HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO

BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION AND SUPPLEMENTAL INFORMATION

Year Ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Independent Auditor's Report

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

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the Housing Program (a major fund) of the Housing Authority of the City of Sterling, Colorado, as of and for the year ended March 31, 2019, and the related notes to the basic financial statements. We were engaged to audit the financial statements of the Platte Valley Village Program (a major fund). These financial statements collectively comprise the Housing Authority of the City of Sterling, Colorado's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the Platte Valley Village Program (a major fund).

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

Except for the matter described in the Basis For Disclaimer of Opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Summary of Opinions

Opinion Unit	Type of Opinion
Housing Program (major fund)	Unmodified
Platte Valley Village Program (major fund)	Disclaimer

Basis for Disclaimer of Opinion of the Platte Valley Village Program (a major fund)

The financial statements of the Platte Valley Village Program (a major fund) have not been audited. On August 17, 2017, the Authority elected to default on two of its loans Platte Valley Village has with Colorado Housing and Finance Authority. As a result of this, Colorado Housing and Finance Authority filed a complaint in court for which the court approved the appointment of a receiver on February 7, 2018. This resulted in the Authority being required to hand over all records for the project and the Authority no longer managed the project after this date and the accounting records were not available after this time.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion of the Platte Valley Village Program (a major fund)" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Platte Valley Village Program (a major fund) of the Housing Authority of the City of Sterling, Colorado. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Program (a major fund) of the Housing Authority of the City of Sterling, Colorado, as of March 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Housing Authority of the City of Sterling, Colorado's basic financial statements. The Program Financial Schedules, Financial Data Schedule and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative*

Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Financial Data Schedule and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Due to the limitations described in the "Basis for Disclaimer of Opinion of the Platte Valley Village Program (a major fund)" paragraph, the Financial Data Schedule and Schedule of Expenditures of Federal Awards were not 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. Because of the significance of the matter disclosed in the auditor's report, it is inappropriate to, and we do not express an opinion on the Financial Data Schedule and Schedule of Expenditures of Federal.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019 on our consideration of the Housing Authority of the City of Sterling, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Sterling, Colorado's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Sterling, Colorado's internal control over financial reporting and compliance.

Nieweddе & Wiens, CPA's

York, Nebraska
September 19, 2019

REQUIRED SUPPLEMENTAL INFORMATION - MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of Sterling, Colorado's annual financial report presents our managements analysis of the Authority's financial performance during the fiscal year ended on March 31, 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the basic financial statements as a whole.

On August 17, 2017, the Authority elected to default on two of its loans Platte Valley Village has with Colorado Housing and Finance Authority. As a result of this, Colorado Housing and Finance Authority filed a complaint in court for which the court approved the appointment of a receiver on February 7, 2018. This resulted in the Authority being required to hand over all records for the project and the Authority no longer managed the project after this date and therefore, the activities of Platte Valley Village are not included within this Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

The term "Net Position" refers to the difference between assets and liabilities. The Authority's total net position as of March 31, 2019 was $3,480,564. The net position increased by $133,656, an increase of 4% over the prior year. Of this amount, $2,054,378 was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to citizens, creditors and operations of facilities.

Operating revenues for the Authority was $852,293 for the year ended March 31, 2019. This was a decrease of 2% from the prior year.

Operating expenses for the Authority were $1,195,548 for the year ended March 31, 2019. This was an increase of 8% over the prior year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Required Basic Financial Statements

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

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

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONT'D)

the cash balance during the reporting period.

Notes to the Basic Financial Statements

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

Supplemental Information

This report also contains the Financial Data Schedule (FDS) included in the *Supplemental Information* section. HUD has established *Uniform Financial Reporting Standards* that requires the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2019 and is required to be included in the audit reporting package.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by $3,480,564 at the close of the year ended March 31, 2019. This represents an increase of $133,656, or 4% over the prior year. The unrestricted component of net position was $2,054,378 as of March 31, 2019 which was an increase of $81,208 as a result of operations and the use of $77,972 of capital funds for operations.

CONDENSED STATEMENT OF NET POSITION

	FY 2019	FY 2018	Dollar Change	Percent Change
Current and other assets	$ 2,393,404	$ 2,272,240	$ 121,164	5.3%
Capital assets	1,762,256	1,765,150	(2,894)	-0.2%
Total Assets	4,155,660	4,037,390	118,270	2.9%
Current liabilities	167,949	146,516	21,433	14.6%
Long-term debt	507,148	543,967	(36,819)	-6.8%
Total Liabilities	675,097	690,482	(15,386)	-2.2%
Net Position				
Net investment in capital assets	1,218,289	1,185,629	32,661	2.8%
Restricted	207,896	188,109	19,787	10.5%
Unrestricted	2,054,378	1,973,170	81,208	4.1%
Total Net Position	$ 3,480,564	$ 3,346,908	$ 133,656	4.0%

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

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

Current and other assets increased $121,164. Within this cash and investments increased $59,879 and the receivable from other governments increased $58,656.

FINANCIAL HIGHLIGHTS AND ANALYSIS (CONT'D)

Current liabilities increased $21,433 with unearned revenues increasing $19,623 as the Authority advanced $19,523 of capital fund grants that were not yet earned by having a qualifying expenditure. The decrease in long-term debt was just related to required payments being made.

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

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FY 2019	FY 2018	Dollar Change	Percent Change
Revenues				
Program revenues				
Rental	$ 536,928	$ 525,886	$ 11,042	2.1%
Program contributions	558,962	510,205	48,757	9.6%
Other	32,916	57,589	(24,672)	-42.8%
General revenues				
Interest	3,065	1,374	1,691	123.1%
Total Revenues	1,131,871	1,095,053	36,818	3.4%
Expenses				
Operating, less depreciation	936,355	836,100	100,255	12.0%
Depreciation	259,193	266,890	(7,697)	-2.9%
Nonoperating	19,613	20,837	(1,225)	-5.9%
Total Expenses	1,215,161	1,123,827	91,333	8.1%
Excess (Deficiency) Before Contributions and Special Items	(83,290)	(28,774)	(54,516)	
Contributions	216,945	44,665	172,280	
Special items, net	-	(5,344)	5,344	
Changes in Net Position	133,656	10,547	123,109	
Beginning net position	3,346,908	3,336,361	10,547	
Ending net position	$ 3,480,564	$ 3,346,908	$ 133,656	

Rental income increased $11,042 which was due to normal fluctuations in occupancy and rental charges.

Program contributions included rental assistance, operating subsidy, capital fund grants used for operations and interest subsidy. The largest change was a $42,892 increase in operating subsidy.

Operating expenses increased by $100,255. Within this, utilities increased $24,252 and maintenance expenses increased $47,692. Maintenance expenses increased due to more emphasis placed in keeping units ready for more stringent inspections via REAC protocol, age of property, lack of housekeeping/upkeep of units with newer tenants and increase usage of plumber services due to gradual aging of the plumbing system.

