,937
100 Total Cash	$935,535	$637,850	$127,971	$0	$50,520	$1,751,876		$1,751,876
122 Accounts Receivable - HUD Other Projects	$164,647					$164,647		$164,647
124 Accounts Receivable - Other Government			$3,873			$3,873		$3,873
125 Accounts Receivable - Miscellaneous	$1,713					$1,713		$1,713
126 Accounts Receivable - Tenants	$1,096	$24	$1,506			$2,626		$2,626
129 Accrued Interest Receivable	$1					$1		$1
120 Total Receivables, Net of Allowances for Doubtful Accounts	$167,457	$24	$5,379	$0	$0	$172,860		$172,860
131 Investments - Unrestricted	$300,962					$300,962		$300,962
142 Prepaid Expenses and Other Assets	$15,290	$5,528	$2,804			$23,622		$23,622
150 Total Current Assets	$1,419,244	$643,402	$136,154	$0	$50,520	$2,249,320		$2,249,320
161 Land	$138,017	$94,394	$123,303			$355,714		$355,714
162 Buildings	$4,821,942	$2,208,465	$2,236,039			$9,266,446		$9,266,446
163 Furniture, Equipment & Machinery - Dwellings	$68,999	$57,976	$5,101			$132,076		$132,076
164 Furniture, Equipment & Machinery - Administration	$76,010	$9,372	$1,034			$86,416		$86,416
166 Accumulated Depreciation	-$3,997,490	-$1,608,268	-$1,115,929			-$6,721,687		-$6,721,687
167 Construction in Progress	$73,044					$73,044		$73,044
160 Total Capital Assets, Net of Accumulated Depreciation	$1,180,522	$761,939	$1,249,548	$0	$0	$3,192,009		$3,192,009
180 Total Non-Current Assets	$1,180,522	$761,939	$1,249,548	$0	$0	$3,192,009		$3,192,009
290 Total Assets and Deferred Outflow of Resources	$2,599,766	$1,405,341	$1,385,702	$0	$50,520	$5,441,329		$5,441,329
312 Accounts Payable <= 90 Days	$202	$152	$137			$491		$491
321 Accrued Wage/Payroll Taxes Payable	$208	$86	$26			$320		$320
322 Accrued Compensated Absences - Current Portion	$15,430	$7,696	$1,721			$24,847		$24,847
325 Accrued Interest Payable		$1,790	$1,464			$3,254		$3,254
333 Accounts Payable - Other Government	$22,546					$22,546		$22,546
341 Tenant Security Deposits	$33,299	$13,777	$13,861			$60,937		$60,937
342 Unearned Revenue	$2,049	$1,140	$357			$3,546		$3,546
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		$34,333	$47,058			$81,391		$81,391
346 Accrued Liabilities - Other	$4,704	$2,333				$7,037		$7,037
310 Total Current Liabilities	$78,438	$61,307	$64,624	$0	$0	$204,369		$204,369
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		$579,521	$997,557			$1,577,078		$1,577,078
350 Total Non-Current Liabilities	$0	$579,521	$997,557	$0	$0	$1,577,078		$1,577,078
300 Total Liabilities	$78,438	$640,828	$1,062,181	$0	$0	$1,781,447		$1,781,447
508.4 Net Investment in Capital Assets	$1,180,522	$148,085	$204,933			$1,533,540		$1,533,540
511.4 Restricted Net Position		$171,462	$72,217			$243,679		$243,679
512.4 Unrestricted Net Position	$1,340,806	$444,966	$46,371	$0	$50,520	$1,882,663		$1,882,663
513 Total Equity - Net Assets / Position	$2,521,328	$764,513	$323,521	$0	$50,520	$3,659,882		$3,659,882
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$2,599,766	$1,405,341	$1,385,702	$0	$50,520	$5,441,329		$5,441,329

Housing Authority of the City of Sterling (CO025)
STERLING, CO
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit   Fiscal Year End: 03/31/2017

