



Financial Statements
March 31, 2016

Housing Authority of the City of Pueblo



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Independent Auditor's Report

The Board of Commissioners
Housing Authority of the City of Pueblo
Pueblo, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Housing Authority of the City of Pueblo as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Housing Authority of the City of Pueblo, as of March 31, 2016, and the respective changes in financial position and cash flows thereof 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 through 10 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 Housing Authority of the City of Pueblo's financial statements. The accompanying supplementary schedules on pages 36 through 38 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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*, and is also not required as part of the financial statements.

The supplementary schedules on pages 36 through 38 and the 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 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 information is 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 October 14, 2016 on our consideration of Housing Authority of the City of Pueblo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned to the left of the typed text below.

Bismarck, North Dakota
October 14, 2016

The Housing Authority of the City of Pueblo (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 11.

Financial Highlights

2016

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$31,750,644, a decrease of \$123,409 from March 31, 2015.
- As of the close of the current fiscal year, the Authority's funds had unrestricted net position of \$18,470,958 and \$16,686 in restricted net position, which represents HUD voucher funding.
- The Authority's unrestricted cash balance at March 31, 2016 was \$11,966,264, representing an increase of \$895,764 from March 31, 2015.
- The Authority had HUD operating funding of \$14,027,842, HUD capital grants of \$733,577, and tenant rents of \$2,977,604 for the year. The Authority paid out \$9,090,705 in housing assistance payments and \$7,599,098 in other operating expenses (excluding depreciation and amortization of \$1,648,749).

2015

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$31,874,053, a decrease of \$34,432 from March 31, 2014.
- As of the close of the current fiscal year, the Authority's funds had unrestricted net position of \$18,077,410 and \$46,106 in restricted net position, which represents HUD voucher funding.
- The Authority's unrestricted cash balance at March 31, 2015 was \$11,070,500, representing a decrease of \$84,861 from March 31, 2014.
- The Authority had HUD operating funding of \$13,148,781, HUD capital grants of \$1,126,157, and tenant rents of \$2,935,793 for the year. The Authority paid out \$8,847,785 in housing assistance payments and \$7,649,811 in other operating expenses (excluding depreciation of \$1,579,501).
- The Authority obtained the limited partner's interest in Rood Candy Apartments, LLLP. Due to this change Rood Candy Apartments, LLLP is now a blended component unit as opposed to a discretely presented component unit as it was in 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of: 1) fund financial statements and 2) notes to the financial statements. As required by HUD, this report also includes supplemental information such as:

- Reports on Compliance
- Schedule of Expenditures of Federal Awards
- Departmental Financial Statements
- Real Estate Assessment Center (REAC) reconciling report
- Schedule of Findings and Questionable Costs

Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two 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 Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. 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 this statement for some items that will only result in cash flows in past or future periods (e.g. depreciation and earned personal leave).

The statement of cash flows presents information showing the Authority's inflows and outflows of cash and cash equivalents during the most recent fiscal year. All changes in cash and cash equivalents are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related changes in net position. Thus, cash flows are reported in this statement for some items that will only result in revenue or expenses in past or future periods (e.g., purchase of assets, new loans, or payments on loans).

Departmental Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only one fund type, namely enterprise funds.

Supplemental Information

The supplemental information 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*. The schedule of expenditures of federal awards can be found on page 39 of this report.

Entity-Wide Financial Analysis

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the organization.

**Housing Authority of the City of Pueblo
Authority-Wide Net Position as of March 31
(In thousands of dollars)**

	2016	2015
Current Assets	\$ 15,879	\$ 14,920
Other Assets	4,263	4,699
Net Capital Assets	19,939	21,195
 Total assets	 \$ 40,081	 \$ 40,814
 Current Liabilities	 \$ 1,335	 \$ 1,373
Long-Term Liabilities	6,995	7,567
Total liabilities	8,330	8,940
 Net Position		
Net investment in capital assets	13,263	13,751
Restricted	17	46
Unrestricted	18,471	18,077
Total net position	31,751	31,874
 Total Liabilities & Net Position	 \$ 40,081	 \$ 40,814

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$31,750,644 at the close of 2016.

A large portion of the Authority's net position (42%) reflects its investment in capital assets (e.g. buildings, machinery, and equipment). The Authority uses these capital assets to provide housing and services to low-income tenants; consequently, these assets are not available for future spending. The unrestricted net position (\$18,470,958) of the Authority is available for future use to provide program services.