The Authority had HUD capital contributions of $216,945 for the year ended March 31, 2019. The Authority is allocated capital grant money each year as determined by HUD and remains relatively consistent form year to year based on the Authority's number and type of units. The amount presented will vary from year to year depending on

FINANCIAL HIGHLIGHTS AND ANALYSIS (CONT'D)

the timing of awards, project implementation and expenditures within budgets as outlined in the HUD approved capital grant budgets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The Housing Authority of the City of Sterling, Colorado's capital assets as of March 31, 2019 were $1,762,256. Capital assets includes land, buildings, improvements, equipment and construction in progress net of accumulated depreciation.

The total increase in the Authority's capital assets for the current fiscal year was 2.8% in terms of net book value. Actual expenditures to purchase or construct capital assets were $256,299. In April, 2018 a final payment was made at the completion of a contract for blown insulation in the 4-plexes located at the MacGuffie complex; in September, 2018, emergency contract work was completed to repair the large elevator at MacGregor building and additional emergency contract work was completed to repair the small elevator at MacGregor building in February and March, 2019 as a motor and switch were ruined due to an electrical strike; in March, 2019, an initial payment was made for the contract work to replace kitchens in the 10 family units located at MacGuffie complex. The total of the above contract work totaled $217,000. Betterment addition for carpet in selected units, exterior handicap door repairs and glass repairs totaled $26,000 of the noted $256,299 stated above.

Depreciation expense for the year was $259,193.

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

Debt Administration – The only debt activity for the year ended March 31, 2019 was related to the payment of debt. No new debt was issued during the year. Additional information on the Authority's debt can be found in Note J of the notes to the basic financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Agency considered many factors when approving the fiscal year 2020 budget. The user charges are based on tenant's income as established by HUD and RD guidelines and are not adjustable. In projecting the amount of rental income, the Authority considered prior year rental income and occupancy rates. The operating expenses are expected to increase by the economy's inflation rate.

REQUEST FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF NET POSITION - PROPRIETARY FUND
March 31, 2019

		Housing
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	1,597,740.57
Investments		300,961.98
Accounts receivable, net		2,599.34
Due from other governments		191,392.00
Accrued interest receivable		1.32
Prepaid insurance		25,139.36
Restricted:		
Cash and cash equivalents		67,673.52
TOTAL CURRENT ASSETS		2,185,508.09
NONCURRENT ASSETS:		
Restricted:		
Cash and cash equivalents		207,896.29
Capital Assets, non-depreciable		232,411.89
Capital Assets, depreciable, net		1,529,843.98
TOTAL NONCURRENT ASSETS		1,970,152.16
TOTAL ASSETS	$	4,155,660.25
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$	10,396.42
Accrued wages and benefits payable		357.68
Compensated absences payable		27,462.00
Due to other governments		21,275.95
Accrued interest payable		1,586.57
Unearned revenue		21,900.85
Trust and deposit liabilities		48,150.52
Current portion long-term debt		36,819.00
TOTAL CURRENT LIABILITIES		167,948.99
NONCURRENT LIABILITIES		
Mortgage payable		507,147.58
TOTAL NONCURRENT LIABILITIES		507,147.58
TOTAL LIABILITIES		675,096.57
NET POSITION		
Net investment in capital assets		1,218,289.29
Restricted for:		
Replacement reserve, residual receipts, insurance		207,896.29
Unrestricted		2,054,378.10
TOTAL NET POSITION	$	3,480,563.68

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
Year Ended March 31, 2019

		Housing
OPERATING REVENUES		
Rental income	$	536,928.00
Rental assistance		282,449.00
Other income		32,916.25
TOTAL OPERATING REVENUES		852,293.25
OPERATING EXPENSES		
Administrative		263,806.43
Tenant services		5,322.90
Utilities		214,435.42
Ordinary maintenance and operations		302,564.50
Protective services		13,272.00
General expense		136,953.39
Depreciation		259,193.14
TOTAL OPERATING EXPENSES		1,195,547.78
OPERATING INCOME (LOSS)		(343,254.53)
NONOPERATING REVENUES (EXPENSES)		
HUD operating subsidy		198,541.00
HUD capital fund grants		77,972.00
Interest income		3,064.55
Interest expense		(19,612.79)
TOTAL NONOPERATING REVENUES(EXPENSES)		259,964.76
INCOME(LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS		(83,289.77)
CONTRIBUTIONS		
HUD capital fund grants		216,945.45
SPECIAL ITEMS		
Insurance proceeds		50,000.00
Settlement expense		(50,000.00)
INCREASE (DECREASE) IN NET POSITION		133,655.68
NET POSITION:		
Net position, beginning balance		3,346,908.00
TOTAL NET ASSETS - ENDING POSITION	$	3,480,563.68

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended March 31, 2019

		Housing
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tenant receipts	$	557,378.75
Rental assistance receipts		282,449.00
Other receipts		605.62
Trust and deposits		1,540.00
Cash payments for goods and services		(572,988.95)
Cash payments to employees for services		(350,646.89)
NET CASH PROVIDED USED BY OPERATING ACTIVITIES		(81,662.47)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
HUD operating subsidy		186,297.60
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		186,297.60
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases and construction of capital assets		(257,657.77)
HUD capital fund grants		265,108.45
Principal paid on mortgage payable		(35,554.43)
Interest paid on capital debt		(19,716.49)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(47,820.24)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		3,064.47
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		3,064.47
NET INCREASE (DECREASE) IN CASH		59,879.36
CASH AND CASH EQUIVALENTS-BEGINNING		1,813,431.02
CASH AND CASH EQUIVALENTS-ENDING	$	1,873,310.38

Noncash items - The Authority's insurance company paid out a settlement of $50,000 for the year ended March 31, 2019.

RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$	(343,254.53)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation		259,193.14
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		(165.06)
(Increase) decrease in prepaid insurance		(2,463.53)
Increase (decrease) in accounts payable		1,678.44
Increase (decrease) in accrued wages and benefits payable		38.10
Increase (decrease) in accrued leave		2,367.00
Increase (decrease) in due to governments		(696.36)
Increase (decrease) in trust and deposit liabilities		1,540.00
Increase (decrease) in unearned revenue		100.33
NET CASH PROVIDED USED BY OPERATING ACTIVITIES	$	(81,662.47)

See accompanying notes.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Authority was created under the laws of the State of Colorado. The purpose of the Authority is to administer the housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture.

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

Financial Reporting Entity

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

Basis of accounting, measurement focus, and financial statement presentation

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

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

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses and Changes in Fund Net Position. For this purpose, the Authority's operating revenues result from providing low-income housing services such as tenant rent, rental assistance and other tenant charges. Operating expenses include the cost attributed to administration, tenant services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

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

The reporting model as defined in Statement No. 34 and modified establishes criteria (percentage of the combined assets and deferred outflows of resources, combined liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major Funds. If non-major funds exist, these funds are combined in a single column in the fund financial statements.