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$345,184	$172,620	$122,256			$640,060		$640,060
70400 Tenant Revenue - Other	$21,693	$7,875	$10,548			$40,116		$40,116
70500 Total Tenant Revenue	$366,877	$180,495	$132,804	$0	$0	$680,176	$0	$680,176
70600 HUD PHA Operating Grants	$226,006	$279,632				$505,638		$505,638
70610 Capital Grants	$73,044					$73,044		$73,044
70800 Other Government Grants			$33,984	$45,869		$79,853		$79,853
71100 Investment Income - Unrestricted	$477	$4	$4		$1	$486		$486
71500 Other Revenue	$4,282					$4,282		$4,282
72000 Investment Income - Restricted		$62	$3			$65		$65
70000 Total Revenue	$670,686	$460,193	$166,795	$45,869	$1	$1,343,544	$0	$1,343,544
91100 Administrative Salaries	$104,041	$52,436	$24,436			$180,913		$180,913
91200 Auditing Fees	$5,225	$2,625	$600			$8,450		$8,450
91400 Advertising and Marketing	$1,209	$706	$233			$2,148		$2,148
91500 Employee Benefit contributions - Administrative	$29,585	$14,946	$2,890			$47,421		$47,421
91600 Office Expenses	$13,429	$7,226	$4,246			$24,901		$24,901
91700 Legal Expense	$2,339	$350	$1,716			$4,405		$4,405
91800 Travel	$789					$789		$789
91900 Other	$5,450	$3,181	$1,890			$10,521		$10,521
91000 Total Operating - Administrative	$162,067	$81,470	$36,011	$0	$0	$279,548	$0	$279,548
92400 Tenant Services - Other	$3,484	$332				$3,816		$3,816
92500 Total Tenant Services	$3,484	$332	$0	$0	$0	$3,816	$0	$3,816
93100 Water	$31,293	$22,238	$21,393			$74,924		$74,924
93200 Electricity	$57,042	$21,704	$2,593			$81,339		$81,339
93300 Gas	$12,803	$7,230	$2,062			$22,095		$22,095
93600 Sewer	$24,621					$24,621		$24,621
93000 Total Utilities	$125,759	$51,172	$26,048	$0	$0	$202,979	$0	$202,979
94100 Ordinary Maintenance and Operations - Labor	$50,022	$26,357	$9,058			$85,437		$85,437
94200 Ordinary Maintenance and Operations - Materials and Other	$29,983	$15,918	$5,031			$50,932		$50,932
94300 Ordinary Maintenance and Operations Contracts	$67,454	$38,499	$23,202			$129,155		$129,155
94500 Employee Benefit Contributions - Ordinary Maintenance	$14,224	$7,513	$1,071			$22,808		$22,808
94000 Total Maintenance	$161,683	$88,287	$38,362	$0	$0	$288,332	$0	$288,332
95200 Protective Services - Other Contract Costs	$5,700	$6,455				$12,155		$12,155
95000 Total Protective Services	$5,700	$6,455	$0	$0	$0	$12,155	$0	$12,155
96110 Property Insurance	$48,026	$22,567	$13,064			$83,657		$83,657
96120 Liability Insurance	$2,512	$1,256				$3,768		$3,768
96130 Workmen's Compensation	$2,842	$1,861	$1,099			$5,802		$5,802
96140 All Other Insurance	$4,771	$535				$5,306		$5,306
96100 Total insurance Premiums	$58,151	$26,219	$14,163	$0	$0	$98,533	$0	$98,533
96210 Compensated Absences	$871	$511				$1,382		$1,382
96300 Payments in Lieu of Taxes	$22,546					$22,546		$22,546
96400 Bad debt - Tenant Rents	$7,761	$879	$7,380			$16,020		$16,020
96000 Total Other General Expenses	$31,178	$1,390	$7,380	$0	$0	$39,948	$0	$39,948
96710 Interest of Mortgage (or Bonds) Payable		$24,692	$75,144			$99,836		$99,836
96700 Total Interest Expense and Amortization Cost	$0	$24,692	$75,144	$0	$0	$99,836	$0	$99,836
96900 Total Operating Expenses	$548,022	$280,017	$197,108	$0	$0	$1,025,147	$0	$1,025,147
97000 Excess of Operating Revenue over Operating Expenses	$122,664	$180,176	-$30,313	$45,869	$1	$318,397	$0	$318,397
97400 Depreciation Expense	$171,773	$92,687	$66,959			$331,419		$331,419
90000 Total Expenses	$719,795	$372,704	$264,067	$0	$0	$1,356,566	$0	$1,356,566
10010 Operating Transfer In	$60,000		$45,869			$105,869	-$105,869	$0
10020 Operating transfer Out	-$60,000			-$45,869		-$105,869	$105,869	$0
10100 Total Other financing Sources (Uses)	$0	$0	$45,869	-$45,869	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$49,109	$87,489	-$51,403	$0	$1	-$13,022	$0	-$13,022
11020 Required Annual Debt Principal Payments	$0	$31,664	$17,608	$0	$0	$49,272		$49,272
11030 Beginning Equity	$2,570,437	$677,024	$374,924	$0	$50,519	$3,672,904		$3,672,904
11190 Unit Months Available	1320	648	384			2352		2352
11210 Number of Unit Months Leased	1276	624	324			2224		2224
11270 Excess Cash	$1,279,848					$1,279,848		$1,279,848
11620 Building Purchases	$106,783					$106,783		$106,783

