

Hudson Housing Authority
Financial Statements
With Independent Auditors' Report
March 31, 2018

P

RECEIVED
Office of the State Auditor
August 7, 2018

Hudson Housing Authority
Table of Contents
March 31, 2018

Independent Auditors' Report	1
Basic Financial Statements	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows.....	5
Notes to Financial Statements	6



**HINKLE &
COMPANY**

Strategic PC
Business Advisors

Independent Auditors' Report

Board of Commissioners
Hudson Housing Authority
Hudson, Colorado

We have audited the accompanying financial statements of the business-type activities and each major fund of the Hudson Housing Authority as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Hudson Housing Authority, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Hudson Housing Authority as of March 31, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Hudson Housing Authority has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Hick & Company, PC

Greenwood Village, Colorado
July 6, 2018



Basic Financial Statements

Hudson Housing Authority
Statement of Net Position
Proprietary Funds
March 31, 2018

	General	Prairie View	Total
Assets			
Current Assets			
Cash	\$ 57,721	\$ 38,289	\$ 96,010
Interfund Receivables	5,700	-	5,700
Utility Deposit	-	90	90
Total Current Assets	63,421	38,379	101,800
Noncurrent Assets			
Restricted Cash	-	69,243	69,243
Capital Assets, Not Being Depreciated	-	11,500	11,500
Capital Assets, Net of Accumulated Depreciation	-	90,695	90,695
Total Noncurrent Assets	-	171,438	171,438
Total Assets	\$ 63,421	\$ 209,817	\$ 273,238
Liabilities			
Current Liabilities			
Accounts Payable	\$ -	\$ 5,834	\$ 5,834
Interfund Payables	-	5,700	5,700
Tenant Security Deposits	-	5,250	5,250
Accrued Interest Payable, Current Portion	-	6,750	6,750
Loans Payable, Current Portion	-	12,723	12,723
Total Current Liabilities	-	36,257	36,257
Long-term Liabilities			
Accrued Interest Payable	-	20,262	20,262
Loans Payable	-	532,265	532,265
Total Long-term Liabilities	-	552,527	552,527
Total Liabilities	-	588,784	588,784
Net Position			
Net Investment in Capital Assets	-	(442,793)	(442,793)
Restricted for Repair and Replacement	-	69,243	69,243
Unrestricted	63,421	(5,417)	58,004
Total Net Position	63,421	(378,967)	(315,546)
Total Liabilities and Net Position	\$ 63,421	\$ 209,817	\$ 273,238

See Notes to Financial Statements.

Hudson Housing Authority
Statement of Cash Flows
Proprietary Funds
Increase (Decrease) in Cash
Year Ended March 31, 2018

	<u>General</u>	<u>Prairie View</u>	<u>Total</u>
Cash Flows from Operating Activities			
Cash Received from Tenants	\$ -	\$ 70,591	\$ 70,591
Cash Received from Grants	-	131,002	131,002
Cash Received from Other Funds	20,294	-	20,294
Cash Payments to Employees and Commissioners	(3,450)	(45,548)	(48,998)
Cash Payments to Suppliers	(1,561)	(132,329)	(133,890)
Cash Paid to Other Funds	-	(20,294)	(20,294)
	<u>15,283</u>	<u>3,422</u>	<u>18,705</u>
Net Cash Provided (Used) by Operating Activities			
Cash Flows from Noncapital Financing Activities			
Insurance Proceeds	-	27,196	27,196
	<u>-</u>	<u>27,196</u>	<u>27,196</u>
Cash Flows from Capital and Related Financing Activities			
Principal Payments on Loans	-	(71,092)	(71,092)
Interest Payments on Loans	-	(8,250)	(8,250)
	<u>-</u>	<u>(79,342)</u>	<u>(79,342)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
Cash Flows from Investing Activities			
Interest Received	39	107	146
	<u>39</u>	<u>107</u>	<u>146</u>
Net Increase (Decrease) in Cash	15,322	(48,617)	(33,295)
Cash, Beginning of year	42,399	156,149	198,548
	<u>42,399</u>	<u>156,149</u>	<u>198,548</u>
Cash, End of year	\$ <u>57,721</u>	\$ <u>107,532</u>	\$ <u>165,253</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Net Operating Income (Loss)	\$ 8,011	\$ (7,335)	\$ 676
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	-	17,628	17,628
Changes in Assets and Liabilities			
Interfund Receivables	7,272	-	7,272
Accounts Payable	-	(230)	(230)
Interfund Payables	-	(7,272)	(7,272)
Tenant Security Deposits	-	631	631
	<u>-</u>	<u>631</u>	<u>631</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>15,283</u>	\$ <u>3,422</u>	\$ <u>18,705</u>

See Notes to Financial Statements.