The Authority has the following major enterprise funds:

Housing. This fund accounts for the operation, maintenance, and development of housing units of the Public Housing program, Section 8 Administration program and the MacLaren House program.

Platte Valley Village. This fund accounts for the operation, maintenance, and development of housing units of the Platte Valley Village. In prior the prior year, the Authority elected to default on two loans the Platte Valley Village property had with Colorado Housing and Finance Authority. As a result, Colorado Housing and Finance filed a complaint in court for with the court approved the appointment of a receiver on February 7, 2018. This resulted in the Authority being required to hand over all records for the project and the Authority no longer managed the property after this date and complete accounting records were no longer available to the Authority and therefore the fund is not included within the financial statements as required.

Budgetary Process

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

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these basic financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

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

Accounts Receivable

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

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

Prepaid Items

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

Capital Assets and Depreciation

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

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

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

Use of Restricted/Unrestricted Net Position

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

Investment Income

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

Compensated Absences

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

Grant Revenue

The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as unearned revenue.

Postemployment Benefits Other Than Pensions (OPEB)

OPEB benefits are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Authority has not incurred, adopted a plan or obligated resources to other postemployment benefits as defined in GASB Statement No. 75.

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

Income Taxes

The Authority is a governmental subdivision of the State of Colorado and is exempt from Federal and State income taxes.

Leases

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

Taxpayer's Bill of Rights

In November, 1992, the voters of the State of Colorado approved an amendment to the State's Constitution limiting the amount of revenue which may be spent or retained by Colorado governmental entities. The amendment is in effect for most governmental entities for the years beginning after 1992, but exempts "enterprise" funds from the limitations. The Board of Commissioners of the Authority believes it is exempt form the provisions of the TABOR amendment because it is an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenue from state and local grants) as defined in the constitutional amendment. The Board also believes it is not subject to the provisions of TABOR because the governing board is not an elected board, does not have an electoral constituency, and does not have the power to impose taxes, all basic operational requirements of TABOR.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

At March 31, 2019, the Authority's carrying amount of deposits was $2,064,498.63 and the bank balances were $2,075,567.74. The Authority had cash on hand of $400 as of March 31, 2019.

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

Investments

At March 31, 2019, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less Than 1 Year
Colotrust Prime	$ 109,373.73	$ 109,373.73

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

NOTE B - DEPOSITS AND INVESTMENTS

Credit Risk: The Authority has no investment policy that would limit its investment choices. At March 31, 2019, the Authority's investment in the Colotrust Fund was rated AAAm by Standard & Poor's.

The Colotrust Prime invests in U.S. Treasury securities, federal instrumentality securities, U.S. agency securities, collateralized bank deposits, repurchase agreements and tri-party repurchase agreements.

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

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

Statement of Net Position		
Cash and cash equivalents	$	1,597,740.57
Investments		300,961.98
Restricted cash – current		67,673.52
Restricted cash - noncurrent		207,896.29
	$	2,174,272.36
Bank deposits	$	2,064,498.63
Investments		109,373.73
Cash on hand		400.00
	$	2,174,272.36

NOTE C – ACCOUNTS RECEIVABLE

A summary of accounts receivable as presented in the Statement of Net Position at March 31, 2019 is as follows:

		Housing
Tenant receivables	$	1,373.81
Miscellaneous		1,388.53
Allowance for doubtful accounts		(163.00)
	$	2,599.34

NOTE D – DUE FROM OTHER GOVERNMENTS

A summary of due from other governments as presented in the Statement of Net Position at March 31, 2019 is as follows:

		Housing
HUD - Operating Subsidy	$	43,420.00
HUD - Capital Funds		147,972.00
	$	191,392.00

NOTE E—RESTRICTED ASSETS

The Authority's restricted cash and cash equivalents at March 31, 2019 which were restricted for:

		Housing
Tenant security deposits	$	48,150.52
Capital funds		19,523.00
Replacement reserves		186,878.85
Residual receipts		5,643.29
Insurance escrow		15,374.15
	$	275,569.81

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, was as follows:

	Balance 4/1/2018	Increases	Decreases	Balance 3/31/2019
Non-depreciable assets:				
Land	$ 232,411.89	$ -	$ -	$ 232,411.89
Construction in progress	28,640.00	-	(28,640.00)	-
Total non-depreciable assets	261,051.89	-	(28,640.00)	232,411.89
Depreciable assets				
Buildings	7,157,260.18	284,939.27	-	7,442,199.45
Equipment - Dwelling	126,974.80	-	-	126,974.80
Equipment - Administration	92,511.86	-	-	92,511.86
Total depreciable assets	7,376,746.84	284,939.27	-	7,661,686.11
Total Capital Assets	7,637,798.73	284,939.27	(28,640.00)	7,894,098.00
Accumulated depreciation				
Buildings	5,717,120.85	245,598.58	-	5,962,719.43
Equipment - Dwelling	76,466.67	7,977.12	-	84,443.79
Equipment - Administration	79,361.47	5,317.44	-	84,678.91
Total accumulated depreciation	5,872,948.99	258,893.14	-	6,131,842.13
Depreciable assets, net	1,503,797.85	26,046.13	-	1,529,843.98
Capital assets, net	$ 1,764,849.74	$ 26,046.13	$ (28,640.00)	$ 1,762,255.87

NOTE G – ACCOUNTS PAYABLE

A summary of accounts payable as presented in the Statement of Net Position at March 31, 2019 is as follows:

		Housing
Vendor and contractors	$	10,396.42

NOTE H – DUE TO OTHER GOVERNMENTS

A summary of due to other governments as presented in the Statement of Net Position at March 31, 2019 is as follows:

		Housing
Payments in lieu of taxes	$	21,275.95

NOTE I – UNEARNED REVENUE

A summary of unearned revenue as presented in the Statement of Net Position at March 31, 2019 is as follows:

		Housing
Prepaid rents	$	2,377.85
Unearned capital fund grants		19,523.00
	$	21,900.85

NOTE J—LONG TERM DEBT

Direct Placements

MacLaren House – The first mortgage payable as of March 31, 2019, represents permanent loan from the Colorado Housing Finance Authority under the SMART program with an original loan amount of $893,000 date March 15, 2001. The loan is due April 1, 2031 and had an annual interest rate of 6.35% which was modified to 6% on August 1, 2015 and then modified again to 3.5% on June 1, 2016. The loan requires monthly payment of $4,605.91. Principal and accrued interest payable at March 31, 2019 were $543,966.58 and $1,586.57, respectively.

