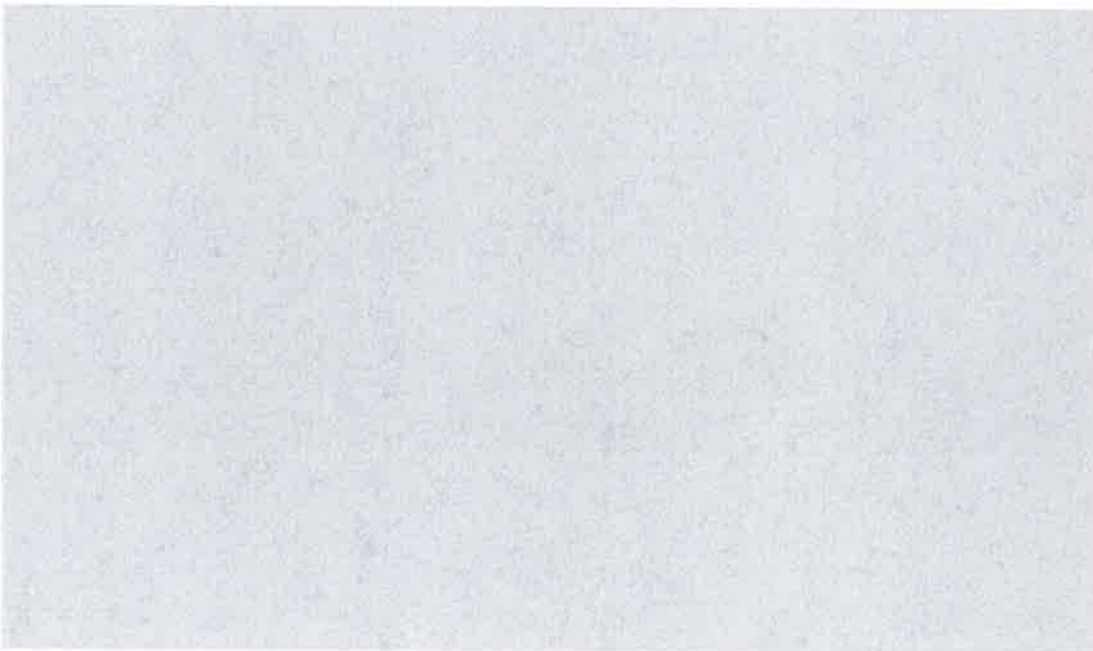


**CONEJOS COUNTY HOUSING AUTHORITY
LA JARA, COLORADO**

**FINANCIAL STATEMENTS
March 31, 2015**



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

CONEJOS COUNTY HOUSING AUTHORITY
TABLE OF CONTENTS
March 31, 2015

Financial Section	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	I-IX
Basic Financial Statements	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Supplementary Information	
Schedule of Expenses	12
Supplementary Information Required by HUD	
U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule	13
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 <i>Government Auditing Standards</i>	16
Summary Schedule of Prior Year Audit Findings	18

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 year ended March 31, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Conejos County Housing Authority, as of March 31, 2015, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Other Matters

Required Supplementary Information

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

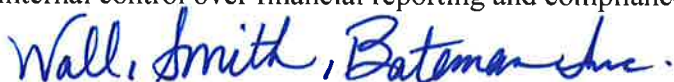
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Conejos County Housing Authority's basic financial statements. The schedule of expenses on page 12 and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule on pages 13-14 are presented for purposes of additional analysis and are not a required part of the 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 was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 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 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 October 14, 2015, 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

October 14, 2015



Conejos County Housing Authority Management's Discussion & Analysis For the Year Ended March 31, 2015

The management of the Conejos County Housing Authority (CCHA) presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the FY (fiscal year) 2015, which ended March 31, 2015. This represents an overview of financial information, and is designed to provide our citizens, funders, and partners with a general overview of the CCHA's finances, and to show the agency's accountability for the money it is entrusted with. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

The Housing Authority of the County of Conejos (CCHA) was established as an independent government agency that was fully formed in 1976 under Colorado Revised Statutes 29-4-503. The primary focus of the CCHA's financial statements is of its enterprise fund that encompasses all programs administered by the CCHA. The Authority is tasked with addressing housing needs in Conejos County, Colorado. In FY 2015, the Authority's primary program was its Low Rent Public Housing Program, which consisted of 44 dwelling units located in six separate neighborhoods in the towns of Manassa, La Jara, and Sanford, Colorado.

Funding is primarily provided with dwelling rents paid by the tenants and operating fund payments received from the Department of Housing and Urban Development based on a formula. Included in the Low Rent Program are the Capital Fund grants, also a formula based program from HUD that is designed to fund modernization and improvement of the Low Rent Public Housing Program units. The FY 2015 ran from April 1, 2014 through March 31, 2015.