Housing Authority of the City of Sterling (CO025)
STERLING, CO
Single Project Balance Sheet

Submission Type: Audited/Single Audit   Fiscal Year End: 03/31/2017   Project: CO025000001 STERLING

	Total Project
111 Cash - Unrestricted	$902,236
114 Cash - Tenant Security Deposits	$33,299
100 Total Cash	$935,535
122 Accounts Receivable - HUD Other Projects	$164,647
125 Accounts Receivable - Miscellaneous	$1,713
126 Accounts Receivable - Tenants	$1,096
129 Accrued Interest Receivable	$1
120 Total Receivables, Net of Allowances for Doubtful Accounts	$167,457
131 Investments - Unrestricted	$300,962
142 Prepaid Expenses and Other Assets	$15,290
150 Total Current Assets	$1,419,244
161 Land	$138,017
162 Buildings	$4,821,942
163 Furniture, Equipment & Machinery - Dwellings	$68,999
164 Furniture, Equipment & Machinery - Administration	$76,010
166 Accumulated Depreciation	-$3,997,490
167 Construction in Progress	$73,044
160 Total Capital Assets, Net of Accumulated Depreciation	$1,180,522
180 Total Non-Current Assets	$1,180,522
290 Total Assets and Deferred Outflow of Resources	$2,599,766
312 Accounts Payable <= 90 Days	$202
321 Accrued Wage/Payroll Taxes Payable	$208
322 Accrued Compensated Absences - Current Portion	$15,430
333 Accounts Payable - Other Government	$22,546
341 Tenant Security Deposits	$33,299
342 Unearned Revenue	$2,049
346 Accrued Liabilities - Other	$4,704
310 Total Current Liabilities	$78,438
300 Total Liabilities	$78,438
508.4 Net Investment in Capital Assets	$1,180,522
512.4 Unrestricted Net Position	$1,340,806
513 Total Equity - Net Assets / Position	$2,521,328
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$2,599,766

Housing Authority of the City of Sterling (CO025)
STERLING, CO
Single Project Revenue and Expense

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2017 Project: CO025000001 STERLING

