

ROCKY FORD HOUSING AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

ROCKY FORD HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Rocky Ford Housing Authority

We have audited the accompanying financial statements of the business-type activities and each major fund of the Rocky Ford Housing Authority, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Rocky Ford Housing Authority, as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rocky Ford Housing Authority's basic financial statements. The financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019 on our consideration of the Rocky Ford Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rocky Ford Housing Authority's internal control over financial reporting and compliance.

Hancock Froese & Company LLC

Hancock Froese & Company LLC

March 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKY FORD HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018

The following is a narrative overview and analysis of Rocky Ford Housing Authority's (the "Authority") financial activities for the year ended December 31, 2018. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$7,159 from the prior year. This increase is due to a decrease in operating expenses.
- The assets of RFHA exceeded liabilities at December 31, 2018 by \$828,114 (net position). Of this amount, \$279,527 (unrestricted net position) may be used to meet ongoing obligation, \$539,146 is the net investment in capital assets, and \$9,444 is restricted to meet future obligations.
- Net capital assets decreased due to current year depreciation. No additions or disposals were noted in 2018. As of December 31, 2018, net capital assets were \$539,146 a decrease of \$51,146 from the prior year.
- Total liabilities increased by \$11,999 from the prior year due increase in accounts payable and security deposits.
- Operating revenues decreased by \$34,014 in comparison to the prior year due to a decrease in government rent subsidy payments.
- Operating expenses decreased by \$54,664 in comparison to the prior year due to decreases in salary expense and the housing assistance payments.
- Non-operating revenues, net of non-operating expenses, increased by \$1,862. This increase is primarily due to the increase in other non-operating revenue.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS

The financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The current year financial statements reflect that the Authority has incurred an operating loss in providing essential services. In 2018, the net position increased by \$7,159 and in 2017 the net position decreased by \$15,353 due to normal operating and non-operating activities. Below is a summary of changes in assets and liabilities and net position.

FINANCIAL ANALYSIS (Continued)

Summary of Net Position:

	<u>2018</u>	<u>2017</u>
Current Assets	\$ 313,823	\$ 243,550
Restricted Cash	31,453	31,422
Capital Assets	<u>539,146</u>	<u>590,292</u>
Total Assets	<u>\$ 884,422</u>	<u>\$ 865,264</u>
Current Liabilities	<u>\$ 56,308</u>	<u>\$ 44,309</u>
Net Position		
Net Investment in Capital Assets	539,146	590,292
Restricted	9,444	12,895
Unrestricted	<u>279,524</u>	<u>217,768</u>
Total Net Position	<u>828,114</u>	<u>820,955</u>
Total Liabilities & Net Position	<u>\$ 884,422</u>	<u>\$ 865,264</u>

The Authority's total assets exceeded total liabilities by \$828,114 as of December 31, 2018 compared to \$820,955 as of December 31, 2017. Of this amount \$539,146 is the net investment in capital assets, \$9,444 restricted for future expenses and \$279,524 is unrestricted and may be used to meet ongoing obligations.

The Authority's increase in total assets of \$19,158 was offset by an increase in total liabilities of \$11,999 which causes net position to increase by \$7,159 for the year ended December 31, 2018. The increase in assets was due to an increase in cash and the increase in liabilities was due to an increase in accounts payable and security deposits.

Summary of Activities:

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Rent	\$ 358,507	\$ 335,777
Government Subsidy	<u>556,449</u>	<u>613,193</u>
Total Operating Revenues	<u>914,956</u>	<u>948,970</u>
Operating Expenses		
Administrative	729,338	756,506
Depreciation	51,146	51,501
Assistance Payments	<u>140,330</u>	<u>167,471</u>
Total Operating Expenses	<u>920,814</u>	<u>975,478</u>
Operating Income (Loss)	(5,858)	(26,508)
Non-Operating Revenues (Expenses)	<u>13,017</u>	<u>11,155</u>
Change in Net Position	(7,159)	(15,353)
Net Position January 1	<u>820,955</u>	<u>836,308</u>
Net Position December 31	<u>\$ 828,114</u>	<u>\$ 820,955</u>

The operating revenues for 2018 decreased by \$34,014 compared to 2017. The decrease is primarily due to a decrease in subsidy payments received.

The operating expenses for 2018 decreased by \$54,664 compared to 2017. This is primarily due to a decrease in salary expenses and a housing assistance payments.

