

**Sheridan Housing Authority**

**Financial Statements**  
with Independent Auditor's Report

**December 31, 2021**



# Sheridan Housing Authority

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December 31, 2021

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COMPANY**  
Strategic PC  
Business Advisors

## Independent Auditor's Report

Board of Commissioners  
Sheridan Housing Authority  
Sheridan, Colorado

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Sheridan Housing Authority (the Authority), a component unit of the City of Sheridan, Colorado, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority as of December 31, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

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***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial data schedules are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



**Report on Summarized Comparative Information**

We have previously audited the Authority's financial statements as of and for the year ended December 31, 2020, and we expressed unmodified audit opinions on the business-type activities and each major fund in our report dated May 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Hick & Company, PC*

Englewood, Colorado  
May 17, 2022



# **Sheridan Housing Authority**

## **Management's Discussion and Analysis**

### **December 31, 2021**

As management of Sheridan Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements and notes to the financial statements.

#### **Financial Highlights**

- The Net Position is \$175,248 at year-end, and the Authority had excess expenses over revenues at December 2021 of (\$53,650).
- The total HUD subsidy received in 2021 for landlord Housing Assistance Payments (HAP) was \$2,125,529, which was less than total expenses of (\$2,131,476), resulting in less HAP revenues than HAP expenses of (\$5,947).
- With a current ratio of 1.5 for the HCV Program the Authority demonstrates liquidity. In other words, the HCV Program can meet its current obligations 1.5 times.
- The Number of Months Expendable Funds Balance Ratio for the HCV Program, which shows adequacy of funds or the ability to pay monthly expenses, is 1.4 months.

#### **Using the Basic Financial Statements**

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

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

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

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

#### **Using the Basic Financial Statements (continued)**

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

**Sheridan Housing Authority**  
Management's Discussion and Analysis  
December 31, 2021

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements and can be found on pages 8 through 12 of the report.

**Authority Financial Analysis**

**STATEMENT OF NET POSITION  
ENTERPRISE FUNDS**

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current Assets	\$ 208,293	\$ 384,168	\$ (175,875)	-46%
Total Assets	<u>208,293</u>	<u>384,168</u>	<u>(175,875)</u>	<u>-46%</u>
<b>LIABILITIES</b>				
Current Liabilities	33,045	155,270	(122,225)	-79%
Total Liabilities	<u>33,045</u>	<u>155,270</u>	<u>(122,225)</u>	<u>-79%</u>
<b>NET POSITION</b>				
Restricted for Housing Assistance Payments	-	5,077	(5,077)	-100%
Unrestricted	<u>175,248</u>	<u>223,821</u>	<u>(48,573)</u>	<u>-21.7%</u>
Total Net Position	<u>175,248</u>	<u>228,898</u>	<u>(53,650)</u>	<u>-23.4%</u>
Total Liabilities and Net Position	<u>\$ 208,293</u>	<u>\$ 384,168</u>	<u>\$ (175,875)</u>	<u>-45.8%</u>

- Total Assets decreased by \$175,875, primarily due to cash received from HUD being less than the HAP payments to Landlords by \$45,252, Current liabilities were paid off in the amount of \$122,225 and a donation was made from the General Fund in the amount of \$50,000. Accounts receivable increased by \$43,271 to help offset some of the decreases.

**Authority Financial Analysis (continued)**

- Current Liabilities had a net decrease as the voucher program reduced amount owed for Management Fees and increased Escrow Deposits for the FSS program.
- Total Net Position at year-end was \$175,248, a decrease this year of (\$53,650).

**Sheridan Housing Authority**  
Management's Discussion and Analysis  
December 31, 2021

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
OPERATING REVENUES	\$ 2,272,498	\$ 2,310,673	\$ (38,175)	-1.65%
OPERATING EXPENSES	<u>2,326,228</u>	<u>2,276,510</u>	<u>49,718</u>	<u>2.18%</u>
NET OPERATING INCOME (LOSS)	<u>(53,730)</u>	<u>34,163</u>	<u>(87,893)</u>	<u>-257%</u>
NONOPERATING REVENUES	<u>80</u>	<u>1,258</u>	<u>(1,178)</u>	<u>-94%</u>
CHANGE IN NET POSITION	(53,650)	35,421	(89,071)	-251%
NET POSITION, BEGINNING	<u>228,898</u>	<u>193,477</u>	<u>35,421</u>	<u>18.3%</u>
NET POSITION, ENDING	\$ <u><u>175,248</u></u>	\$ <u><u>228,898</u></u>	\$ <u><u>(53,650)</u></u>	<u><u>-23.4%</u></u>