A condensed Statement of Changes in Net Position is shown in the table below.

**Housing Authority of the City of Pueblo
Authority-Wide Change in Net Position
(In thousands of dollars)**

	2016	2015
Revenues		
HUD PHA grants	\$ 14,028	\$ 13,149
HUD capital grants	734	1,126
Other grants	76	56
Rental income	2,978	2,936
Other	653	1,129
Total revenue	18,469	18,396
Expenses		
Housing assistance payments	9,091	8,849
Administrative salaries and benefits	2,354	2,319
Maintenance salaries and benefits	1,459	1,370
Other administrative	324	465
Regular and extraordinary maintenance	1,665	1,698
Depreciation	1,649	1,684
Utilities	1,053	1,042
Taxes and insurance	465	446
Payments in lieu of taxes	166	166
Other	366	391
Total expenses	18,592	18,430
Change in Net Position	(123)	(34)
Net Position-Beginning of Year	31,874	31,118
Adjustment for Change in Reporting Unit	-	790
Net Position, Beginning of year as restated	31,874	31,908
Net Position-End of Year	\$ 31,751	\$ 31,874

A large portion of the Authority's revenues are intergovernmental revenues received from the United States Department of Housing and Urban Development for cost reimbursement grants and operating expense subsidies. The Authority draws monies from the grant awards for allowable program and capital expenditures.

As noted earlier, the Authority uses departmental accounting to ensure and demonstrate compliance with finance-related legal requirements. Each of the departments has a specific objective and purpose to accomplish. The focus of the Authority's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. During 2016, the Authority maintained eight departmental funds, although the major operations are described below:

1. **Public Housing:** Owns and operates 901 units of housing for rent to low-income families. The fund ended 2016 with net position of \$18,524,783 of which \$12,779,977 (69%) is invested in capital assets; and \$5,744,806 is available as operating reserves. The main sources of revenue are rents charged to tenants, HUD annual operating subsidy, and capital grants.
2. **Central Office Cost Center:** Provides administrative support for all funds and has outside management contracts for Ashwood Apartments (25 units), Oakshire Hills (50 units), Santa Fe Crossing Apartments (30 units), and Oakshire II Villas (29 units). The COCC also provided support and management for Rood Candy Apartments (35 units), which was acquired by the COCC on January 1, 2015. The net position is \$8,205,573. The sources of revenues are management and administrative fees charged.
3. **Vouchers:** The Authority managed 1,462 Vouchers (HCV) and 280 Mod Rehab Vouchers at year-end March 2016. In addition, the Authority provides 60 Veterans Affairs Supportive Housing (VASH) vouchers. The revenue source for the HCV, Mod Rehab and VASH vouchers is HUD in the amount of \$10,165,724.

Capital Asset and Debt Administration

Capital Assets

2016

As of March 31, 2016, the Authority's investment in capital assets was \$19,938,729 (net of accumulated depreciation). During 2016, significant additions to capital assets consisted of the following: approximately \$74,000 in building improvements; and approximately \$259,000 in site improvements.

2015

As of March 31, 2015, the Authority's investment in capital assets was \$21,195,474 (net of accumulated depreciation). During 2015, significant additions to capital assets consisted of the following: approximately \$947,000 in building improvements; and approximately \$267,000 in site improvements.

Additional information on the Authority's capital assets can be found in Notes 1 and 5 of this report.

Long-Term Debt

2016

As of March 31, 2016, the Authority had long-term loans of \$6,071,988.

Loan activity during the current fiscal year is as follows:

- The principal payments on the loans in 2016 totaled \$727,587 for the Authority and \$102,276 for the discretely presented component units.

2015

As of March 31, 2015, the Authority had long-term loans of \$6,799,576.

Loan activity during the current fiscal year is as follows:

- The principal payments on the loans in 2015 totaled \$915,430 for the Authority and \$172,229 for the discretely presented component units.

Additional information on the Authority's debt can be found in Note 7 of this report.

