

Housing Authority of the County of Conejos



Annual Financial Audit Report Fiscal Year Ended March 31, 2016 Conejos County, Colorado



November 16, 2016

To the Colorado Office of the State Auditor, Members of the Governing Commission, the Denver Regional Office of the U.S. Department of Housing and Urban Development, the Real Estate Assessment Center, and the Citizens of Conejos County:

The Colorado Local Government Audit Law requires that housing authorities file a complete set of yearly audited financial statements, unless an exemption is approved. This report is transmitted to fulfill that requirement for the fiscal year ended March 31, 2016.

Management assumes full responsibility for the reliability of the information contained in this audit report, based on the internal controls established for this purpose. The cost of internal controls should not exceed benefits, and this report is intended to provide reasonable assurance that the financial statements are free of any material inaccuracies.

Wall, Smith, Bateman Inc., Certified Public Accountants, have issued an unqualified (“clean”) opinion on the Conejos County Housing Authority’s financial statements for the year ended March 31, 2016. The independent auditor’s report is located in the financial section of this report.

Management’s discussion and analysis (MD&A) compliments this letter of transmittal, and should be read in conjuncture with it.

Profile of the Government

The Housing Authority of the County of Conejos (CCHA) is a political subdivision of the State of Colorado that was formed in 1976 under Colorado Revised Statutes 29-4-503. The Authority is tasked with addressing housing deficiencies in Conejos County, Colorado. In FY 2016, the Authority’s primary program was its Low Rent Public Housing Program, which consisted of 44 dwelling units located in five separate neighborhoods in the towns of Manassa, La Jara, and Sanford, Colorado.

Funding for the agency primarily comes from public housing dwelling rental income, federal operating subsidies, and federal capital grant subsidies. Federal subsidies are determined by both formulas meant to show agency need, and through the congressional budgeting process. Nationwide, public housing only receives a fraction of the total formula need. The fiscal year 2016 ran from April 1, 2015 through March 31, 2016.

Local Economy

Conejos County is located in south-central Colorado. The per capita income in Conejos County is almost half that of the statewide number (\$17,316 in Conejos County compared to \$31,109 for the state). Only 55.2% of county residents are in the labor force (compared to 69% statewide). 36.2% of county residents collect Social Security (compared to 23% statewide). 20.9% of households receive food

stamps/SNAP benefits (compared to 8% statewide). The mean household earnings are \$29,885 lower than the household earnings statewide.

11% of residents collect Supplemental Security Income (for residents who are 65 years or older, blind, or disabled). This is more than three times higher than the statewide number, which is 3.3%; however, the mean amount that is collected is greater than \$1,000 lower per household than the statewide amount. The percentage of people receiving cash public assistance (6.6%) is three times higher than the statewide percentage (2.2%); however, the mean amount received is over \$1,000 lower per household than the statewide amount.

With the CCHA's focus on housing, it is important to note that 40.7% of housing units in Conejos County were built before 1950, 44.7% of owner-occupied units are valued below \$99,000 (compared to 10.6% statewide), there are only 710 renter-occupied units, and 31.5% of households in Conejos County heat with wood (compared with 2% statewide). Conejos County is in the highest quintile for mortgage delinquency levels of all U.S. counties.

The CCHA currently has over 80 families on its waiting list for subsidized housing.

Downward Trend in Federal Funding

The condition with by far the most significant effect of financial position is the long-term trend of decreasing income from traditional sources. In order to properly understand this trend, a multi-year analysis is necessary.

Sixty one percent (61%) of the CCHA's total income in FY 2016 came from two federal sources: a HUD operating subsidy, and HUD capital fund grants. Thirty four percent (34%) of income came from dwelling rental from the agency's 44 public housing units.

In recent years, the U.S. Congress has not provided sufficient funding for the operating fund nationwide, and as a result the CCHA has been funded at a rate lower than is needed to operate. In FY 2016, the agency was funded at approximately 83% of its operating needs as determined by HUD's funding formula.

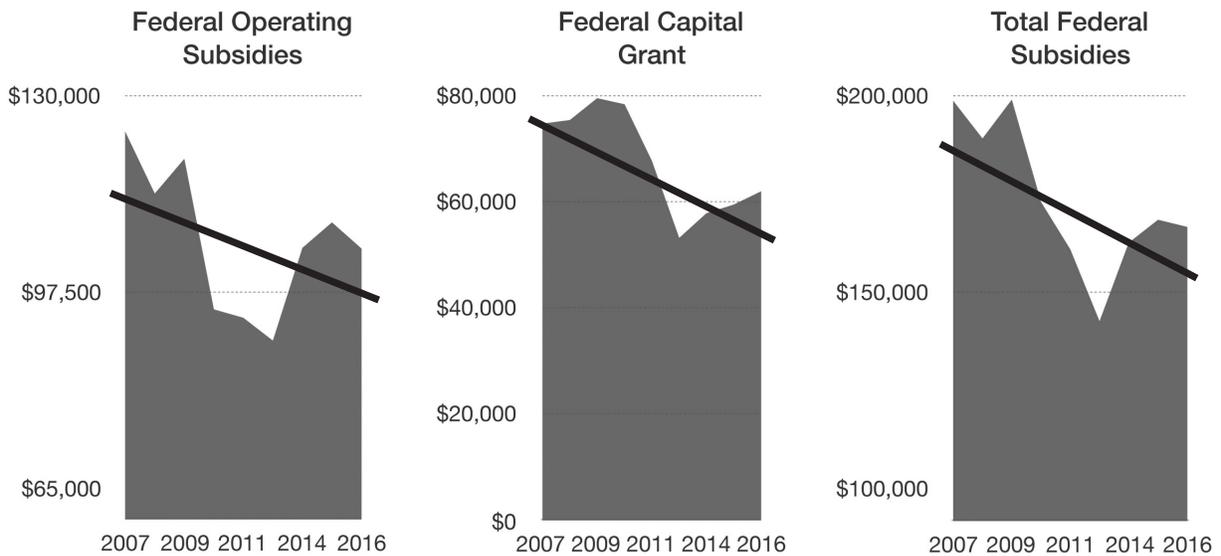
As a very small housing authority, the CCHA is legislatively allowed to move up to 100% of its capital grant money to be used for operating purposes. However, the CCHA's buildings are 40 years old, and require constant improvements to remain viable. In 2016, the CCHA ordered a Physical Condition Assessment, which showed a need for about \$1.5 million in capital repairs within the next twenty years; however, if capital funding remains stable, only about half of the capital needs will be met if the agency's operating costs are consistently funded at 100%. In reality, federal funding for public housing has been following a decreasing trend (see the chart on the following page), and is likely to follow a decreasing trend into the future.

The following chart traces federal subsidies and grants for public housing to the CCHA over the course of the last decade. Both the federal operating subsidy and the capital grant have followed an overall downward trend in actual dollars. While this downward trend would appear much more significant if corrected for inflation, this chart does not consider inflation and shows actual dollar amounts. (Calendar

year 2012 is omitted due to no operating subsidies shown for the CCHA that year on HUD's eLOCCs system. Also, dollar amounts do not match to audit financial reports, as subsidy awards follow a calendar year instead of the CCHA's FY, and capital grant dollars have two years to be drawn down.) This analysis shows a 16% reduction in actual dollar subsidies over the course of ten years.