FINANCIAL ANALYSIS (Continued)

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

Summary of Cash Flows:

	<u>2018</u>	<u>2017</u>
Cash Flows From (Used In) Operations	\$ 65,322	\$ 7,971
Cash Flows Used In Capital and Financing	3,444	(21,081)
Cash Flows From Investing	<u>13,017</u>	<u>11,409</u>
Net Change in Cash	81,783	(1,701)
Cash Beginning	<u>257,053</u>	<u>258,754</u>
Cash Ending	<u>\$ 338,836</u>	<u>\$ 257,053</u>

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

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

The ending cash balance includes the restricted cash accounts.

Capital Assets

Capital Assets mainly include the costs involved in constructing buildings for tenants and the land purchased. The Capital Assets less depreciation was \$539,146 as of December 31, 2018.

CONTACTING THE AUTHORITY

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

BASIC FINANCIAL STATEMENTS

ROCKY FORD HOUSING AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 307,383	\$ 225,631
Inventory	2,880	2,880
Accounts receivable - tenants	2,316	5,613
Prepays	<u>1,244</u>	<u>9,426</u>
TOTAL CURRENT ASSETS	<u>313,823</u>	<u>243,550</u>
NONCURRENT ASSETS		
Restricted cash	<u>31,453</u>	<u>31,422</u>
PROPERTY AND EQUIPMENT		
Land	159,200	159,200
Buildings and equipment	2,651,109	2,651,109
Accumulated depreciation	<u>(2,271,163)</u>	<u>(2,220,017)</u>
NET PROPERTY AND EQUIPMENT	<u>539,146</u>	<u>590,292</u>
TOTAL ASSETS	<u>\$ 884,422</u>	<u>\$ 865,264</u>
CURRENT LIABILITIES		
Accounts payable	\$ 30,519	\$ 19,015
Accrued expenses	3,128	4,420
Security deposits	22,009	18,527
Unearned revenue	<u>652</u>	<u>2,347</u>
TOTAL CURRENT LIABILITIES	<u>56,308</u>	<u>44,309</u>
NET POSITION		
Net investment in capital assets	539,146	590,292
Restricted for future expenses	9,444	12,895
Unrestricted	<u>279,524</u>	<u>217,768</u>
TOTAL NET POSITION	<u>828,114</u>	<u>820,955</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 884,422</u>	<u>\$ 865,264</u>

ROCKY FORD HOUSING AUTHORITY

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Rent	\$ 358,507	\$ 335,777
Government rent - subsidy	556,449	613,193
	<u>914,956</u>	<u>948,970</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Salary - administrative	119,997	169,683
Salary - other	109,177	119,646
Utilities	275,996	267,260
Repairs and maintenance	90,809	67,127
Office expense	4,151	5,261
Property insurance	28,485	27,922
Payments in lieu of taxes	15,960	15,960
Legal and accounting	20,328	20,050
Employee benefits	51,245	53,097
Other	13,190	10,500
Depreciation	51,146	51,501
Assistance payments	140,330	167,471
	<u>920,814</u>	<u>975,478</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	(5,858)	(26,508)
NON OPERATING REVENUES (EXPENSES)		
Interest income	741	130
Other	12,276	11,279
Interest expense	-	(254)
	<u>7,159</u>	<u>(15,353)</u>
CHANGE IN NET POSITION		
NET POSITION - JANUARY 1	<u>820,955</u>	<u>836,308</u>
NET POSITION - DECEMBER 31	<u>\$ 828,114</u>	<u>\$ 820,955</u>

ROCKY FORD HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rentals	\$ 916,558	\$ 931,925
Cash payment to suppliers for goods and services	(604,848)	(619,392)
Cash payments to employees for services	(230,428)	(288,602)
Payment in lieu of taxes	(15,960)	(15,960)
	<u>65,322</u>	<u>7,971</u>
NET CHANGE IN CASH FOR OPERATING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on notes	-	(20,737)
Interest paid on notes	(38)	(361)
Security deposits	3,482	17
	<u>3,444</u>	<u>(21,081)</u>
NET CHANGE IN CASH FOR CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on savings and other	13,017	11,409
	<u>13,017</u>	<u>11,409</u>
NET CHANGE IN CASH		
	81,783	(1,701)
CASH BEGINNING OF YEAR - INCLUDING RESTRICTED CASH		
	<u>257,053</u>	<u>258,754</u>
CASH END OF YEAR - INCLUDING RESTRICTED CASH		
	<u>\$ 338,836</u>	<u>\$ 257,053</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED FOR OPERATING ACTIVITIES		
Operating loss	\$ (5,858)	\$ (26,508)
Adjustments to reconcile operating loss to net cash provided for operating activities		
Depreciation	51,146	51,501
Change in assets and liabilities:		
Accounts receivable	3,297	-
Inventories and prepaids	8,182	1,061
Accounts payable	11,504	(1,765)
Unearned revenue	(1,695)	(17,045)
Accrued expenses	(1,254)	727
	<u>65,322</u>	<u>7,971</u>
NET CHANGE IN CASH FOR OPERATING ACTIVITIES		
	<u>\$ 65,322</u>	<u>\$ 7,971</u>