Economic Outlook

Over 80% of the Housing Authority of the City of Pueblo's funding comes from the federal dollars in the form of operating subsidies, capital fund grants, Section 8 housing assistance payments, and other smaller grants. HUD is controlling the Section 8 funding by limiting the renewal funding and capping the administrative fee. Portable Section 8 activities and full leasing are other issues that can affect funding. The Voucher Management System is used by HUD to disperse the funding based on current reporting of actual activity. The HUD rules for project based management has meant changes for HACP as we continue using the Asset Management Project (AMP) number system and staff has been reorganized into management and maintenance teams aligned by AMP. The Housing Authority of the City of Pueblo changed their fiscal year-end to follow a calendar year schedule beginning with the period ending on December 31, 2016. The HACP will be vigilant in complying with these new rules and intends to continue meeting HUD reporting requirements for our fiscal year December 31, 2016.

The Capital Fund for 2016 of \$1.056 million was approved by the U.S. Department of Housing and Urban Development (HUD). These funds go towards modernization and management improvements. Under modernization the Pueblo Housing Authority expends the Capital Fund to upgrade various physical needs on a project by project basis. The Authority is still planning on the demolition and replacement of 212 units at the Sangre de Cristo project in the near future with the use of the Rental Assistance Demonstration (RAD) program, capital funds, low income housing tax credits, Federal Home Loan Bank grants, and Home grants from the State of Colorado and the City of Pueblo. The RAD program will not be implemented until the Housing Authority receives approval of the tax credit application which has been submitted to CHFA. CHFA will be notifying the successful applicants sometime in October 2016.

In 2016 and 2015, we continued to upgrade units in all Asset Management Projects (AMP) 100, 200, 300, and 400. In addition to the modernization process, the Authority continues to provide day to day operating services to our tenants at a level that will sustain a living environment at the highest quality. On the average, the agency modernizes 50 to 80 units annually. We continue to maintain our properties at a high standard by contracting with general contractors who in turn utilize subcontractors. This action creates jobs and through a multiplier generates dollars which in turn benefits the community both in a financial and economic sense.

The Housing Authority has become very effective in providing a Family Self-Sufficiency (FSS) program to families in public housing and to those using Section 8 Housing Choice Vouchers. A primary focus is to provide opportunities for the participants to gain more education, job training, child care and gainful employment. Currently, there are 100 families active in the FSS program and there have been 169 graduates, many of them have become home owners.

We also provide home ownership opportunities to working families in the Housing Choice Voucher program. Our goal is to convert 5 such families annually from a renter status to becoming a home owner.

Mineral Palace Tower, a HUD Section 8 New Construction housing program for the elderly continues to be successful. Our tenants enjoy a well maintained facility and comfortable living environment.

The Farm Labor Housing Program, after review by Rural Development, received a high rating for the condition of the apartments and the common areas as well recognition for our highly organized files and accounting system. The development continues to maintain high occupancy level with units being filled within a month and minimal maintenance requirements. As the units begin to age there is planned replacement of major items that are showing wear.

Contact Information

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

Housing Authority of the City of Pueblo
Ted Ortiviz
Executive Director
201 S. Victoria
Pueblo, CO 81003

	Primary Government	Discretely Presented Component Units as of 12/31/2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,966,264	\$ 1,552,851
Restricted cash	798,130	447,186
Accounts receivable		
HUD	67,127	-
Tenants, net of allowance	48,693	4,877
Related party	2,365,079	-
Interest on notes receivable	128,690	-
Other	9,171	-
Note receivables - current portion	127,069	-
Inventory	135,173	-
Prepaid expenses	233,515	1,608
Total Current Assets	<u>15,878,911</u>	<u>2,006,522</u>
Notes Receivable - Net of Current Portion	<u>4,101,477</u>	<u>-</u>
Other Assets	<u>161,787</u>	<u>158,102</u>
Capital Assets		
Non-depreciable	3,773,445	1,537,636
Depreciable, net	<u>16,165,284</u>	<u>14,418,575</u>
Total Capital Assets	<u>19,938,729</u>	<u>15,956,211</u>
Total Assets	<u><u>\$ 40,080,904</u></u>	<u><u>\$ 18,120,835</u></u>

