

Sheridan Housing Authority

**Financial Statements
With Independent Auditors' Report**

December 31, 2018



Sheridan Housing Authority

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December 31, 2018

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**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditors' Report

Board of Commissioners
Sheridan Housing Authority
Sheridan, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Sheridan Housing Authority, component unit of the City of Sheridan, Colorado, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Sheridan 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 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 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 Sheridan Housing Authority as of December 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

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

Report on Summarized Comparative Information

We have previously audited the Sheridan Housing Authority's financial statements as of and for the year ended December 31, 2017, and we expressed unmodified audit opinions on the business-type activities and each major fund in our report dated May 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2019, on our consideration of the Sheridan 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 Sheridan Housing Authority's internal control over financial reporting and compliance.

Hick & Company, PC

Greenwood Village, Colorado
May 7, 2019



SHERIDAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information
December 31, 2018

As management of the Sheridan Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements and notes to the financial statements.

Financial Highlights

- The Net Position is \$226,360 at yearend, and the Authority had excess expenses over revenues at December 2018 of (\$41,732).
- The total HUD subsidy received in 2018 for landlord payments (HAP) was \$1,764,078 less total expenses of (\$1,761,361) resulted in excess HAP revenues over HAP expenses of \$2,717.
- With a current ratio of 4.4 the Authority demonstrates liquidity. In other words, the Authority can meet its current obligations 4.4 times.
- The Number of Months Expendable Funds Balance Ratio, which shows adequacy of funds or the ability to pay monthly expenses, is 1.3 months.

Using the Basic Financial Statements

The Financial Statements consist of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Authority as an entire operating entity.

The Statement of Net Position-Enterprise Funds presents information on all the Authority's Assets and Liabilities. The difference between an Authority's Assets and Liabilities is Net Position. Over time, increases and decreases in Net Position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position--Enterprise Funds show the reader Operating Revenues and Expenses by funds and by the Authority in total. This is reported on a full-accrual basis where income is reported when earned, and expenses are reported as incurred. This report shows the reader Operations Change In Net Position.

A fund is a self-balancing set of accounts recording Cash and other financial resources together with all related Liabilities and Net Position and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions.

SHERIDAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 Required Supplementary Information
 December 31, 2018

Using the Basic Financial Statements (continued)

The Statement of Cash Flows--Enterprise Funds provides our third statement which converts our accrual accounting to cash to let the reader know by fund and by the Authority as a whole; did the Authority increase or decrease our cash position this year and what were the sources or uses of the cash.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements and can be found on pages 6 through 10 of the report.

Authority Financial Analysis

**STATEMENT OF NET POSITION
 ENTERPRISE FUNDS**

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
ASSETS				
Current Assets	\$ 292,362	\$ 299,036	\$ (6,674)	-2.2%
Total Assets	<u>292,362</u>	<u>299,036</u>	<u>(6,674)</u>	<u>-2.2%</u>
LIABILITIES				
Current Liabilities	66,002	30,944	35,058	113.3%
Long Term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	N/A
Total Liabilities	<u>66,002</u>	<u>30,944</u>	<u>35,058</u>	<u>113.3%</u>
NET POSITION				
Restricted for Housing Assistance Payments	(37,011)	-	(37,011)	-100%
Unrestricted	<u>263,371</u>	<u>268,092</u>	<u>(4,721)</u>	<u>-17.6%</u>
Total Net Position	<u>226,360</u>	<u>268,092</u>	<u>(41,732)</u>	<u>-15.6%</u>
Total Liabilities and Net Position	\$ <u>292,362</u>	\$ <u>299,036</u>	\$ <u>(6,674)</u>	<u>-2.2%</u>

- Total Assets decreased because the cash for the Voucher program to cover Housing Assistance Payments (HAP) costs decreased.

SHERIDAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 Required Supplementary Information
 December 31, 2018

Authority Financial Analysis (continued)

- Current Liabilities increased as the voucher program incurred accrued expenses for Management Fees and had Escrow Deposits increase for the FSS program.
- Total Net Position at yearend was \$226,360, a decrease this year of (\$41,732).

**STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 ENTERPRISE FUNDS**

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
OPERATING REVENUES	\$ 1,973,933	\$ 2,069,242	\$ (95,309)	-4.6%
OPERATING EXPENSES	<u>2,020,141</u>	<u>2,081,634</u>	<u>(61,493)</u>	<u>-3.0%</u>
NET OPERATING INCOME (LOSS)	<u>(46,208)</u>	<u>(12,392)</u>	<u>(33,816)</u>	<u>-273%</u>
NONOPERATING REVENUES	<u>4,476</u>	<u>2,370</u>	<u>2,106</u>	<u>88.9%</u>
CHANGE IN NET POSITION	(41,732)	(10,022)	(31,710)	-316%
NET POSITION, BEGINNING	<u>268,092</u>	<u>278,114</u>	<u>(10,022)</u>	<u>-3.6%</u>
NET POSITION, ENDING	\$ <u><u>226,360</u></u>	\$ <u><u>268,092</u></u>	\$ <u><u>(41,732)</u></u>	<u><u>-15.6%</u></u>

- Operating Revenues decreased due to 120 fewer months leased in 2018 compared to 2017. This was mainly due to the Authority being in a shortfall position in 2017 and having no reserves at the end of 2017 to use in 2018. The decrease in HAP funding was (\$37,909).
- HAP costs decreased in 2018 to \$1,761,361, \$33,866 below 2017's costs of \$1,795,227 due to fewer months leased in 2018 compared to 2017.
- There was a negative change in Net Position at December 2018 yearend of (\$41,732) compared (\$10,022) in 2017. The year ended with a Net Position of \$226,360.
- Administrative fees earned in 2018 decreased by \$4,250 compared to 2017. Total administrative fees received in 2018 were \$105,093.

Capital Assets

As of December 31, 2018, the Authority did not have money invested in Capital Assets.

SHERIDAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information
December 31, 2018

Authority Financial Analysis (continued)

Debt Administration

As of December 31, 2018, the Authority had no Long-Term Debt.

Funds

1. General Fund: The Unrestricted Net Position (UNP) in this fund are a result of historic transactions such as rental property that was sold, rehabilitation projects that are now complete as well as other investments of the Authority. In 2018, the change in Net Position was (\$45,524) for an ending Net Position of \$251,882. A contribution was also made to the City of Sheridan Help for Homes Rehabilitation Program in the amount of \$50,000.
2. Housing Choice Vouchers: This is the major program of the Authority and has been the focus of this report. The Authority was able to utilize 90% of the 2,124-unit months available for its program of 177 Vouchers or 1,907-unit months, an average of 159 vouchers issued to low income clients in the City of Sheridan. In 2018, the change in Net Position was \$3,792 for an ending Net Position of (\$25,522).

The Future of the Authority

In 2019, HAP funding from HUD is estimated to be 99.5% of The Authorities eligibility. Earned Administrative Fees are estimated to be 80%. Maximizing Voucher utilization while controlling program costs will be a focus in 2019. The Housing Choice Voucher Program will strive to maintain its high-quality program and work to utilize Housing Assistance Payment (HAP) and Administrative Fee (AF) funding to the highest permissible levels.

Requests for Information

The financial report is designed to provide a general overview of the Sheridan Housing Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Sheridan Housing Authority
C/O 3460 S. Sherman Street, Suite 101
Englewood, CO 80113

Basic Financial Statements

Sheridan Housing Authority
Statement of Net Position
Enterprise Funds
December 31, 2018

	General	Housing Choice Vouchers	Totals	
			2018	2017
Assets				
<i>Current Assets</i>				
Cash and Investments	\$ 220,333	\$ -	\$ 220,333	\$ 287,756
Accounts Receivable	-	40,480	40,480	1,630
Interfund Receivables	31,549	-	31,549	9,650
Total Assets	<u>\$ 251,882</u>	<u>\$ 40,480</u>	<u>\$ 292,362</u>	<u>\$ 299,036</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	\$ -	\$ 6,449	\$ 6,449	\$ 9,283
Unearned Revenues	-	-	-	563
Escrow Deposits	-	28,004	28,004	11,448
Interfund Payables	-	31,549	31,549	9,650
Total Liabilities	<u>-</u>	<u>66,002</u>	<u>66,002</u>	<u>30,944</u>
Net Position				
Restricted	-	(37,011)	(37,011)	-
Unrestricted	251,882	11,489	263,371	268,092
Total Net Position	<u>251,882</u>	<u>(25,522)</u>	<u>226,360</u>	<u>268,092</u>
Total Liabilities and Net Position	<u>\$ 251,882</u>	<u>\$ 40,480</u>	<u>\$ 292,362</u>	<u>\$ 299,036</u>

Sheridan Housing Authority
Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds
For the Year Ended December 31, 2018