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	$345,184		$345,184
70400 Tenant Revenue - Other	$21,693		$21,693
70500 Total Tenant Revenue	$366,877	$0	$366,877
70600 HUD PHA Operating Grants	$166,006	$60,000	$226,006
70610 Capital Grants		$73,044	$73,044
71100 Investment Income - Unrestricted	$477		$477
71500 Other Revenue	$4,282		$4,282
70000 Total Revenue	$537,642	$133,044	$670,686
91100 Administrative Salaries	$104,041		$104,041
91200 Auditing Fees	$5,225		$5,225
91400 Advertising and Marketing	$1,209		$1,209
91500 Employee Benefit contributions - Administrative	$29,585		$29,585
91600 Office Expenses	$13,429		$13,429
91700 Legal Expense	$2,339		$2,339
91800 Travel	$789		$789
91900 Other	$5,450		$5,450
91000 Total Operating - Administrative	$162,067	$0	$162,067
92400 Tenant Services - Other	$3,484		$3,484
92500 Total Tenant Services	$3,484	$0	$3,484
93100 Water	$31,293		$31,293
93200 Electricity	$57,042		$57,042
93300 Gas	$12,803		$12,803
93600 Sewer	$24,621		$24,621
93000 Total Utilities	$125,759	$0	$125,759
94100 Ordinary Maintenance and Operations - Labor	$50,022		$50,022
94200 Ordinary Maintenance and Operations - Materials and Other	$29,983		$29,983
94300 Ordinary Maintenance and Operations Contracts	$67,454		$67,454
94500 Employee Benefit Contributions - Ordinary Maintenance	$14,224		$14,224
94000 Total Maintenance	$161,683	$0	$161,683
95200 Protective Services - Other Contract Costs	$5,700		$5,700
95000 Total Protective Services	$5,700	$0	$5,700
96110 Property Insurance	$48,026		$48,026
96120 Liability Insurance	$2,512		$2,512
96130 Workmen's Compensation	$2,842		$2,842
96140 All Other Insurance	$4,771		$4,771
96100 Total insurance Premiums	$58,151	$0	$58,151
96210 Compensated Absences	$871		$871
96300 Payments in Lieu of Taxes	$22,546		$22,546
96400 Bad debt - Tenant Rents	$7,761		$7,761
96000 Total Other General Expenses	$31,178	$0	$31,178
96900 Total Operating Expenses	$548,022	$0	$548,022
97000 Excess of Operating Revenue over Operating Expenses	-$10,380	$133,044	$122,664
97400 Depreciation Expense	$171,773		$171,773
90000 Total Expenses	$719,795	$0	$719,795
10010 Operating Transfer In	$60,000		$60,000
10020 Operating transfer Out		-$60,000	-$60,000
10100 Total Other financing Sources (Uses)	$60,000	-$60,000	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$122,153	$73,044	-$49,109
11030 Beginning Equity	$2,570,437	$0	$2,570,437
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$73,044	-$73,044	$0
11190 Unit Months Available	1320		1320
11210 Number of Unit Months Leased	1276		1276
11270 Excess Cash	$1,279,848		$1,279,848
11620 Building Purchases	$33,739	$73,044	$106,783

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2017

FEDERAL GRANTOR	FEDERAL CFDA NUMBER		FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Section 8 Housing Assistance Payments Program			
Rental Assistance	14.195		279,632.00
Public and Indian Housing			
Operating Subsidy	14.850		166,006.00
Capital Funds			
Capital funds	14.872		133,044.00
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		$	578,682.00
U.S DEPARTMENT OF AGRICULTURE			
Rural Rental Housing Assistance			
Rental assistance	10.427		45,869.00
Rural Rental Housing Loan			
Loan balance at March 31, 2016	10.415		652,540.91
Interest subsidy	10.415		33,983.76
	10.415		686,524.67
TOTAL U.S. DEPARTMENT OF AGRICULTURE		$	732,393.67
Total Federal Awards Expended		$	1,311,075.67

Notes to the Schedule

1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the City of Sterling, Colorado and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. The outstanding balance of the Rural Rental Housing Loan mortgage at March 31, 2017 was $647,285.08.

3. The entity did not elect to use the 10% de minimus cost rate as covered in § 200.414 Indirect (F&A) costs.

SINGLE AUDIT SECTION

Niewedde & Wiens
Randal D. Niewedde, CPA
Jeffrey J. Wiens, CPA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Sterling, 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 basic financial statements of the Housing Authority of the City of Sterling, Colorado, as of and for the year ended March 31, 2017, and the related notes to the basic financial statements, which collectively comprise Housing Authority of the City of Sterling, Colorado's basic financial statements, and have issued our report thereon dated August 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Housing Authority of the City of Sterling, 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 opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Sterling, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Sterling, Colorado's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 basic 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Sterling, Colorado's basic 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 an instance of noncompliance that is required to be reported under

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Government Auditing Standards and is described in the accompanying schedule of findings and questioned costs as Finding 2017-001.

Housing Authority of the City of Sterling, Colorado's Responses to the Finding

Housing Authority of the City of Sterling, Colorado's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. Housing Authority of the City of Sterling, Colorado's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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.

