HOUSING AUTHORITY OF THE
CITY OF COLORADO SPRINGS
Colorado Springs, Colorado

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT

DECEMBER 31, 2016

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HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado

TABLE OF CONTENTS

DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Colorado Springs ("Housing Authority"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing 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 are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditor's 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 Housing Authority'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 Housing Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority, as of December 31, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11 and PERA of Colorado pension schedules on page 40 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 statement that collectively comprise the Housing Authority's basic financial statements. The combining financial statements and statement and certification of actual modernization costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

The combining financial statements, statement and certification of actual modernization costs, and schedule of expenditures of federal awards are the responsibility of management and were 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 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 combining financial statements, statement and certification of actual modernization costs, and schedule of expenditures of federal awards 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 a report dated June 15, 2017, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
June 15, 2017

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

As management of the Housing Authority of the City of Colorado Springs (the "Housing Authority"), we offer the readers of the Housing Authority's financial statements this narrative overview of the financial activities of the Housing Authority for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the Housing Authority's financial statements.

Financial Highlights

- The assets of the Housing Authority exceeded its liabilities at December 31, 2016 by $27,362,548 (Net Position).

- The Housing Authority's total cash balance at December 31, 2016 was $11,252,566 representing an increase of $1,708,658 from December 31, 2015.

- The Housing Authority's total investments balance at December 31, 2016 was $1,672,506 representing an increase of $66,702 from December 31, 2015.

- The Housing Authority had an operating revenue of $28,910,022 and net nonoperating revenue and capital grants of $785,409 during 2016. Part of the nonoperating revenue and capital contributions includes federal capital grants of $726,551 compared to 2015 of $603,137. Net position increased by $1,176,324 during 2016 compared to an increase of $314,819 in 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Housing Authority's financial statements. The Housing Authority's financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following financial statements are included:

- The *Statement of Net Position* presents information on all of the Housing Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Housing Authority is improving or deteriorating.

- The *Statement of Revenue, Expenses, and Changes in Net Position* reports the Housing Authority's operating and nonoperating revenue, by major source, along with operating and nonoperating expenses.

- The *Statement of Cash Flows* reports the Housing Authority's cash flows from operating, non-capital financing, investing, and capital and related financing activities.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Overview of the Financial Statements - Continued

- Supplementary information includes the *Combining Statement of Net Position* and the *Combining Statement of Revenue, Expenses, and Changes in Net Position.* The combining schedules report the balances and activity in the individual program types of the Housing Authority, combining them into a total column. The *Schedule of Expenditures of Federal Awards* is also presented for purposes of additional analysis as required by the U.S. Office of Management and Uniform Guidance, *Audits of States, Local Governments, and Non-profit Organizations.*

The Housing Authority's Programs

- Low-Income Public Housing Program - Under the Low-Income Public Housing Program, the Housing Authority rents units that it owns to low-income households. The Low-Income Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the Housing Authority to provide the housing at a rent that is based upon 30% of household income. The Low-Income Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Housing Authority's properties.

- Section 8 Housing Choice Vouchers Program - Under the Section 8 Housing Choice Vouchers Program, the Housing Authority administers contracts with independent landlords that own the property. The Housing Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an ACC with HUD. HUD provides Annual Contributions Funding to enable the Housing Authority to structure a lease that sets the participants' rents at 30% of household income.

- Section 8 Housing Assistance Program Special Allocations - Under the Section 8 Housing Assistance Program Special Allocations, the Housing Authority rents units that it owns to low-income households. A portion of those rents are received directly from the tenants and the remaining portion is received from a HUD Section 8 Subsidy. The tenants' portion of the rents is based upon 30% of household income. The Housing Authority owns four buildings, consisting of eighteen total units under the Section 8 Housing Assistance Program Special Allocations.

- Section 8 New Construction Program - Under the Section 8 New Construction Program, the Housing Authority owns a high-rise apartment building containing ninety-nine units. The building is for senior citizens only and rents are calculated and received similar to the Section 8 Housing Assistance Program Special Allocations described above.

- Section 8 Moderate Rehabilitation Program - Under the Section 8 Moderate Rehabilitation Program, the Housing Authority administers contracts with landlords. This program is similar to the Section 8 Housing Choice Vouchers Program.

The Housing Authority's Programs - Continued

- Section 8 Moderate Rehabilitation Single Room Occupancy Program - Under the Section 8 Moderate Rehabilitation Single Room Occupancy Program, the Housing Authority contracts with a landlord of a thirty-one unit single room apartment complex. This program is similar to the Section 8 Housing Choice Vouchers Program, however is limited to single individuals and is intended for homeless prevention.

- Shelter Plus Care Program - The Shelter Plus Care Program is similar to the Housing Choice Vouchers Program, described above, however it is designed to place homeless military veterans into housing.

- Home Investment Partnership Programs - The Home Investment Partnership Programs consist of various programs that receive Federal Home Funds. The two primary programs under the Home Investment Partnership Programs are the Home Ownership Program and the Housing Allowance Program.

  Under the Home Ownership Program, first-time, median income home buyers were loaned up to a $10,000 second mortgage at a 1.50 percent annual interest rate. The Home Ownership Program was funded by Federal HOME Funds received through the City of Colorado Springs and the State Division of Housing, and also by loans from El Paso County, Colorado and the Colorado Housing and Finance Authority. Current loans are being serviced; however, no new loans are being made.

  The Housing Allowance Program is a tenant based rental assistance program, similar in nature to the Section 8 Housing Choice Vouchers Program described above. The funding for this program is by Federal HOME Funds received from the City of Colorado Springs.

- Other Programs - The Housing Authority owns and operates numerous other non-HUD funded affordable housing projects for both low-income and senior citizens. In addition, the Housing Authority manages a thirty-three unit senior apartment building for a Section 501(c)(3) corporation, Senior Heritage Plaza, Inc.

Financial Analysis

Condensed Statement of Net Position for the Years Ended December 31, 2016 and 2015:

	2016	2015	% INCREASE/ (DECREASE)
Current Assets	$13,507,223	$11,847,059	14.0%
Capital Assets, Net	34,888,452	35,825,423	(2.6)
Other Noncurrent Assets	934,651	1,296,864	(27.9)
Deferred Outflows of Resources (Pension)	1,409,841	644,202	118.9
Total Assets and Deferred Outflows of Resources	50,740,167	49,613,548	2.3
Current Liabilities	2,736,720	2,906,058	(5.8)
Noncurrent Liabilities	18,575,080	20,041,827	(7.3)
Deferred Inflows of Resources (Pension)	2,065,819	479,439	330.9
Total Liabilities and Deferred Inflows of Resources	23,377,619	23,427,324	(0.2)
Net Investment in Capital Assets	20,949,403	20,533,075	2.0
Restricted Net Position	3,274,242	2,914,414	12.3
Unrestricted Net Position	3,138,903	2,738,735	14.6
Total Net Position	**$27,362,548**	**$26,186,224**	**4.5%**

Major factors affecting the Statement of Net Position:

Total assets increased by $1,126,619 or 2.3%. This increase is due to an increase in restricted and unrestricted cash and investments.

Total liabilities saw a decrease of ($49,705) during 2016, or (0.2%). The decrease is due to lower accounts payable, accrued payroll, compensated absences, net pension liability and current year payments on long-term debt.

The Housing Authority's net investment in capital assets increased by $416,328 or 2.0%, its restricted net position increased by $359,828 or 12.3%, and its unrestricted net position increased by $400,168 or 14.6%, during 2016.

Financial Analysis - Continued

Condensed Statement of Revenue, Expenses, and Changes in Net Position:

	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015	% INCREASE/ (DECREASE)
Operating Revenue:			
Dwelling Rental	$ 7,516,291	$ 7,151,958	5.1%
Operating Grants	19,943,230	20,165,585	(1.1)
Other Operating Revenue	1,450,501	1,323,561	10.0
Total Operating Revenue	28,910,022	28,641,104	0.9
Operating Expenses:			
Administrative	3,313,155	3,609,087	(8.2)
Tenant Services	15,137	8,619	75.6
Utilities	1,239,402	1,308,428	(5.3)
Maintenance and Operations	3,454,435	3,312,820	4.3
General Expenses	767,149	757,246	1.3
Housing Assistance Payments	16,061,803	16,204,869	(0.9)
Depreciation	3,075,502	3,216,708	(4.4)
Total Operating Expenses	27,926,583	28,417,777	(1.7)
Net Operating Income	983,439	223,327	240.4
Nonoperating (Expense) Revenue:			
Interest Expense	(518,787)	(560,530)	(7.4)
(Loss) on Disposal of Capital Assets	(73,737)	(3,639)	1,926.3
Investment Income	58,858	52,524	12.9
Net Nonoperating (Expense)	(533,666)	(511,645)	4.3
Change in Net Position Before Capital Grants	449,773	(288,318)	256.0
Capital Grants	726,551	603,137	20.5
Change in Net Position	1,176,324	314,819	273.7
Net Position - January 1	26,186,224	35,004,062	(25.2)
Change in Accounting Principle	-	(5,403,949)	-
Residual Equity Transfers Out	-	(3,728,708)	-
Net Position - December 31	**$27,362,548**	**$26,186,224**	**4.5%**

Financial Analysis - Continued

Major factors affecting the Statement of Revenue, Expenses, and Changes in Net Position:

Tenant rental income was up $364,333 during 2016 while operating grant revenue was down $222,355. The change in federal and local operating grant revenue from 2015 to 2016, by program, was as follows:

	Increase (Decrease)
Section 8 Housing Choice Vouchers	$ (456,246)
Section 8 New Construction	(3,951)
Shelter Plus Care	(4,549)
Home Investment Partnership	134,464
Section 8 Moderate Rehabilitation	3,901
Low-Rent Public Housing	93,632
Section 8 Moderate Rehab SRO	15,341
Section 8 Special Allocations	3,758
City Grant	(8,705)
	$ (222,355)

Capital grants were up due to a combination of increased funding.

