

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY  
FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
December 31, 2016 and 2015



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INDEPENDENT AUDITOR'S REPORT

May 30, 2017

To the Board of Directors  
Regional Housing Alliance of La Plata County  
Durango, CO 81301

We have audited the accompanying financial statements of the business-type activities of the Regional Housing Alliance of La Plata County (the "Alliance") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Alliance's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Regional Housing Alliance



Board of Directors  
Regional Housing Alliance of La Plata County  
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of La Plata County as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 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 opinions on the financial statements that collectively comprise the Alliance's basic financial statements. The budget to actual schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budget to actual schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 budget to actual schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

Chadwick, Steinkirchner, Davis & Co., P.C.

**Regional Housing Alliance of La Plata County  
Management's Discussion and Analysis  
For the years ended December 31, 2016, 2015 and 2014**

As management of the Regional Housing Alliance of La Plata County (the "Alliance"), we offer readers of the Alliance's financial statements this narrative overview and analysis of the financial activities of the Alliance for the fiscal years ended December 31, 2016, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the Alliance.

**Financial Highlights**

- The Alliance is a multi-jurisdictional housing authority that receives operational funds through an intergovernmental agreement between La Plata County, Colorado, the City of Durango, Colorado, the Town of Bayfield, Colorado, and the Town of Ignacio, Colorado.
- As a local governmental partnership, the Regional Housing Alliance develops housing policy, identifies priorities, and allocates resources to provide La Plata County workforce and residents with affordable housing opportunities to ensure the county remains diverse and economically strong.
- Regional Housing Alliance funded \$113,450 in new loans in 2016. There were ten loans that paid off for a total of \$214,756 in principal. Eight of those paid off loans were shared appreciation loans resulting in \$33,909 in shared appreciation income for 2016. The outstanding mortgage loans receivable balance before the allowance for loan losses at December 31, 2016 was \$1,097,859. The total net position of the Alliance decreased by \$19,172 from 2015 to 2016 and increased \$71,463 from 2014 to 2015.

**Overview of the Financial Statements**

The financial statements of the Alliance are presented as a special purpose government engaged only in business-type activities – providing affordable housing-related services to La Plata County, the City of Durango, the Town of Bayfield, the Town of Ignacio, and other third parties.

The *Statement of Net Position* presents information on the Alliance's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Alliance is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the Alliance.

The *Statement of Revenue, Expenses and Changes in Position* reports the changes that have occurred during the year to the Alliance's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the Alliance's cash flows from operating, noncapital financing, capital and investing activities.

## FINANCIAL SUMMARY AND ANALYSIS

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

### NET POSITION

<b>December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>			
Current Assets	\$ 538,396	\$ 453,125	\$ 504,066
Mortgage loans receivable, net	984,465	1,078,751	963,950
Other assets	16	17	18
Capital Assets	250,470	250,470	250,470
<i>Total Assets</i>	<u>\$ 1,773,347</u>	<u>\$ 1,782,363</u>	<u>\$ 1,718,504</u>
<b>LIABILITIES</b>			
Current Liabilities	22,691	12,535	20,139
<i>Total Liabilities</i>	22,691	12,535	20,139
<b>NET POSITION</b>			
Net investment in capital assets	250,470	250,470	250,470
Restricted for emergencies	22,500	16,100	23,400
Restricted for affordable housing	1,386,513	1,252,917	1,235,168
Unrestricted	91,173	250,341	189,327
<i>Total Net Position</i>	<u>1,750,656</u>	<u>1,769,828</u>	<u>1,698,365</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 1,773,347</u>	<u>\$ 1,782,363</u>	<u>\$ 1,718,504</u>

The largest portion of the Alliance's net position is reflected in shared appreciation second mortgages that were funded primarily by three different sources: Energy Impact Assistance Fund, CDBG Funds, and Housing Fee-in-Lieu funds.

## CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>			
<b>Operating Revenues</b>			
Unrestricted revenues			
IGA member contributions	\$ 285,660	\$ 285,660	\$ 285,660
Master agreement income	292,680	216,039	151,172
Contributions	-	12,352	-
Other	4,567	4,090	11,721
Fee-in-lieu income	121,162	12,232	8,860
Grants and contributions	-	8,656	43,995
Interest income and shared appreciation	35,218	7,862	3,916
	<u>739,287</u>	<u>546,891</u>	<u>505,324</u>
<i>Total Operating Revenues</i>			
	739,287	546,891	505,324
<b>EXPENSES</b>			
<b>Operating Expenses</b>			
Salaries and benefits	329,042	277,296	248,822
Professional fees	35,754	37,497	55,958
Office and administrative	55,321	50,231	50,596
Contracts with, contributions and grants to HomesFund	347,022	100,000	400,740
Provision for loan loss reserve	(10,000)	10,000	(40,000)
Other expenses	1,320	404	22,150
	<u>758,459</u>	<u>475,428</u>	<u>738,266</u>
<i>Total Operating Expenses</i>			
	758,459	475,428	738,266
	(19,172)	71,463	(232,942)
<i>Change in Net Position</i>			
	(19,172)	71,463	(232,942)
<b>Net Position – Beginning of the year</b>	1,769,828	1,698,365	1,888,307
Prior Period Adjustment			43,000
	<u>1,769,828</u>	<u>1,698,365</u>	<u>1,931,307</u>
<b>Net Position – End of the year</b>	<u>\$ 1,750,656</u>	<u>\$1,769,828</u>	<u>\$1,698,365</u>

### Revenues

The Alliance had three major revenue sources in 2016, 2015 and 2014: (1) contribution revenue; (2) fee-in-lieu income; and (3) payment for staffing and administrative contract services. The Alliance received contribution revenue pursuant to an intergovernmental agreement between La Plata County, the City of Durango, the Town of Bayfield, and the Town of Ignacio. Total intergovernmental funds received in 2016 were \$285,660; in 2015 and 2014 \$285,660 of intergovernmental funds were raised. In accordance with a master agreement in place, the Alliance also receives payment for staffing and administrative contract services provided to HomesFund. Total funds received in payment of these services from the Homes Fund in 2016 were \$292,680, in 2015 \$216,039, and in 2014 \$151,172. The annual increases are due

to increased billing rates and hours employees spent on HomesFund activities.

Additionally, in 2016, the Alliance provided a \$140,000 operating grant and an \$80,000 development grant to HomesFund. The operating grant was provided for the Affordable Housing Lending and the Homebuyer Assistance programs, as well as Deed Restriction administration in La Plata County, CO. The development grant was to assist the HomesFund in efforts to develop and/or own new and preserve existing affordable housing units in La Plata County. There was also a \$120,000 professional service agreement in place for 2016 by which the HomesFund administered the Homebuyer Assistance Program for the Alliance.

### **Expenditures**

The Alliance's major expenditures in 2016, 2015 and 2014 consisted of salaries, employee benefits, professional fees, and grants to the HomesFund.

## **BUDGETARY HIGHLIGHTS**

The Alliance prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay, in addition to operating and non-operating revenue and contributions. The 2016 budget was amended in December of 2016 resulting in minimal variances.

- Actual operating revenues received in 2016 were \$123,965 more than budgeted
- Actual operating expenses, on the budgetary basis, were more than budgeted by \$8,635.

## **REQUESTS FOR INFORMATION**

This financial report is designed to give its readers a general overview of the Alliance's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: Regional Housing Alliance of La Plata County, 124 E. 9<sup>th</sup> Street, Durango, CO 81301 or call (970) 259-1418.