- Operating Revenues decreased \$38,175 due to a decrease of 11-unit months leased in 2021 compared to 2020. There were decreases in HAP funding by \$17,681, in COVID-19 funding by \$15,315 and in Fraud Recovery revenue by \$6,354.
- HAP costs increased in 2021 to \$2,131,476, \$17,695 more than 2020's costs of \$2,113,781, due to an increase in average per unit HAP costs per voucher leased in 2021 compared to 2020.
- There was a negative change in Net Position at December 2021 yearend of (\$53,650) compared to \$35,421 in 2020. The year ended with a Net Position of \$175,248.
- HCV Administrative fees earned in 2021 increased by \$1,175 compared to 2020. Total Administrative fees received in 2021 were \$146,969, which includes CARES funding for Administrative costs of \$18,440.

**Capital Assets**

As of December 31, 2021, the Authority did not have money invested in Capital Assets.

**Debt Administration**

As of December 31, 2021, the Authority had no Long-Term Debt.

**Sheridan Housing Authority**  
Management's Discussion and Analysis  
December 31, 2021

**Funds**

1. General Fund: The Unrestricted Net Position (UNP) in this fund are a result of historic transactions such as rental property that was sold, rehabilitation projects that are now complete, and other investments of the Authority. The change in Net Position was (\$49,920) from \$208,032 at the end of 2020, for an ending Net Position of \$158,112 at the end of 2021. A contribution was also made to the City of Sheridan Help for Homes Rehabilitation Program in the amount of \$50,000.
2. Housing Choice Vouchers: This is the major program of the Authority and has been the focus of this report. The Authority was able to utilize 92.4% of the 2,124-unit months available for its program of 177 Vouchers or 1,962-unit months, an average of 164 vouchers issued to low-income clients in the City of Sheridan. In 2021, the change in Net Position compared to 2020 decreased by (\$3,730) for an ending Net Position of \$17,136 for 2021 compared to \$20,866 for 2020.

**The Future of the Authority**

Federal programs continue to be funded below historical levels. Earned Administrative Fees are estimated to be prorated at 85.8%. Maximizing Voucher utilization while controlling program costs will be a focus in 2022. The Housing Choice Voucher Program will strive to maintain its high-quality program and work to utilize Housing Assistance Payment (HAP) and Administrative Fee (AF) funding to the highest permissible levels.

The outbreak of the COVID-19 virus may have an effect on the operations of the Housing Authority. If another outbreak occurs, Section 8 Voucher Program orientations will be more difficult when issuing vouchers, moving and leasing up may take longer. We anticipate HUD will provide additional funding to support the prevention, preparation, and response to the COVID-19 pandemic.

**Requests for Information**

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

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

## **Basic Financial Statements**

**Sheridan Housing Authority**  
Statement of Net Position  
Enterprise Funds  
December 31, 2021

	General	Housing Choice Vouchers	Totals	
			2021	2020
<b>Assets</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 158,112	\$ 3,843	\$ 161,955	\$ 381,101
Accounts Receivable	-	46,338	46,338	3,067
	-	46,338	46,338	3,067
Total Assets	\$ 158,112	\$ 50,181	\$ 208,293	\$ 384,168
<b>Liabilities</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ -	\$ 20,664	\$ 20,664	\$ 130,696
Escrow Deposits	-	12,381	12,381	6,134
Unearned Revenues	-	-	-	18,440
	-	-	-	18,440
Total Current Liabilities	-	33,045	33,045	155,270
Total Liabilities	-	33,045	33,045	155,270
<b>Net Position</b>				
Restricted	-	-	-	5,077
Unrestricted	158,112	17,136	175,248	223,821
	158,112	17,136	175,248	223,821
Total Net Position	158,112	17,136	175,248	228,898
Total Liabilities and Net Position	\$ 158,112	\$ 50,181	\$ 208,293	\$ 384,168