Long-Term Debt

As of December 31, 2016, the Housing Authority had $14,404,707 in debt (bonds, notes, etc.) outstanding compared to $15,870,611 as of December 31, 2015; a net decrease of ($1,465,904).

Long-Term Debt consisted of the following:

	DECEMBER 31,	
	2016	2015
Total Loans	$ 14,404,707	$ 15,870,611
Less: Current Portion	(1,232,662)	(1,357,108)
Noncurrent Portion	**$ 13,172,045**	**$ 14,513,503**

Long-term debt was reduced by debt principal payments and write-offs during the year. The Housing Authority operates a second mortgage program for low-income home buyers. Loans from El Paso County and the Colorado Housing and Finance Authority (CHFA) were used to finance the second mortgage program. Should a homebuyer default on the second mortgage and the mortgage is written off, the Authority's loan balances to El Paso County or CHFA are also reduced. The Housing Authority does not carry the risk on the second mortgages supported by these loans. Mortgage write offs and short sales in 2016 were $77,667.

Changes in long-term debt are summarized below:

Schedule of Changes in Notes and Bonds Payable

12/31/2015	Borrowings	Principal Repayment	Recovery of Mortgage Write offs	12/31/2016
$15,870,611	**$ -**	**$1,388,237**	**$ 77,667**	**$14,404,707**

Additional information on the Housing Authority's long-term debt is presented in the notes to the financial statements.

Capital Assets

As of December 31, 2016, the Housing Authority had $34,888,452 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of $936,971 from December 31, 2015.

	DECEMBER 31, 2016	DECEMBER 31, 2015
Land	$ 8,363,260	$ 8,363,260
Buildings and Improvements	88,497,858	86,493,815
Furniture and Equipment	1,016,717	978,640
Accumulated Depreciation	(63,715,934)	(60,689,784)
Construction in Progress	726,551	679,492
Total	**$ 34,888,452**	**$ 35,825,423**

The following reconciliation summarizes the Change in Capital Assets, which is presented in detail in the notes to the financial statements.

Changes in Capital Assets

Beginning Balance	$ 35,825,423
Additions	2,200,521
Deletions	(61,990)
Depreciation	(3,075,502)
Ending Balance	**$ 34,888,452**

This year's major additions to Capital Assets were:

Exterior Remodels - Firtree	$ 509,807
Sliding Windows - Aspen Glen	258,151
Exterior Remodel - Yuma Court	452,895
File Vision Software	50,024
Basement Remodel - 2423 Burnett	81,446
Batea Elevator	67,450
Rio Grande Deck Replacement	64,926
Interior Remodel - Centennial Plaza	79,484
Roof - Wasactch	84,785
Roof - AMP 1	47,661
Roof - AMP 2	55,458
Boiler - Southview	35,517
Building Improvements - Heatherwood	34,760
	$ 1,822,364

Future Events

At present, funding levels for CSHA's primary programs have not been determined for FY 2018. The consensus at this point is that a continuing resolution will be enacted until a formal budget is approved. CSHA staff will continually monitor this issue moving forward.

Contacting the Housing Authority's Financial Management

This financial report is designed to provide a general overview of the Housing Authority's accountability for all those interested. Any questions regarding the financial information should be submitted in writing to:

Housing Authority of the City of Colorado Springs
Attn: Chad Wright, Executive Director
P.O. Box 1575, MC 1490
Colorado Springs, CO 80901

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 5,929,495
Cash and cash equivalents - restricted	5,323,071
Investments - restricted	1,672,506
Receivables	
Tenants, net of allowance for doubtful accounts	12,631
Other	233,647
Due from other governments	43,344
Inventory	193,956
Current portion of notes receivable, net of allowance for doubtful accounts	98,573
TOTAL CURRENT ASSETS	13,507,223
NONCURRENT ASSETS	
Notes receivable, net of allowance for doubtful accounts	934,625
Other assets	26
Land	8,363,260
Buildings and improvements	88,497,858
Furniture and equipment	1,016,717
Construction in progress	726,551
Less accumulated depreciation	(63,715,934)
TOTAL NONCURRENT ASSETS	35,823,103
TOTAL ASSETS	49,330,326
DEFERRED OUTFLOWS OF RESOURCES	
Pension (PERA of Colorado)	1,409,841
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 50,740,167**

The accompanying notes are an integral part of these financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 48,282
Accrued payroll liabilities	97,348
Accrued interest	55,028
Accrued expenses	66,541
Compensated absences	236,722
Unearned revenue	431,624
Due to other governments	145,119
Tenants' security deposits	423,394
Current portion of long-term debt	1,232,662
TOTAL CURRENT LIABILITIES	2,736,720
NONCURRENT LIABILITIES	
Net pension liability (PERA of Colorado)	5,365,203
Long-term debt	13,172,045
Compensated absences	25,758
Tenants' FSS escrow	12,074
TOTAL NONCURRENT LIABILITIES	18,575,080
TOTAL LIABILITIES	21,311,800
DEFERRED INFLOWS OF RESOURCES	
Pension (PERA of Colorado)	747,947
HAP advance payments	1,317,872
TOTAL DEFERRED INFLOWS OF RESOURCES	2,065,819
NET POSITION	
Net investment in capital assets	20,949,403
Restricted	3,274,242
Unrestricted	3,138,903
TOTAL NET POSITION	27,362,548
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 50,740,167**

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUE	
Dwelling rental	$ 7,516,291
Operating grants	19,943,230
Other operating revenue	1,450,501
TOTAL OPERATING REVENUE	28,910,022
OPERATING EXPENSES	
Administration	3,313,155
Tenant services	15,137
Utilities	1,239,402
Maintenance and operations	3,454,435
General expenses	767,149
Housing assistance payments	16,061,803
Depreciation	3,075,502
TOTAL OPERATING EXPENSES	27,926,583
OPERATING INCOME	983,439
NONOPERATING REVENUE (EXPENSE)	
Interest income	58,858
(Loss) on disposal of capital assets	(73,737)
Interest expense	(518,787)
NET NONOPERATING (EXPENSE)	(533,666)
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	449,773
CAPITAL GRANTS	726,551
CHANGE IN NET POSITION	1,176,324
NET POSITION AT BEGINNING OF YEAR	26,186,224
NET POSITION AT END OF YEAR	**$ 27,362,548**

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants/participants	$ 7,500,955
Cash received from operating grants	21,285,518
Other income received	1,450,501
Cash payments to vendors	(5,057,583)
Cash payments to employees	(4,297,029)
Cash payments for housing assistance	(16,061,803)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,820,559
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	726,551
Acquisition of capital assets	(2,200,521)
Proceeds from sale of capital assets	4,200
Principal payments	(1,465,904)
Interest paid	(529,613)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(3,465,287)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(66,702)
Payments received on notes receivable	357,060
Interest received	63,028
NET CASH PROVIDED BY INVESTING ACTIVITIES	353,386
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,708,658
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,543,908
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 11,252,566**

(Continued on page 16)

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT OF CASH FLOWS - Continued
YEAR ENDED DECEMBER 31, 2016

RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION

Cash and cash equivalents	$ 5,929,495
Cash and cash equivalents - restricted	5,323,071
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	**$ 11,252,566**

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	$ 983,439
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	3,075,502
Changes in assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	(31,158)
Notes receivable	20,319
Due from other governments	(13,717)
Inventory	95,037
Prepaid expenses	29,751
Increase (decrease) in liabilities	
Accounts payable	(23,704)
Accrued payroll liabilities	(39,896)
Accrued expenses	(13,111)
Due to other governments	(10,457)
Unearned revenue	(92,491)
Compensated absences	46,855
Tenants' FSS escrow	6,406
Tenants' security deposits	13,360
Deferred inflows of resources	774,424
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 4,820,559**

The accompanying notes are an integral part of these financial statements.

NOTE 1 - Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization - The Housing Authority of the City of Colorado Springs ("Housing Authority") is a political subdivision, which was organized under the laws of the State of Colorado to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal Agencies. The Housing Authority was established under the provision of Colorado Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Housing Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of Low Income and Section 8 programs.

Reporting Entity

The Housing Authority is a separate governmental entity created for the purpose of constructing, maintaining, and operating public housing and providing rental assistance to low income, disabled, and elderly persons. Most of the Housing Authority's funding is provided by the United States Department of Housing and Urban Development (HUD). All programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

Programs Administered by the Housing Authority

The programs of the Housing Authority are recorded on one enterprise fund. Each program is maintained using a separate set of self-balancing accounts. The programs include low income public housing (AMP 1-3 and capital funds), Section 8 Housing Choice Vouchers, Section 8 Moderate Rehab, Section 8 Moderate Rehab SRO, several state/local programs, Section 8 New Construction, Shelter Plus Care, a Central Office Cost Center (COCC), a HOME Investment Partnership, and a Section 8 Special Allocations program.