A summary of changes in notes payable as of March 31, 2019 is as follows:

		Beginning Balance		Issued		Retired		Ending Balance		Due Within 1 Year
Long-term debt	$	579,521.01	$	--	$	(35,554.43)	$	543,966.58	$	36,819.00

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

		Principal		Interest		Total
2020	$	36,819.00	$	18,451.92	$	55,270.92
2021		38,128.54		17,142.38		55,270.92
2022		39,484.66		15,786.26		55,270.92
2023		40,889.01		14,381.91		55,270.92
2024		42,343.30		12,927.62		55,270.92
2025 - 2029		235,407.13		40,947.47		276,354.60
2030 - 2032		110,894.94		4,253.78		115,148.72
	$	543,966.58	$	123,891.34	$	667,857.92

NOTE K--RETIREMENT PLAN

The Housing Authority participates in a qualified simplified employee pension plan. All eligible employees must participate. Eligible employees must be at least 21 and has performed services for the Authority in at least 3 of the preceding 5 years. The Housing Authority contributes an amount equal to 3.00% of the member's pay for the pay period. The total Housing Authority contribution was $7,725.36 for the fiscal year ended March 31, 2019 based on wages of $257,512. Total wages for the Authority was $267,764.

NOTE L—NET POSITION

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

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

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

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

The Authority has restricted net position in the following categories:

		Housing
Replacement reserves	$	186,878.85
Residual receipts		5,643.29
Insurance escrow		15,374.15
	$	207,896.29

NOTE M – RISK MANAGEMENT

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

During the year ended March 31, 2019, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

NOTE N – CONTINGENT LIABILITIES

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

NOTE O – SPECIAL ITEMS

The Authority was the defendant in a lawsuit that was settled this past year. As a result of this, the Authority had insurance proceeds of $50,000 that were used for the settlement.

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SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF NET POSITION
March 31, 2019

ASSETS	Public Housing	Section 8 Administration	MacLaren	Totals
CURRENT ASSETS:				
Cash and cash equivalents	$ 863,240.87	$ 50,418.48	$ 684,081.22	$ 1,597,740.57
Investments	300,961.98	-	-	300,961.98
Accounts receivable, net	2,361.34	-	238.00	2,599.34
Due from other governments	191,392.00	-	-	191,392.00
Accrued interest receivable	1.32	-	-	1.32
Prepaid insurance	20,800.58	-	4,338.78	25,139.36
Restricted:				
Cash and cash equivalents	51,870.52	-	15,803.00	67,673.52
TOTAL CURRENT ASSETS	1,430,628.61	50,418.48	704,461.00	2,185,508.09
NONCURRENT ASSETS:				
Restricted:				
Cash and cash equivalents	-	-	207,896.29	207,896.29
Capital Assets, non-depreciable	138,017.40	-	94,394.49	232,411.89
Capital Assets, depreciable, net	1,018,725.25	-	511,118.73	1,529,843.98
TOTAL NONCURRENT ASSETS	1,156,742.65	-	813,409.51	1,970,152.16
TOTAL ASSETS	$ 2,587,371.26	$ 50,418.48	$ 1,517,870.51	$ 4,155,660.25
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	$ 7,353.01	$ -	$ 3,043.41	$ 10,396.42
Accrued wages and benefits payable	238.33	-	119.35	357.68
Compensated absences payable	18,125.00	-	9,337.00	27,462.00
Due to other governments	21,275.95	-	-	21,275.95
Accrued interest payable	-	-	1,586.57	1,586.57
Unearned revenue	21,531.60	-	369.25	21,900.85
Trust and deposit liabilities	32,347.52	-	15,803.00	48,150.52
Current portion long-term debt	-	-	36,819.00	36,819.00
TOTAL CURRENT LIABILITIES	100,871.41	-	67,077.58	167,948.99
NONCURRENT LIABILITIES				
Mortgage payable	-	-	507,147.58	507,147.58
TOTAL NONCURRENT LIABILITIES	-	-	507,147.58	507,147.58
TOTAL LIABILITIES	100,871.41	-	574,225.16	675,096.57
NET POSITION				
Net investment in capital assets	1,156,742.65	-	61,546.64	1,218,289.29
Restricted	-	-	207,896.29	207,896.29
Unrestricted	1,329,757.20	50,418.48	674,202.42	2,054,378.10
TOTAL NET POSITION	$ 2,486,499.85	$ 50,418.48	$ 943,645.35	$ 3,480,563.68

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended March 31, 2019

	Public Housing	Section 8 Administration	MacLaren	Totals
OPERATING REVENUES				
Rental income	$ 356,677.00	$ -	$ 180,251.00	$ 536,928.00
Rental assistance	-	-	282,449.00	282,449.00
Other income	23,705.13	-	9,211.12	32,916.25
TOTAL OPERATING REVENUES	380,382.13	-	471,911.12	852,293.25
OPERATING EXPENSES				
Administrative	172,477.13	-	91,329.30	263,806.43
Tenant services	4,813.44	-	509.46	5,322.90
Utilities	150,237.41	-	64,198.01	214,435.42
Ordinary maintenance and operations	196,360.88	-	106,203.62	302,564.50
Protective services	7,440.00	-	5,832.00	13,272.00
General expense	109,913.94	-	27,039.45	136,953.39
Depreciation	166,116.59	-	93,076.55	259,193.14
TOTAL OPERATING EXPENSES	807,359.39	-	388,188.39	1,195,547.78
OPERATING INCOME (LOSS)	(426,977.26)	-	83,722.73	(343,254.53)
NONOPERATING REVENUES (EXPENSES)				
HUD operating subsidy	198,541.00	-	-	198,541.00
HUD capital fund grants	77,972.00	-	-	77,972.00
Interest income	2,383.18	0.97	680.40	3,064.55
Interest expense	-	-	(19,612.79)	(19,612.79)
TOTAL NONOPERATING REVENUES(EXPENSES)	278,896.18	0.97	(18,932.39)	259,964.76
INCOME(LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	(148,081.08)	0.97	64,790.34	(83,289.77)
CONTRIBUTIONS				
HUD capital fund grants	216,945.45	-	-	216,945.45
SPECIAL ITEMS				
Insurance proceeds	-	-	50,000.00	50,000.00
Settlement expense	-	-	(50,000.00)	(50,000.00)
INCREASE (DECREASE) IN NET POSITION	68,864.37	0.97	64,790.34	133,655.68
NET POSITION:				
Net position, beginning balance	2,417,635.48	50,417.51	878,855.01	3,346,908.00
TOTAL NET POSITION - ENDING BALANCE	$ 2,486,499.85	$ 50,418.48	$ 943,645.35	$ 3,480,563.68

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
PROGRAM SCHEDULE OF CASH FLOWS
Year Ended March 31, 2019

	Public Housing	Section 8 Administration	MacLaren	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Tenant receipts	$ 371,650.63	$ -	$ 185,728.12	$ 557,378.75
Rental assistance receipts	-	-	282,449.00	282,449.00
Other income	605.62	-	-	605.62
Trust and deposits	(458.00)	-	1,998.00	1,540.00
Cash payments for goods and services	(403,465.14)	-	(169,523.81)	(572,988.95)
Cash payments to employees for services	(229,768.93)	-	(120,877.96)	(350,646.89)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(261,435.82)	-	179,773.35	(81,662.47)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
HUD operating subsidy	186,297.60	-	-	186,297.60
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	186,297.60	-	-	186,297.60
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases and construction of capital assets	(243,380.65)	-	(14,277.12)	(257,657.77)
HUD capital fund grants	265,108.45	-	-	265,108.45
Principal paid on mortgage payable	-	-	(35,554.43)	(35,554.43)
Interest paid on capital debt	-	-	(19,716.49)	(19,716.49)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	21,727.80	-	(69,548.04)	(47,820.24)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	2,383.10	0.97	680.40	3,064.47
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	2,383.10	0.97	680.40	3,064.47
NET INCREASE (DECREASE) IN CASH	(51,027.32)	0.97	110,905.71	59,879.36
CASH AND CASH EQUIVALENTS-BEGINNING	966,138.71	50,417.51	796,874.80	1,813,431.02
CASH AND CASH EQUIVALENTS-ENDING	$ 915,111.39	$ 50,418.48	$ 907,780.51	$ 1,873,310.38

Noncash items - The Authority's insurance company paid out a settlement of $50,000 for the year ended March 31, 2019.