Financial Highlights

- The total net position was \$789,411 on March 31, 2015, a decrease of \$108,256 (or 12.06%) from the \$897,667 reported on March 31, 2014.
- The total revenues of the agency were \$254,782 in FY 2015, an increase of \$6,220 from FY 2014.
- The total operating expenses were \$408,120 in FY 2015, an increase of \$11,245 from FY 2014.
- The CCHA totaled \$329,219 in cash and cash equivalents in FY 2015, an increase of \$4,723 from FY 2014.
- The CCHA continued to operate without the acquisition of debt borrowing.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the CCHA's basic financial statements, which are comprised of three components: 1) the Management Discussion & Analysis, 2) fund financial statements, and 3) notes to the financial statements. In addition to the financial statements, this report contains other supplementary information designed to enhance the reader's understanding of the financial condition of the CCHA.

The CCHA's balance sheet is prepared using the accrual basis of accounting, and provides information relating to all financial and capital resources for the CCHA as of the reporting date.

Statement of Net Position. The *Statement of Net Position* represents the cumulative effect of revenue and expenses, and represents information on all of the CCHA's assets and liabilities, with the difference between the two reported as 'net position.' Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the CCHA is improving or deteriorating. Net position is comprised of three individual components:

- 1) Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances or related debt associated with these assets.
- 2) Restricted Net Position consists of assets that are restricted by limitations placed on these assets by an external source or party.
- 3) Unrestricted Net Position consists of net position that does not meet the definition of the above categories. Unrestricted net position is basically the amount of funds available for future year appropriations.

Statement of Revenues, Expenses, and Changes in Net Position. Presenting information showing how the Authority's net position changed during the most recent fiscal year, the *Statement of Revenues, Expenses, and Changes in Net Position* is similar to an Income Statement. This reports changes in net position as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows; thus, revenues and expenses reported in this statement for some items will result in cash flows in future periods. This statement includes operating revenues, such as rental income; operating expenses such as administrative, utilities, and maintenance costs; and non-operating revenue, such as capital grants and investment income.

Statement of Cash Flows. Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for, operating activities; non-capital financing activities; and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash account balance for the year ended March 31, 2015.

Total Assets

During FY 2015, total assets were decreased by \$108,510 from the close of FY 2014. The majority of this decrease were capital assets, net of depreciation, which decreased by \$87,550 (all other assets decreased by \$20,960). Land assets are not depreciated, and were valued at \$28,653. Cash assets decreased by \$511 between the close of FY 2014 and the close of FY 2015.

DESCRIPTION	FY 2014	FY 2015
Capital Assets, Net of Depreciation	\$529,823	\$442,273
Cash and Cash Equivalents	\$313,888	\$318,377
Land	\$28,653	\$28,653
Accounts Receivable	\$8,105	\$12,220
Tenant Deposits	\$10,608	\$10,842
Inventory	\$7,646	\$8,951
Prepaid Assets	\$5,501	\$1,898
Due from HUD	\$9,500	\$0
Construction in Progress	\$18,000	\$0
Total Assets	\$931,724	\$823,214



Liabilities

At the close of FY 2015, financial analyses revealed \$33,803 in liabilities. The largest of these liabilities were tenant security deposits (these funds are kept as reserve in an escrow account). The CCHA were also liable for \$5879 in accounts payable, \$8,167 in accrued wages & payroll taxes, \$1,705 in accrued compensated absences, and \$6,601 due to local town governments in Payments in Lieu of Taxes, and \$609 in unearned revenue. This was similar to the close of FY 2014, when there were \$34,057 in liabilities. Both years, all liabilities were current liabilities, with no noncurrent liabilities.

There were no deferred outflows or inflows of resources identified for FYs 2014 or 2015 outside of current or noncurrent assets or current or noncurrent liabilities that changed the CCHA's net position.

Revenues

The primary income sources of the CCHA in FY2015 were the HUD operating subsidy and rental income, which were 81% of all income. 56% of income came from federal HUD subsidies. All other income (non-rent and non-subsidies) totaled less than 3% of all income. This comprised of investment income (\$868), other tenant revenue (\$1,182), laundry machine income (\$1,624), and fees provided by the Colorado Department of Housing for managing about 14 of their Section 8 vouchers (\$3,903). This highlights the current management's sentiment that expanding funding sources will be an important future strategy moving into the future.