A listing of state/local programs is as follows:

- Southview Plaza
- Firtree Apartments
- Heatherwood Apartments
- Garden Pines Apartments
- Yuma Court Townhomes
- Creekside at Norwood
- Shooks Run Apartments
- Rio Grande Village I, II, and III
- Franklin Square Apartments
- Lowell School
- Park Meadows Affordable Housing
- The Winfield Apartments
- West Meadows Apartment Homes
- Chestnut Glen Townhomes
- Shadow Wood Chalet Apartments
- Wyndam Place Senior Residences I and II
- Village of Homewood Point (CS Pike Senior)
- Air Force Academy Housing
- Greentree Village Apartments
- Human Services Complex
- Bentley Commons (GPR Properties)
- CD Smith Trust Fund
- Point of Pines Gardens
- Copper Creek Apartments
- Valley View Place
- Summit Apartments
- Copper Range Apartments

Basis of Accounting and Measurement Focus - The Housing Authority's basic financial statements are presented on the full accrual basis in accordance with U.S. GAAP. The Housing Authority applies all GASB pronouncement, as well as U.S. GAAP, as codified by Financial Accounting Standards Board.

NOTE 1 - Nature of Organization and Summary of Significant Accounting Policies

All activities of the Housing Authority are accounted for within one proprietary (enterprise) fund. A proprietary fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A proprietary fund distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Housing Authority is rent collected from tenants and operating grants. Operating expenses for a proprietary fund include the cost of operating properties owned, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The accounting and financial reporting treatment applied to the Housing Authority is determined by its measurement focus. The transactions of the Housing 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 position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets, restricted, and unrestricted. When both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgets - Budgets are adopted on the basis of accounting consistent with the program to which it applies. The Housing Authority prepares annual operating budgets for the housing programs. The capital fund budgets are adopted on a "project length" basis. The budgets are formally adopted by its governing board and are approved by the funding agency. The budgets for the programs funded by HUD form the basis of the federal financial assistance received through HUD.

Budget compared to actual presentation has been omitted because the Housing Authority does not annually adopt a legally authorized budget. The Housing Authority's budget is adopted by the Housing Authority's board and approved by HUD. This budget does not represent an appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Housing Authority's budget represents budgetary execution and management by its board and HUD, therefore, budgetary data and presentation is not required.

Cash and Investments - Cash and investments consist of checking, savings and money market accounts and Treasury Fund investments and are stated at fair value. Deposits are fully collateralized or vested in securities of the United Sates Government and are identified specifically in the name of the Housing Authority.

For the purposes of the statement of cash flows, the Housing Authority considers all highly liquid deposits (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents. There were no non-cash investing, capital and financing activities during the year.

NOTE 1 - Nature of Organization and Summary of Significant Accounting Policies - Continued

Cash and Investments - Restricted - Restricted cash and investments are segregated resources for tenants' security deposits, reserve for replacements, lender restrictions, tenants' family self-sufficiency deposits, and unspent housing assistance payments.

Accounts Receivable - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts of $8,439. The Housing Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Notes Receivable - Notes receivable are recorded at net amount. Notes receivable consist of mortgage receivable and notes for fraud recovery income. At December 31, 2016, the allowance for uncollectible mortgages receivable and notes for fraud recovery was $22,617.

Prepaid Expenses - Prepaid expenses represent payments made to vendors for services that will benefit beyond December 31, 2016.

Inventories - Inventories are valued at cost, which approximates market value, using the weighted average method. The consumption method is applied and expense is charged when inventory items are used for the units.

Interprogram Transactions - Quasi-external transactions are accounted for as revenue or expenses. Transactions that constitute reimbursements to a program for expenses initially made from it that are properly applicable to another program, are recorded as expenses in the reimbursing program and as reductions of expenses in the program that is reimbursed.

Capital Assets - Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash reimbursements from HUD, there are no capitalized interest costs in current programs.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

Class	Life
Buildings and improvements	15-20 years
Furniture and equipment	3-10 years

Expenditures for land, buildings and equipment in excess of $3,000 per item are capitalized for all programs. The Housing Authority owns no infrastructure assets.

Impairment of Long-Lived Assets - The Housing Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered if the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended December 31, 2016.

NOTE 1 - Nature of Organization and Summary of Significant Accounting Policies - Continued

Other Assets - Other assets consist of investments in joint ventures.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Housing Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Housing Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The Housing Authority has one item that qualifies for reporting in this category. It is the PERA of Colorado pension plan and results from changes in the pension plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Housing Authority has two items that qualify for reporting in this category. It is the PERA of Colorado pension plan and results from changes in the pension plan. It is also for housing assistance payments received in advance.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERA and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. 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 for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Rental Income - Rental income is recognized as rents become due.

Leasing Activities (as Lessor) - The Housing Authority is the lessor of dwelling units primarily to low income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Housing Authority may cancel the lease only for cause.

Revenue associated with these leases is recorded in the financial statements and schedules as "rental income". Rental income from residents generally remains consistent from year to year, but is affected by general economic conditions which impact personal income, such as local job availability.

NOTE 1 - Nature of Organization and Summary of Significant Accounting Policies - Continued

Operating Revenue and Expenses - Operating revenue and expenses generally result from providing and producing goods and/or services in connection with providing low-income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Federal and State Aids - Federal and state aids for reimbursable programs are recognized as revenue in the year the related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenue.

Due To/From Other Programs - During the course of operations, numerous transactions occur between individual programs for goods provided or services rendered. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net position and have been eliminated in the basic financial statements.

Employee Retirement Plan - The Housing Authority has a retirement plan covering substantially all of its eligible employees which is funded through contributions to the Public Employees' Retirement Association of Colorado.

Subsequent Events - The Housing Authority has evaluated subsequent events through June 15, 2017, the date which the financial statements were available to be issued.

NOTE 2 - Cash and Investments

HUD Deposit Restrictions - HUD requires authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Housing Authority with an unaffiliated bank or trust company for the account of the Housing Authority.

As of December 31, 2016, the Housing Authority had the following investments:

	Credit Rating	Maturity Date	Callable	Fair Market Value
Investments:				
U.S. Treasury notes	AAA	Various	No	$ 1,672,506

NOTE 2 - Cash and Investments - Continued

Determining Fair Value - The Housing Authority categorizes its fair value measurements with in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The Housing Authority has the following recurring fair value measurement:

1) U.S. Treasury Notes values are determined based on published market quotations (level 1 inputs).

2) Wisconsin Investment Series Cooperative fair value is determined by the investment board based on published market quotations (level 2 inputs).

Risk Disclosures:

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Housing Authority's investment policy limits the Housing Authority's investment portfolio to maturities not to exceed three years at time of purchase. At December 31, 2016, the Housing Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than three years.

Credit Risk: This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Housing Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the U.S. Government, its agencies and instrumentalities.

Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty, the Housing Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Housing Authority's investments in securities are held in the name of the Housing Authority. The Housing Authority's custodial agreement policy prohibits counterparties holding securities not in the Housing Authority's name.

Deposits: The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash be deposited in eligible public depositories. Eligibility is determined by state statutes and regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits. At December 31, 2016, $11,035,439 of the Housing Authority's bank balance of $11,637,786 was exposed to custodial credit risk as follows:

Uninsured, collateral pledged by bank	**$11,035,439**

At December 31, 2016, the Housing Authority reported cash and cash equivalents as follows:

Cash and cash equivalents	$ 5,929,495
Cash and cash equivalents - restricted	5,323,071
	$11,252,566

The difference between cash and cash equivalents and the deposits reported above is due to reconciling items such as deposits in transit and outstanding checks.

NOTE 3 - Notes Receivable

The Housing Authority's Home Ownership Program provides low interest second mortgages to families who meet certain income and other guidelines. The second mortgages range from $2,500 to $30,000 at 1.5 percent annual interest rate for a 30-year term, with principal and interest payable in monthly installments.

The Housing Authority also has notes with tenants for fraud recovery payments.