See Notes To Financial Statements

NOTES TO FINANCIAL STATEMENTS

ROCKY FORD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE -1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Accounting Policies

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

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

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

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

Reporting Entity

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

Budgets

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

Cash and Cash Equivalents

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

Restricted Cash

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

ROCKY FORD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

Inventory

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

Property and Equipment

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

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

Net Position

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

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

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

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

Use of Estimates

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

NOTE -2 DEPOSITS

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

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

At December 31, 2018, the Rocky Ford Housing Authority cash deposits had a bank balance of \$349,379 and a corresponding carrying balance as follows:

Insured deposits	\$ 334,433
Cash on hand	<u>4,403</u>
	<u>\$ 338,836</u>

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

Cash on hand and in banks	\$ 307,383
Restricted cash	<u>31,453</u>
Total	<u>\$ 338,836</u>

ROCKY FORD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE -3 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2018, is as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 159,200	\$ -	\$ -	\$ 159,200
Capital assets being depreciated				
Buildings	2,355,066	-	-	2,355,066
Equipment	296,043	-	-	296,043
Less accumulated depreciation for buildings & equipment	<u>(2,220,017)</u>	<u>(51,146)</u>	<u>-</u>	<u>(2,271,163)</u>
TOTAL	<u>\$ 590,292</u>	<u>\$ (51,146)</u>	<u>\$ -</u>	<u>\$ 539,146</u>

For the year ending December 31, 2018, the total amount of depreciation charged to expense was \$51,146.

NOTE -4 CONTINGENT LIABILITIES

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

NOTE -5 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages its risk by purchasing commercial insurance for all risks of loss, including health insurance for its employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE -6 GENERAL INFORMATION

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

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

ROCKY FORD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE -7 INCOME TAXES

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

The Authority adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Authority has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Authority believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Authority's financial condition, results of operations or cash flows. Accordingly, the Authority has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2018.

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

NOTE -8 SUBSEQUENT EVENTS

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

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

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

Board of Commissioners
Rocky Ford Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type and each major fund of the Rocky Ford Housing Authority, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Rocky Ford Housing Authority's basic financial statements, and have issued our report thereon dated March 27, 2019.

Internal Control Over Financial Reporting

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

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

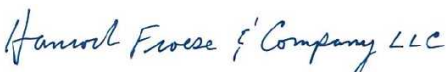
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hancock Froese & Company LLC
March 27, 2019

FINANCIAL DATA SCHEDULE

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
111 Cash - Unrestricted	\$65,018	\$0	\$242,365	\$307,383
112 Cash - Restricted - Modernization and Development		\$0		\$0
113 Cash - Other Restricted		\$9,444		\$9,444
114 Cash - Tenant Security Deposits	\$6,122	\$0	\$15,887	\$22,009
115 Cash - Restricted for Payment of Current Liabilities		\$0		\$0
100 Total Cash	\$71,140	\$9,444	\$258,252	\$338,836
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$1,474		\$842	\$2,316
126.1 Allowance for Doubtful Accounts -Tenants	\$0		\$0	\$0
126.2 Allowance for Doubtful Accounts - Other				
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,474	\$0	\$842	\$2,316
131 Investments - Unrestricted				
132 Investments - Restricted		\$0		\$0
135 Investments - Restricted for Payment of Current Liability		\$0		\$0
142 Prepaid Expenses and Other Assets			\$1,244	\$1,244
143 Inventories			\$2,880	\$2,880

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
143.1 Allowance for Obsolete Inventories			\$0	\$0
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$72,614	\$9,444	\$263,218	\$345,276
161 Land				
162 Buildings			\$2,810,309	\$2,810,309
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration				
165 Leasehold Improvements				
166 Accumulated Depreciation			-\$2,271,163	-\$2,271,163
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$539,146	\$539,146
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past		\$0		\$0
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$0	\$0	\$539,146	\$539,146
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$72,614	\$9,444	\$802,364	\$884,422