See Notes to Financial Statements

Housing Authority of the City of Pueblo
Statement of Net Position
March 31, 2016

	<u>Primary Government</u>	<u>Discretely Presented Component Units as of 12/31/2015</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 146,915	\$ 25,902
Accounts payable - HUD	4,700	-
Accounts payable - related party	-	2,149,085
Accrued wages payable	220,148	-
Accrued compensated absences	87,729	-
Accrued liabilities	82,124	134,449
Accrued interest payable	2,605	30,745
Unearned revenue	25,907	-
Notes and mortgages payable - current	764,896	116,555
	<u>1,335,024</u>	<u>2,456,736</u>
Long-Term Liabilities		
Tenants security deposits payable	261,374	100,996
Accrued compensated absences	498,840	-
Accrued payments in lieu of taxes	927,930	-
Developer fee payable	-	200,725
Accrued interest payable - long term portion	-	812,860
Notes and mortgages payable - net of current portion	5,307,092	6,129,304
	<u>6,995,236</u>	<u>7,243,885</u>
Total Long-Term Liabilities	<u>6,995,236</u>	<u>7,243,885</u>
Total Liabilities	<u>8,330,260</u>	<u>9,700,621</u>
Net Position		
Net investment in capital assets	13,263,000	9,509,627
Restricted	16,686	-
Unrestricted	18,470,958	(1,089,413)
	<u>31,750,644</u>	<u>8,420,214</u>
Total Net Position	<u>31,750,644</u>	<u>8,420,214</u>
Total Liabilities and Net Position	<u><u>\$ 40,080,904</u></u>	<u><u>\$ 18,120,835</u></u>

Housing Authority of the City of Pueblo
Statement of Revenues, Expenses and Changes in Net Position
Year Ended March 31, 2016

	Primary Government	Discretely Presented Component Units Year Ended 12/31/2015
Operating Revenues		
HUD PHA grants	\$ 14,027,842	\$ -
Other grants	75,674	-
Rental income	2,977,604	1,006,239
Other	455,603	20,395
Total Operating Revenues	17,536,723	1,026,634
Operating Expenses		
Housing assistance payments	9,090,705	-
Administrative salaries and benefits	2,353,749	10,080
Maintenance salaries and benefits	1,459,026	-
Other administrative	324,008	104,387
Regular and extraordinary maintenance	1,664,556	161,017
Depreciation and amortization	1,648,749	800,318
Utilities	1,053,463	62,848
Taxes and insurance	465,038	68,315
Payments in lieu of taxes	166,066	-
Other	113,192	-
Total Operating Expenses	18,338,552	1,206,965
Operating Loss	(801,829)	(180,331)
Non-Operating Revenues (Expenses)		
Interest income	197,389	2,366
Interest expense	(218,984)	(239,793)
Other	(33,562)	(25,783)
Total Non-Operating Revenues (Expenses)	(55,157)	(263,210)
Loss Before Capital and Other Contributions	(856,986)	(443,541)
Capital and Other Contributions		
HUD capital grant	733,577	-
Change in Net Position	(123,409)	(443,541)
Net Position, Beginning of Year	31,874,053	8,863,755
Net Position, End of Year	\$ 31,750,644	\$ 8,420,214

Housing Authority of the City of Pueblo
Statement of Cash Flows
Year Ended March 31, 2016

	Primary Government	Discretely Presented Component Units Year Ended 12/31/2015
Operating Activities		
HUD PHA grants	\$ 13,960,715	\$ -
Other grants	75,674	-
Receipts from tenants	2,963,681	1,006,827
Other income	451,969	20,395
Housing assistance payments	(9,090,705)	-
Payments to employees	(3,755,149)	(10,080)
Payments to suppliers	(3,728,345)	(304,473)
	877,840	712,669
Net Cash from Operating Activities		
Capital and Related Financing Activities		
Principal payments on long-term debt	(727,587)	(102,276)
HUD capital contributions	733,577	-
Interest on long-term debt	(226,423)	(239,793)
Net receipts from (payments to) related parties	124,539	(42,506)
Developer fee payments	-	(70,268)
Acquisition of capital assets	(385,943)	-
	(481,837)	(454,843)
Net Cash used for Capital and Related Financing Activities		
Investing Activities		
Receipts on notes receivable	25,032	-
Receipts on notes receivable - related party	184,170	-
Interest income	168,901	2,366
Payment of partnership fees	-	(25,783)
	378,103	(23,417)
Net Cash from (used for) Investing Activities		
Net Change in Cash and Cash Equivalents	774,106	234,409
Cash and Cash Equivalents, Beginning of Year	11,990,288	1,765,628
Cash and Cash Equivalents, End of Year	\$ 12,764,394	\$ 2,000,037

Housing Authority of the City of Pueblo
Statement of Cash Flows
Year Ended March 31, 2016