Notes receivable (net of allowance of $22,617) at December 31, 2016, consists of the following:

Current portion, net	$ 98,573
Noncurrent portion, net	934,625
TOTAL NOTES RECEIVABLE, NET	**$ 1,033,198**

NOTE 4 - Capital Assets

A summary in changes in capital assets is as follows:

	BALANCE 12/31/15	ADDITIONS	REDUCTIONS	TRANSFERS	BALANCE 12/31/16
Capital assets not being depreciated:					
Land	$ 8,363,260	$ -	$ -	$ -	$ 8,363,260
Construction in progress	679,492	726,551	(60,897)	(618,595)	726,551
Total capital assets not being depreciated	9,042,752	726,551	(60,897)	(618,595)	9,089,811
Capital assets being depreciated:					
Buildings and improvements	86,493,815	1,406,209	-	597,834	88,497,858
Furniture and equipment	978,640	67,761	(50,445)	20,761	1,016,717
Total capital assets being depreciated	87,472,455	1,473,970	(50,445)	618595	89,514,575
Less accumulated depreciation	(60,689,784)	(3,075,502)	49,352	-	(63,715,934)
Total capital assets being depreciated, net of accumulated depreciation	26,782,671	(1,601,532)	(1,093)	618,595	25,798,641
Total Capital Assets, Net of Accumulated Depreciation	**$35,825,423**	**$ (874,981)**	**$ (61,990)**	**$ -**	**$34,888,452**

NOTE 5 - Investment in Joint Ventures

The Housing Authority is a .01 percent general partner in the West Meadows Apartment Homes, LLLP (the Partnership), a Colorado limited liability limited partnership. The Partnership was formed to develop and operate a 216 unit apartment complex in Colorado Springs, Colorado and began operations in June, 2002. The Housing Authority is allocated .01 percent of the Partnership's operating profits and losses each year. The Partnership incurred a net financial loss for the year ended December 31, 2016 of ($37,232) of which a loss of ($4) was alocated to the Housing Authority. At December 31, 2016, the Housing Authority's equity share was ($40,682).

NOTE 5 - Investment in Joint Ventures - Continued

The Housing Authority is also a .01 percent managing member of the Academy Heights Housing Partners, LLC (the Company), a Colorado limited liability company. The Company was organized to construct and operate a 160 unit apartment complex called the Winfield Apartments located in Colorado Springs, Colorado. Operations commenced in May 2002. The Housing Authority is allocated .01 percent of the Company's operating profits and losses each year. The Company incurred a net financial income for the year ended December 31, 2016 of $53,142 of which an income of $5 was allocated to the Housing Authority. At December 31, 2016, the Housing Authority's equity share was ($33).

The Housing Authority is also a .0051 percent majority general partner in the Wyndam-Colorado Springs Partners, L.P. (the Partnership), a Colorado limited partnership. The Partnership was organized in July 2003 to develop and operated a 72 unit affordable apartment complex for senior citizens in Colorado Springs, Colorado, known as Wyndam Colorado Springs Apartments. Operations commenced in October 2004. The Housing Authority is allocated .0051 percent of the Partnership's operating profits and losses each year. The Partnership incurred a net financial loss for the year ended December 31, 2016 of ($93,633) of which a loss of ($5) was allocated to the Housing Authority. At December 31, 2016, the Housing Authority's equity share was ($108).

The Housing Authority is also a .0051 percent majority general partner in the Wyndam-Colorado Springs Partners II, L.P. (the Partnership), a Colorado limited partnership. The Partnership was organized in August 2007, to develop and operate a 48 unit affordable apartment complex for senior citizens in Colorado Springs, Colorado, known as Wyndam II Colorado Springs Apartments Operations commenced January 2008. The Housing Authority is allocated .0051 percent of the Partnership's operating profits and losses each year. The Partnership incurred a net financial loss for the year ended December 31, 2016 of ($121,679) of which a loss of ($6) was allocated to the Housing Authority. At December 31, 2016, the Housing Authority's equity share was ($14).

In July 2003, the Housing Authority became a 1.0 percent member of the Park Meadows Affordable Housing, LLC (the LLC), a Colorado limited liability company. The LLC was formed in January 2002 to acquire, own and operate an apartment complex known as the Park Meadows Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The LLC's net income for the year ended December 31, 2016 was $35,855. The Housing Authority has a 1.0 percent capital interest in the LLC only and does not receive any allocation of operating profits and losses from the LLC. Therefore, none are recorded in the accompanying financial statements.

In May 2007, the Housing Authority became a .001 percent Class B Limited Partner of the GT Apartments LLLP (the Partnership), a Colorado limited partnership. The Partnership was formed in December 2006 to acquire, own and operate an apartment complex known as the Green Tree Village Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The Housing Authority is allocated .001 percent of the Partnership's operating profits and losses each year. The Partnership incurred a net financial loss for the year ended December 31, 2016 of ($74,081) of which a loss of $-0- was allocated to the Housing Authority. At December 31, 2016, the Housing Authority's equity share was ($79).

NOTE 5 - Investment in Joint Ventures - Continued

In May 2007 the Housing Authority became a 1.0 percent member of AFA Project Sublessee, LLC (the AFA), a Delaware limited liability company. The AFA was formed to develop and lease a private housing project (the Project) located on the U.S. Air Force Academy in El Paso County, Colorado. The Project will provide affordable housing to low and moderate income military and civilian personnel stationed at the U.S. Air Force Academy. For the year ended December 31, 2016, the Housing Authority earned a participation fee of $184,443. The Housing Authority is not liable for any of the AFA's debt. The AFA has no assets or liabilities and produces no revenue, so no financial statements are prepared.

In December 2009, the Housing Authority became a 1.0 percent member of GPR Properties II, LLC, (the LLC) a Colorado Limited Liability Company. The LLC owns and operates the Bentley Commons Apartments, an affordable housing apartment for low and moderate income individuals in Colorado Springs, Colorado. The Housing Authority does not share in the profits or loss of the LLC, but instead receives an annual payment from the LLC equal to approximately one-third of the LLC's annual property tax savings.

In October 2010, the Housing Authority became a .005 percent special limited partner of the CS Pike Senior 2010 L.P. (the Partnership), a Colorado limited partnership. The purpose of the Partnership is to develop and operate the 70 unit Senior Apartments called the Village at Homewood Point in Colorado Springs, Colorado, in a manner that provides decent, safe, affordable housing for low income persons. The Partnership agreed to maintain four units to be leased at 30 percent of area median income instead of 40 percent of area median income as a condition of acceptance of a limited partner interest by the Housing Authority. In consideration of the administration costs of the Housing Authority, the Partnership pays the Housing Authority an annual fee of $750, which was still owed as of December 31, 2016. The Partnership incurred a net financial loss for the year ended December 31, 2016 of ($264,841) of which a loss of ($13) was allocated to the Housing Authority. At December 31, 2016, the Housing Authority's equity share was ($77).

In July 2011, the Housing Authority became a .0005 percent member of Point of the Pines LLC, (the LLC) a Colorado Limited Liability Company formed to develop and operate a 110 unit affordable assisted living facility in Colorado Springs, Colorado for low-income elderly and disabled persons. The Housing Authority receives a special administrative fee of $10,000 annually. The Partnership incurred a net financial loss for the year ended December 31, 2016 of ($243,636) of which a loss of ($12) was allocated to the Housing Authority. At December 31, 2016, the Housing Authority's equity share was ($56).

In May 2013, the Housing Authority became a .001 percent Class B Limited Partner of the Copper Creek Apartments LLC, (the LLC), a Colorado limited liability company. The LLC was formed in May 2013 to acquire, own and operate a 216 unit apartment complex known as the Copper Creek Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The Housing Authority is allocated .001 percent of the LLC's operating profits and losses. The LLC incurred a net financial loss for the year ended December 31, 2016 of ($819,561) of which a loss of ($82) was allocated to the Housing Authority. At December 31, 2016, the Housing Authority's equity share was ($171).

In June 2016, the Housing Authority became a .01 percent Special Limited Partner of Summit Apartments, LLC (the LLC), a Colorado limited liability company. The LLC was formed in June 2016 to acquire, own and operate a 256 unit apartment complex known as the Summit Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The Housing Authority does not share in the profits or loss of the LLC.

NOTE 5 - Investment in Joint Ventures - Continued

In October 2016, the Housing Authority became a 1.0 percent Class B Special Member of Copper Range Apartments, LLC (the LLC), a Colorado limited liability company. The LLC was formed in October 2016 to develop and operate a 237 unit apartment complex known as the Copper Range Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The Housing Authority will be allocating .01 percent of the LLC's operating profits and losses. The LLC was still under construction as of December 31, 2016.

Some of the investments are eligible for low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the apartment projects as to occupant eligibility and rents, among other requirements. Each building must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the credits. The low income housing credit is computed as a percentage of the eligible basis of the property as defined in Code Section 42, as is allowed annually during a period of ten years commencing with the year the buildings are placed in service. In addition, the Partnership, and the Company will be committed to an Extended Use Agreement, which requires the Memberships to comply with Section 42 for a minimum of thirty years. This agreement applies even if the Memberships dispose of the projects within the agreements time frame.

NOTE 6 - Notes and Bonds Payable

All of the following notes and bonds payable are secured by deeds of trust against the specified properties named in the debt. The Home Ownership debt, however, is secured by second mortgages on individual homes purchased by low-income families through the Home Ownership Program.

SECTION 8 NEW CONSTRUCTION

Future payments are as follows:

	Principal	Interest	Total
2017	$ 210,000	$ 30,228	$ 240,228
2018	225,000	18,591	243,591
2019	235,000	6,286	241,286
Total	**$ 670,000**	**$ 55,105**	**$ 725,105**

	Bonds payable
Interest rate	3.8 to 5.35%
Due date	July 1, 2019
Original balance	$3,115,000

Principal payments are made annually on July 1 and accrued interest is paid semi-annually on January 1 and July 1.