	Public Housing	Section 8 Administration	MacLaren	Totals
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ (426,977.26)	$ -	$ 83,722.73	$ (343,254.53)
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation	166,116.59	-	93,076.55	259,193.14
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(6.06)	-	(159.00)	(165.06)
(Increase) decrease in prepaid insurance	(2,530.84)	-	67.31	(2,463.53)
Increase (decrease) in accounts payable	1,195.78	-	482.66	1,678.44
Increase (decrease) in accrued wages and benefits payable	13.00	-	25.10	38.10
Increase (decrease) in accrued leave	1,563.00	-	804.00	2,367.00
Increase (decrease) in due to governments	(696.36)	-	-	(696.36)
Increase (decrease) in trust and deposit liabilities	(458.00)	-	1,998.00	1,540.00
Increase (decrease) in unearned revenue	344.33	-	(244.00)	100.33
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (261,435.82)	$ -	$ 179,773.35	$ (81,662.47)

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

Submission Type: Audited/Single Audit Fiscal Year End: 03/31/2019

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	1 Business Activities	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
111 Cash - Unrestricted	$863,241	$684,081	$50,419			$1,597,741		$1,597,741
112 Cash - Restricted - Modernization and Development	$19,523					$19,523		$19,523
113 Cash - Other Restricted		$207,896				$207,896		$207,896
114 Cash - Tenant Security Deposits	$32,348	$15,803				$48,151		$48,151
100 Total Cash	$915,112	$907,780	$50,419	$0	$0	$1,873,311		$1,873,311
122 Accounts Receivable - HUD Other Projects	$191,392					$191,392		$191,392
125 Accounts Receivable - Miscellaneous	$1,389					$1,389		$1,389
126 Accounts Receivable - Tenants	$1,136	$238				$1,374		$1,374
126.1 Allowance for Doubtful Accounts -Tenants	-$163	$0				-$163		-$163
129 Accrued Interest Receivable	$1					$1		$1
120 Total Receivables, Net of Allowances for Doubtful Accounts	$193,755	$238	$0	$0	$0	$193,993		$193,993
131 Investments - Unrestricted	$300,962					$300,962		$300,962
142 Prepaid Expenses and Other Assets	$20,800	$4,339				$25,139		$25,139
150 Total Current Assets	$1,430,629	$912,357	$50,419	$0	$0	$2,393,405		$2,393,405
161 Land	$138,017	$94,394				$232,411		$232,411
162 Buildings	$5,208,726	$2,233,473				$7,442,199		$7,442,199
163 Furniture, Equipment & Machinery - Dwellings	$68,999	$57,976				$126,975		$126,975
164 Furniture, Equipment & Machinery - Administration	$79,576	$12,937				$92,513		$92,513
166 Accumulated Depreciation	-$4,338,575	-$1,793,266				-$6,131,841		-$6,131,841
160 Total Capital Assets, Net of Accumulated Depreciation	$1,156,743	$605,514	$0	$0	$0	$1,762,257		$1,762,257
180 Total Non-Current Assets	$1,156,743	$605,514	$0	$0	$0	$1,762,257		$1,762,257
290 Total Assets and Deferred Outflow of Resources	$2,587,372	$1,517,871	$50,419	$0	$0	$4,155,662		$4,155,662
312 Accounts Payable <= 90 Days	$214	$219				$433		$433
321 Accrued Wage/Payroll Taxes Payable	$238	$120				$358		$358
322 Accrued Compensated Absences - Current Portion	$18,125	$9,337				$27,462		$27,462
325 Accrued Interest Payable		$1,587				$1,587		$1,587
333 Accounts Payable - Other Government	$21,276					$21,276		$21,276
341 Tenant Security Deposits	$32,348	$15,803				$48,151		$48,151
342 Unearned Revenue	$21,532	$369				$21,901		$21,901
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		$36,819				$36,819		$36,819
346 Accrued Liabilities - Other	$7,139	$2,824				$9,963		$9,963
310 Total Current Liabilities	$100,872	$67,078	$0	$0	$0	$167,950		$167,950
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		$507,148				$507,148		$507,148
350 Total Non-Current Liabilities	$0	$507,148	$0	$0	$0	$507,148		$507,148
300 Total Liabilities	$100,872	$574,226	$0	$0	$0	$675,098		$675,098
508.4 Net Investment in Capital Assets	$1,156,743	$61,547		$0	$0	$1,218,290		$1,218,290
511.4 Restricted Net Position		$207,896		$0	$0	$207,896		$207,896
512.4 Unrestricted Net Position	$1,329,757	$674,202	$50,419	$0	$0	$2,054,378		$2,054,378
513 Total Equity - Net Assets / Position	$2,486,500	$943,645	$50,419	$0	$0	$3,480,564		$3,480,564
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$2,587,372	$1,517,871	$50,419	$0	$0	$4,155,662		$4,155,662