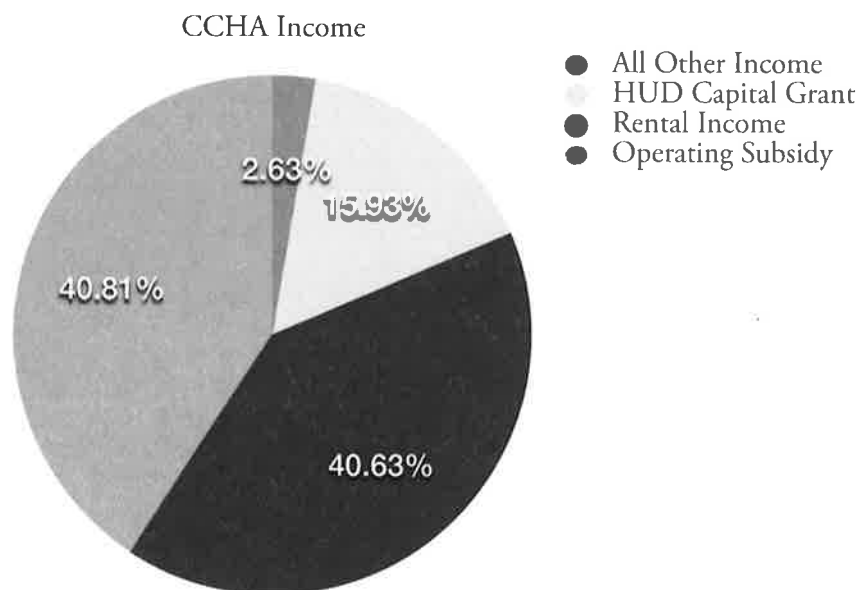
In total, the CCHA brought in \$254,782 in FY 2015. This was \$25,163 higher than FY 2015's income of \$229,619.

SOURCE	AMOUNT
All Other Income	\$6,709
HUD Capital Grant	\$40,577
Rental Income	\$103,521
Operating Subsidy	\$103,975

In 2015 and in general, the CCHA has operated without the need for debt borrowing, and has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

Although the CCHA did bring in some revenue outside of its public housing program, in FY 2015 (and previously), all additional revenue

were combined with the public housing program's for accounting purposes due to their relative insignificance. As of the writing of this MD&A, management has developed non-public housing programs that will be tracked as business activities.

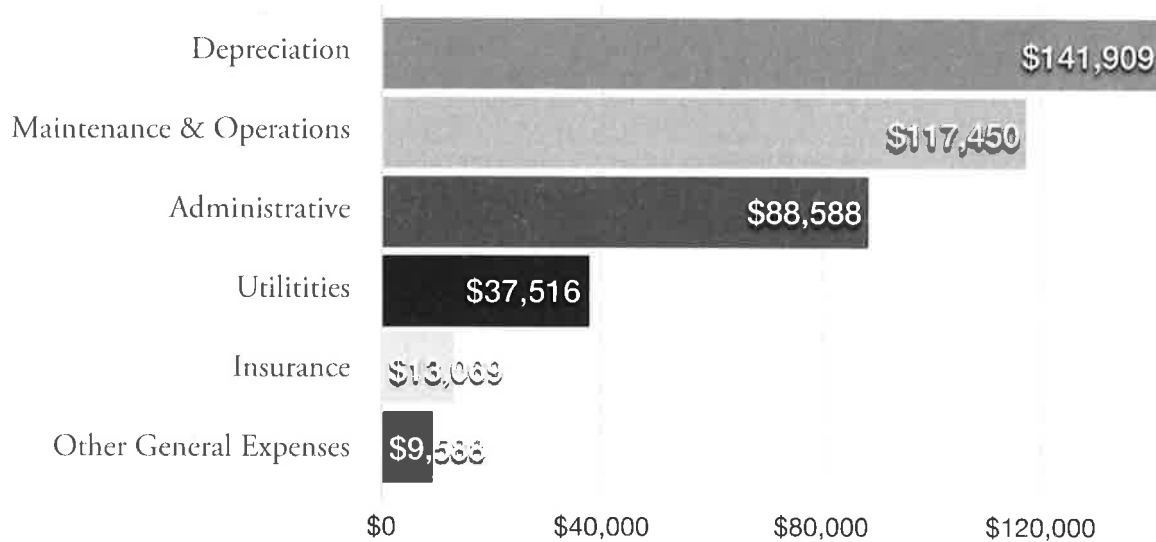


Expenses

The CCHA expended \$254,782 in FY 2015, an increase of \$11,265. The majority of this increase was in Maintenance and Operations, which spiked from \$99,375 in FY 2014 to \$117,450 in FY 2015, an \$18,075 increase. Mid-year, the CCHA parted ways with the previous Maintenance Supervisor (then a contract position) due to identified waste and poor management of funds, and hired a full-time permanent position Maintenance Supervisor. Management expects a significant drop in maintenance costs to be shown at the end of FY 2016.

Expenses

SOURCE	AMOUNT
Depreciation	\$141,909
Maintenance & Operations	\$117,450
Administrative	\$88,588
Utilities	\$37,516
Insurance	\$13,069
Other General Expenses	\$9,588



Analyses

Overall Financial Position

The Real Estate Assessment Center performs a financial evaluation on the CCHA as it compares to its peers, the Financial Assessment SubSystem (FASS). The CCHA scored the maximum points:

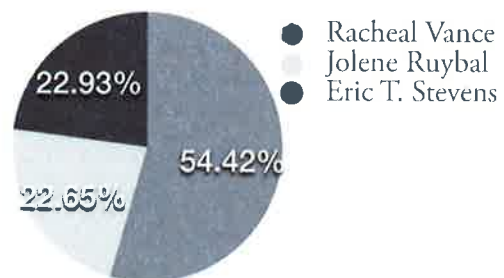
Financial Indicator	Maximum Score	CCHA Score
Quick Ration (QR) - A liquidity measure of the CCHA's ability to cover its current obligations, measured by using the CCHA's available, unrestricted current assets (except inventory) divided by the CCHA's current liabilities.	12	12
Months Expandable Net Assets Ration (MENAR) - Measures the CCHA's financial viability, looking at the ability of the CCHA to operate using primarily its net available, unrestricted resources without reliance on additional funding. The indicator compares the net available unrestricted resources to the average monthly operating expenses.	11	11
Debt Service Coverage Ratio (DSCR) - A measure of the CCHA's ability to meet its regular debt obligations.	2	2
Total	25	25

This perfect score can be compared to the previous FASS score of zero (0), which was due largely to the annual audit not be submitted on time.

The reduction in the net position of the agency paints a slightly different picture; at the close of FY 2013, the CCHA's total net position was \$1,066,834, which shows a decrease of \$277,423 in net position over the course of just two years. The agency's total net position was \$789,411 on March 31, 2015, a decrease of \$108,256 (or 12.06%) from the \$897,667 reported one year before on March 31, 2014. Possible reasons for this decrease are detailed below.

Results of Operations & Reasons for Significant Changes

A previous Executive Director, Racheal Vance, was let go by the Board of Commissioners in October of 2014. The previous Administrative Assistant, Jolene Ruybal, served as Interim E.D. while the Board conducted a search for the new Director. In January of 2015, Eric T. Stevens, MA, began at the agency as Executive Director. The chart to the right shows the percentage of FY 2015, represented by this audit, that was overseen by each director. Racheal Vance served the director in FY 2014.



Additionally, for half of FY 2015, all of the agency's maintenance work was conducted by contract labor. In October of 2014, a full-time Maintenance Supervisor, Joe Torres, was hired.

FY2015 was a year filled with major changes for the CCHA. With over 77% of the FY being overseen by previous management, the agency is leaving a rather turbulent recent past behind. The new Executive Director, Eric T. Stevens, has two decades of relevant experience, and has plans to steer the agency in new directions and increase the agency's financial and social impact potential.

The CCHA has adopted several policies meant to strengthen financial oversight and accountability. In late CY2014, the Board of Commissioners began signing checks only in public forum, making certain that several eyes are upon all financial transactions. The current ED has been provided with limited funds so that checks can be written outside of the once-a-month public forums; these funds are limited and closely monitored by the Commission.

In January of 2015, the CCHA executive team developed policies and procedures that guarantee at least two eyes are on all financial transactions. Management believes that such improvements in operations will lead to not only increased financial transparency, but will help insure long-term financial wellbeing.

The CCHA has been primarily dependent upon the U.S. Department of Housing and Urban Development (HUD) for the funding of operations. As such, the Housing Authority has been affected by the Federal budget more than it has been affected by local economic conditions. Congress has consistently underfunded operating subsidies for public housing authorities such as the CCHA in the last decade.

Since 1976, the CCHA has relied upon federal operating subsidies to compensate for its mandated low rents. Currently, in order to receive these subsidies, the CCHA must detail compliance with HUD requirements in its annual plan. If approved, the CCHA enters into a Annual Contributions Contract (ACC) to provide funding under the Operating Fund Rule formula. The complex calculation looks at the difference between expenses and rental income; as such, increases in rental income decrease the subsidy amount.

Starting in 2003, Congressional appropriations have fallen short of what the Operating Fund Rule determines is necessary for all public housing authorities, and available amounts are prorated and the reduced amount distributed all Public Housing Authorities. The CCHA management expects Congressional appropriations to continue to decline.

Historically, the CCHA has generated only minimal income from non-public housing activities. Unlike other landlords, federal law restricts the CCHA's ability to raise rent, and relies on federal subsidies to exist. Rents cannot exceed 30 percent of tenant income, and CCHA's tenants are, on average, poorer, underemployed, and older than other residents. While federal subsidies were once a generous funding stream, waning political support for public housing has reduced available subsidies. As of the closing of FY2015, the CCHA had not yet revamped its operations to reflect such declining federal subsidies.

Small housing authorities such as the CCHA are allowed to transfer up to 100% of its Capital Fund grants into operating. The CCHA's new management transferred \$39,020 from its 2013 capital grant just days before the close of FY 2015 in order to prevent an over \$40,000 shortfall; with this move, the CCHA spent just \$2,704 of its operating reserves during the year.

Economic Factors

Significant economic factors affecting the CCHA included the following:

- The CCHA has seen declining federal funding levels of the Department of Housing and Urban Development,
- The per capita income in Conejos County is almost half that of the statewide number, \$17,316 for Conejos County compared to \$31,109 for the state,
- Only 55.2% of Conejos County residents are in the labor force,
- Conejos County has an insufficient housing infrastructure. There are only 710 renter-occupied units available in the county, leading to significant waiting lists for the CCHA,
- The average total tenant payment of CCHA residents is \$291 per month.