NOTE 6 - Notes and Bonds Payable - Continued

SHOOKS RUN

Future payments are as follows:

	Principal	Interest	Total
2017	$ 11,385	$ -	$ 11,385
2018	11,385	-	11,385
2019	11,385	-	11,385
2020	11,385	-	11,385
2021	11,385	-	11,385
2022-2026	56,925	-	56,925
2027-2031	56,925	-	56,925
2032	11,382	-	11,382
Total	**$ 182,157**	**$**	**$ 182,157**

	City of Colorado Springs
Interest rate	0.00%
Due date	December 1, 2032
Original balance	$300,000
Monthly payments	$949

HOME OWNERSHIP

Future payments are as follows:

	Principal	Interest	Total
2017	$ 117,500	$ 5,190	$ 122,690
2018	117,500	3,428	120,928
2019	117,500	1,665	119,165
2020	52,259	392	52,651
Total	**$ 404,759**	**$ 10,675**	**$ 415,434**

Notes payable of $404,759 at December 31, 2016, consist of numerous loans from the Colorado Housing and Finance Authority (CHFA) and El Paso County, Colorado (EPC) to finance second mortgages for home buyers (see Note 3). The annual interest rates of the loans are set at 1.5 percent, the same as to the home buyers, and repayment is based upon payments received on the second mortgages from the home buyers. Future principal payments on these notes are estimated amounts. The payments to CHFA and EPC are based upon the quarterly notes receivable collections.

SOUTHVIEW PLAZA

Future payments are as follows:

	Principal	Interest	Total
Due on Sale	**$ 307,000**	**$ -**	**$ 307,000**

	City of Colorado Springs
Interest rate	0.0%
Due date	Sale of property
Original balance	$307,000
Payments	Upon sale

NOTE 6 - Notes and Bonds Payable - Continued

KIOWA

Future payments are as follows:

	Principal	Interest	Total
Due on Sale	**$ 75,000**	**$ -**	**$ 75,000**

	City of Colorado Springs
Interest rate	0.00%
Due date	Sale of property
Original balance	$20,870
Monthly payments	Due upon sale

FIRTREE APARTMENTS

The future payments are as follows:

	Principal	Interest	Total
2017	$ 257,966	$ 7,131	$ 265,097
2018	262,334	2,764	265,098
2019	22,038	31	22,069
Total	**$ 542,338**	**$ 9,926**	**$ 552,264**

	US Bank
Interest rate	1.68%
Due date	January 1, 2019
Original balance	$1,531,028
Monthly payments	$22,091

YUMA COURT

The future payments are as follows:

	Principal	Interest	Total
2017	$ 51,749	$ 30,195	$ 81,944
2018	53,605	28,339	81,944
2019	55,528	26,416	81,944
2020	718,093	12,465	730,558
Due on Sale	240,000	-	240,000
Total	**$ 1,118,975**	**$ 97,415**	**$ 1,216,390**

	US Bank	City of Colorado Springs
Interest rate	3.53%	0.00%
Due date	June 1, 2020	Sale of property
Original balance	$1,173,121	$240,000
Payments	$6,829	Upon sale

NOTE 6 - Notes and Bonds Payable - Continued

CREEKSIDE

The future payments are as follows:

	Principal	Interest	Total
2017	$ 298,598	$ 112,931	$ 411,529
2018	313,340	98,187	411,527
2019	328,813	82,715	411,528
2020	345,050	66,478	411,528
2021	362,090	49,437	411,527
2022-2026	819,707	46,642	866,349
2027-2030	17,562	1,006	18,568
Due on Sale	250,000	-	250,000
Total	**$ 2,735,160**	**$ 457,396**	**$ 3,192,556**

	El Paso County	City of Colorado Springs	US Bank
Interest rate	3.00%	0.00%	4.85%
Due date	August 1, 2030	Sale of property	January 1, 2024
Original balance	$100,000	$250,000	$5,166,965
Payments	$422	Upon sale	$33,872

LOWELL SCHOOL

The future payments are as follows:

	Principal	Interest	Total
Due on Sale	**$ 833,000**	**$ -**	**$ 833,000**

	City of Colorado Springs
Interest rate	0.00%
Due date	Sale of property
Original balance	$833,000
Monthly payments	Due upon sale

RIO GRANDE VILLAGE I

The future payments are as follows:

	Principal	Interest	Total
2017	$ 150,250	$ 119,411	$ 269,661
2018	150,420	113,388	263,808
2019	150,592	107,363	257,955
2020	446,193	100,361	546,554
2021	133,333	92,433	225,766
2022-2026	666,665	374,574	1,041,239
2027-2030	1,366,608	14,678	1,381,286
Due on Sale	700,000	-	700,000
Total	**$ 3,764,061**	**$ 922,208**	**$ 4,686,269**

NOTE 6 - Notes and Bonds Payable - Continued

RIO GRANDE VILLAGE I - Continued

	El Paso County	City of Colorado Springs	US Bank
Interest rate	1.00%	0.00%	4.33%
Due date	July 1, 2036	Sale of property	March 1, 2027
Original balance	$500,000	$700,000	$4,000,000
Payments	$1,707	Upon sale	Variable

RIO GRANDE VILLAGE II

The future payments are as follows:

	Principal	Interest	Total
2017	$ 89,800	$ 78,705	$ 168,505
2018	89,931	74,989	164,920
2019	90,065	71,272	161,337
2020	343,546	66,665	410,211
2021	76,667	61,364	138,031
2022-2026	383,335	253,210	636,545
2027-2028	888,051	61,474	949,525
Total	**$ 1,961,395**	**$ 667,679**	**$ 2,629,074**

	El Paso County	US Bank
Interest rate	1.00%	4.61%
Due date	August 1, 2020	July 1, 2028
Original balance	$400,000	$2,300,000
Payments	$1,345	Variable

CHESTNUT GLEN

The future payments are as follows:

	Principal	Interest	Total
2017	$ 20,954	$ 33,047	$ 54,001
2018	21,938	32,063	54,001
2019	22,971	31,030	54,001
2020	24,053	29,948	54,001
2021	25,188	28,812	54,000
2022-2026	144,995	125,010	270,005
2027-2031	417,224	24,086	441,310
2032-2036	34,327	3,618	37,945
2037	6,236	86	6,322
Due on Sale	125,000	-	125,000
Total	**$ 842,886**	**$ 307,700**	**$ 1,150,586**

	El Paso County	City of Colorado Springs	US Bank
Interest rate	3.00%	0.00%	4.99%
Due date	October 1, 2037	Sale of property	October 1, 2027
Original balance	$150,000	$125,000	$720,000
Payments	$632	Upon sale	$3,868

NOTE 6 - Notes and Bonds Payable - Continued

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The future payments are as follows:

	Principal	Interest	Total
2017	$ 24,461	$ 39,210	$ 63,671
2018	25,624	38,046	63,670
2019	26,845	36,826	63,671
2020	28,125	35,545	63,670
2021	29,468	34,202	63,670
2022-2026	169,902	148,448	318,350
2027-2031	497,987	48,411	546,398
2032-2036	34,327	3,618	37,945
2037	6,237	86	6,323
Due on Sale	125,000	-	125,000
Total	**$ 967,976**	**$ 384,392**	**$ 1,352,368**

	El Paso County	City of Colorado Springs	US Bank
Interest rate	3.00%	0.00%	4.99%
Due date	October 1, 2037	Sale of property	October 1, 2027
Original balance	$150,000	$125,000	$870,000
Payments	$632	Upon sale	$4,673

TOTAL NOTES AND BONDS PAYABLE

The future payments are as follows:

	Principal	Interest	Total
2017	$ 1,232,662	$ 456,049	$ 1,688,711
2018	1,271,077	409,795	1,680,872
2019	1,060,737	363,604	1,424,341
2020	1,968,705	311,854	2,280,559
2021	638,131	266,248	904,379
2022-2026	2,241,529	947,884	3,189,913
2027-2031	3,244,357	149,655	3,394,012
2032-2036	80,036	7,236	87,272
2037	12,473	172	12,645
Due on Sale	2,655,000	-	2,655,000
Total	**$14,404,707**	**$ 2,912,497**	**$17,317,204**

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amount Due Within One Year
Schedule of changes in notes and bonds payable	**$ 15,870,611**	**$ -**	**$ (1,465,904)**	**$ 14,404,707**	**$ 1,232,662**

NOTE 7 - Other Liabilities

Other liabilities at December 31, 2016, consist of the following:

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amount Due Within One Year
Compensated absences	$ 215,625	$ 46,855	$ -	$ 262,480	$ 236,722
Tenants' FSS Escrow	5,668	6,414	(8)	12,074	-
Total	**$ 221,293**	**$ 53,269**	**$ (8)**	**$ 274,554**	**$ 236,722**

NOTE 8 - Net Position

Restricted Net Position

The following is a summary of individual net position restrictions at December 31, 2016:

Program	Purpose/Reason	Amount
Section 8 Choice Vouchers	Unspent Housing Assistance Payments	$ 24,409
Section 8 Special Allocations	Replacement Reserve Accounts	163,311
State/Local	Replacement Reserve and Debt Service Accounts	3,086,522
Total		**$ 3,274,242**

NOTE 9 - Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The Housing Authority of the City of Colorado Springs participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the Housing Authority of the City of Colorado Springs are provided with pensions through the Local Government Division Trust Fund (LGDTF) - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9 - Defined Benefit Pension Plan - Continued

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

NOTE 9 - Defined Benefit Pension Plan - Continued

Contributions. Eligible employees and the Housing Authority of the City of Colorado Springs are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%
Total Employer Contribution Rate to the LGDTF	12.68%

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Housing Authority of the City of Colorado Springs is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Housing Authority of the City of Colorado Springs were $350,734 for the year ended December 31, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Housing Authority of the City of Colorado Springs reported a liability of $5,365,203 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Housing Authority of the City of Colorado Springs' proportion of the net pension liability was based on the Housing Authority of the City of Colorado Springs' contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the Housing Authority of the City of Colorado Springs proportion was 0.4870458630 percent, which was a decrease of .1167101732 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the Housing Authority of the City of Colorado Springs recognized pension expense of $603,947. At December 31, 2015, the Housing Authority of the City of Colorado Springs reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	1,073,096	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(747,947)
Contributions subsequent to the measurement date	336,745	-
Total	**$1,409,841**	**$ (747,947)**

NOTE 9 - Defined Benefit Pension Plan - Continued

$336,745 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflow	Deferred Inflow
2017	$ 623,171	$(603,859)
2018	286,426	(130,667)
2019	286,426	(13,421)
2020	213,818	-
2021	-	-
Thereafter	-	-

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

NOTE 9 - Defined Benefit Pension Plan - Continued

- The following methodology changes were made:
    - Recognition of merit salary increases in the first projection year.
    - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
    - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
    - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	**100.00%**	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.