Public Housing Federal Subsidies

CALENDAR YEAR	2007	2008	2009	2010	2011	2013	2014	2015	2016
Federal Operating Subsidy	\$123,952	\$113,726	\$119,475	\$94,616	\$93,218	\$89,443	\$104,764	\$108,974	\$104,656
Federal Capital Grant	\$74,570	\$75,243	\$79,351	\$78,206	\$67,578	\$53,077	\$57,730	\$59,355	\$61,847
TOTAL FEDERAL SUBSIDIES	\$198,522	\$188,969	\$198,826	\$172,822	\$160,796	\$142,520	\$162,494	\$168,329	\$166,503



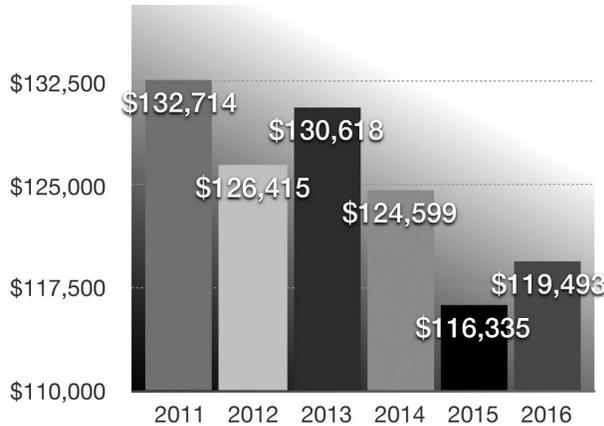
Downward Trend in Rental Income

Per federal legislation, rent amounts are set at 30% of each household's adjusted income with few exceptions. Per each household's Lease Agreement, residents must report to the CCHA changes to their income within 10 days.

The chart on the right documents a trend of reduction in the amount of rental income over the course of the last six years by dollars.



When it is discovered that a tenant had not reported past income or a change in family composition, or when rent or other monies owed are not paid on time, tenants become responsible for past-due rent owed. Such past-due rent owed is the agency's Tenant Accounts Receivables (TARs). The CCHA's TARs may be reduced through entering into a repayment agreement with a tenant owing past-due rent in lieu of eviction; amounts may also be written off as uncollectible after a tenant has moved out. Unfortunately, despite setting up stronger internal controls and policies, the CCHA's current TARs increased in FY 2016 when excluding write-offs, and in response management is currently developing a draft of a much stricter Rent Collection Policy (which when authorized may result in increased costly evictions). However, even when considering total TARs, the analysis of a recent decrease in rental income remains, as shown on the following chart.



Rental Income Adjusted for TARs

FISCAL YEAR	INCOME	ALL TARs	TOTAL WITH TARs
2011	\$120,014	\$12,700	\$132,714
2012	\$113,715	\$12,700	\$126,415
2013	\$116,316	\$14,302	\$130,618
2014	\$106,497	\$18,102	\$124,599
2015	\$103,521	\$12,814	\$116,335
2016	\$108,250	\$11,243	\$119,493

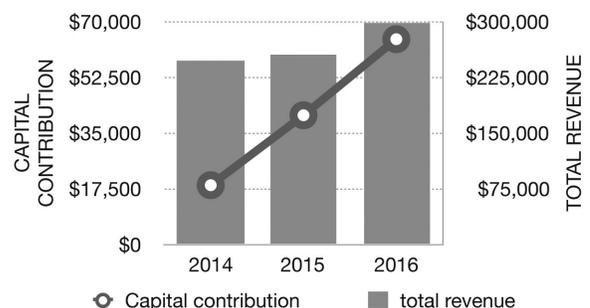
Capital Contributions

Under the current federal funding structure, as a very small housing authority, the CCHA is allowed to utilize up to 100% of its capital grant toward operating expenses. Furthermore, capital grants do not need to be utilized within the year they are issued. This leads to a situation where total income can be manipulated from year to year based on the amount of available funds from capital grants that have been drawn into the CCHA account.

As an example of such administration, in FY 2012, no dollars (\$0) from available capital grants were drawn down by management. The following fiscal year, \$117,488 were drawn from capital grants. The 2-axis chart on the right shows how such manipulations to capital contributions might impact overall receipts for the agency. There are many variables that contribute to agency income, and this positive association has not always held up across time; while not a hard rule, this positive association is one for agency governance and other interested parties to be aware of when understanding past and future income fluctuations under the current federal funding model.

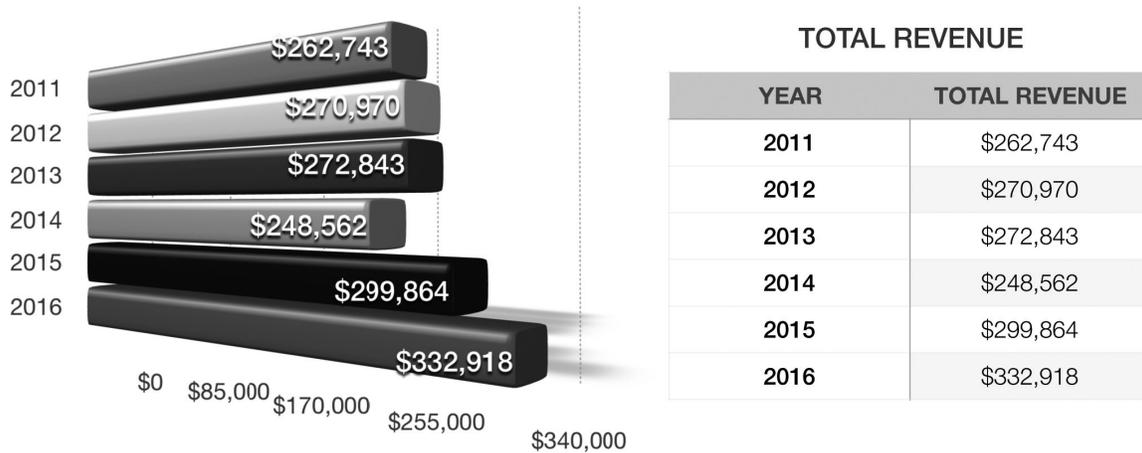
Capital Contributions' Impact on Total Revenue

YEAR	CAPITAL CONTRIBUTION	TOTAL REVENUE
2014	\$18,621	\$248,562
2015	\$40,577	\$254,782
2016	\$64,453	\$299,007



Impact of Decreasing Major Income Sources

Despite the previously-mentioned trends of reductions in major funding sources, the CCHA showed the highest overall income seen by the agency in recent years. This is demonstrated visually in the following chart.

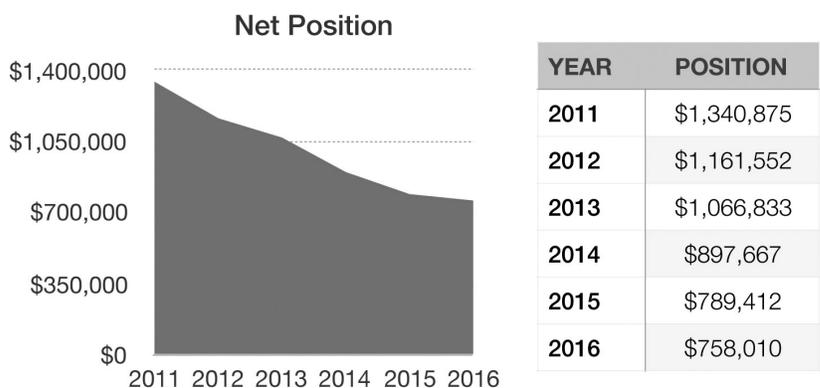


The current Executive Director began working for the agency at the beginning of calendar year 2015, three months before the start of the fiscal year being analyzed. He believes that decisions such as promoting Jolene Ruybal from Administrative Assistant to a higher-responsibility role of Housing Administrator, and a teamwork-based approach with staff that is utilized when developing internal processes and procedures, have been very successful. Minor income sources have increased as recorded, including a near doubling of the agency’s only cash business, its coin-operated laundry machines. The team continues to identify areas of improvement, and work together to develop solutions.