Regional Housing Alliance of La Plata County

STATEMENTS OF NET POSITION

December 31,

	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note E)	\$ 65,044	\$ 222,743
Accounts receivable	71,320	54,133
Prepaid expense	-	2,100
Restricted cash (Note E)	398,638	168,951
Current portion of mortgage loans receivable	3,394	5,198
Total current assets	538,396	453,125
Other assets		
Prepaid lease	16	17
Mortgage loans receivable, net (Note F)	984,465	1,078,751
Capital assets not being depreciated - land (Note G)	250,470	250,470
Total other assets	1,234,951	1,329,238
Total assets	<u>\$ 1,773,347</u>	<u>\$ 1,782,363</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities		
Accounts payable	\$ 17,475	\$ 2,648
Accrued liabilities	5,216	9,887
Total liabilities	22,691	12,535
<b>NET POSITION</b>		
Net investment in capital assets	250,470	250,470
Restricted for emergencies	22,500	16,100
Restricted for lending and affordable housing	1,386,513	1,252,917
Unrestricted (Note J)	91,173	250,341
Total net position	1,750,656	1,769,828
Total liabilities and net position	<u>\$ 1,773,347</u>	<u>\$ 1,782,363</u>

The accompanying notes are an integral part of these statements.

Regional Housing Alliance of La Plata County

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years ended December 31,

	2016	2015
Operating Revenue		
Unrestricted revenue		
Intergovernmental agreement member contributions	\$ 285,660	\$ 285,660
Master agreement income - HomesFund operations	292,680	216,039
Contributions	-	12,352
Other	4,567	4,090
Restricted revenue		
Fee-in-lieu income	121,162	12,232
Grants and contributions	-	8,656
Interest and shared appreciation	35,218	7,862
Total operating revenue	739,287	546,891
Operating Expenses		
Salaries and benefits	329,042	277,296
Professional fees	35,754	37,497
Office and administrative	55,321	50,231
Contracts with, contributions, and grants to HomesFund	347,022	100,000
Change in loan loss reserve (decrease)	(10,000)	10,000
Other expenses	1,320	404
Total operating expenses	758,459	475,428
Change in net position	(19,172)	71,463
Net position, beginning of year	1,769,828	1,698,365
Net position, end of year	\$ 1,750,656	\$ 1,769,828

The accompanying notes are an integral part of these statements.

Regional Housing Alliance of La Plata County

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	2016	2015
Cash flows from operating activities		
Cash received from local governments	\$ 285,660	\$ 285,660
Cash received from HomesFund master agreement	275,494	194,014
Cash received from grants and fees in-lieu	121,162	20,888
Cash received from donations and other operating activities	39,785	24,304
Cash paid to suppliers and others	(422,490)	(190,413)
Cash paid to employees for services	(333,713)	(284,699)
Net cash provided by operating activities	<u>(34,102)</u>	<u>49,754</u>
Cash flows from investing activities		
Mortgage loans provided	(113,450)	(167,000)
Mortgage principal payments received	219,540	41,670
Net cash used by investing activities	<u>106,090</u>	<u>(125,330)</u>
Net increase (decrease) in cash	71,988	(75,576)
Cash balance - beginning of year	391,694	467,270
Cash balance - end of year	<u>\$ 463,682</u>	<u>\$ 391,694</u>
Presented on the statement of net position as follows:		
Cash and cash equivalents	\$ 65,044	\$ 222,743
Restricted cash	398,638	168,951
Total cash	<u>\$ 463,682</u>	<u>\$ 391,694</u>
Reconciliation of Change in Net Position to Net Cash From Operating Activities		
Change in net position	\$ (19,172)	\$ 71,463
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Provision for loan loss reserve	(10,000)	10,000
Changes in operating assets and liabilities:		
Accounts receivable	(17,186)	(22,025)
Prepaid expenses	2,100	(2,082)
Accounts payable	14,827	(199)
Accrued liabilities	(4,671)	(7,403)
Net cash provided by operating activities	<u>\$ (34,102)</u>	<u>\$ 49,754</u>

The accompanying notes are an integral part of these statements.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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**NOTE A – ORGANIZATION**