NOTE 9 - Defined Benefit Pension Plan - Continued

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Housing Authority of the City of Colorado Springs proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$8,225,404	$5,365,203	$2,992,950

NOTE 9 - Defined Benefit Pension Plan - Continued

Pension plan fiduciary net position. Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the Pension Plan: At December 31, 2016, the Housing Authority reported a payable of $22,590 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description - Employees of the Housing Authority of the City of Colorado Springs that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2016, program members contributed $56,630.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description - The Housing Authority of the City of Colorado Springs contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Housing Authority of the City of Colorado Springs is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Housing Authority of the City of Colorado Springs are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016 and 2015, the Housing Authority of the City of Colorado Springs contributions to the HCTF were $28,214 and $33,745, respectively, equal to their required contributions for each year.

NOTE 10- Risk Management

Insured Risk - The Housing Authority purchases commercial insurance with various deductibles and coverages to cover liability, property, workers' compensation, errors, omissions, and employee defalcation risk. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 11 - Economic Dependency

During 2016, the Housing Authority received approximately 70 percent of its revenue from the United States Department of Housing and Urban Development. This funding is subject to federal government budget appropriations and potential funding reductions.

NOTE 12 - Contingencies - Taxpayer's Bill of Rights

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

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) OF COLORADO SCHEDULES
DECEMBER 31, 2016

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years *

	2015	2016
Housing Authority's proportion of the net pension liability	0.603756036%	0.487045863%
Housing Authority's proportionate share of the net pension liability	$ 5,411,520	$ 5,365,205
Housing Authority's covered employee payroll	$ 3,308,313	$ 2,766,042
Proportionate share of the net pension liability as a percentage of its covered employee payroll	163.57%	193.97%
Plan fiduciary net position as a percentage of the total pension liability	80.70%	76.87%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years*

	2015	2016
Contractually required contribution	$ 419,494	$ 350,734
Contributions in relation to the contractually required contribution	(494,494)	(350,734)
Contribution deficiency (excess)	**$ -**	**$ -**
Housing Authority's covered employee payroll	$ 3,308,313	$ 2,766,042
Contributions as a percentage of covered employee payroll	12.68%	12.68%

*'The Housing Authority implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 proceeding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2016

Changes of benefit terms. There were no changes of benefit terms for any participating employer in PERA of Colorado.

Changes of assumptions. There were no changes in the assumptions.

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 1,102,893	$ 103,999	$ 6,077	$ 57,497	$ 1,534,171	$ 221,991
Cash and cash equivalents - restricted	195,508	1,450,596	-	-	3,485,326	24,610
Investments - restricted	-	-	-	-	-	1,672,506
Receivables						
Tenants, net of allowance for doubtful accounts	7,018	-	-	-	5,140	464
Other	-	3,699	-	-	228,852	-
Due from other governments	-	-	3,117	13,673	-	-
Due from other programs	-	-	-	-	55,529	-
Inventory	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Current portion of notes receivable, net of allowance for doubtful accounts	12,234	18,403	-	-	2,131	30
TOTAL CURRENT ASSETS	1,317,653	1,576,697	9,194	71,170	5,311,149	1,919,601
NONCURRENT ASSETS						
Notes receivable, net of allowance for doubtful accounts	-	-	-	-	-	-
Other assets	-	-	-	-	26	-
Land	6,072,360	-	-	-	2,071,360	118,860
Buildings and improvements	41,214,625	-	-	-	41,145,825	3,197,330
Furniture and equipment	564,090	-	125	646	75,193	48,580
Construction in progress	726,551	-	-	-	-	-
Less accumulated depreciation	(33,303,801)	-	(63)	(323)	(26,780,446)	(2,416,601)
TOTAL NONCURRENT ASSETS	15,273,825	-	62	323	16,511,958	948,169
TOTAL ASSETS	16,591,478	1,576,697	9,256	71,493	21,823,107	2,867,770
DEFERRED OUTFLOWS OF RESOURCES						
Pension (PERA of Colorado)	575,756	256,709	-	-	47,173	77,918
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 17,167,234**	**$ 1,833,406**	**$ 9,256**	**$ 71,493**	**$ 21,870,280**	**$ 2,945,688**

(Continued on page 42)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	ELIMINATING ENTRY	TOTAL
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 12,049	$ 340,622	$ 2,442,243	$ 107,953	$ -	$ 5,929,495
Cash and cash equivalents - restricted	-	-	450	166,581	-	5,323,071
Investments - restricted	-	-	-	-	-	1,672,506
Receivables						
Tenants, net of allowance for doubtful accounts	-	-	-	9	-	12,631
Other	-	-	1,096	-	-	233,647
Due from other governments	5,537	-	21,017	-	-	43,344
Due from other programs	-	-	-	-	(55,529)	-
Inventory	-	44,861	149,095	-	-	193,956
Prepaid expenses	-	-	-	-	-	-
Current portion of notes receivable, net of allowance for doubtful accounts	-	-	65,775	-	-	98,573
TOTAL CURRENT ASSETS	17,586	385,483	2,679,676	274,543	(55,529)	13,507,223
NONCURRENT ASSETS						
Notes receivable, net of allowance for doubtful accounts	-	-	934,625	-	-	934,625
Other assets	-	-	-	-	-	26
Land	-	43,900	-	56,780	-	8,363,260
Buildings and improvements	-	2,665,880	-	274,198	-	88,497,858
Furniture and equipment	292	294,247	8,277	25,267	-	1,016,717
Construction in progress	-	-	-	-	-	726,551
Less accumulated depreciation	(146)	(1,033,497)	(7,818)	(173,239)	-	(63,715,934)
TOTAL NONCURRENT ASSETS	146	1,970,530	935,084	183,006	-	35,823,103
TOTAL ASSETS	17,732	2,356,013	3,614,760	457,549	(55,529)	49,330,326
DEFERRED OUTFLOWS OF RESOURCES						
Pension (PERA of Colorado)	-	452,285	-	-	-	1,409,841
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 17,732**	**$ 2,808,298**	**$ 3,614,760**	**$ 457,549**	**$ (55,529)**	**$ 50,740,167**

(Continued on page 43)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	$ 30,996	$ 3,767	$ 3	$ 3	$ 6,218	$ 2,164
Accrued payroll liabilities	-	-	-	-	-	-
Accrued interest	-	-	-	-	37,105	17,923
Accrued expenses	28,773	-	-	-	12,246	5,973
Compensated absences	62,501	39,830	-	-	785	6,364
Unearned revenue	8,033	112,405	411	2,046	306,800	192
Due to other governments	144,978	141	-	-	-	-
Due to other programs	-	-	-	-	55,529	-
Tenants' security deposits	195,508	-	-	-	199,556	24,610
Current portion of long-term debt	-	-	-	-	905,162	210,000
TOTAL CURRENT LIABILITIES	470,789	156,143	414	2,049	1,523,401	267,226
NONCURRENT LIABILITIES						
Net pension liability (PERA of Colorado)	2,244,217	997,140	-	-	258,084	293,506
Long-term debt	-	-	-	-	12,349,786	460,000
Compensated absences	8,050	7,184	-	-	-	1,814
Tenants' FSS escrow	-	12,074	-	-	-	-
TOTAL NONCURRENT LIABILITIES	2,252,267	1,016,398	-	-	12,607,870	755,320
TOTAL LIABILITIES	2,723,056	1,172,541	414	2,049	14,131,271	1,022,546
DEFERRED INFLOWS OF RESOURCES						
Pension (PERA of Colorado)	319,125	142,949	-	-	39,161	29,748
HAP advance payments	-	1,301,708	3,330	12,834	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	319,125	1,444,657	3,330	12,834	39,161	29,748
NET POSITION						
Net investment in capital assets	15,273,825	-	63	323	3,317,881	278,169
Restricted	-	24,409	-	-	3,086,522	-
Unrestricted	(1,148,772)	(808,201)	5,449	56,287	1,295,445	1,615,225
TOTAL NET POSITION	14,125,053	(783,792)	5,512	56,610	7,699,848	1,893,394
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 17,167,234**	**$ 1,833,406**	**$ 9,256**	**$ 71,493**	**$ 21,870,280**	**$ 2,945,688**