Hudson Housing Authority
Notes to Financial Statements
March 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

When both restricted and unrestricted resources are available for a specific use, it is the Authority's practice to use restricted resources first, and unrestricted resources as needed.

Major individual funds are reported as separate columns in the financial statements. The Authority reports the following major proprietary funds:

The *General Fund* accounts for the general administration and operations of the Authority.

The *Prairie View Apartments Fund* is used to account for the activities of Prairie View Apartments, a 20-unit senior housing apartment complex.

Assets, Liabilities and Net Position

Interfund Receivables and Payables - During the course of operations, certain transactions occur between the individual funds. The resulting receivables and payables are classified in the statement of net position as *interfund receivables* and *interfund payables*.

Capital Assets - Capital assets, which include land, buildings and equipment, are recorded at cost. The Authority capitalizes all assets with an initial, individual cost of \$5,000 or more, and a useful life in excess of one year. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives of the assets.

Land Improvements	40 years
Buildings	40 years
Building Improvements	15 - 25 years
Equipment and Vehicles	7 - 15 years

Net Position - Net position is restricted when constraints placed on the use of resources are externally imposed.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

Accountability

At March 31, 2018, the Prairie View Apartments Fund had a deficit net position of \$378,967. Revenues of the property have not historically been sufficient to cover operating costs, in addition to depreciation and interest accrued on the HUD loans.

Hudson Housing Authority
Notes to Financial Statements
March 31, 2018

Note 5: Capital Assets

Capital asset activity for the year ended March 31, 2018, is summarized below.

	Balance 3/31/17	Additions	Deletions	Balance 3/31/18
Prairie View Apartments Fund				
Capital Assets, not being depreciated				
Land	\$ 11,500	\$ —	\$ —	\$ 11,500
Capital Assets, being depreciated				
Land Improvements	70,661	—	—	70,661
Buildings	614,908	—	—	614,908
Building Improvements	14,435	—	—	14,435
Equipment and Vehicles	72,146	—	—	72,146
Total Capital Assets, being depreciated	<u>772,150</u>	<u>—</u>	<u>—</u>	<u>772,150</u>
Less Accumulated Depreciation				
Land Improvements	(59,835)	(1,767)	—	(61,602)
Buildings	(517,411)	(15,861)	—	(533,272)
Building Improvements	(14,435)	—	—	(14,435)
Equipment and Vehicles	(72,146)	—	—	(72,146)
Total Accumulated Depreciation	<u>(663,827)</u>	<u>(17,628)</u>	<u>—</u>	<u>(681,455)</u>
Capital Assets, being depreciated, net	<u>108,323</u>	<u>(17,628)</u>	<u>—</u>	<u>90,695</u>
Capital Assets, net	<u>\$ 119,823</u>	<u>\$ (17,628)</u>	<u>\$ —</u>	<u>\$ 102,195</u>

Note 6: Long-term Debt

A summary of long-term debt activity for the year ended March 31, 2018, is presented below:

	Balance 3/31/17	Additions	Payments	Balance 3/31/18	Due Within One Year
Prairie View Apartments Fund					
CHFA Loan	\$ 21,668	\$ —	\$ (1,034)	\$ 20,634	\$ 1,065
HUD Restructuring Loan	502,518	—	(70,058)	432,460	11,658
HUD Restructuring Loan	91,894	—	—	91,894	—
Total	<u>\$ 616,080</u>	<u>\$ —</u>	<u>\$ (71,092)</u>	<u>\$ 544,988</u>	<u>\$ 12,723</u>

During 2003, the Authority obtained a loan from the Colorado Housing and Finance Authority (CHFA) in the amount of \$33,000. Proceeds of the loan were used to rehabilitate the Prairie View Apartments. Monthly principal and interest payments of \$139 are due on the loan through September 1, 2033. Interest accrues at the rate of 3% per annum.

Hudson Housing Authority
Notes to Financial Statements
March 31, 2018

Note 7: Risk Management (Continued)

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the Authority does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA.

Note 8: Commitments and Contingencies

Claims and Judgements

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. At March 31, 2018, significant amounts of grant expenses have not been audited, but the Authority believes that subsequent audits will not have a material effect on the overall financial position of the Authority.

Tabor Amendment

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