**Sheridan Housing Authority**  
Statement of Revenues, Expenses and Changes in Net Position  
Enterprise Funds  
For the Year Ended December 31, 2021

	General	Housing Choice Vouchers	Totals	
			2021	2020
<b>Operating Revenues</b>				
Grants	\$ -	\$ 2,272,498	\$ 2,272,498	\$ 2,304,319
Other Income	-	-	-	6,354
Total Operating Revenues	-	2,272,498	2,272,498	2,310,673
<b>Operating Expenses</b>				
Housing Assistance Payments	-	2,131,476	2,131,476	2,113,781
General and Administrative	50,000	144,752	194,752	162,729
Bad Debts	-	-	-	-
Total Operating Expenses	50,000	2,276,228	2,326,228	2,276,510
<b>Net Operating Income (Loss)</b>	(50,000)	(3,730)	(53,730)	34,163
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	80	-	80	1,258
Total Nonoperating Revenues (Expenses)	80	-	80	1,258
<b>Change in Net Position</b>	(49,920)	(3,730)	(53,650)	35,421
<b>Net Position, Beginning of year</b>	208,032	20,866	228,898	193,477
<b>Net Position, End of year</b>	\$ 158,112	\$ 17,136	\$ 175,248	\$ 228,898

**Sheridan Housing Authority**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended December 31, 2021**

	General	Housing Choice Vouchers	Totals	
			2021	2020
<b>Cash Flows from Operating Activities</b>				
Cash Received from Grants	\$ -	\$ 2,229,227	\$ 2,229,227	\$ 2,332,191
Cash Received from Tenants and Others	-	(18,440)	(18,440)	24,794
Housing Assistance Payments	-	(2,125,229)	(2,125,229)	(2,137,834)
Cash Payments to Vendors and Others	(50,000)	(254,784)	(304,784)	(79,445)
Net Cash Provided by (Used in) Operating Activities	(50,000)	(169,226)	(219,226)	139,706
<b>Cash Flows from Investing Activities</b>				
Interest Received	80	-	80	1,258
Net Cash Provided by Investing Activities	80	-	80	1,258
<b>Net Change in Cash and Cash Equivalents</b>	(49,920)	(169,226)	(219,146)	140,964
<b>Cash and Cash Equivalents, <i>Beginning of year</i></b>	208,032	173,069	381,101	240,137
<b>Cash and Cash Equivalents, <i>End of year</i></b>	\$ 158,112	\$ 3,843	\$ 161,955	\$ 381,101
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Net Operating Income (Loss)	\$ (50,000)	\$ (3,730)	\$ (53,730)	\$ 34,163
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Changes in Assets and Liabilities				
Accounts Receivable	-	(43,271)	(43,271)	27,872
Accounts Payable	-	(110,032)	(110,032)	83,284
Unearned Revenues	-	(18,440)	(18,440)	18,440
Escrow Deposits	-	6,247	6,247	(24,053)
Total Adjustments	-	(165,496)	(165,496)	105,543
Net Cash Provided by (Used in) Operating Activities	\$ (50,000)	\$ (169,226)	\$ (219,226)	\$ 139,706

# Sheridan Housing Authority

## Notes to Financial Statements

December 31, 2021

### Note 1: Summary of Significant Accounting Policies

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

#### **Reporting Entity**

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

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

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

# Sheridan Housing Authority

Notes to Financial Statements

December 31, 2021

## Note 1: Summary of Significant Accounting Policies (Continued)

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

(Continued)

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

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

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

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

### **Assets, Liabilities and Net Position**

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

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

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

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

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

### **Management Agreement**

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

**Sheridan Housing Authority**  
Notes to Financial Statements  
December 31, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Risk Management**

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

**Subsequent Events**

We have evaluated subsequent events through May 17, 2022, the date the financial statements were available to be issued.

**Comparative Information**

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**Note 2: Stewardship, Compliance and Accountability**

**Budgetary Information**

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

**Note 3: Cash and Investments**

**Deposits**

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

# Sheridan Housing Authority

## Notes to Financial Statements

December 31, 2021

### Note 3: Cash and Investments (Continued)

#### Investments

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

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

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

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

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

*Local Government Investment Pool* - At December 31, 2021, the Authority had \$123,557 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds.