(Continued on page 44)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	ELIMINATING ENTRY	TOTAL
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	$ 45	$ 4,554	$ 105	$ 427	$ -	$ 48,282
Accrued payroll liabilities	-	97,348	-	-	-	97,348
Accrued interest	-	-	-	-	-	55,028
Accrued expenses	-	17,735	621	1,193	-	66,541
Compensated absences	-	127,242	-	-	-	236,722
Unearned revenue	-	1,524	-	213	-	431,624
Due to other governments	-	-	-	-	-	145,119
Due to other programs	-	-	-	-	(55,529)	-
Tenants' security deposits	-	-	450	3,270	-	423,394
Current portion of long-term debt	-	-	117,500	-	-	1,232,662
TOTAL CURRENT LIABILITIES	45	248,403	118,676	5,103	(55,529)	2,736,720
NONCURRENT LIABILITIES						
Net pension liability (PERA of Colorado)	-	1,572,256	-	-	-	5,365,203
Long-term debt	-	-	287,259	75,000	-	13,172,045
Compensated absences	-	8,710	-	-		25,758
Tenants' FSS escrow	-	-	-	-	-	12,074
TOTAL NONCURRENT LIABILITIES	-	1,580,966	287,259	75,000	-	18,575,080
TOTAL LIABILITIES	45	1,829,369	405,935	80,103	(55,529)	21,311,800
DEFERRED INFLOWS OF RESOURCES						
Pension (PERA of Colorado)	-	216,964	-	-	-	747,947
HAP advance payments	-	-	-	-	-	1,317,872
TOTAL DEFERRED INFLOWS OF RESOURCES	-	216,964	-	-	-	2,065,819
NET POSITION						
Net investment in capital assets	146	1,970,530	459	108,007	-	20,949,403
Restricted	-	-	-	163,311	-	3,274,242
Unrestricted	17,541	(1,208,565)	3,208,366	106,128	-	3,138,903
TOTAL NET POSITION	17,687	761,965	3,208,825	377,446	-	27,362,548
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 17,732**	**$ 2,808,298**	**$ 3,614,760**	**$ 457,549**	**$ (55,529)**	**$ 50,740,167**

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS

Colorado Springs, Colorado

COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2016

	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
OPERATING REVENUE						
Dwelling rental	$ 1,939,969	$ -	$ -	$ -	$ 5,224,842	$ 291,606
Operating grants	2,023,028	16,862,445	44,981	193,564	-	409,741
Other operating revenue	228,982	91,837	30	176	972,182	9,504
TOTAL OPERATING REVENUE	4,191,979	16,954,282	45,011	193,740	6,197,024	710,851
OPERATING EXPENSES						
Administration	1,072,903	1,412,846	2,703	11,937	1,084,497	173,365
Tenant services	15,137	-	-	-	-	-
Utilities	504,384	-	-	-	610,758	87,136
Maintenance and operations	1,764,527	-	337	892	1,284,577	247,701
General expenses	411,196	31,089	142	142	197,874	24,126
Housing assistance payments	-	15,561,584	39,912	168,447	-	-
Depreciation	939,257	-	42	215	1,803,210	158,048
TOTAL OPERATING EXPENSES	4,707,404	17,005,519	43,136	181,633	4,980,916	690,376
OPERATING (LOSS) INCOME	(515,425)	(51,237)	1,875	12,107	1,216,108	20,475
NONOPERATING REVENUE (EXPENSE)						
Interest income	905	27	-	-	10,779	428
(Loss) gain on disposal of capital assets	-	-	-	-	(60,897)	1,000
Operating transfers in (out)	50,000	-	-	-	(268,101)	393,000
Interest expense	-	-	-	-	(452,919)	(40,526)
NET NONOPERATING REVENUE (EXPENSE)	50,905	27	-	-	(771,138)	353,902
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(464,520)	(51,210)	1,875	12,107	444,970	374,377
CAPITAL GRANTS	726,551	-	-	-	-	-
CHANGE IN NET POSITION	262,031	(51,210)	1,875	12,107	444,970	374,377
NET POSITION AT BEGINNING OF YEAR	13,942,936	(696,928)	3,637	44,503	7,063,454	1,530,066
PRIOR PERIOD ADJUSTMENT	(79,914)	(35,654)	-	-	191,424	(11,049)
NET POSITION AT END OF YEAR	**$ 14,125,053**	**$ (783,792)**	**$ 5,512**	**$ 56,610**	**$ 7,699,848**	**$ 1,893,394**

(Continued on page 46)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS

Colorado Springs, Colorado

COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - Continued

YEAR ENDED DECEMBER 31, 2016

	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	ELIMINATING ENTRY	TOTAL
OPERATING REVENUE						
Dwelling rental	$ -	$ -	$ 15,909	$ 43,965	$ -	$ 7,516,291
Operating grants	86,219	-	232,168	91,084	-	19,943,230
Other operating revenue	-	1,680,639	6,998	1,620	(1,541,467)	1,450,501
TOTAL OPERATING REVENUE	86,219	1,680,639	255,075	136,669	(1,541,467)	28,910,022
OPERATING EXPENSES						
Administration	11,587	1,027,347	42,573	14,864	(1,541,467)	3,313,155
Tenant services	-	-	-	-	-	15,137
Utilities	-	18,105	154	18,865	-	1,239,402
Maintenance and operations	463	120,551	3,121	32,266	-	3,454,435
General expenses	-	26,441	71,079	5,060	-	767,149
Housing assistance payments	74,218	-	217,642	-	-	16,061,803
Depreciation	97	164,554	1,941	8,138	-	3,075,502
TOTAL OPERATING EXPENSES	86,365	1,356,998	336,510	79,193	(1,541,467)	27,926,583
OPERATING (LOSS) INCOME	(146)	323,641	(81,435)	57,476	-	983,439
NONOPERATING REVENUE (EXPENSE)						
Interest income	-	208	46,174	337	-	58,858
Gain (loss) on disposal of capital assets	-	2,107	(15,947)	-	-	(73,737)
Operating transfers (out)	-	(58,899)	-	(116,000)	-	-
Interest expense	-	(6,154)	(19,188)	-	-	(518,787)
NET NONOPERATING REVENUE (EXPENSE)	-	(62,738)	11,039	(115,663)	-	(533,666)
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(146)	260,903	(70,396)	(58,187)	-	449,773
CAPITAL GRANTS	-	-	-	-	-	726,551
CHANGE IN NET POSITION	(146)	260,903	(70,396)	(58,187)	-	1,176,324
NET POSITION AT BEGINNING OF YEAR	17,833	565,869	3,279,221	435,633	-	26,186,224
PRIOR PERIOD ADJUSTMENT	-	(64,807)	-	-	-	-
NET POSITION AT END OF YEAR	**$ 17,687**	**$ 761,965**	**$ 3,208,825**	**$ 377,446**	**$ -**	**$ 27,362,548**

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from tenants/participants	$ 1,944,659	$ 132,761	$ 411	$ 2,046	$ 5,068,510	$ 292,816
Cash received from interprogram services provided	-	-	-	-	130,000	-
Cash received from operating grants	2,023,028	18,220,596	41,089	178,520	-	409,741
Other income received	228,982	91,837	30	176	972,182	9,504
Cash payments to vendors	(2,645,248)	(849,806)	(2,620)	(9,416)	(2,413,623)	(364,890)
Cash payments to employees	(1,351,348)	(755,004)	(560)	(3,556)	(809,258)	(215,174)
Cash payments for housing assistance	-	(15,561,584)	(39,912)	(168,447)	-	-
Cash payments for interprogram services used	-	-	-	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	200,073	1,278,800	(1,562)	(677)	2,947,811	131,997
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grants	726,551	-	-	-	-	-
Acquisition of capital assets	(864,707)	-	(6)	(30)	(1,142,706)	(86,448)
Proceeds from sale of capital assets	-	-	-	-	-	1,000
Principal payments	-	-	-	-	(880,183)	(190,000)
Interest paid	-	-	-	-	(455,606)	(46,009)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(138,156)	-	(6)	(30)	(2,478,495)	(321,457)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating transfers in (out)	50,000	-	-	-	(268,101)	393,000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	-	-	(66,702)
Payments received on notes receivable	-	-	-	-	(1,750)	-
Interest received	905	27	-	-	14,525	428
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	905	27	-	-	12,775	(66,274)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,822	1,278,827	(1,568)	(707)	213,990	137,266
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,185,579	275,768	7,645	58,204	4,805,507	109,335
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,298,401**	**$ 1,554,595**	**$ 6,077**	**$ 57,497**	**$ 5,019,497**	**$ 246,601**

(Continued on page 48)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED DECEMBER 31, 2016