Regional Housing Alliance of La Plata County (the Alliance) is a multi-jurisdictional housing authority governed pursuant to provisions of the Colorado Revised Statutes Section 29-1-204.5. The Alliance was created on April 14, 2004, pursuant to an intergovernmental agreement by and among the Board of County Commissioners of La Plata County, Colorado; the City of Durango, Colorado; the Town of Ignacio, Colorado; and the Town of Bayfield, Colorado. The Alliance was established to facilitate the planning, financing, acquisition, construction, management and operation of housing projects or programs pursuant to a multi-jurisdictional plan in order to provide affordable dwelling accommodations to the communities within the jurisdiction of the Alliance.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

For financial reporting purposes, the Alliance is considered a special-purpose government engaged only in business-type activities. Accordingly, the Alliance's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, where revenues are recognized when earned and expenses are recorded when an obligation is incurred. The Alliance applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Alliance considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash has been restricted for funds that are required to be used for lending to qualified homebuyers under restrictions from specific funding sources.

Investments

Investments are stated at fair value based on quoted market values with the exception of money market funds and external investment pools which are stated at cost, which is equal to fair value. Unrealized gains and losses are included in the change in net position. Fair values are determined using quoted market prices.

Mortgage Loans Receivable

The Alliance extends loans to qualified homebuyers for second and third liens on homes in order to close the affordability gap. The shared appreciation loans are interest-free, and are due in full, along with a specified percentage of the appreciation of the home when the home is sold, refinanced, transferred, or after 30 years. Amortizing Colorado Department of Housing loans bear an interest rate of 1%, can be deferred for up to five years, and are payable over 30 years. Amortizing loans require regular monthly payments from the borrowers.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The sources of the funding include private corporations, and state and federal governments. The funds are restricted for the purpose of affordable housing under the specific grant requirements. Once restricted funds are loaned to qualified borrowers the funds retain their restriction. When loans are paid off, the cash is available for lending to other qualified borrowers. An allowance for loan losses has been provided at 10% of the outstanding loan balances, plus any negative residual value in loans at year end. Management has determined this calculation to be a reasonable allowance based in the types of loans and the fact repayment will not occur until the loan collateral is sold or ownership is transferred.

Capital Assets

The Alliance capitalizes assets with an individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets which have been contributed are stated at estimated fair value at the date of contribution or at developer's cost. The Alliance held no depreciable capital assets as of December 31, 2016. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Net Position

The Alliance's net position is classified as follows:

Net investment in capital assets - This represents the Alliance's total investment in capital assets, net of any outstanding debt obligations related to those assets. The Alliance had no outstanding debt obligations as of December 31, 2016 and 2015.

Restricted net position - Restricted net position includes resources which the Alliance is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position - Unrestricted net position represents resources derived from general Alliance revenues. The resources are used to conduct the Alliance's operations. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Alliance's policy is to apply restricted net position first.

Compensated Absences

The Alliance allows employees to accumulate unused vacation and sick leave up to specified maximum limits. The Alliance accrues such benefits in the period in which they are earned. The liability for unused benefits is recorded in accrued liabilities under current liabilities.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Contribution Revenue

Contribution revenue consists of funding provided to the Alliance by La Plata County, Colorado; the City of Durango, Colorado; the Town of Ignacio, Colorado; and the Town of Bayfield, Colorado pursuant to an intergovernmental agreement entered into on October 23, 2007, and subsequently amended November 7, 2008, January 27, 2009, March 7, 2011, January 14, 2014, January 4, 2015 and December 15, 2015.

Housing Fee-in-Lieu Payments

The Alliance administers affordable housing funds for its member entities. These policies require that developers provide a portion of affordable/attainable housing as part of all developments. If providing homes on site is not feasible or desirable the developer has the option of paying a fee-in-lieu that is then used to support designated housing programs. Housing fees paid are recorded as revenue when received. The Alliance received housing fee-in-lieu revenue of \$121,162 and \$12,232 in 2016 and 2015, respectively.