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

# Sheridan Housing Authority

## Notes to Financial Statements

December 31, 2021

### **Note 3: Cash and Investments (Continued)**

#### **Investments** (Continued)

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

### **Note 4: Commitments and Contingencies**

#### **Claims and Judgements**

The Authority participates in federal programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor. At December 31, 2021, significant amounts of grant expenses have not been audited, but management believes that subsequent audits will not have a material effect on the overall financial position of the Authority.

#### **TABOR Amendment**

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

#### **Current Economic Conditions**

During the year ended December 31, 2021, the United States of America and State of Colorado declared an emergency associated with the COVID-19 pandemic. This public health emergency creates uncertain economic conditions. The Authority has adapted and made changes to operations due to the potential impacts on health and safety, however the full economic effect on the Authority is uncertain. Should these conditions continue, the Authority could continue to be negatively impacted.

## **Federal Financial Assistance**



**HINKLE &  
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**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Board of Commissioners  
Sheridan Housing Authority  
Sheridan, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Sheridan Housing Authority (the Authority), a component unit of the City of Sheridan, Colorado, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority, and have issued our report thereon dated May 17, 2022.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Hick & Company, PC

Englewood, Colorado  
May 17, 2022





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

Board of Commissioners  
Sheridan Housing Authority  
Sheridan, Colorado

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Sheridan Housing Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2021. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

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***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



### ***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 which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 a 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the business-type activities and each major fund of the Authority, a component unit of the City of Sheridan, Colorado, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority. We issued our report thereon dated May 17, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Hick & Company, PC*

Englewood, Colorado  
May 17, 2022



**Sheridan Housing Authority**  
 Schedule of Findings and Questioned Costs  
 December 31, 2021

**Section I: Summary of Auditor's Results**

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for major federal programs: Unmodified.

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

Identification of major federal program:

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

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II: Financial Statement Findings**

No current year findings or questioned costs were reported.

**Sheridan Housing Authority**  
Schedule of Findings and Questioned Costs  
December 31, 2021

**Section III: Federal Award Findings and Questioned Costs**

**Finding 2021-001: Eligibility for Individuals**

*Federal Program:* Assistance Listing #14.871 - Section 8 Housing Choice Vouchers.

*Criteria:* In accordance with 24 CFR sections 5.212 and 5.230, the public housing agency (PHA) must obtain (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a federally prescribed general release form for employment information; and (c) a privacy notice for each member of the family of an assistance applicant or participant who is at least 18 years of age. Under some circumstances, other members of the family are required to sign these forms.

*Condition:* The Authority was unable to provide the consent release forms for one participant household out of twenty households tested.

*Questioned Costs:* None.

*Cause and Effect:* Due to a difference in timing between the participant household's annual reexamination and the completion of the document file, the related consents were misplaced. This could cause the Authority to be out of compliance with the Privacy Act and other provisions of Federal, State and local laws.

*Recommendation:* We recommend the Authority add participant household consent forms to the participant's paper or electronic file at the start of the reexamination process.

*Management's Response:* The Authority has required the following in response to this finding:

- All the documents logged in at the front desk for an annual recertification will be scanned into the Authority's server prior to giving the paperwork to the proper person.
- The date the paperwork is scanned into the Authority's server will be documented on an internal tracking spreadsheet.

**Sheridan Housing Authority**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Disbursements
<b>U.S. Department of Housing and Urban Development</b>		
Housing Voucher Cluster		
<i>Direct Program</i>		
Section 8 Housing Choice Vouchers	14.871	\$ 2,254,058
CARES Section 8	14.HCC	<u>18,440</u>
<b>Total Federal Financial Assistance</b>		<b>\$ <u>2,272,498</u></b>

**Sheridan Housing Authority**  
Schedule of Expenditures of Federal Awards  
December 31, 2021

**Note 1: Basis of Presentation**

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



**HINKLE &  
COMPANY**  
Strategic <sup>PC</sup>  
Business Advisors

## Independent Auditor's Report on Financial Data Schedules

Board of Commissioners  
Sheridan Housing Authority  
Sheridan, Colorado

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Sheridan Housing Authority (the Authority) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority. We issued our report thereon dated May 17, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements.

The accompanying financial data schedules are supplementary information required by the U. S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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