	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	ELIMINATING ENTRY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from tenants/participants	$ -	$ -	$ 15,909	$ 43,843	$ -	$ 7,500,955
Cash received from interprogram services provided	-	-	-	-	(130,000)	-
Cash received from operating grants	87,987	-	233,473	91,084		21,285,518
Other income received	-	1,680,639	6,998	1,620	(1,541,467)	1,450,501
Cash payments to vendors	(7,335)	(231,811)	(18,367)	(55,934)	1,541,467	(5,057,583)
Cash payments to employees	(4,681)	(1,127,021)	(14,869)	(15,558)	-	(4,297,029)
Cash payments for housing assistance	(74,218)	-	(217,642)	-	-	(16,061,803)
Cash payments for interprogram services used	-	(130,000)	-	-	130,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,753	191,807	5,502	65,055	-	4,820,559
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grants	-	-	-	-	-	726,551
Acquisition of capital assets	(14)	(106,549)	(44)	(17)	-	(2,200,521)
Proceeds from sale of capital assets	-	3,200	-	-	-	4,200
Principal payments	-	(222,217)	(173,504)	-	-	(1,465,904)
Interest paid	-	(7,080)	(20,918)	-	-	(529,613)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(14)	(332,646)	(194,466)	(17)	-	(3,465,287)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating transfers (out)	-	(58,899)	-	(116,000)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	-	-	(66,702)
Payments received on notes receivable	-	-	358,810	-	-	357,060
Interest received	-	208	46,598	337	-	63,028
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	208	405,408	337	-	353,386
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,739	(199,530)	216,444	(50,625)	-	1,708,658
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,310	540,152	2,226,249	325,159	-	9,543,908
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 12,049**	**$ 340,622**	**$ 2,442,693**	**$ 274,534**	**$ -**	**$ 11,252,566**

(Continued on page 49)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF CASH FLOWS - Continued

YEAR ENDED DECEMBER 31, 2016

	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION						
Cash and cash equivalents	$ 1,102,893	$ 103,999	$ 6,077	$ 57,497	$ 1,534,171	$ 221,991
Cash and cash equivalents - restricted	195,508	1,450,596	-	-	3,485,326	24,610
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	**$ 1,298,401**	**$ 1,554,595**	**$ 6,077**	**$ 57,497**	**$ 5,019,497**	**$ 246,601**
RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating (loss) income	$ (515,425)	$ (51,237)	$ 1,875	$ 12,107	$ 1,216,108	$ 20,475
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities						
Depreciation	939,257	-	42	215	1,803,210	158,048
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	(961)	9,247	-	-	(42,179)	173
Notes receivable	6,385	13,950	-	-	-	(16)
Due from other governments	-	-	(3,117)	(13,673)	-	-
Due from other programs	-	-	-	-	130,000	-
Inventory	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	29,751	-
Increase (decrease) in liabilities						
Accounts payable	3,819	(66)	2	(1)	(13,367)	(14,687)
Accrued payroll liabilities	(51,906)	(23,743)	-	-	(3,908)	(6,352)
Accrued expenses	5,800	-	-	-	582	590
Due to other governments	8,240	(387)	(4,105)	(14,205)	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	(2,152)	112,405	411	2,046	(166,609)	(62)
Compensated absences	25,847	8,782	-	-	(746)	3,164
Tenants' FSS escrow	-	6,406	-	-	-	-
Tenants' security deposits	1,418	-	-	-	10,841	1,115
Deferred inflows of resources	(220,249)	1,203,443	3,330	12,834	(15,872)	(30,451)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**$ 200,073**	**$ 1,278,800**	**$ (1,562)**	**$ (677)**	**$ 2,947,811**	**$ 131,997**

(Continued on page 50)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED DECEMBER 31, 2016

	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	ELIMINATING ENTRY	TOTAL
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION						
Cash and cash equivalents	$ 12,049	$ 340,622	$ 2,442,243	$ 107,953	$ -	$ 5,929,495
Cash and cash equivalents - restricted	-	-	450	166,581	-	5,323,071
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	**$ 12,049**	**$ 340,622**	**$ 2,442,693**	**$ 274,534**	**$ -**	**$ 11,252,566**
RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating (loss) income	$ (146)	$ 323,641	$ (81,435)	$ 57,476	$ -	$ 983,439
Adjustments to reconcile operating (loss) income to net cash provided by operating activities						
Depreciation	97	164,554	1,941	8,138	-	3,075,502
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	-	2,556	-	6	-	(31,158)
Notes receivable	-	-	-	-		20,319
Due from other governments	1,768	-	1,305	-	-	(13,717)
Due from other programs	-	-	-	-	(130,000)	-
Inventory	-	(14,538)	109,575	-	-	95,037
Prepaid expenses	-	-	-	-	-	29,751
Increase (decrease) in liabilities						
Accounts payable	34	1,710	(753)	(395)	-	(23,704)
Accrued payroll liabilities	-	46,013	-	-	-	(39,896)
Accrued expenses	-	5,090	(25,131)	(42)	-	(13,111)
Due to other governments	-	-	-	-	-	(10,457)
Due to other funds	-	(130,000)	-	-	130,000	-
Unearned revenue	-	(38,416)	-	(114)	-	(92,491)
Compensated absences	-	9,808	-	-		46,855
Tenants' FSS escrow	-	-	-	-	-	6,406
Tenants' security deposits	-	-	-	(14)	-	13,360
Deferred inflows of resources	-	(178,611)	-	-	-	774,424
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 1,753**	**$ 191,807**	**$ 5,502**	**$ 65,055**	**$ -**	**$ 4,820,559**

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
DECEMBER 31, 2016

ANNUAL CONTRIBUTIONS CONTRACT

1. The Actual Modernization Costs for the Locally-Owned Projects are as follows:

	CO06P028501-14
Funds approved	$ 797,356
Funds expended	797,356
EXCESS (DEFICIENCY) OF FUNDS APPROVED	**$ -**
HUD grants	$ 797,356
Funds expended	797,356
EXCESS (DEFICIENCY) OF FUNDS EXPENDED	**$ -**

2. The distribution of costs as shown on the Final Statement of Modernization Costs dated August 30, 2016, accompanying the Actual Modernization Cost Certificates submitted to HUD are in agreement with the Authority's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

GRANTOR/PASS THROUGH AGENCY/ PROGRAM TITLE AND GRANT NUMBER	FEDERAL CATALOG NUMBER	PASS-THROUGH GRANT IDENTIFICATION	AWARD AMOUNT	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Programs				
Section 8 Project-Based Cluster				
Section 8		N/A		
New Construction and Substantial Rehabilitation	14.182		$ 409,741	$ 409,741
Housing Assistance Payments Program	14.195		91,084	91,084
Moderate Rehabilitation Single Room Occupancy	14.249		179,638	193,564
Moderate Rehabilitation	14.856		41,608	44,981
TOTAL SECTION 8 PROJECT-BASED CLUSTER				739,370
Section 8 Housing Choice Vouchers	14.871	N/A		
Housing Choice Vouchers			16,861,047	16,861,047
Other Public Housing Authorities			1,398	1,398
TOTAL SECTION 8 CHOICE VOUCHERS				16,862,445
Public and Indian Housing	14.850	N/A	1,865,293	1,865,293
Public Housing Capital Fund	14.872	N/A		
CO06P02850114			797,356	207,171
CO06P02850115			788,440	535,498
CO06P02850116			801,342	141,617
TOTAL PUBLIC HOUSING CAPITAL FUND				884,286
Home Investment Partnership Program	14.239			
City of Colorado Springs				
HOME Loan		CO06986	75,000	75,000
HOME Loan		CO06886	107,000	107,000
HOME Grant		CO07843	35,000	14,526
HOME Grant		CO07020	440,036	217,642
TOTAL HOME INVESTMENT PARTNERSHIP PROGRAM				414,168
Shelter Plus Care	14.238			
CO0072L8T041407		N/A	88,167	29,654
CO0072L8T041508		N/A	114,181	56,565
TOTAL SHELTER PLUS CARE				86,219
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				**$ 20,851,781**

(Continued on page 53)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED DECEMBER 31, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Colorado Springs and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Housing Authority of the City of Colorado Springs has elected not to use the 10 percent minimus indirect cost rate allowed under the Uniform Guidance.

Note 3 - Subrecipients

Housing Authority of the City of Colorado Springs provided no federal awards to subrecipients during the fiscal year ending December 31, 2016

Note 4 - Disclosure of Other Forms of Assistance

Included in the amounts shown on the accompanying schedule of federal awards is a loan - CFDA 14.239 payable to the City of Colorado Springs. The total HUD-insured portion of mortgages have an outstanding balance of $182,000 under this program as of December 31, 2016.

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado

OTHER REPORTS

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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*

To the Board of Commissioners
Housing Authority of the City of Colorado Springs
Colorado Springs, 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 Housing Authority of the City of Colorado Springs ("Housing Authority"), as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report hereon dated June 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 opinion on the financial statements, but not for the purpose of the expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Housing Authority'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 the attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the 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 Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
June 15, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Colorado Springs's, ("Housing Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended December 31, 2016. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
June 15, 2017

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ Yes	__X__ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major federal program:		
• Material weakness(es) identified?	______ Yes	__X__ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ Yes	__X__ No

Identification of federal major program:

CFDA Number(s)	Name of Federal Program
14.871	Section 8 Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

Section II - Financial Statement Findings - NONE

Section III - Federal Award Findings and Questioned Costs - NONE

Section IV - Prior Year Findings - NONE