The management team has worked to develop stronger internal controls, and practices a continuous improvement strategy. In the process, management has made an effort to inform and involve the agency’s governing body, an appointed Commission, with all pertinent and necessary information to conduct its business in an informed way. As a result of these efforts, during calendar year 2015 (of which were nine months were included in FY 2016), the CCHA Commissioners successfully passed 25 major board resolutions - many more than were passed the previous five years combined, by that measurement making the Board of Commissioners the most active and successful in the known history of the agency.

Analysis of Net Position

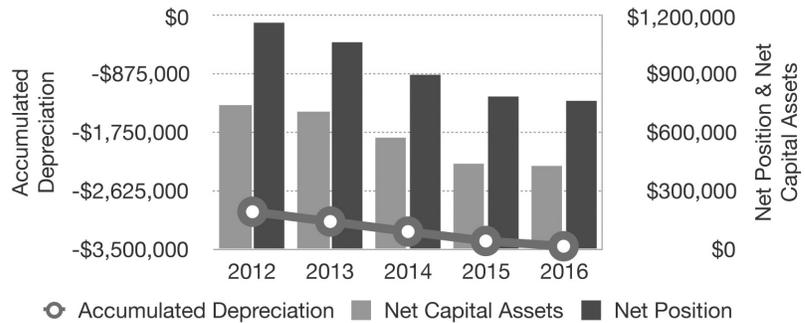
As shown in the chart on the right, the CCHA’s net position has been steadily decreasing, due in part to the accounting depreciation of its physical assets. The total net position of the agency decreased from the previous year by \$31,402, from \$789,412 in 2015 to \$745,051 as of March 31, 2016, a 6% reduction. This change represents



stability compared with previous years' reductions. On March 31, 2011, the agency reported net assets of \$1,340,875; on March 31, 2012, the agency reported a net position of \$1,161,552; on that date 2013 a position of \$1,066,833; and on March 31, 2014 a position of \$897,667. This signifies an overall net position reduction of 44% over a five year period, compared to FY 2016's 6% reduction.

Although there have been many complex contributing factors, management believes that the most major influence upon the reduction in net position is the normal depreciation of major assets. As the chart on the right illustrates, changes in net position are directly associated with the value of the CCHA's assets, which with the agency's aging major assets is associated strongly to normal accounting depreciation. The continuous addition of new or improved major capital assets may be the best way to reverse this decrease in net position over time.

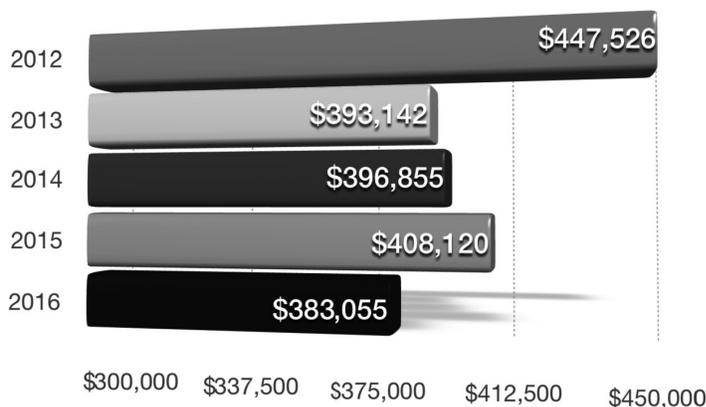
Relationships Between Depreciation, Assets, & Net Position



	ACCUMULATED DEPRECIATION	NET CAPITAL ASSETS	NET POSITION
2012	-\$2,939,748	\$739,054	\$1,161,552
2013	-\$3,087,034	\$709,256	\$1,066,833
2014	-\$3,237,814	\$576,476	\$897,667
2015	-\$3,379,119	\$442,273	\$789,412
2016	-\$3,457,674	\$426,668	\$758,010

Expenses

Total expenses decreased by \$25,065 from the previous year, \$408,120 in FY 2015 to \$383,055 in FY 2016, a reduction of 6%. This is the lowest expenses that had occurred in recent years, as illustrated by the following chart.



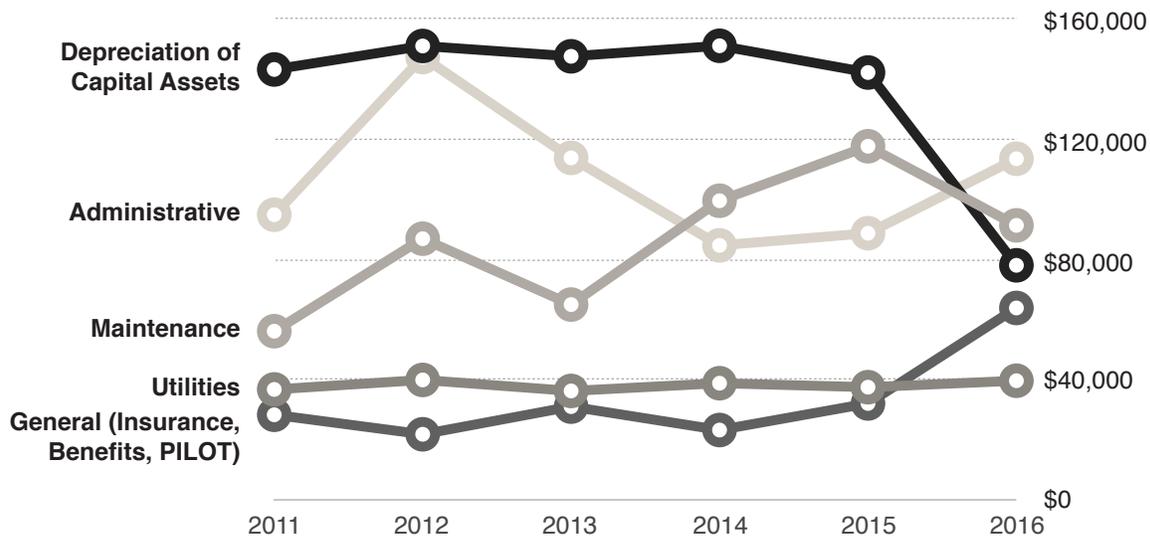
TOTAL EXPENSES

YEAR	TOTAL REVENUE
2012	\$447,526
2013	\$393,142
2014	\$396,855
2015	\$408,120
2016	\$383,055

The chart on the next page shows a breakdown of expenses as they have occurred across time. While all things have not been equal across time (for example, in FY 2012 there were \$22,699 in legal fees, whereas in FY 2016 the majority of legal issues were handled by the Executive Director and staff), this chart serves as a useful groundwork for discussion.

CCHA Expenses

DESCRIPTION	2011	2012	2013	2014	2015	2016
Utilities	\$36,773	\$39,924	\$36,268	\$38,833	\$37,516	\$39,659
Routine Maintenance	\$56,088	\$86,778	\$64,925	\$99,375	\$117,450	\$91,201
General (Insurance, Benefits, PILOT)	\$28,364	\$21,890	\$31,074	\$23,304	\$32,122	\$63,801
Total Depreciation of Assets	\$142,921	\$150,714	\$147,286	\$150,780	\$141,909	\$77,951
Administrative	\$94,732	\$147,047	\$113,589	\$84,563	\$88,588	\$113,296



Administrative

Some areas in increased administrative costs include a more than doubling of the year's audit fee from the previous year. Management and governance has chosen to utilize a local auditor, in the hopes of obtaining a more thorough audit and with a goal of keeping money within the San Luis Valley. Every few years, the CCHA will engage in a competitive bid process for future audits.