	Primary Government	Discretely Presented Component Units Year Ended 12/31/2015
Reconciliation of Cash and Cash Equivalents		
Cash	\$ 11,966,264	\$ 1,552,851
Restricted Cash	798,130	447,186
Total Cash and Cash Equivalents	\$ 12,764,394	\$ 2,000,037
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating loss	\$ (801,829)	\$ (180,331)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	1,648,749	800,318
Changes in assets and liabilities		
(Increase) decrease in assets:		
Receivables	(91,581)	588
Inventory	(5,274)	-
Prepaid expenses	2,696	4,246
Increase (decrease) in liabilities:		
Accounts payable	67,298	1,852
Tenant security deposits payable	605	49
Accrued compensation	(4,877)	-
Accrued liabilities	55,761	85,947
Unearned revenue	6,292	-
Cash Flows from Operating Activities	\$ 877,840	\$ 712,669

Housing Authority of the City of Pueblo
Combining Statement of Net Position – Discretely Presented Component Units
December 31, 2015

	<u>Ashwood Apartments</u>	<u>Oakshire Hills</u>	<u>Santa Fe Crossing</u>	<u>Oakshire Hills II</u>	<u>Total</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 69,804	\$ 839,121	\$ 174,215	\$ 469,711	\$ 1,552,851
Restricted cash	86,039	130,778	72,681	157,688	447,186
Accounts receivable					
Tenants	432	1,730	1,699	1,016	4,877
Prepaid expenses	425	620	421	142	1,608
Total Current Assets	<u>156,700</u>	<u>972,249</u>	<u>249,016</u>	<u>628,557</u>	<u>2,006,522</u>
Other Assets, Net of Accumulated Amortization	<u>20,271</u>	<u>1,241</u>	<u>-</u>	<u>136,590</u>	<u>158,102</u>
Capital Assets					
Non-depreciable	125,798	250,000	651,838	510,000	1,537,636
Depreciable, net	2,528,655	2,988,799	4,438,507	4,462,614	14,418,575
Total Capital Assets	<u>2,654,453</u>	<u>3,238,799</u>	<u>5,090,345</u>	<u>4,972,614</u>	<u>15,956,211</u>
Total Assets	<u>\$ 2,831,424</u>	<u>\$ 4,212,289</u>	<u>\$ 5,339,361</u>	<u>\$ 5,737,761</u>	<u>\$ 18,120,835</u>

Housing Authority of the City of Pueblo
Combining Statement of Net Position – Discretely Presented Component Units
December 31, 2015

	Ashwood Apartments	Oakshire Hills	Santa Fe Crossing	Oakshire Hills II	Total
Liabilities and Net Position					
Current Liabilities					
Accounts payable	\$ 5,460	\$ 4,511	\$ 13,713	\$ 2,218	\$ 25,902
Accounts payable - related party	-	-	2,149,085	-	2,149,085
Accrued liabilities	-	3,653	130,796	-	134,449
Accrued interest payable	6,074	387	-	24,284	30,745
Notes and mortgages payable-current	64,260	32,609	-	19,686	116,555
Total Current Liabilities	75,794	41,160	2,293,594	46,188	2,456,736
Long-Term Liabilities					
Tenants security deposits payable	9,667	30,092	22,287	38,950	100,996
Developer fee payable	-	-	-	200,725	200,725
Accrued interest payable - long term portion	-	31,507	732,271	49,082	812,860
Notes and mortgages payable - net of current portion	725,158	1,041,514	2,515,544	1,847,088	6,129,304
Total Long-Term Liabilities	734,825	1,103,113	3,270,102	2,135,845	7,243,885
Total Liabilities	810,619	1,144,273	5,563,696	2,182,033	9,700,621
Net Position					
Net investment in capital assets	1,865,035	2,164,676	2,574,801	2,905,115	9,509,627
Unrestricted	155,770	903,340	(2,799,136)	650,613	(1,089,413)
Total Net Position	2,020,805	3,068,016	(224,335)	3,555,728	8,420,214
Total Liabilities and Net Position	\$ 2,831,424	\$ 4,212,289	\$ 5,339,361	\$ 5,737,761	\$ 18,120,835

Housing Authority of the City of Pueblo
Combining Statement of Revenues, Expenses, and Changes in Net Position – Discretely Presented Component Units
Year Ended December 31, 2015