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

Submission Type: Audited/Single Audit | Fiscal Year End: 03/31/2019

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	1 Business Activities	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$356,677	$180,251				$536,928		$536,928
70400 Tenant Revenue - Other	$23,062	$9,211				$32,273		$32,273
70500 Total Tenant Revenue	$379,739	$189,462	$0	$0	$0	$569,201	$0	$569,201
70600 HUD PHA Operating Grants	$276,513	$282,449				$558,962		$558,962
70610 Capital Grants	$216,945					$216,945		$216,945
71100 Investment Income - Unrestricted	$2,383	$8	$1			$2,392		$2,392
71500 Other Revenue	$643					$643		$643
72000 Investment Income - Restricted		$672				$672		$672
70000 Total Revenue	$876,223	$472,591	$1	$0	$0	$1,348,815	$0	$1,348,815
91100 Administrative Salaries	$112,464	$57,936				$170,400		$170,400
91200 Auditing Fees	$5,107	$2,507				$7,614		$7,614
91400 Advertising and Marketing	$2,863	$1,432				$4,295		$4,295
91500 Employee Benefit contributions - Administrative	$35,049	$17,726				$52,775		$52,775
91600 Office Expenses	$10,284	$8,385				$18,669		$18,669
91700 Legal Expense	$81					$81		$81
91800 Travel	$227					$227		$227
91900 Other	$6,403	$3,342				$9,745		$9,745
91000 Total Operating - Administrative	$172,478	$91,328	$0	$0	$0	$263,806	$0	$263,806
92100 Tenant Services - Salaries	$3,000					$3,000		$3,000
92400 Tenant Services - Other	$1,813	$509				$2,322		$2,322
92500 Total Tenant Services	$4,813	$509	$0	$0	$0	$5,322	$0	$5,322
93100 Water	$32,625	$33,838				$66,463		$66,463
93200 Electricity	$61,045	$22,128				$83,173		$83,173
93300 Gas	$12,678	$8,232				$20,910		$20,910
93600 Sewer	$43,889					$43,889		$43,889
93000 Total Utilities	$150,237	$64,198	$0	$0	$0	$214,435	$0	$214,435
94100 Ordinary Maintenance and Operations - Labor	$62,722	$34,642				$97,364		$97,364
94200 Ordinary Maintenance and Operations - Materials and Other	$33,982	$15,712				$49,694		$49,694
94300 Ordinary Maintenance and Operations Contracts	$80,109	$45,250				$125,359		$125,359
94500 Employee Benefit Contributions - Ordinary Maintenance	$19,547	$10,599				$30,146		$30,146
94000 Total Maintenance	$196,360	$106,203	$0	$0	$0	$302,563	$0	$302,563
95200 Protective Services - Other Contract Costs	$7,440	$5,832				$13,272		$13,272
95000 Total Protective Services	$7,440	$5,832	$0	$0	$0	$13,272	$0	$13,272
96110 Property Insurance	$63,990	$15,760				$79,750		$79,750
96120 Liability Insurance	$7,633	$3,817				$11,450		$11,450
96130 Workmen's Compensation	$5,427	$2,714				$8,141		$8,141
96140 All Other Insurance	$1,561	$615				$2,176		$2,176
96100 Total insurance Premiums	$78,611	$22,906	$0	$0	$0	$101,517	$0	$101,517
96210 Compensated Absences	$1,563	$804				$2,367		$2,367
96300 Payments in Lieu of Taxes	$21,276					$21,276		$21,276
96400 Bad debt - Tenant Rents	$8,464	$3,331				$11,795		$11,795
96000 Total Other General Expenses	$31,303	$4,135	$0	$0	$0	$35,438	$0	$35,438
96710 Interest of Mortgage (or Bonds) Payable		$19,613				$19,613		$19,613
96700 Total Interest Expense and Amortization Cost	$0	$19,613	$0	$0	$0	$19,613	$0	$19,613
96900 Total Operating Expenses	$641,242	$314,724	$0	$0	$0	$955,966	$0	$955,966
97000 Excess of Operating Revenue over Operating Expenses	$234,981	$157,867	$1	$0	$0	$392,849	$0	$392,849
97400 Depreciation Expense	$166,117	$93,077				$259,194		$259,194
90000 Total Expenses	$807,359	$407,801	$0	$0	$0	$1,215,160	$0	$1,215,160
10010 Operating Transfer In	$77,972					$77,972	-$77,972	$0
10020 Operating transfer Out	-$77,972					-$77,972	$77,972	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$68,864	$64,790	$1	$0	$0	$133,655	$0	$133,655
11020 Required Annual Debt Principal Payments	$0	$35,554	$0	$0	$0	$35,554		$35,554
11030 Beginning Equity	$2,417,636	$878,855	$50,418	$282,297	$0	$3,629,206		$3,629,206
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0			-$282,297		-$282,297		-$282,297
11190 Unit Months Available	1320	648				1968		1968
11210 Number of Unit Months Leased	1280	622				1902		1902
11270 Excess Cash	$1,235,998					$1,235,998		$1,235,998
11620 Building Purchases	$243,380					$243,380		$243,380

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

Submission Type: Audited/Single Audit   Fiscal Year End: 03/31/2019   Project: CO025000001 STERLING

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	$356,677		$356,677
70400 Tenant Revenue - Other	$23,062		$23,062
70500 Total Tenant Revenue	$379,739	$0	$379,739
70600 HUD PHA Operating Grants	$198,541	$77,972	$276,513
70610 Capital Grants		$216,945	$216,945
71100 Investment Income - Unrestricted	$2,383		$2,383
71500 Other Revenue	$643		$643
70000 Total Revenue	$581,306	$294,917	$876,223
91100 Administrative Salaries	$112,464		$112,464
91200 Auditing Fees	$5,107		$5,107
91400 Advertising and Marketing	$2,863		$2,863
91500 Employee Benefit contributions - Administrative	$35,049		$35,049
91600 Office Expenses	$10,284		$10,284
91700 Legal Expense	$81		$81
91800 Travel	$227		$227
91900 Other	$6,403		$6,403
91000 Total Operating - Administrative	$172,478	$0	$172,478
92100 Tenant Services - Salaries	$3,000		$3,000
92400 Tenant Services - Other	$1,813		$1,813
92500 Total Tenant Services	$4,813	$0	$4,813
93100 Water	$32,625		$32,625
93200 Electricity	$61,045		$61,045
93300 Gas	$12,678		$12,678
93600 Sewer	$43,889		$43,889
93000 Total Utilities	$150,237	$0	$150,237
94100 Ordinary Maintenance and Operations - Labor	$62,722		$62,722
94200 Ordinary Maintenance and Operations - Materials and Other	$33,982		$33,982
94300 Ordinary Maintenance and Operations Contracts	$80,109		$80,109
94500 Employee Benefit Contributions - Ordinary Maintenance	$19,547		$19,547
94000 Total Maintenance	$196,360	$0	$196,360
95200 Protective Services - Other Contract Costs	$7,440		$7,440
95000 Total Protective Services	$7,440	$0	$7,440
96110 Property Insurance	$63,990		$63,990
96120 Liability Insurance	$7,633		$7,633
96130 Workmen's Compensation	$5,427		$5,427
96140 All Other Insurance	$1,561		$1,561
96100 Total insurance Premiums	$78,611	$0	$78,611
96210 Compensated Absences	$1,563		$1,563
96300 Payments in Lieu of Taxes	$21,276		$21,276
96400 Bad debt - Tenant Rents	$8,464		$8,464
96000 Total Other General Expenses	$31,303	$0	$31,303
96900 Total Operating Expenses	$641,242	$0	$641,242
97000 Excess of Operating Revenue over Operating Expenses	-$59,936	$294,917	$234,981
97400 Depreciation Expense	$162,035	$4,082	$166,117
90000 Total Expenses	$803,277	$4,082	$807,359
10010 Operating Transfer In	$77,972		$77,972
10020 Operating transfer Out		-$77,972	-$77,972
10100 Total Other financing Sources (Uses)	$77,972	-$77,972	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$143,999	$212,863	$68,864
11030 Beginning Equity	$2,417,636	$0	$2,417,636
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$212,863	-$212,863	$0
11190 Unit Months Available	1320		1320
11210 Number of Unit Months Leased	1280		1280
11270 Excess Cash	$1,235,998		$1,235,998
11620 Building Purchases	$26,435	$216,945	$243,380