	General	Housing Choice Vouchers	Total	
			2018	2017
Operating Revenues				
Grants	\$ -	\$ 1,973,933	\$ 1,973,933	\$ 2,067,987
Other	-	-	-	1,255
Total Operating Revenues	-	1,973,933	1,973,933	2,069,242
Operating Expenses				
Housing Assistance Payments	-	1,860,012	1,860,012	1,943,763
General and Administrative	50,000	111,365	161,365	117,282
Bad Debts	-	(1,236)	(1,236)	20,589
Total Operating Expenses	50,000	1,970,141	2,020,141	2,081,634
Net Operating Income (Loss)	(50,000)	3,792	(46,208)	(12,392)
Nonoperating Revenues (Expenses)				
Interest Income	4,476	-	4,476	2,370
Help for Homes Program Donation	-	-	-	-
Total Nonoperating Revenues (Expenses)	4,476	-	4,476	2,370
Change in Net Position	(45,524)	3,792	(41,732)	(10,022)
Net Position, Beginning of year	297,406	(29,314)	268,092	278,114
Net Position, End of year	\$ 251,882	\$ (25,522)	\$ 226,360	\$ 268,092

Sheridan Housing Authority
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2018

	General	Housing Choice Vouchers	Totals	
			2018	2017
Cash Flows from Operating Activities				
Cash Received from Grants	\$ -	\$ 1,935,756	\$ 1,935,756	\$ 1,924,798
Cash Received from Tenants and Others	-	-	-	14,953
Housing Assistance Payments	-	(1,843,456)	(1,843,456)	(1,934,684)
Cash Payments to Vendors and Others	(50,000)	(114,199)	(164,199)	(125,456)
Net Cash Provided by (Used in) Operating Activities	(50,000)	(21,899)	(71,899)	(120,389)
Cash Flows from Noncapital Financing Activities				
Payments from Other Funds	-	21,899	21,899	9,650
Payments to Other Funds	(21,899)	-	(21,899)	(9,650)
Cash Paid to the City of Sheridan	-	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(21,899)	21,899	-	-
Cash Flows from Investing Activities				
Interest Received	4,476	-	4,476	2,370
Net Change in Cash and Cash Equivalents	(67,423)	-	(67,423)	(118,019)
Cash and Cash Equivalents, Beginning of year	287,756	-	287,756	405,775
Cash and Cash Equivalents, End of year	\$ 220,333	\$ -	\$ 220,333	\$ 287,756
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Net Operating Income (Loss)	\$ (50,000)	\$ 3,792	\$ (46,208)	\$ (12,392)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Bad Debts	-	(1,236)	(1,236)	20,589
Changes in Assets and Liabilities				
Accounts Receivable	-	(37,614)	(37,614)	13,698
Accounts Payable	-	(2,834)	(2,834)	(8,174)
Unearned Revenues	-	(563)	(563)	(143,189)
Escrow Deposits	-	16,556	16,556	9,079
Total Adjustments	-	(25,691)	(25,691)	(107,997)
Net Cash Provided by (Used in) Operating Activities	\$ (50,000)	\$ (21,899)	\$ (71,899)	\$ (120,389)

Sheridan Housing Authority
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies

The financial statements of the Sheridan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the Authority, organizations for which the Authority is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Authority. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. Legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the Authority.

Based on the application of this criteria, the Authority does not include additional organizations within its reporting entity.

The members of the City Council of the City of Sheridan also act as the governing board of the Authority. Therefore, the Authority is reported as a component unit of the City of Sheridan.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses funds to report its financial position and activities. Fund accounting is designed to segregate transactions related to certain functions or activities. All of the Authority's funds are classified as enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where fees are charged to external users for goods or services.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Sheridan Housing Authority
Notes to the Financial Statements
December 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, then unrestricted resources as they are 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 operations of the Authority.

The *Housing Choice Vouchers Fund* accounts for the financial activities of the Authority's Section 8 Housing Choice Voucher program. The program has been allocated 177 vouchers by the U.S. Department of Housing and Urban Development (HUD).

Assets, Liabilities and Net Position

Cash Equivalents - Cash equivalents are defined as short-term investments with an original maturity of three months or less.

Accounts Receivable - Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible and are approved by the Board of Commissioners. Management has established an allowance for doubtful accounts for amounts that may not be collectible in the future.

Unearned Revenues - Unearned revenues arise when resources are received by the Authority before it has a legal claim to them, including when cash is received before the eligibility requirements imposed by the grantor have been met.

Escrow Deposits - The Authority holds deposits in escrow for participants of the family self-sufficiency program. The deposits are returned to the participants upon the satisfaction of all program requirements.