Analysis of Significant Variations in Budget

The original FY 2015 budget was prepared by the agency's HUD fee accountant based on previous year expenditures. The total operating expenditures decreased by \$43,680 from the original budget to the final revised budget. The original budget showed an expected budget deficit of \$54,830; whereas, the final revised budget showed a budget deficit of only \$4,125.

These improvements had a great deal to do with the mid-year change in management, changing from a contract labor maintenance supervisor to a permanent employee maintenance supervisor, and a purposeful spending frugality on the part of the new management late in the year. It is expected that these changes will create a significant improvement on future services and improve the outlook for financial liquidity.

The current management believes that the budget is a management tool to be utilized in development efforts, and the FY 2016 budget was produced by management utilizing a zero-based budgeting methodology, where agency and community needs are prioritized over historic trends.

Significant Capital Asset and Long-Term Debt Activity

The CCHA did not have any significant capital asset plans that would create debt in FY 2015. The agency's current management is carefully analyzing at the housing needs of the county, and is considering debt acquisition as a possible tool to improve the county's housing infrastructure in future years.

Currently Known Facts, Decisions, or Conditions with Expected Impact

Expanding or modifying operations to include more diversified funding streams is a current challenge and goal of the CCHA management. In this spirit, in late 2015 management has acquired a small grant from the U.S. Department of Agriculture, which represents the first significant non-HUD regulated funding stream in the history of the CCHA, and plans to continue to expand its funding sources and programming. The CCHA management plans to continue to look for new revenue sources that will expand agency operations and increase funding diversification.

Management is also carefully considering alternative models of operation that are currently available, in particular, conversion to a de-federalized system of operations through the currently available Rental Assistance Demonstration (RAD) program, which if implemented would create more consistent funding while preserving low rents for tenants.

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, 2015

	2015
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 318,377
Accounts Receivable:	
Tenants - Dwelling Rents	12,754
Allowance for Doubtful Accounts - Dwelling Rents	(534)
Prepaid Assets	1,898
Inventory	8,951
Total Current Assets	341,446
Noncurrent Assets	
Cash Restricted- Tenant Deposits	10,842
Capital Assets Not Being Depreciated	
Land	28,653
Capital Assets, Net of Depreciation	442,273
Total Noncurrent Assets	481,768
TOTAL ASSETS	823,214
LIABILITIES	
Current Liabilities	
Accounts Payable	5,879
Accrued Wages & Payroll Taxes Payable	8,167
Accrued Compensated Absences - Current	1,705
Tenant Security Deposits	10,842
Due to Other Governments - P.I.L.O.T	6,601
Unearned Revenue	609
Total Current Liabilities	33,803
Noncurrent Liabilities	-
TOTAL LIABILITIES	33,803
NET POSITION	
Net Investment in Capital Assets	470,926
Unrestricted	318,485
Total Net Position	\$ 789,411

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 Year Ended March 31, 2015

	2015
OPERATING REVENUES	
Dwelling Rent Revenue	\$ 103,521
Other Tenant Revenue	2,806
HUD Contribution and Grant	144,552
Other Revenue	3,903
TOTAL REVENUES	254,782
 OPERATING EXPENSES	
Administrative	88,588
Utilities	37,516
Maintenance and Operations	117,450
Insurance	13,069
Other General Expenses	9,588
Depreciation	141,909
TOTAL EXPENSES	408,120
 OPERATING INCOME (LOSS)	(153,338)
 NONOPERATING REVENUE	
HUD Capital Grants	37,944
Insurance Reimbursements	6,270
Investment Income - Unrestricted	868
TOTAL NONOPERATING REVENUE	45,082
 CHANGE IN NET POSITION	(108,256)
 NET POSITION (DEFICIT), BEGINNING OF YEAR	897,667
 NET POSITION (DEFICIT), END OF YEAR	\$ 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 Year Ended March 31, 2015

	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tenants	\$ 102,714
Receipts for Services	3,903
Receipts from HUD for Operations	154,052
Payments to Employees	(73,783)
Payments to Vendors	(190,886)
Net Cash Provided (Used) by Operating Activities	(4,000)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
HUD Capital Grants	37,944
Acquisition of Capital Assets	(36,359)
Insurance Reimbursements	6,270
Net Cash Provided (Used) by Capital and Related Financing Activities	7,855
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	868
Net Cash Provided (Used) by Investing Activities	868
Net Increase (Decrease) in Cash and Cash Equivalents	4,723
Cash and Cash Equivalents, Beginning of Year	324,496
Cash and Cash Equivalents, End of Year	\$ 329,219
Reconciliation of income (loss) to net cash provided (used) by operating activities:	
Change in net assets	(153,338)
Depreciation	141,909
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities	
Decrease (Increase) in Accounts Receivable	(4,115)
Decrease (Increase) in Due from Other Governments	9,500
Decrease (Increase) in Prepaid Expenses	3,603
Decrease (Increase) in Inventory	(1,305)
(Increase) Decrease in Accounts Payable	2,985
(Increase) Decrease in Accrued Salaries & Benefits	3,007
(Increase) Decrease in Accrued Compensated Absences	243
(Increase) Decrease in Tenant Security Deposits Held in Trust	234
(Increase) Decrease in Due to Other Governments	(6,991)
(Increase) Decrease in Deferred Revenue	268
Net cash provided (used) by operating activities	\$ (4,000)

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

CONEJOS COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 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).