Grants

Grant revenue consists of funding provided to the Alliance by various businesses, private foundations and governmental agencies to assist the Alliance in providing affordable dwelling accommodations. Grant revenue is recorded when amounts become known and due to the Alliance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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**NOTE C – BUDGETS**

The Alliance adheres to the following procedures in establishing its annual budget.

- The Alliance files an annual budget in accordance with State law.
- The budget officer is required to submit a proposed budget to the Board by October 15.
- Public hearings are conducted by the Board to obtain taxpayer comments.
- Expenses may not legally exceed appropriations at the funds level. Board approval is required for changes in the budget.
- Budget appropriations lapse at the end of each year.
- The Alliance adopts budgets on a modified accrual basis.

For the year ended December 31, 2016 the Alliance amended its budget to allow for additional expenditures totaling \$116,769. The Alliance went over budgeted expenditures by \$8,635 for the year ended December 31, 2016 which may be a violation of Colorado budget law.

**NOTE D – TAX SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the Amendment), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The Alliance believes it is in compliance with the requirements of the Amendment.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The emergency reserve of \$22,500 is included in restricted net position on the accompanying statement of net position.

The Alliance was de-Bruiced by the electors of La Plata County in November 2005 and as such is not subject to the revenue limits imposed in the TABOR amendment.

**NOTE E – CASH AND INVESTMENTS**

**Custodial Credit Risk - Deposits**

The Colorado Public Deposit Protection Act (PDPA) governs the Alliance's deposits. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposit insurance (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

**NOTE E – CASH AND INVESTMENTS – CONTINUED**

At December 31, 2016, the Alliance's cash deposits had carrying and bank balances as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Cash in checking	\$ 463,682	\$ 486,927

At December 31, 2015, the Alliance's cash deposits had carrying and bank balances as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Cash in checking	\$ 391,694	\$ 401,058

All Alliance deposits were covered by depositor's insurance as of December 31, 2016 and 2015.

Restricted cash is for lending purposes and eligible operating expenses, and has been restricted by the grantor.

**NOTE F – MORTGAGE LOANS RECEIVABLE**

Mortgage loans receivable at December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Alliance		
Shared appreciation mortgage loans	\$ 978,651	\$1,058,171
Amortized mortgage loans	119,208	145,778
Allowance for loan losses	<u>(110,000)</u>	<u>(120,000)</u>
	<u>\$ 987,859</u>	<u>\$1,083,949</u>

During 2016, the Alliance transferred \$7,022 in mortgage loan payoff proceeds to HomesFund (see also Note M). This transfer is recorded as contribution expense in the December 31, 2016 financial statements.

**NOTE G – LAND**

As part of the Tamarron Project, a golf course development, the La Plata County government required that a parcel of land be donated to the Alliance and used in the future for affordable dwelling accommodations. The value of this land is \$250,470 as of December 31, 2016 and 2015 and is reported as other assets on the Statement of Net Position.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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**NOTE I – RESTRICTED NET POSITION**

Restricted net position consist of funds received specifically for affordable housing in La Plata County and the emergency reserve as required under TABOR (see Note D). Funds received specifically for affordable housing are to be used for loans to qualified homebuyers under the restrictions of each specific funding source; or in the case of fees in-lieu for affordable housing projects. When the loans have been repaid to the Alliance, the funds remain restricted and are to be used for new lending purposes under the specific grant restrictions.

The December 31, 2015 restricted net position has been restated to recognize an additional \$21,298. This adjustment decreased unrestricted net position by the same amount.

**NOTE J – UNRESTRICTED NET POSITION**

The Board of Directors for the Alliance has approved \$100,000 of unrestricted net position to be designated as a reserve for future operations. The intent is to have approximately three months of estimated operating expenses designated for this purpose. The Board of Directors approved the elimination of this reserve effective July 1, 2017.