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

Management Agreement

The Authority has entered into a management agreement with the Housing Authority of the City of Englewood. Under the terms of this agreement, the Authority contracts for salaries, benefits, maintenance, supplies, etc. The Authority has no employees and pays a management fee to the Housing Authority of the City of Englewood for these services.

Sheridan Housing Authority
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of loss.

Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

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 December 31, 2018, the Housing Choice Vouchers Fund had a negative net position of \$25,522. Management expects this negative balance to be eliminated with future federal revenues.

Note 3: Cash and Investments

Deposits

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

Investments

The Authority is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

Sheridan Housing Authority
Notes to the Financial Statements
December 31, 2018

Note 3: Cash and Investments (Continued)

Investments (Continued)

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

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the Authority may invest in a single issuer of investment securities, except for corporate securities.

Local Government Investment Pool - At December 31, 2018, the Authority had \$217,331 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds.

Colotrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables and payables. This investment is valued using the NAV per share (or its equivalent) of the investments.

Colotrust is an investment vehicle established by state statute for local entities in Colorado to pool surplus funds for investment purposes and are registered with the State Securities Commissioner. The pools operate similarly to money market funds and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. Securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments. Investments of the pools consist of US Treasury bills, notes, and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by US Treasury securities and or US Instrumentalities. Colotrust is rated AAAM by Standard and Poor's. Information regarding Colotrust's financial statements is available at their website www.colotrust.com.

Sheridan Housing Authority
Notes to the Financial Statements
December 31, 2018

Note 4: Interfund Balances

At December 31, 2018, the General Fund had temporarily covered the negative cash balance of the Housing Choice Vouchers Fund in the amount of \$31,549. This interfund loan is expected to be repaid with future revenues.

Note 5: Commitments and Contingencies

Claims and Judgements

The Authority participates in federal 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. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor. At December 31, 2018, significant amounts of grant expenses have not been audited, but management believes that subsequent audits will not have a material effect on the overall financial position of the Authority.

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The TABOR Amendment is subject to many interpretations, but the Authority believes it is exempt from the provisions of the TABOR Amendment.

Federal Financial Assistance



**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
Sheridan Housing Authority
Sheridan, Colorado

We have audited, 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, the financial statements of the business-type activities and each major fund of the Sheridan Housing Authority, component unit of the City of Sheridan, Colorado, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Sheridan Housing Authority, and have issued our report thereon dated May 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sheridan Housing Authority's internal control over financial reporting 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 Sheridan Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheridan Housing Authority's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Sheridan Housing Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 the Sheridan Housing Authority's internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Sheridan 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 results of that testing, and not to provide an opinion on the effectiveness of the Sheridan Housing Authority'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 Sheridan Housing Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Hick & Company, PC

Greenwood Village, Colorado
May 7, 2019





**Independent Auditors' Report on Compliance for Each
Major Federal Program, Internal Control over Compliance,
and the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Board of Commissioners
Sheridan Housing Authority
Sheridan, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Sheridan Housing Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Sheridan Housing Authority's major federal programs for the year ended December 31, 2018. The Sheridan Housing Authority's major federal programs are identified in the summary of auditors' 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 federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Sheridan Housing Authority'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 the Sheridan Housing Authority'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 the Sheridan Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sheridan Housing Authority 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 December 31, 2018.

Report on Internal Control Over Compliance

Management of the Sheridan Housing Authority 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 the Sheridan Housing Authority'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 the Sheridan Housing Authority'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 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 the Sheridan Housing Authority's 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and each major fund of the Sheridan Housing Authority, component unit of the City of Sheridan, Colorado, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Sheridan Housing Authority. We issued our report thereon dated May 7, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheridan Housing Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The 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 the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
May 7, 2019



Sheridan Housing Authority
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2018

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP): Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
14.871	Housing Voucher Cluster/ Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish
 Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II: Financial Statement Findings

No current year findings or questioned costs were reported.

Section III: Federal Award Findings and Questioned Costs

No current year findings or questioned costs were reported.

Sheridan Housing Authority
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
U.S. Department of Housing and Urban Development		
Housing Voucher Cluster		
<i>Direct Program</i>		
Section 8 Housing Choice Vouchers	14.871	\$ 1,869,171
<i>Passed through various Housing Authorities</i>		
Section 8 Housing Choice Vouchers	14.871	<u>104,762</u>
Total Federal Financial Assistance		\$ <u><u>1,973,933</u></u>

Sheridan Housing Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The Authority does not charge a de minimis indirect cost rate.