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

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 assets. Net position (assets less liabilities) are segregated into invested in capital assets, net of related debt, restricted for debt service, and unrestricted component units. 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 transactions 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 proven to be uncollectible. An allowance of \$534 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 \$5,000 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, 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 (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as unearned revenue.

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 of 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.

Reclassification

Certain amounts from 2014 have been reclassified to conform to the 2015 financial statement presentation.

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, 2015

NOTE 2 CASH AND INVESTMENTS

Cash Deposits

	Bank Balance	Carrying Balance
FDIC Insured Deposits	\$ 250,000	\$ 250,000
PDPA Insured Deposits	81,043	74,028
Petty Cash	-	5,191
Total Cash and Cash Equivalents	\$ 331,043	\$ 329,219
Unrestricted Cash		\$ 318,377
Restricted-Tenant Deposits		10,842
Total Cash and Cash Equivalents		\$ 329,219

Cash and cash equivalents of \$10,842 at March 31, 2015 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, there 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, 2015, the Authority's deposits amounting to \$331,043 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.

Investments

The Authority's formal investment policy is to follow Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

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

- Local government investment pools
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds

At March 31, 2015, the Authority did not have any investments.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance 3/31/14	Additions	Deletions	Balance 3/31/15
Non-Depreciable Assets				
Land and Improvements	\$ 28,653	\$ -	\$ -	\$ 28,653
Construction in Progress	18,000	-	18,000	-
Total Non-Depreciable Assets	<u>46,653</u>	<u>-</u>	<u>18,000</u>	<u>28,653</u>
Depreciable Assets				
Site Improvements	833,892	-	-	833,892
Buildings and Improvements	2,865,092	54,359	-	2,919,451
Office Furniture & Equipments	5,873	-	-	5,873
Maintenance Equipment	13,799	-	-	13,799
Automotive Equipment	48,981	-	-	48,981
Total Depreciable Assets	<u>3,767,637</u>	<u>54,359</u>	<u>-</u>	<u>3,821,996</u>
Total Capital Assets	<u>3,814,290</u>	<u>54,359</u>	<u>18,000</u>	<u>3,850,649</u>
Accumulated Depreciation				
Site Improvements	728,283	26,910	-	755,193
Buildings and Improvements	2,448,922	112,624	-	2,561,546
Office Furniture & Equipments	3,328	1,175	-	4,503
Maintenance Equipment	8,300	1,200	-	9,500
Automotive Equipment	48,981	-	-	48,981
Total Accumulated Depreciation	<u>3,237,814</u>	<u>141,909</u>	<u>-</u>	<u>3,379,723</u>
Total Depreciable Assets, Net	<u>529,823</u>	<u>(87,550)</u>	<u>-</u>	<u>442,273</u>
Total Capital Assets	<u>\$ 576,476</u>	<u>\$ (87,550)</u>	<u>\$ 18,000</u>	<u>\$ 470,926</u>

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

NOTE 4 ACCRUED COMPENSATED ABSENCES

A summary of accrued compensated absences as presented in the Statement of Net Position as of March 31, 2015 is as follows:

	Balance 3/31/14	Net Increase	Balance 3/31/15	Due Within One Year
Compensated Absences	\$ 1,462	\$ 243	\$ 1,705	\$ 1,705

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.

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, 2015

	2015
OPERATING EXPENSES	
Administrative	
Administrative Salaries	\$ 55,216
Administrative Service Contracts	410
Auditing Fees	2,600
Bookkeeping Fees	2,083
Advertising & Marketing	972
Employee Benefit Contributions-Administrative	9,668
Office Expenses	9,453
Legal Expenses	499
Travel	2,876
Other	4,811
Total Administrative	88,588
Utilities	
Water	9,572
Electricity	11,291
Gas	6,411
Sewer	10,242
Total Utilities	37,516
Maintenance & Operations	
Ordinary Maintenance and Operations-Labor	21,817
Ordinary Maintenance and Operations-Materials and Other	34,770
Ordinary Maintenance and Operations-Contracts	60,863
Total Maintenance & Operations	117,450
Insurance Premiums	
Property Insurance	6,831
Liability Insurance	737
Workmen's Compensation	3,073
All Other Insurance	2,428
Total Insurance Premiums	13,069
Other General Expense	
Other General Expenses	8
Compensated Absences	1,047
Payments in Lieu of Taxes	7,259
Bad Debt-Tenant Rents	1,274
Total General Expense	9,588
Total Operating Expenses	266,211
Non-Operating Expenses	
Depreciation Expense	141,909
Total Non-Operating Expenses	141,909
Total Expenses	\$ 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-A-133