A system was put in place for tracking and recording sick and vacation time off just prior to the start of FY 2016. Previous administrations had not established any formal tracking system; therefore, this was the first time that vacation and sick time had been accurately recorded. Management believes this accounts for the slight increase in compensated absence expense, as the allotted quantity of sick and vacation time has remained the same for over a decade. (An improved tracking system was put in place in the current FY, which allows employees to see their available sick and vacation time on their pay stubs.)

Management and the CCHA Commission governance believes that providing regular pay raises to performing employees, as well as promotions when appropriate, is an important strategy to employee retention, thus gradual increases in administrative salary increases is expected into the future whenever allowed by the budget.

The increase in general expenses was due to several factors, including increases and improvements in health

insurance coverage. The CCHA also instated a simplified SEP-IRA retirement plan for all employees, which management believes is an important benefit to employees and helps in attracting and retaining quality workers.

Strategies for Addressing Trends of Decreasing Income Sources

With an overall trend of declining amounts of major sources of income, it has become necessary to re-think the overall model of the agency. Historically, CCHA's only major program was operating its 44 public housing units; however, if declining rents and declining federal subsidies are any indication, this may be a failing business model over the long-term. The CCHA management and governance has been working toward major changes to organizational operations. Some of these are highlighted below:

- Following extensive public forums, the CCHA governance took management's recommendation, and the agency went through a complicated application for HUD's Rental Assistance Demonstration Program (RAD). The CCHA is currently high up on a waiting list, awaiting slots to be opened by Congress or by unsuccessful conversions by previous applicants. Although there are many difficult steps that must occur prior to successful RAD conversion, management expects that the agency will be successful at converting all of its public housing units in the coming years. Once converted, the CCHA will enjoy a much more stable funding source, Project-Based Rental Assistance funding. The agency will also enjoy decreased administrative duties related to these housing units, as well as the ability to meet capital improvement needs using traditional methods such as debt borrowing and Low Income Housing Tax Credits.
- The CCHA successfully formed its first and only nonprofit affiliate in January of 2016. A fully-controlled 501(c)(3) charity organization named the Valley Housing Corporation (VHC), the organization is meant to advance the CCHA's mission. To date, there have been no financial activities under the VHC; however, management is currently working on an application for a major long-term housing program under the VHC, and the existence of the VHC will open up many new funding opportunities for the future. There were no VHC financial reports for the FY, but the VHC is a fully-controlled affiliate, and this audit report is usable as a reference for VHC grant award considerations.
- In January of 2016, the CCHA was awarded the first Housing Preservation grant to come to the San Luis Valley. A competitive grant administered by the U.S. Department of Agriculture (USDA), the CCHA began spending on the grant in FY 2017, and as a result has successfully made improvements to several homes in Conejos County owned by very low-income elderly people.

Acknowledgements

The activities of the CCHA would not be possible without the dedication of the CCHA Housing Commissioners, who are currently: Gloria Quintana (Chairperson), Victor Salazar (Vice Chairperson), Kiley Henderson, Jennifer Jaramillo, Don Martinez, and Sandy Gonzales.

Respectfully submitted,



Eric T. Stevens, Executive Director & Commission Treasurer

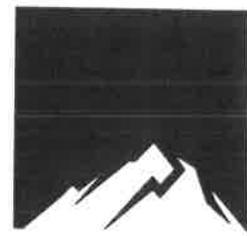
**CONEJOS COUNTY HOUSING AUTHORITY
LA JARA, COLORADO**

**FINANCIAL STATEMENTS
March 31, 2016 and 2015**

CONEJOS COUNTY HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Conejos County Housing Authority
La Jara, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Conejos County Housing Authority (the Authority) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Conejos County Housing Authority, as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I–VI 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

Certified Public Accountants

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conejos County Housing Authority's basic financial statements. The schedule of expenses on page 13 and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule on pages 14-16 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenses and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule are the responsibility of management and were derived from and relate 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 schedule of expenses and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of Conejos County Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conejos County Housing Authority's internal control over financial reporting and compliance.



Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 16, 2016



Conejos County Housing Authority Management's Discussion & Analysis For the Year Ended March 31, 2016

This Management Discussion and Analysis (MD&A) has been prepared by the Executive Director and Treasurer (Management) of the Conejos County Housing Authority (CCHA) for the fiscal year 2016 (FY 2016), which ended March 31, 2016.

This MD&A is a summary of the CCHA's financial activities based on currently known facts, decisions, and conditions; based on both the CCHA's financial statements, the results of the current year are compared with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the letter of transmission preceding this audit report, with the CCHA's financial statements, which immediately follow this section, and with the auditor's report.

Overview of Financial Statements

(A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide.)

The CCHA's basic financial statements are made up of three parts: this Management Discussion & Analysis, financial statements, and notes to the financial statements. An accrual basis of accounting is utilized for preparing the CCHA balance sheet, and information relating to all CCHA resources are included as of the reporting date.

By themselves, each statement provides a unique portion of the story regarding the CCHA's previous fiscal year; however, these financial statements are highly interrelated in a manner that all must be examined in order to paint a complete picture.

Financial statements include a ***Statement of Net Position***, which is the difference between (1) assets and deferred outflows of resources, and (2) liabilities and deferred inflows of resources. The net position is intended to demonstrate an overall financial picture of the agency, similar to a balance sheet in the business world, and across years may serve as a useful indicator to changes in the agency's financial standing.

While the net position may be helpful in indicating improvements or deteriorations in financial position, in order to assess the agency's overall health, additional non-financial factors such as the condition of rental units and other facilities, the quality and scope of services to the community, and the extent that the agency is helping to solve housing deficiencies in the county, need to be considered.

The Net Position considers net investment in capital assets. Certain capital assets such as buildings are

depreciated over the course of their “useful” life, and this accounting trick of depreciation has impact upon the net position; for example, the accumulated depreciation from assets capitalized in the past show as expenses in the current year.

The “Unrestricted Net Position” part of the Net Position is basically those funds available for future year budgetary appropriations. Although historically referred to as “unrestricted” by accounting organizations contracted by the CCHA, this does not match Management’s understanding of the term “unrestricted,” from a administrative viewpoint, as strict legislative restrictions do exist for the vast majority of such funds. Furthermore, the vast majority of such funds are not safe from potential federal sequestration.

Financial statements also include a *Statement of Revenues, Expenses, and Changes in Net Position*. This statement is similar to an Income Statement, presenting information about receipts and expenses. This statement looks at the close of the fiscal year being audited, along with the numbers from the close of the previous fiscal year for comparison.

A *Statement of Cash Flows* has been prepared by the auditor on behalf of management based upon information provided to them by management, and discloses net cash provided by, or used for, operating activities, non-capital financing activities, and capital and related financing activities, the net result representing the increase or decrease of the cash account balance at the end of the fiscal year.

The *Notes to the Financial Statements* section has also been prepared by the auditor on behalf of management based upon information supplied by management, and further explains the financial statements as well as the auditor’s understanding of how the financial statements relate to generally accepted auditing principles.

Condensed Financial Information

(Condensed financial information derived from government-wide financial statements comparing the current year to the prior year, if relevant.)