HOUSING AUTHORITY OF THE CITY OF STERLING, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2019

FEDERAL GRANTOR	FEDERAL CFDA NUMBER		FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Section 8 Housing Assistance Payments Program			
Rental Assistance	14.195		282,449.00
Public and Indian Housing			
Operating Subsidy	14.850		198,541.00
Capital Funds			
Capital funds	14.872		294,917.45
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		$	775,907.45
U.S DEPARTMENT OF AGRICULTURE			
Rural Rental Housing Assistance			
Rental assistance (See Note 4)	10.427		48,519.80
Rural Rental Housing Loan			
Loan balance at March 31, 2017 (See Note 4)	10.415		642,573.87
Interest subsidy (See Note 4)	10.415		34,187.76
	10.415		676,761.63
TOTAL U.S. DEPARTMENT OF AGRICULTURE		$	725,281.43
Total Federal Awards Expended		$	1,501,188.88

Notes to the Schedule

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

2. The outstanding balance of the Rural Rental Housing Loan mortgage at March 31, 2018 was $1,034,337.69. See note 4 below.

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

4. The Authority elected to default on two loans the Platte Valley Village property had with Colorado Housing and Finance Authority. As a result, Colorado Housing and Finance filed a complaint in court for with the court approved the appointment of a receiver on February 7, 2018. This resulted in the Authority being required to hand over all records for the project and the Authority no longer managed the property after this date and complete accounting records were no longer available to the Authority. To prevent foreclosure, on June 26, 2018 the U.S. Department of Agriculture paid off the two loans to Colorado Housing and Finance and added that amount to the Rural Rental Housing Loan. As the Authority no longer has access to the records, an exact amount can not be determined but the Colorado Housing and Finance loans were $391,763.82 at March 31, 2018 and were added to the balance reported in Note 2. The amounts reported for rental assistance in the CFDA 10.427 program and interest subsidy for CFDA 10.415 are from March 31, 2018 as the March 31, 2019 balances were not available to the Authority.

SINGLE AUDIT SECTION

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Housing Program (a major fund) financial statements of the Housing Authority of the City of Sterling, Colorado, as of and for the year ended March 31, 2019, and the related notes to the basic financial statements. We were engaged to audit 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 Platte Valley Village Program (a major fund) financial statements of the Housing Authority of the City of Sterling, Colorado, as of and for the year ended March 31, 2019, and the related notes to the basic financial statements. We have issued our report thereon dated September 19, 2019. Our report disclaims an opinion on the Platte Valley Village Program (a major fund) because of the issues described in the "Basis for Disclaimer of Opinion of the Platte Valley Village Program (a major fund)" paragraph in that report.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered Housing Authority of the City of Sterling, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Sterling, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Sterling, Colorado's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's basic financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2019-001, 2019-002 and 2019-003 to be material weaknesses.

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Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Housing Authority of the City of Sterling, Colorado, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as Finding 2019-001 and 2019-002.

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

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

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.

Nieweddle & Wiens, CPA's

York, Nebraska
September 19, 2019

Niewedde & Wiens

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

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We were engaged to audit Housing Authority of the City of Sterling, Colorado's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Sterling, Colorado's major federal programs for the year ended March 31, 2019. Housing Authority of the City of Sterling, Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Due to the circumstances described in "Basis for Disclaimer of Opinion on the Rural Rental Housing Loan Program", we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Housing Authority of the City of Sterling, Colorado's compliance and therefore do not express an opinion.

Basis for Disclaimer of Opinion on the Rural Rental Housing Loan Program

On August 17, 2017, the Authority elected to default on two of its loans Platte Valley Village has with Colorado Housing and Finance Authority. As a result of this, Colorado Housing and Finance Authority filed a complaint in court for which the court approved the appointment of a receiver on February 7, 2018. This resulted in the Authority being required to hand over all records for the project and the Authority no longer managed the project after this date. As a result, we were unable to obtain sufficient appropriate evidence supporting the Housing Authority of the City of Sterling, Colorado's Rural Rental Housing Loan program, CFDA 10.415, consequently we were unable to determine whether the Housing Authority of the City of Sterling, Colorado complied with those requirements applicable to that program.

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Qualified Opinion on Rural Rental Housing Loan Program

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Rural Rental Housing Loan Program" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as Findings 2018-004 and 2018-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance would have been for the limited purpose described in the first paragraph of this section and would not have been designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. As noted in the Basis for Disclaimer of Opinion on the Rural Rental Housing Loan Program paragraph, we were unable to review the internal control procedures over compliance due to the scope limitation.

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.

Niewedde & Wiens, CPA's

York, Nebraska
September 19, 2019

Housing Authority of The City of Sterling

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2019

The audit report for the year ended March 31, 2018 contained fours finding and $87,711.82 of questioned costs. The status of those findings are as follows:

Section II:

- Finding 2018-001: HUD cleared the questions costs during the year but the cash management issue is repeated as Finding 2019-002.

- Finding 2018-002: Cleared as the property in question is now in receivership and the Authority has no control over operations although the property is still owned by the Authority.

Section III:

- Finding 2018-003: Cleared as the property in question is now in receivership and the Authority has no control over operations although the property is still owned by the Authority.

- Finding 2018-004: HUD cleared the questions costs during the year but the cash management issue is repeated as Finding 2019-004.

Section I - Summary of Auditors Results:

- We issued an unmodified on the financial statements of the Housing fund and a disclaimer of opinion on the financial statements Platte Valley Village fund of the Housing Authority of the City of Sterling, Colorado for the fiscal year ended March 31, 2019.

Financial Statements:

- The results of our audit procedures disclosed three material weaknesses, Findings 2019-001, 2019-002 and 2019-003 and no significant deficiencies in internal control over financial reporting for the fiscal year ended March 31, 2019.

- We noted two instances of noncompliance which are material to the financial statements for the fiscal year ended March 31, 2019 and are reported as Findings 2019-001 and 2019-2.

Federal Awards:

- We issued a disclaimer of opinion on compliance for the major program for the year ended March 31, 2019.

- The results of our audit procedures disclosed no material weaknesses and no significant deficiencies in internal control over major programs for the fiscal year ended March 31, 2019 due to the issues that led to disclaimer of audit opinion on compliance for the major program.

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

- The programs identified and audited as major are as follows: Rural Rental Housing Loan (10.415)

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

- For the fiscal year ended March 31, 2019, the Housing Authority of the City of Sterling, Colorado did not qualify as a low-risk auditee.