Fiscal Year End: 03/31/2015

Line Item No.	Description	Project Total	Subtotal	ELIM	Total
111	Cash - Unrestricted	\$ 190,201.00	\$ 190,201.00		\$ 190,201.00
114	Cash - Tenant Security Deposits	10,842.00	10,842.00		10,842.00
100	Total Cash	201,043.00	201,043.00		201,043.00
126	Accounts Receivable - Tenants	12,754.00	12,754.00		12,754.00
126.1	Allowance for Doubtful Accounts -Tenants	(534.00)	(534.00)		(534.00)
120	Total Receivables, Net of Allowances for Doubtful Accounts	12,220.00	12,220.00		12,220.00
131	Investments - Unrestricted	128,176.00	128,176.00		128,176.00
142	Prepaid Expenses and Other Assets	1,898.00	1,898.00		1,898.00
143	Inventories	11,935.00	11,935.00		11,935.00
143.1	Allowance for Obsolete Inventories	(2,984.00)	(2,984.00)		(2,984.00)
150	Total Current Assets	352,288.00	352,288.00		352,288.00
161	Land	28,653.00	28,653.00		28,653.00
162	Buildings	2,919,451.00	2,919,451.00		2,919,451.00
164	Furniture, Equipment & Machinery - Administration	68,653.00	68,653.00		68,653.00
165	Leasehold Improvements	833,892.00	833,892.00		833,892.00
166	Accumulated Depreciation	(3,379,723.00)	(3,379,723.00)		(3,379,723.00)
160	Total Capital Assets, Net of Accumulated Depreciation	470,926.00	470,926.00		470,926.00
180	Total Non-Current Assets	470,926.00	470,926.00		470,926.00
290	Total Assets and Deferred Outflow of Resources	\$ 823,214.00	\$ 823,214.00		\$ 823,214.00
312	Accounts Payable <= 90 Days	\$ 3,364.00	\$ 3,364.00		\$ 3,364.00
321	Accrued Wage/Payroll Taxes Payable	8,167.00	8,167.00		8,167.00
322	Accrued Compensated Absences - Current Portion	1,705.00	1,705.00		1,705.00
333	Accounts Payable - Other Government	6,601.00	6,601.00		6,601.00
341	Tenant Security Deposits	10,842.00	10,842.00		10,842.00
342	Unearned Revenue	609.00	609.00		609.00
346	Accrued Liabilities - Other	2,515.00	2,515.00		2,515.00
310	Total Current Liabilities	33,803.00	33,803.00		33,803.00
300	Total Liabilities	\$ 33,803.00	\$ 33,803.00		\$ 33,803.00
508.4	Net Investment in Capital Assets	\$ 470,926.00	\$ 470,926.00		\$ 470,926.00
512.4	Unrestricted Net Position	318,485.00	318,485.00		318,485.00
513	Total Equity - Net Assets / Position	\$ 789,411.00	\$ 789,411.00		\$ 789,411.00
600	Total Liabilities, Deferred Inflows of Resources and Equity -	\$ 823,214.00	\$ 823,214.00		\$ 823,214.00