	FY 2016	FY 2015	Change
Total assets	\$776,189	\$823,214	-5.71%
Capital assets	\$426,887	\$470,926	-9.35%
Other assets	\$349,302	\$352,288	-0.85%
Total deferred outflows of resources	Not tracked	Not tracked	
Total liabilities	\$31,138	\$33,803	-7.88%
Long-term liabilities	\$1,265	None	
Other liabilities	\$29,873	\$33,803	-11.63%
Total deferred inflows of resources	Not tracked	Not tracked	
Total net position	\$745,051	\$789,411	-5.62%
Net investment in capital assets	\$426,887	\$470,926	-9.35%
Restricted net amounts	Not applicable*	Not applicable*	*See discussion
Unrestricted net amounts	\$318,164	\$318,485	-0.10%

	FY 2016	FY 2015	Change
Total revenue	\$317,959	\$299,864	6.03%
Total operating revenues	\$303,962	\$254,782	19.30%
Rent revenues	\$108,250	\$103,521	4.57%
HUD operating grants	\$181,295	\$144,552	25.42%
Other tenant revenue	\$8,580	\$2,806	205.77%
Other revenue	\$5,837	\$3,903	49.55%
Total nonoperating revenue	\$13,997	\$45,082	-68.95%
Capital contributions - HUD	\$13,176	\$37,944	-65.28%
Insurance reimbursements	\$0	\$6,270	-100.00%
Investment income - unrestricted	\$821	\$868	-5.41%
Total expenses	\$362,319	\$408,120	-11.22%
Administrative expenses	\$113,296	\$88,588	27.89%
Utilities	\$39,658	\$37,516	5.71%
Maintenance and operations	\$91,201	\$117,450	-22.35%
Insurance	\$14,273	\$13,069	9.21%
Other general expenses	\$25,940	\$9,588	170.55%
Depreciation	\$77,951	\$141,909	-45.07%
Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers?	\$745,051	\$789,411	-5.62%
Contributions?	\$0	\$0	
Special and extraordinary items?	\$0	\$0	
Transfers?	Not applicable	Not applicable	
Change in net position?	-5.62% from previous FY	-12.06% from previous FY	
Ending net position?	\$745,051	\$789,411	-5.62%

Overall Financial Position

(An analysis of the overall financial position and results of operations, addressing both governmental and business-type activities, to assess whether financial position has improved or deteriorated during the year, including reasons for significant changes from the prior year and important economic factors, such as changes in the tax or employment bases, that significantly affected operating results.)

The total net position was \$745,051 as of March 31, 2016, a reduction of \$44,360 from the previous FY's total net position of \$789,411 (a 6% reduction). This net position change represents relative stability compared to recent years' previous years' reductions in net position; please see the letter of transmittal preceding these financial statements for more specific management discussion and analysis.

Analysis of Budget Variations

(An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund, including reasons for those variations that are expected to have a significant effect on future services or liquidity.)

On March 19, 2015, the CCHA Board of Commissioners adopted its FY 2016 budget. A budget revision was adopted on October 22, 2015. The original budget predicted \$575,427 in total resources; \$321,607 in revenues; and \$346,283 in requirements, with a reserve balance of \$229,144. The revised budget predicted \$655,922 in resources; \$331,851 in revenues; and \$295,085 in requirements, with a reserve balance of \$354,085. The following discussion is based upon the revised budget.

Total actual receipts were 90% of the budgeted total amount. This difference was almost exclusively due to the CCHA not utilizing the budgeted \$38,892 in 2015 Capital Fund Operating Advances, thus preserving these funds for the following year(s). Rental income was 102% of the projected amount.

The actual expenses were 97% of the projected amount. The largest discrepancies between actual spending and budgeted amounts were maintenance expenses, which were 81% of budgeted amounts, and the relatively small category of “nonroutine expenses” (a category that captured the replacement of appliances, sewer line replacement, etc.) which at the end of the year was 200% higher than budgeted.

Scattered historic records show that this was probably the first year that an Executive Director of CCHA had drafted the annual budget (as opposed to being contracted to a third party). Previous years proved to be poor predictors of many budget line items, which greatly influenced the need for a mid-year revision.

Analysis of Capital Asset and Long-Term Debt Activity

(A description of significant capital asset and long-term debt activity, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.)

The Net Position considers net investment in capital assets. Certain capital assets such as buildings are depreciated over the course of their “useful life,” and accumulated depreciation reduces this part of the net position. Net investment in capital assets would also be reduced to account for any outstanding balances or any asset-related debt. The net investment in capital assets at the end of the FY 2016 was \$426,887.

According to a Physical Condition Assessment ordered in 2016, the CHA requires approximately \$1.5 million in capital repairs on its 40 year old buildings within the next twenty years; however, funding for these repairs is not expected under the current funding model.

Current Capital Projects. Notably, the CCHA is in process of a multi-year capital improvement project to build roof overhangs above the front doors of apartments that do not currently have protection (other than a gutter system) from snow and ice sliding down the roof.

Depreciation & Capital Assets. The most major impact to the reduction in expenses shown in CCHA's operating expenses came from the total depreciation of existing assets, which went from \$141,909 at the close of FY 2015 to \$77,951 at the close of FY 2016, a 45% reduction. When a major capital asset is purchased (such as a major improvement to a building), if it were to be expensed in the same way that minor purchases are expensed, the purchase would negatively affect the agency's net position, despite the addition of a useful asset; therefore, an accounting trick is utilized that allows a major purchase of an asset to slowly show as an expense over the course of its "useful life," thus negatively impacting the expense section of the books slowly over the course of several years. This accounting trick is called "depreciation." There were two very large building improvement projects that were from 1999 and 2000 that showed a combined depreciation expense in FY 2015 of \$55,317, but that were fully depreciated at the end of the FY. This explains the dramatic decrease in depreciation expense between FYs 2015 and 2016.

Significantly, in FY 1978's audit (the first year that the CCHA was fully functioning in its current form), \$1.46 million in land, structures, and equipment assets were shown, with a note that no depreciation was provided at that time, but rather such assets were recorded at cost. Depreciation was applied to structures at a later date, and it appears that the land value of \$28,653 recorded in the CCHA's books is significantly lower than the land's actual value. Real estate values in general has increased significantly since 1978, and management believes that its physical assets would be worth much more than what is recorded in its books if sold.

From an expense side, if depreciation is omitted from the expense calculation, and actual spending is analyzed (with the exception of new capitalized projects), then the CCHA saw a 2% increase in spending on non-capitalized assets from the previous FY. Such actual spending on expensed items has increased slightly over the past four years, as would be expected with inflation.

Force Account Labor & Capital Projects. FY 2016 saw the first CCHA use of what HUD terms "force account labor," in where actual employees are utilized to complete capital projects (as opposed to using third-party contractors), and the expense of their labor is 'forced' into a capital account. From a managerial point of view, when employees are efficient and knowledgeable at doing specific capital improvement work, this can save the agency money because it cuts out the profit-making interests of contracting companies. When maintenance labor is used for capital projects, the cost of that labor is capitalized over the course of the finished project's useful life instead of expensed all in that year. Because of continuous work orders that need completed, maintenance staff cannot focus solely on capital projects, which may extend the time it takes to complete projects. One example is that a snow overhang project started in FY 2016 will be completed over the course of several years (a few buildings each year). This influenced the CCHA's decision to reduce its capitalization threshold from \$5,000 down to \$250 mid-FY 2016.

Debt Borrowing. Currently, the CCHA cannot engage in debt borrowing for its public housing capital projects. The CCHA has 44 public housing units, but is allowed 45 units under the federal Faircloth limit; however, debt borrowing is likely not an option to purchase the additional allowed unit, due to Declaration of Trust restrictions that do not allow banks to take over properties in the case of default. A plan is in motion (RAD conversion) that will lift debt borrowing restrictions, which is discussed briefly in the preceding transmission letter.

Currently Known Facts, Decisions, & Conditions

(A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position).)

- There is a downward trend in federal funding that is expected to continue. See the letter of transmission for analysis of this condition.
- Recent years have shown a downward trend in rental income. This condition was not a result of tenant account receivables, but rather a result of decreased tenant income. See the letter of transmission for analysis.
- Total revenue was the highest that it had been in recent years, primarily due to management decisions surrounding the capital grants. See the letter of transmission for analysis.
- Expenses were the lowest that they have been in recent years, primarily due to depreciation schedules impacting depreciation expense. If the CCHA successfully converts through the Rental Assistance Demonstration program, to which it has applied, it is expected that new capital projects will ultimately reduce depreciation expense.