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days			\$30,519	\$30,519
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable			\$3,128	\$3,128
322 Accrued Compensated Absences - Current Portion				
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government				
341 Tenant Security Deposits	\$6,122		\$15,887	\$22,009
342 Unearned Revenue	\$415		\$237	\$652
343 Current Portion of Long-term Debt - Capital				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$6,537	\$0	\$49,771	\$56,308
351 Long-term Debt, Net of Current - Capital Projects/Mortgage				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current				
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
357 Accrued Pension and OPEB Liabilities				
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0
300 Total Liabilities	\$6,537	\$0	\$49,771	\$56,308
400 Deferred Inflow of Resources				
508.4 Net Investment in Capital Assets			\$539,146	\$539,146
511.4 Restricted Net Position		\$9,444		\$9,444
512.4 Unrestricted Net Position	\$66,077	\$0	\$213,447	\$279,524
513 Total Equity - Net Assets / Position	\$66,077	\$9,444	\$752,593	\$828,114
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$72,614	\$9,444	\$802,364	\$884,422

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
70300 Net Tenant Rental Revenue	\$228,141		\$576,013	\$804,154
70400 Tenant Revenue - Other				
70500 Total Tenant Revenue	\$228,141	\$0	\$576,013	\$804,154
70600 HUD PHA Operating Grants	\$393,383	\$163,066		\$556,449
70610 Capital Grants				
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$582	\$98	\$61	\$741
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue			\$12,276	\$12,276
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$622,106	\$163,164	\$588,350	\$1,373,620
91100 Administrative Salaries	\$43,320	\$39,824	\$36,853	\$119,997

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
91200 Auditing Fees	\$1,750	\$1,750	\$9,475	\$12,975
91300 Management Fee				
91310 Book-keeping Fee	\$1,296	\$2,304	\$3,600	\$7,200
91400 Advertising and Marketing			\$0	\$0
91500 Employee Benefit contributions - Administrative	\$10,326	\$6,112	\$8,784	\$25,222
91600 Office Expenses			\$4,151	\$4,151
91700 Legal Expense			\$153	\$153
91800 Travel				
91810 Allocated Overhead				
91900 Other			\$13,189	\$13,189
91000 Total Operating - Administrative	\$56,692	\$49,990	\$76,205	\$182,887
92000 Asset Management Fee				
92100 Tenant Services - Salaries	\$69,476		\$39,701	\$109,177
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services	\$16,561		\$9,463	\$26,024
92400 Tenant Services - Other				
92500 Total Tenant Services	\$86,037	\$0	\$49,164	\$135,201
93100 Water			\$103,932	\$103,932
93200 Electricity			\$114,036	\$114,036
93300 Gas			\$47,676	\$47,676
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
93800 Other Utilities Expense			\$10,352	\$10,352
93000 Total Utilities	\$0	\$0	\$275,996	\$275,996
94100 Ordinary Maintenance and Operations - Labor				
94200 Ordinary Maintenance and Operations - Materials and			\$90,809	\$90,809
94300 Ordinary Maintenance and Operations Contracts				
94500 Employee Benefit Contributions - Ordinary Maintenance				
94000 Total Maintenance	\$0	\$0	\$90,809	\$90,809
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance			\$28,485	\$28,485
96120 Liability Insurance				
96130 Workmen's Compensation				
96140 All Other Insurance				
96100 Total insurance Premiums	\$0	\$0	\$28,485	\$28,485
96200 Other General Expenses				
96210 Compensated Absences				
96300 Payments in Lieu of Taxes			\$15,960	\$15,960
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$0	\$0	\$15,960	\$15,960
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$142,729	\$49,990	\$536,619	\$729,338
97000 Excess of Operating Revenue over Operating Expenses	\$479,377	\$113,174	\$51,731	\$644,282
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$445,647	\$140,330		\$585,977
97350 HAP Portability-In				
97400 Depreciation Expense			\$51,146	\$51,146
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$588,376	\$190,320	\$587,765	\$1,366,461
10010 Operating Transfer In		\$23,705		\$23,705
10020 Operating transfer Out			-\$23,705	-\$23,705

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$23,705	-\$23,705	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$33,730	-\$3,451	-\$23,120	\$7,159
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$32,347	\$12,895	\$775,713	\$820,955
11040 Prior Period Adjustments, Equity Transfers and Correction				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$0		\$0
11180 Housing Assistance Payments Equity		\$9,444		\$9,444

Rocky Ford Housing Authority (CO045)

Rocky Ford, CO

Program Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Total
11190 Unit Months Available	840	600	480	1920
11210 Number of Unit Months Leased	820	499	465	1784
11270 Excess Cash				
11610 Land Purchases				
11620 Building Purchases				
11630 Furniture & Equipment - Dwelling Purchases				
11640 Furniture & Equipment - Administrative Purchases				
11650 Leasehold Improvements Purchases				
11660 Infrastructure Purchases				
13510 CFFP Debt Service Payments				
13901 Replacement Housing Factor Funds				