**NOTE K – RETIREMENT PLANS**

The Alliance has a retirement plan for its employees created in accordance with Internal Revenue Code Section 401(a) (the 401(a) Plan). The 401(a) Plan is administered by Colorado County Officials and Employees Retirement Association. Participation in the 401(a) Plan provides for direct contributions by the Alliance with mandatory employee contributions, and allows employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or death. All property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in the 401(a) Plan for the exclusive benefit of participants and their beneficiaries. The Alliance has no ownership interest in the plan nor is the Alliance liable for losses under the 401(a) Plan. Contributions made by the Alliance for the years ended December 31, 2016 and 2015 were \$9,692 and \$9,143, respectively. Beginning January 1, 2017 all Alliance employees will become employees of HomesFund and the CCOERA plan will be terminated.

**NOTE L – RISK MANAGEMENT**

The Alliance is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. During 2016, the Alliance was a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is an organization created by intergovernmental agreement to provide property, general liability, law enforcement liability, public official's liability, crime coverage, and workers compensation coverage to its members. Settled claims have not exceeded this coverage during 2016 and 2015.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

**NOTE L – RISK MANAGEMENT - CONTINUED**

The Alliance pays annual premiums to CIRSA for property, general liability, law enforcement liability, public official's liability, crime coverage and workers compensation coverage. For the coverage provided, CIRSA shall be liable for payment of the applicable self-insured retentions and only to a total annual aggregate amount for CIRSA members as a whole of the amount of the applicable CIRSA loss fund for the coverage period. There shall be no aggregate excess coverage over any loss fund.

Coverage in excess of CIRSA's self-insured retentions shall be provided only by the applicable excess insurers and/or reinsurers in applicable excess and reinsurance policies, and shall be payable only by those excess insurers and/or reinsurers. The limits of coverage provided by the excess insurers and/or reinsurers for the coverage period shall be described in the coverage documents issued to the Alliance. Sub-limits, aggregate limits and other limits shall apply as provided in said documents.

**NOTE M – SIGNIFICANT FINANCIAL RELATIONSHIP**

The following shows the financial activity between Regional Housing Alliance and HomesFund under a Master Service Agreement, for the years ended December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Payments from HomesFund for services provided	\$ 292,680	\$ 216,039
Mortgage loan payoff proceeds to HomesFund	7,022	–
Operating grant made to HomesFund	140,000	100,000
Development grant made to HomesFund	80,000	–
Professional services contract payment to HomesFund	120,000	–
Receivables from HomesFund at December 31,	\$ 70,819	\$ 54,133
Payables to HomesFund at December 31,	\$ 15,520	\$ –

**NOTE N – SUBSEQUENT EVENTS**

As of January 1, 2017 the Alliance no longer contracts with the HomesFund to provide Homebuyer Assistance Program Services. In 2017 RHA will transfer a majority of its loan assets to HomesFund.

Regional Housing Alliance of La Plata County

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue				
Unrestricted revenue				
Intergovernmental agreement member contributions	\$ 285,660	\$ 285,660	\$ 285,660	\$ -
Master agreement income - HomesFund operations	323,251	293,496	292,680	(816)
Other	33,650	34,166	4,567	(29,599)
Restricted revenue				
Fee in-lieu income	-	-	121,162	121,162
Grants and contributions	-	2,000	-	(2,000)
Interest	-	-	35,218	35,218
Total operating revenue	642,561	615,322	739,287	123,965
Operating Expenses				
Salaries and benefits	378,086	325,482	329,042	(3,560)
Professional fees	41,124	34,827	35,754	(927)
Office and administrative	67,838	58,515	55,321	3,194
Contract with, contributions, and grants to HomesFund	155,000	340,000	347,022	(7,022)
Other expenses	500	1,000	1,320	(320)
Total operating expenses	642,548	759,824	768,459	(8,635)
Change in net position, budgetary basis	<u>\$ 13</u>	<u>\$ (144,502)</u>	(29,172)	<u>\$ 115,330</u>
Reconciling differences between budgetary basis and accrual basis of accounting:				
Loan loss reserve			<u>10,000</u>	
Change in net position, GAAP basis			<u>\$ (19,172)</u>	