See the transmission letter for further discussions and analyses of facts, decisions, and conditions.

Financial Contact

The person to be contacted regarding this report is Eric T. Stevens, Executive Director of the Conejos County Housing Authority, at (719) 274-5417, or eric@conejoshousing.org. Specific requests may be submitted to Eric Stevens, Conejos County Housing Authority, PO Box 366, La Jara, CO 81140.

CONEJOS COUNTY HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS

CONEJOS COUNTY HOUSING AUTHORITY

STATEMENT OF NET POSITION

PROPRIETARY FUND

March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 320,516	\$ 318,377
Accounts Receivable:		
Tenants - Dwelling Rents	11,243	12,754
Allowance for Doubtful Accounts - Dwelling Rents	(5,900)	(534)
Other	1,169	-
Due From Other Government	3,602	-
Prepaid Assets	2,036	1,898
Inventory	6,306	8,951
Total Current Assets	<u>338,972</u>	<u>341,446</u>
Noncurrent Assets		
Cash Restricted- Tenant Deposits	10,330	10,842
Capital Assets Not Being Depreciated		
Land	28,653	28,653
Construction in Progress	13,396	-
Capital Assets, Net of Depreciation	384,838	442,273
Total Noncurrent Assets	<u>437,217</u>	<u>481,768</u>
TOTAL ASSETS	<u>776,189</u>	<u>823,214</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	3,371	5,879
Accrued Wages & Payroll Taxes Payable	6,898	8,167
Accrued Compensated Absences - Current	2,176	1,705
Tenant Security Deposits	10,330	10,842
Due to Other Governments - P.I.L.O.T	6,859	6,601
Unearned Revenue	239	609
Total Current Liabilities	<u>29,873</u>	<u>33,803</u>
Noncurrent Liabilities		
Compensated Absences - Noncurrent	1,265	-
TOTAL LIABILITIES	<u>31,138</u>	<u>33,803</u>
NET POSITION		
Net Investment in Capital Assets	426,887	470,926
Unrestricted	318,164	318,485
Total Net Position	<u>\$ 745,051</u>	<u>\$ 789,411</u>

The accompanying notes are an integral part of this financial statement.

CONEJOS COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Years Ended March 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Dwelling Rent Revenue	\$ 108,250	\$ 103,521
Other Tenant Revenue	8,580	2,806
HUD Contribution and Grant	181,295	144,552
Other Revenue	5,837	3,903
TOTAL REVENUES	303,962	254,782
 OPERATING EXPENSES		
Administrative	113,296	88,588
Utilities	39,658	37,516
Maintenance and Operations	91,201	117,450
Insurance	14,273	13,069
Other General Expenses	25,940	9,588
Depreciation	77,951	141,909
TOTAL EXPENSES	362,319	408,120
 OPERATING INCOME (LOSS)	(58,357)	(153,338)
 NONOPERATING REVENUE		
HUD Capital Grants	13,176	37,944
Insurance Reimbursements	-	6,270
Investment Income - Unrestricted	821	868
TOTAL NONOPERATING REVENUE	13,997	45,082
 CHANGE IN NET POSITION	(44,360)	(108,256)
 NET POSITION (DEFICIT), BEGINNING OF YEAR	789,411	897,667
 NET POSITION (DEFICIT), END OF YEAR	\$ 745,051	\$ 789,411

The accompanying notes are an integral part of this financial statement.

CONEJOS COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended March 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants	\$ 122,825	\$ 102,714
Receipts for Services	4,668	3,903
Receipts from HUD for Operations	177,693	154,052
Payments to Employees	(116,218)	(73,783)
Payments to Vendors	(167,426)	(190,886)
Net Cash Provided (Used) by Operating Activities	21,542	(4,000)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
HUD Capital Grants	13,176	37,944
Acquisition of Capital Assets	(33,912)	(36,359)
Insurance Reimbursements	-	6,270
Net Cash Provided (Used) by Capital and Related Financing Activities	(20,736)	7,855
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on Investments	821	868
Net Cash Provided (Used) by Investing Activities	821	868
Net Increase (Decrease) in Cash and Cash Equivalents	1,627	4,723
Cash and Cash Equivalents, Beginning of Year	329,219	324,496
Cash and Cash Equivalents, End of Year	\$ 330,846	\$ 329,219
Reconciliation of income (loss) to net cash provided (used) by operating activities:		
Change in net assets	(58,357)	(153,338)
Depreciation	77,951	141,909
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities		
Decrease (Increase) in Accounts Receivable	6,877	(4,115)
Decrease (Increase) in Accounts Receivable Other	(1,169)	-
Decrease (Increase) in Due from Other Governments	(3,602)	9,500
Decrease (Increase) in Prepaid Expenses	(138)	3,603
Decrease (Increase) in Inventory	2,645	(1,305)
(Increase) Decrease in Accounts Payable	(2,508)	2,985
(Increase) Decrease in Accrued Salaries & Benefits	(1,269)	3,007

The accompanying notes are an integral part of this financial statement.

CONEJOS COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended March 31, 2016 and 2015

	2016	2015
(Increase) Decrease in Accrued Compensated Absences	1,736	243
(Increase) Decrease in Tenant Security Deposits Held in Trust	(512)	234
(Increase) Decrease in Due to Other Governments	258	(6,991)
(Increase) Decrease in Deferred Revenue	(370)	268
Net cash provided (used) by operating activities	\$ 21,542	\$ (4,000)

The accompanying notes are an integral part of this financial statement.

CONEJOS COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Conejos County Housing Authority is a political subdivision both corporate and politic, which was established under the provision of Colorado Statutes, to provide adequate housing at rents which persons of low-income can afford, specifically in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into an annual contributions contract with U.S. Department of Housing and Urban Development (HUD) to be the Administrator of Low-Income Public Housing Program under Annual Contributions Contract DEN-660.

The summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Authority's accounting policies are described below.

REPORTING ENTITY

The financial reporting entity consists of 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Authority has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Authority has no component units.

NATURE OF OPERATIONS

The Authority provides 44 units of qualified individual and family housing. The development of the units was funded primarily by the U.S. Department of Housing and Urban Development through loans and bonds. The loans have been forgiven by HUD and the bond debt service and repayment requirements are the responsibility of HUD and therefore, no outstanding liabilities are recorded. The program is subsidized annually by operating subsidy from HUD and through capital grants for capital improvements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The accounts of the Authority are organized on the basis of proprietary fund types, specifically enterprise funds. The activities of these funds are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, revenues, and expenses. Enterprise funds account for activities that a) are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, b) are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or c) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net

CONEJOS COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016 and 2015

position. Net position (assets less liabilities) are segregated into net investment in capital assets, restricted for debt service, and unrestricted. 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.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. 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 investments that are available upon demand are considered to be "cash equivalents" when preparing these 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 "cash equivalents".

Receivables

All receivables are current and therefore, due within one year. Receivables are reported net of an allowance of uncollectible account and revenues net of uncollectible. Allowances are reported when accounts are estimated to be uncollectible. An allowance of \$5,900 at year end has been provided.

Prepaid Assets

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

Inventory

Inventories consist of supplies and are recorded at the lower of cost or market in a first-in/first-out (FIFO) basis. The consumption method is applied and expense is charged when inventory items are used for the units.