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

Submission Type: Audited/Non-A-133

Fiscal Year End: 03/31/2015

Line Item No.	Description	Project Total	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue	\$ 103,521.00	\$ 103,521.00		\$ 103,521.00
70400	Tenant Revenue - Other	2,806.00	2,806.00		2,806.00
70500	Total Tenant Revenue	106,327.00	106,327.00	-	106,327.00
70600	HUD PHA Operating Grants	146,137.00	146,137.00		146,137.00
70610	Capital Grants	36,359.00	36,359.00		36,359.00
71100	Investment Income - Unrestricted	868.00	868.00		868.00
71500	Other Revenue	10,173.00	10,173.00		10,173.00
70000	Total Revenue	\$ 299,864.00	\$ 299,864.00	\$ -	\$ 299,864.00
91100	Administrative Salaries	\$ 55,216.00	\$ 55,216.00		\$ 55,216.00
91200	Auditing Fees	2,600.00	2,600.00		2,600.00
91400	Advertising and Marketing	972.00	972.00		972.00
91500	Employee Benefit contributions - Administrative	9,668.00	9,668.00		9,668.00
91600	Office Expenses	9,866.00	9,866.00		9,866.00
91700	Legal Expense	499.00	499.00		499.00
91800	Travel	2,875.00	2,875.00		2,875.00
91900	Other	6,892.00	6,892.00		6,892.00
91000	Total Operating - Administrative	88,588.00	88,588.00	-	88,588.00
93100	Water	9,572.00	9,572.00		9,572.00
93200	Electricity	11,291.00	11,291.00		11,291.00
93300	Gas	6,411.00	6,411.00		6,411.00
93600	Sewer	10,242.00	10,242.00		10,242.00
93000	Total Utilities	37,516.00	37,516.00	-	37,516.00
94100	Ordinary Maintenance and Operations - Labor	20,316.00	20,316.00		20,316.00
94200	Ordinary Maintenance and Operations - Materials and	34,770.00	34,770.00		34,770.00
94300	Ordinary Maintenance and Operations Contracts	60,863.00	60,863.00		60,863.00
94500	Employee Benefit Contributions - Ordinary Maintenance	1,501.00	1,501.00		1,501.00
94000	Total Maintenance	117,450.00	117,450.00	-	117,450.00
96110	Property Insurance	6,831.00	6,831.00		6,831.00
96120	Liability Insurance	737.00	737.00		737.00
96130	Workmen's Compensation	3,073.00	3,073.00		3,073.00
96140	All Other Insurance	2,428.00	2,428.00		2,428.00
96100	Total insurance Premiums	13,069.00	13,069.00	-	13,069.00
96200	Other General Expenses	8.00	8.00		8.00
96210	Compensated Absences	1,705.00	1,705.00		1,705.00
96300	Payments in Lieu of Taxes	6,601.00	6,601.00		6,601.00
96400	Bad debt - Tenant Rents	1,274.00	1,274.00		1,274.00
96000	Total Other General Expenses	9,588.00	9,588.00	-	9,588.00
96900	Total Operating Expenses	266,211.00	266,211.00	-	266,211.00
97000	Excess of Operating Revenue over Operating Expenses	33,653.00	33,653.00	-	33,653.00
97400	Depreciation Expense	141,909.00	141,909.00		141,909.00
90000	Total Expenses	\$ 408,120.00	\$ 408,120.00	\$ -	\$ 408,120.00

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

Submission Type: Audited/Non-A-133

Fiscal Year End: 03/31/2015

Line Item No.	Description	Project Total	Subtotal	ELIM	Total
10010	Operating Transfer In	42,162.00	42,162.00	(42,162.00)	-
10020	Operating transfer Out	(42,162.00)	(42,162.00)	42,162.00	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	(108,256.00)	(108,256.00)	-	(108,256.00)
11030	Beginning Equity	897,667.00	897,667.00		897,667.00
11190	Unit Months Available	528.00	528.00		528.00
11210	Number of Unit Months Leased	500.00	500.00		500.00
11270	Excess Cash	285,881.00	285,881.00		285,881.00
11620	Building Purchases	36,359.00	36,359.00		36,359.00

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, 2015, 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 October 14, 2015.

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.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

October 14, 2015

CONEJOS COUNTY HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
March 31, 2015

Finding 2014-1: Internal Control Structure
Material Weakness

Condition: The Authority consists solely of one administrative employee and a part-time staff person and as a result does not have personnel to assign responsibilities in such a way that different employees handle different parts of the same transaction. The limited number of employees results in an inadequate overall internal control structure design.

Recommendation: As noted above, the Authority has limited resources and additional controls are not financially feasible through the hiring of additional staff. In addition, the Board of Commissioners is considered a governing Board and the Board performing management or day-to-day activities is not recommended and is not intended to be a solution to this situation. The Authority is a small entity and the lack of segregation of duties is common among entities with minimal employees and should be recognized as such. However, it is not our intent to establish internal controls as the Authority's Board should make the final determination in the cost versus benefit.

Current Status: Implemented

Finding 2014-2: Procurement Policy/Procedures, Maintenance Services
Noncompliance, Material Weakness
Questioned Costs 2014 \$38,733 - Questioned Costs 2015 \$30,754

Condition: The Authority entered into a contract prior to 2014 with an individual to perform maintenance services at the rate of \$15 per hour of work performed. The Authority was unable to provide a copy of the contract or documentation of what procurement actions were taken prior to entering into this contract. The contractor was related to a Board Member and the spouse of the future Executive Director. Further, the Authority did not maintain a work order system to track what work was done and the hours charged were not controlled. Amounts paid were significantly more than 40 hours per week.

In 2014, the Authority paid the contractor a total of \$38,733.37. The breakdown was \$32,940 for 2,196 contractor hours, \$5,218.50 for contractor invoices for equipment rental and trash hauling and an additional \$574.87 for reimbursements for other out of pocket expenses incurred by the contractor from other vendors.

In 2015, the Authority paid the contractor a total of \$30,753.94. The breakdown was \$26,437.50 for 1,762.50 contractor hours, \$2,500 for contractor invoices for equipment rental and trash hauling and an additional \$1,816.44 for reimbursements for other out of pocket expenses incurred by the contractor from other vendors.

There were no records of the work done to further support these transactions.

Recommendation: We recommend the Authority either try to hire an individual to perform the maintenance work or if it contracted out, the contract is based on actual verified hours worked. All work should be determined based on a work order system that is overseen by the Executive Director.

Current Status: Implemented