Nieweddе & Wiens, CPA's

York, Nebraska
August 30, 2017

Niewedde & Wiens
Randal D. Niewedde, CPA
CERTIFIED PUBLIC ACCOUNTANTS
Jeffrey J. Wiens, CPA

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

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Sterling, Colorado

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Sterling, Colorado's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of Sterling, Colorado's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned

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costs as Finding 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

Housing Authority of the City of Sterling, Colorado's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Housing Authority of the City of Sterling, Colorado's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2017-002 we consider to be a material weakness.

Housing Authority of the City of Sterling, Colorado's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Housing Authority of the City of Sterling, Colorado's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Nieweddle & Wiens, CPA's

York, Nebraska
August 30, 2017

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2017

The audit report for the year ended March 31, 2016 contained one finding and no questioned costs. The status of those findings are as follows:

Section II:

- None.

Section III:

- Finding 2016-001: Repeated as 2017-002. The Authority did start review procedures but they were not adequately documented.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2017

Section I - Summary of Auditors Results:

- We issued an unmodified opinion on the financial statements of the Housing Authority of the City of Sterling, Colorado for the fiscal year ended March 31, 2017.

Financial Statements:

- The results of our audit procedures disclosed one material weaknesses, Finding 2017-001, and no significant deficiencies in internal control over financial reporting for the fiscal year ended March 31, 2017.

- We noted one instance of noncompliance which was material to the financial statements for the fiscal year ended March 31, 2017 and is reported as Finding 2017-001.

Federal Awards:

- We issued an unmodified opinion on compliance for the major program for the year ended March 31, 2017.

- The results of our audit procedures disclosed one material weakness, Finding 2017-002, and no significant deficiencies in internal control over major programs for the fiscal year ended March 31, 2017.

- The results of our audit procedures disclosed two audit findings that are required to be reported under code § .516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

- The programs identified and audited as major are as follows: Section 8 Housing Assistance Payments Program (14.195) and Rural Rental Housing Loan (10.415)

- The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

- For the fiscal year ended March 31, 2017, the Housing Authority of the City of Sterling, Colorado did not qualify as a low-risk auditee.

Section II - Financial Statement Findings:

Finding 2017-001: Capital Funds
Material Weakness/Noncompliance
Questioned Costs - $73,044

Criteria: The Authority is awarded an annual Capital Fund grant each year. The Authority prepares a five-year plan which indicates what each annual grant will be spent. This annual budget is modified upon the grant award to match the grant amount. Only items included within the budget are allowable costs.

Condition: During the year ended March 31, 2017, the Authority expended $73,044 of its 2015 capital funds grants for one contract that covered siding, soffits and gutters that was not included in the 2015 grant budget.

Cause: The Authority understood that as long as the items were in the 5-year plan, the items were allowable and did not know they must first perform a budget revision to include the work items in the applicable grant.

Effect or Potential Effect: $73,044 of costs are being questioned as unallowable costs.

Recommendation: The Authority should review the items with HUD and determine if they can do a budget revision to correct the error or what other action should be taken. For future grants, the Authority must ensure all work items are included in the budget prior to incurring the expense.

View of the Responsible Officials of the Auditee: The auditee's management agrees with the finding.

Section III - Federal Award Findings and Questioned Costs:

Finding 2017-002: Internal Control Structure
Section 8 Housing Assistance Payments Program – CFDA 14.195
Rural Rental Housing Loan – CFDA 10.415
Eligibility
Material Weakness

Criteria: The Authority is responsible for establishing an effective internal control process to ensure the Authority complies with the requirements governing the Section 8 Housing Assistance Payments program and Rural Rental Housing Loan program.

Condition: In evaluating the controls over tenant files for both the Section 8 Housing Assistance Payments program and Rural Rental Housing Loan program, we noted the tenant files were the responsibility of one employee. In discussing the internal controls with management, they indicated they were sampling files to ensure compliance, however, the Authority was not tracking which files that were reviewed. We further noted none of the 8 Section 8 Housing Assistance Payments program tenant files we tested had supervisory reviews and 2 of the 5 Rural Rental Housing Loan program tenant files had a supervisory review. We further noted the Rural Rental Housing Loan did not have anything like a completeness checklist in the file to ensure the files are complete.