Capital Assets

All capital assets with a unit cost greater than \$250 are capitalized at cost (or historical cost, if actual cost is unavailable) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. The Authority does not capitalize interest costs related to its constructed fixed assets.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Site Improvements	15-40 years
Buildings and Improvements	15-40 years
Office Furniture and Equipment	3-10 years
Maintenance Equipment	3-7 years
Automotive Equipment	5 years

CONEJOS COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016 and 2015

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net position is subject to restrictions by creditors, grantors, contributions, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation. Unrestricted net position consists of the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

Use of Restricted/Unrestricted Assets

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

Grant Revenue

The Authority, a recipient of grant revenues, recognizes revenues 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.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from non-exchange transactions and ancillary activities.

Estimates

The preparation of 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, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAXES

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

BUDGETARY INFORMATION

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

CONEJOS COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016 and 2015

NOTE 2 CASH AND INVESTMENTS

Cash Deposits

	Bank Balance	Carrying Balance
FDIC Insured Deposits	\$ 283,109	\$ 283,109
PDPA Insured Deposits	54,519	47,537
Petty Cash	-	200
Total Cash and Cash Equivalents	\$ 337,628	\$ 330,846
Unrestricted Cash		\$ 320,516
Restricted-Tenant Deposits		10,330
Total Cash and Cash Equivalents		\$ 330,846

Cash and cash equivalents of \$10,330 at March 31, 2016 are restricted for tenant security deposits in the Public Housing Program.

Custodial Credit Risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, their deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At March 31, 2016, the Authority's deposits amounting to \$337,628 were insured by federal depository insurance or collateralized with securities held by the pledging institution's trust department or agent in the Authority's name and consequently were not exposed to custodial credit risk.

CONEJOS COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016 and 2015

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance 3/31/15	Additions	Deletions	Balance 3/31/16
Non-Depreciable Assets				
Land and Improvements	\$ 28,653	\$ -	\$ -	\$ 28,653
Construction in Progress	-	13,396	-	13,396
Total Non-Depreciable Assets	28,653	13,396	-	42,049
Depreciable Assets				
Site Improvements	833,892	2,190	-	836,082
Buildings and Improvements	2,919,451	12,419	-	2,931,870
Office Furniture & Equipments	5,873	480	-	6,353
Maintenance Equipment	13,799	710	-	14,509
Automotive Equipment	48,981	-	-	48,981
Community Space Equipment	-	4,717	-	4,717
Total Depreciable Assets	3,821,996	20,516	-	3,842,512
Total Capital Assets	3,850,649	33,912	-	3,884,561
Accumulated Depreciation				
Site Improvements	755,193	14,505	-	769,698
Buildings and Improvements	2,561,546	60,801	-	2,622,347
Office Furniture & Equipments	4,503	1,215	-	5,718
Maintenance Equipment	9,500	1,233	-	10,733
Automotive Equipment	48,981	-	-	48,981
Community Space Equipment	-	197	-	197
Total Accumulated Depreciation	3,379,723	77,951	-	3,457,674
Total Depreciable Assets, Net	442,273	(57,435)	-	384,838
Total Capital Assets	\$ 470,926	\$ (44,039)	\$ -	\$ 426,887

NOTE 4 ACCRUED COMPENSATED ABSENCES

A summary of accrued compensated absences as presented in the Statement of Net Position as of March 31, 2016 is as follows:

	Balance 3/31/15	Net Increase	Balance 3/31/16	Due Within One Year
Compensated Absences	\$ 1,705	\$ 1,736	\$ 3,441	\$ 2,176

CONEJOS COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016 and 2015

NOTE 5 RISK MANAGEMENT

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 all risks of loss, including workers compensation and employee health and accident insurance. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk. Settle claims have not exceeded this coverage in any of the past three years.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Federal Funding

The Authority recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

Tabor Amendment

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

NOTE 7 AFFILIATED ORGANIZATION

Valley Housing Corporation

The Conejos County Housing Authority formed a 501(c)3 organization, the Valley Housing Corporation, in January 2016. Although a directly controlled affiliate of Conejos County Housing Authority, consolidated financial statements are not presented as there were no financial transactions for the Valley Housing Corporation during fiscal year 2016.

NOTE 8 SIMPLIFIED EMPLOYEE PENSION PLAN

In fiscal year 2016, Conejos County Housing Authority began offering its employees a SEP-IRA plan created in accordance with Internal Revenue Code Section 408(k). The plan is administered by Vanguard and is available to all employees with 3 months of service aged 18 or older who receive compensation of at least \$450 per year. During fiscal year 2016, the Authority contributed 10% of covered employee salaries for a total of \$9,747.

CONEJOS COUNTY HOUSING AUTHORITY

SUPPLEMENTARY INFORMATION

Supplementary information includes schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis. Such schedules include:

- Schedule of Expenses
- U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule - This fiscal-year report is required by the U.S. Department of Housing and Urban Development and is used to gather financial information from the Public Housing Authority.

CONEJOS COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENSES
PROPRIETARY FUND
For the Year Ended March 31, 2016 and 2015

	2016	2015
OPERATING EXPENSES		
Administrative		
Administrative Salaries	\$ 62,135	\$ 55,216
Administrative Service Contracts	1,402	410
Auditing Fees	6,625	2,600
Bookkeeping Fees	2,606	2,083
Advertising & Marketing	137	972
Employee Benefit Contributions-Administrative	17,122	9,668
Office Expenses	12,637	9,453
Legal Expenses	697	499
Travel	4,203	2,876
Other	5,732	4,811
Total Administrative	113,296	88,588
Utilities		
Water	10,842	9,572
Electricity	10,616	11,291
Gas	7,122	6,411
Sewer	11,078	10,242
Total Utilities	39,658	37,516
Maintenance & Operations		
Ordinary Maintenance and Operations-Labor	42,838	20,316
Ordinary Maintenance and Operations-Materials and Other	22,707	34,770
Ordinary Maintenance and Operations-Contracts	13,944	60,863
Ordinary Maintenance and Operations-Employee Benefit Contributions	11,712	1,501
Total Maintenance & Operations	91,201	117,450
Insurance Premiums		
Property Insurance	7,364	6,831
Liability Insurance	2,241	737
Workmen's Compensation	2,609	3,073
All Other Insurance	2,059	2,428
Total Insurance Premiums	14,273	13,069
Other General Expense		
Other General Expenses	353	8
Compensated Absences	5,247	1,705
Payments in Lieu of Taxes	6,859	6,601
Bad Debt-Tenant Rents	13,481	1,274
Total General Expense	25,940	9,588
Total Operating Expenses	284,368	266,211
Non-Operating Expenses		
Depreciation Expense	77,951	141,909
Total Non-Operating Expenses	77,951	141,909
Total Expenses	\$ 362,319	\$ 408,120

CONEJOS COUNTY HOUSING AUTHORITY (CO038)
U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule
Entity Wide Summary