<u>Section II - Financial Statement Findings:</u>

Finding 2019-001: Procurement
Material Weakness/Noncompliance
Questioned Costs - $21,681.28

Criteria: The Authority had a procurement policy at the time that required sealed bids for contracts over $100,000. The Authority's procurement policy states the Authority must maintain records sufficient to detail the significant history of each procurement action in reason for accepting or rejecting the bids.

Condition: During the year, the Authority took bids for a kitchen remodel project. The Authority received three bids of $83,600, $102,100 and $105,281.28 and accepted the high bid of $105,281.28. The Authority was unable to provide any documentation to support why the high bid was accepted.

Cause: The Authority did not follow the requirements of its policy.

Effect or Potential Effect: The difference between the low and high bids of $21,681.28 is being questioned as the Authority was unable to provide documentation of why the high bid accepted over either of the lower two bids.

Recommendation: The Authority should review its procurement policy and implement procedure to document the rationale for contract awards.

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

Finding 2019-002: Capital Funds Cash Management
Material Weakness/Noncompliance
Repeat Finding: 2018-001

Criteria: § 200.305 Payment of Uniform Guidance states the following:

> (b) For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

Condition: During the year, we noted the Authority advanced $19,523 of grant funds from the 2017 capital fund grant on May 29, 2018 for which these funds were unspent as of March 31, 2019. The Authority had a similar issue reported within Finding 2018-001 in the prior year's audit.

Cause: We inquired of the Authority why these funds were advanced and the Authority stated they did not know why.

Effect or Potential Effect: The Authority is in noncompliance with the cash management requirements.

Recommendation: The Authority needs to obtain training on Capital Fund grant requirements to ensure future compliance. The Authority should obtain a copy of HUD's Capital Fund Guidebook which is a good reference to the requirements the Authority must comply with. Further, the Authority should only advance grant funds when they are ready to expend them within three business days.

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

Section II - Financial Statement Findings (Cont'd):

Finding 2019-3: Ineffective Oversight over Financial Reporting
Material Weakness

Criteria: The Authority should have effective controls over the monitoring of the financial reporting process and application of generally accepted accounting principles.

Condition: During our audit, we noted the Authority had a lawsuit settlement which was paid for by the Authority's insurance company which was not recorded on the Authority's general ledger.

Cause: As the Authority's insurance company paid the settlement directly, the Authority's staff was not aware to report this to the Authority's fee accountant so that the information could be recorded.

Effect and Potential Effect: The Authority's financial records were misstated prior to adjustments being recorded during the audit process.

Recommendation: The Authority should communicate and discuss these types of items with its fee accountant in the future to determine if the items should be recorded.

Section III - Federal Award Findings and Questioned Costs:

Finding 2019-004: Procurement
Capital Funds – CFDS 14.872
Noncompliance – Procurement
Questioned Costs - $21,681.28

Criteria: The Authority had a procurement policy at the time that required sealed bids for contracts over $100,000. The Authority's procurement policy states the Authority must maintain records sufficient to detail the significant history of each procurement action in reason for accepting or rejecting the bids.

Condition: During the year, the Authority took bids for a kitchen remodel project. The Authority received three bids of $83,600, $102,100 and $105,281.28 and accepted the high bid of $105,281.28. The Authority was unable to provide any documentation to support why the high bid was accepted.

Cause: The Authority did not follow the requirements of its policy.

Effect or Potential Effect: The difference between the low and high bids of $21,681.28 is being questioned as the Authority was unable to provide documentation of why the high bid accepted over either of the lower two bids.

Recommendation: The Authority should review its procurement policy and implement procedure to document the rationale for contract awards.

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

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

Finding 2019-005: Capital Funds Cash Management
Capital Funds – CFDS 14.872
Noncompliance – Cash Management

Criteria: § 200.305 Payment of Uniform Guidance states the following:

(b) For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

Condition: During the year, we noted the Authority advanced $19,523 of grant funds from the 2017 capital fund grant on May 29, 2018 for which these funds were unspent as of March 31, 2019. The Authority had a similar issue reported within Finding 2018-004 in the prior year's audit.

Cause: We inquired of the Authority why these funds were advanced and the Authority stated they did not know why.

Effect or Potential Effect: The Authority is in noncompliance with the cash management requirements.

Recommendation: The Authority needs to obtain training on Capital Fund grant requirements to ensure future compliance. The Authority should obtain a copy of HUD's Capital Fund Guidebook which is a good reference to the requirements the Authority must comply with. Further, the Authority should only advance grant funds when they are ready to expend them within three business days.

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

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August 20, 2019

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Five noted findings were specified. For finding number 2019-001: Procurement; Material Weakness/Noncompliance - Questions Costs - $21,681.28. Section II – Financial Statement Findings

The auditee's management agrees with the finding as the minutes of the Board Meeting wherein the bid was awarded did not contain documentation to support the award to the highest bidder. In the future, should an example of this nature occur, emphasis will be placed on documentation to support such action by the board. This is effective immediately.

For finding number 2019-002: Capital Funds Cash Management, Material Weakness/Noncompliance, Repeat Finding 2018-001. Section II Financial Statement Findings

The auditee's management agrees with the finding. In prior years' audits, the Authority placed most, if not all funding into Operations. There was a transition period wherein the Authority was to place more funding into the category 1480 (General Capital Fund). Clearly the Authority did not react/respond to this rule; the Authority continued to treat the 1480 account like we did in prior years for Operations (1406). This is when EPIC became a management tool. The Authority will respond immediately to follow the Capital Fund Guidebook rules regarding the drawdown/spending requirements.

For finding number 2019-003: Ineffective Oversight over Financial Reporting, Material Weakness, Section II Financial Statement Findings

The auditee's management agrees with the finding. The Authority did settle a lawsuit during the fiscal year wherein the settlement was paid for by the Authority's insurance company which was not recorded on the Authority's general ledger. The Authority did not report this to the Authority's fee accountant so this information could be recorded properly. This was an oversight on behalf of the Authority's management. In the future, should be experience a similar situation, the Authority will make the fee accountant aware of such occurrence.

For finding number 2019-004: Procurement Capital Funds – CFDS 14.872 Noncompliance – Procurement, Questions Costs - $21,681.28 Section III Federal Award Findings and Questioned Costs:

The auditee's management agrees with the finding. The Authority did receive three bids for kitchen remodel work and the bid was awarded to the highest bidder. The Authority did not document the rationale for the contract award. Immediately going forward the Authority will provide supporting documentation to support sound rationale for bid awards.

For finding number 2019-005: Capital Funds Cash Management – Capital Funds – CFDS 14.872 Noncompliance – Cash Management. Section III Federal Award Findings and Questioned Costs:

The auditee's management agrees with the finding. In prior years' audits, the Authority placed most, if not all funding into Operations (1406). There was a transition period wherein the Authority was to place more funding into the category 1480 (General Capital Fund). Clearly the Authority did not react/respond to this rule; the Authority continued to treat the 1480 account like we did in prior years for Operations (1406). This is when EPIC became a management tool. The Authority will respond immediately to follow the Capital Fund Guidebook rules regarding the drawdown/spending requirements.