The Section 8 New Construction portion of the finding is a repeat of Finding 2016-001.

Cause: The Authority adequately designed its internal controls over eligibility.

Effect or Potential Effect: The control deficiencies are deficiencies that result in more than a reasonable possibility that material noncompliance with program requirements could occur and not be prevented or detected.

Recommendation: We recommend the Authority review its tenant file procedures and establish a document structure and system where tenant files calculations and procedure are at least sampled to ensure the tenant files are maintained in compliance with the applicable regulations.

View of the Responsible Officials of the Auditee: The auditee's management agrees with the finding.

Section III - Federal Award Findings and Questioned Costs (Cont'd):

Finding 2017-003: Capital Funds
Capital Funds – CFDA 14.872
Allowable cost
Noncompliance
Questioned Costs - $73,044

Criteria: The Authority is awarded an annual Capital Fund grant each year. The Authority prepares a five-year plan which indicates what each annual grant will be spent. This annual budget is modified upon the grant award to match the grant amount. Only items included within the budget are allowable costs.

Condition: During the year ended March 31, 2017, the Authority expended $73,044 of its 2015 capital funds grants for one contract that covered siding, soffits and gutters that was not included in the 2015 grant budget.

Cause: The Authority understood that as long as the items were in the 5-year plan, the items were allowable and did not know they must first perform a budget revision to include the work items in the applicable grant.

Effect or Potential Effect: $73,044 of costs are being questioned as unallowable costs.

Recommendation: The Authority should review the items with HUD and determine if they can do a budget revision to correct the error or what other action should be taken. For future grants, the Authority must ensure all work items are included in the budget prior to incurring the expense.

View of the Responsible Officials of the Auditee: The auditee's management agrees with the finding.

Housing Authority of The City of Sterling

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STERLING, COLORADO 80751

August 8, 2017

Response to Fiscal Year End March 31, 2017 Audit Findings and Corrective Action Plan

Section II – Financial Statement Findings:

Finding 2017 – 001: Capital Funds
Material Weakness/Noncompliance
Questions Costs - $73,044

The Housing Authority will contact the Department of Housing and Urban Development (HUD) to request a revision of the 2015/2016/2017 budget to align the spending identified in the grant into the 2017 year. It was our understanding the items within the 5-year plan were interchangeable from year to year without a budget revision. This request to HUD will occur prior to August 31, 2017. The Housing Authority management agrees with the audit finding. Going forward the Housing Authority will make efforts to prepare a budget revision, if necessary, prior to incurring the expense.

Section III – Federal Award Findings and Questioned Costs:

Finding 2017 – 002: Internal Control Structure
Section 8 Housing Assistance Payments Program – CFDA 14.195
Rural Rental Housing Loan – CFDA – 10.415
Eligibility/Material Weakness

The Housing Authority will augment the tenant file review(s) for both the Section 8 Housing Assistance Payments program and the Rural Rental Housing Loan program to include file calculations and supervisory indicators to insure the tenant files are maintained in compliance with the applicable regulations. In addition, a master list and file completeness checklist will be maintained and available for the auditor to review. The Housing Authority agrees with the audit finding. The master list and file completeness checklist will be implemented prior to August 31, 2017.

Section III – Federal Award Findings and Questioned Costs (Cont'd):

Finding 2017 – 003: Capital Funds
Capital Funds – CFDA 14.872
Allowable Cost
Noncompliance
Questioned Costs - $73,044

As noted, the Housing Authority will contact the Department of Housing and Urban Development to request a budget revision to place the correct expenditure into the correct fiscal year of expenditure. The Housing Authority understood the items within the 5 – year plan were acceptable without making a budget revision. Going forward, the Housing Authority will make a budget revision, if necessary prior to incurring the identified expense. The Housing Authority agrees with the finding and will visit with HUD regarding this finding prior to August 31, 2017.

Questions regarding this reply may be addressed to William Herrboldt, Executive Director, Sterling Housing Authority, 1200 N 5th Street, Sterling, CO 80751.