Submission Type: Audited/Non-Uniform Guidance

Fiscal Year End: 03/31/2016

Line Item No.	Description	Project Total	Subtotal	ELIM	Total
111	Cash - Unrestricted	\$ 15,997.00	\$ 15,997.00		\$ 15,997.00
114	Cash - Tenant Security Deposits	10,330.00	10,330.00		10,330.00
100	Total Cash	26,327.00	26,327.00		26,327.00
125	Accounts Receivable - Other	1,169.00	1,169.00		1,169.00
126	Accounts Receivable - Tenants	11,243.00	11,243.00		11,243.00
126.1	Allowance for Doubtful Accounts -Tenants	(5,900.00)	(5,900.00)		(5,900.00)
120	Total Receivables, Net of Allowances for Doubtful Accounts	5,343.00	5,343.00		5,343.00
122	Accounts Receivable - HUD Other Projects	3,602.00	3,602.00		3,602.00
131	Investments - Unrestricted	304,519.00	304,519.00		304,519.00
142	Prepaid Expenses and Other Assets	2,036.00	2,036.00		2,036.00
143	Inventories	8,408.00	8,408.00		8,408.00
143.1	Allowance for Obsolete Inventories	(2,102.00)	(2,102.00)		(2,102.00)
150	Total Current Assets	349,302.00	349,302.00		349,302.00
161	Land	28,653.00	28,653.00		28,653.00
162	Buildings	2,931,870.00	2,931,870.00		2,931,870.00
167	Construction in Process	13,396.00	13,396.00		13,396.00
164	Furniture, Equipment & Machinery - Administration	74,560.00	74,560.00		74,560.00
165	Leasehold Improvements	836,082.00	836,082.00		836,082.00
166	Accumulated Depreciation	(3,457,674.00)	(3,457,674.00)		(3,457,674.00)
160	Total Capital Assets, Net of Accumulated Depreciation	426,887.00	426,887.00		426,887.00
180	Total Non-Current Assets	426,887.00	426,887.00		426,887.00
290	Total Assets and Deferred Outflow of Resources	\$ 776,189.00	\$ 776,189.00		\$ 776,189.00
312	Accounts Payable <= 90 Days	\$ 1,441.00	\$ 1,441.00		\$ 1,441.00
321	Accrued Wage/Payroll Taxes Payable	6,898.00	6,898.00		6,898.00
322	Accrued Compensated Absences - Current Portion	2,176.00	2,176.00		2,176.00
333	Accounts Payable - Other Government	6,859.00	6,859.00		6,859.00
341	Tenant Security Deposits	10,330.00	10,330.00		10,330.00
342	Unearned Revenue	239.00	239.00		239.00
346	Accrued Liabilities - Other	1,930.00	1,930.00		1,930.00
310	Total Current Liabilities	29,873.00	29,873.00		29,873.00
350	Accrued Compensated Absences - Noncurrent Portion	1,265.00	1,265.00		1,265.00
300	Total Liabilities	\$ 31,138.00	\$ 31,138.00		\$ 31,138.00
508.4	Net Investment in Capital Assets	\$ 426,887.00	\$ 426,887.00		\$ 426,887.00
512.4	Unrestricted Net Position	318,164.00	318,164.00		318,164.00
513	Total Equity - Net Assets / Position	\$ 745,051.00	\$ 745,051.00		\$ 745,051.00
600	Total Liabilities, Deferred Inflows of Resources and Equity -	\$ 776,189.00	\$ 776,189.00		\$ 776,189.00

CONEJOS COUNTY HOUSING AUTHORITY (CO038)
U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule
Entity Wide Summary

Submission Type: Audited/Non-Uniform Guidance

Fiscal Year End: 03/31/2016

Line Item No.	Description	Project Total	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue	\$ 108,250.00	\$ 108,250.00		\$ 108,250.00
70400	Tenant Revenue - Other	8,580.00	8,580.00		8,580.00
70500	Total Tenant Revenue	116,830.00	116,830.00	-	116,830.00
70600	HUD PHA Operating Grants	181,295.00	181,295.00		181,295.00
70610	Capital Grants	13,176.00	13,176.00		13,176.00
71100	Investment Income - Unrestricted	821.00	821.00		821.00
71500	Other Revenue	5,837.00	5,837.00		5,837.00
70000	Total Revenue	\$ 317,959.00	\$ 317,959.00		\$ 317,959.00
91100	Administrative Salaries	\$ 63,537.00	\$ 63,537.00		\$ 63,537.00
91200	Auditing Fees	6,625.00	6,625.00		6,625.00
91400	Advertising and Marketing	137.00	137.00		137.00
91500	Employee Benefit contributions - Administrative	17,122.00	17,122.00		17,122.00
91600	Office Expenses	12,637.00	12,637.00		12,637.00
91700	Legal Expense	697.00	697.00		697.00
91800	Travel	4,203.00	4,203.00		4,203.00
91900	Other	8,338.00	8,338.00		8,338.00
91000	Total Operating - Administrative	113,296.00	113,296.00		113,296.00
93100	Water	10,842.00	10,842.00		10,842.00
93200	Electricity	10,616.00	10,616.00		10,616.00
93300	Gas	7,122.00	7,122.00		7,122.00
93600	Sewer	11,078.00	11,078.00		11,078.00
93000	Total Utilities	39,658.00	39,658.00		39,658.00
94100	Ordinary Maintenance and Operations - Labor	42,838.00	42,838.00		42,838.00
94200	Ordinary Maintenance and Operations - Materials and	22,707.00	22,707.00		22,707.00
94300	Ordinary Maintenance and Operations Contracts	13,944.00	13,944.00		13,944.00
94500	Employee Benefit Contributions - Ordinary Maintenance	11,712.00	11,712.00		11,712.00
94000	Total Maintenance	91,201.00	91,201.00		91,201.00
96110	Property Insurance	7,364.00	7,364.00		7,364.00
96120	Liability Insurance	2,241.00	2,241.00		2,241.00
96130	Workmen's Compensation	2,609.00	2,609.00		2,609.00
96140	All Other Insurance	2,059.00	2,059.00		2,059.00
96100	Total insurance Premiums	14,273.00	14,273.00		14,273.00
96200	Other General Expenses	353.00	353.00		353.00
96210	Compensated Absences	5,247.00	5,247.00		5,247.00
96300	Payments in Lieu of Taxes	6,859.00	6,859.00		6,859.00
96400	Bad debt - Tenant Rents	13,481.00	13,481.00		13,481.00
96000	Total Other General Expenses	25,940.00	25,940.00		25,940.00
96900	Total Operating Expenses	284,368.00	284,368.00		284,368.00
97000	Excess of Operating Revenue over Operating Expenses	33,591.00	33,591.00		33,591.00
97400	Depreciation Expense	77,951.00	77,951.00		77,951.00
90000	Total Expenses	\$ 362,319.00	\$ 362,319.00	\$ -	\$ 362,319.00

CONEJOS COUNTY HOUSING AUTHORITY (CO038)
U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule
Entity Wide Summary

Submission Type: Audited/Non-Uniform Guidance

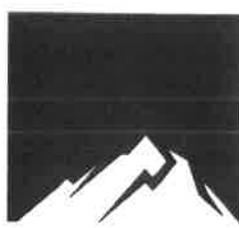
Fiscal Year End: 03/31/2016

Line Item No.	Description	Project Total	Subtotal	ELIM	Total
10010	Operating Transfer In	70,230.00	70,230.00	70,230.00	-
10020	Operating transfer Out	(70,230.00)	(70,230.00)	(70,230.00)	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	(44,360.00)	(44,360.00)		(44,360.00)
11030	Beginning Equity	789,411.00	789,411.00		789,411.00
11190	Unit Months Available	528.00	528.00		528.00
11210	Number of Unit Months Leased	515.00	515.00		515.00
11270	Excess Cash	282,618.67	282,618.67		282,618.67
11620	Building Purchases	25,596.08	25,596.08		25,596.08
11630	Furniture & Equipment - Dwelling Purchases	4,717.14	4,717.14		4,717.14
11640	Furniture & Equipment - Administrative Purchases	1,190.24	1,190.24		1,190.24
11650	Leasehold Improvements Purchases	2,189.46	2,189.46		2,189.46

CONEJOS COUNTY HOUSING AUTHORITY

GOVERNMENT AUDITING STANDARDS SECTION

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



Wall,
Smith,
Bateman Inc.

To the Board of Commissioners
Conejos County Housing Authority
La Jara, 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 financial statements of the business-type activities of Conejos County Housing Authority, as of and for the year ended March 31, 2016, and the related statements of income and expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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 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.



Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 16, 2016