	Ashwood Apartments	Oakshire Hills	Santa Fe Crossing	Oakshire Hills II	Total
Operating Revenues					
Rental income	\$ 151,144	\$ 329,880	\$ 282,226	\$ 242,989	\$ 1,006,239
Other	2,344	7,877	6,837	3,337	20,395
Total Operating Revenues	<u>153,488</u>	<u>337,757</u>	<u>289,063</u>	<u>246,326</u>	<u>1,026,634</u>
Operating Expenses					
Administrative salaries and benefits	3,166	2,902	-	4,012	10,080
Other administrative	15,029	35,892	28,326	25,140	104,387
Regular and extraordinary maintenance	21,510	47,724	65,676	26,107	161,017
Depreciation and amortization	96,039	217,754	237,964	248,561	800,318
Utilities	12,060	7,681	38,346	4,761	62,848
Taxes and insurance	5,907	20,911	30,155	11,342	68,315
Total Operating Expenses	<u>153,711</u>	<u>332,864</u>	<u>400,467</u>	<u>319,923</u>	<u>1,206,965</u>
Operating Income (Loss)	<u>(223)</u>	<u>4,893</u>	<u>(111,404)</u>	<u>(73,597)</u>	<u>(180,331)</u>
Non-Operating Revenues (Expenses)					
Interest income	-	2,341	25	-	2,366
Interest expense	(25,452)	(20,645)	(109,578)	(84,118)	(239,793)
Other	(2,675)	(18,600)	(2,000)	(2,508)	(25,783)
Total Non-Operating Revenues (Expenses)	<u>(28,127)</u>	<u>(36,904)</u>	<u>(111,553)</u>	<u>(86,626)</u>	<u>(263,210)</u>
Change in Net Position	<u>(28,350)</u>	<u>(32,011)</u>	<u>(222,957)</u>	<u>(160,223)</u>	<u>(443,541)</u>
Net Position, Beginning of Year	<u>2,049,155</u>	<u>3,100,027</u>	<u>(1,378)</u>	<u>3,715,951</u>	<u>8,863,755</u>
Net Position, End of Year	<u>\$ 2,020,805</u>	<u>\$ 3,068,016</u>	<u>\$ (224,335)</u>	<u>\$ 3,555,728</u>	<u>\$ 8,420,214</u>

Housing Authority of the City of Pueblo
Combining Statement of Cash Flows – Discretely Presented Component Units
Year Ended December 31, 2015

	Ashwood Apartments	Oakshire Hills	Santa Fe Crossing	Oakshire Hills II	Total
Operating Activities					
Receipts from tenants	\$ 150,841	\$ 330,126	\$ 282,226	\$ 243,634	\$ 1,006,827
Other income	2,344	7,877	6,837	3,337	20,395
Payments to employees	(3,166)	(2,902)	-	(4,012)	(10,080)
Payments to suppliers	(52,717)	(107,706)	(89,211)	(54,839)	(304,473)
Net Cash from Operating Activities	<u>97,302</u>	<u>227,395</u>	<u>199,852</u>	<u>188,120</u>	<u>712,669</u>
Capital and Related Financing Activities					
Principal payments on long-term debt	(52,719)	(31,320)	-	(18,237)	(102,276)
Interest on long-term debt	(25,453)	(20,645)	(109,577)	(84,118)	(239,793)
Payments to from related parties	-	-	(42,506)	-	(42,506)
Developer fee payments	-	-	-	(70,268)	(70,268)
Net Cash used for Capital and Related Financing Activities	<u>(78,172)</u>	<u>(51,965)</u>	<u>(152,083)</u>	<u>(172,623)</u>	<u>(454,843)</u>
Investing Activities					
Interest income	-	2,341	25	-	2,366
Payment of partnership fees	(2,675)	(18,600)	(2,000)	(2,508)	(25,783)
Net Cash used for investing activities	<u>(2,675)</u>	<u>(16,259)</u>	<u>(1,975)</u>	<u>(2,508)</u>	<u>(23,417)</u>
Net Change in Cash and Cash Equivalents	16,455	159,171	45,794	12,989	234,409
Cash and Cash Equivalents, Beginning of Year	<u>139,388</u>	<u>810,728</u>	<u>201,102</u>	<u>614,410</u>	<u>1,765,628</u>
Cash and Cash Equivalents, End of Year	<u>\$ 155,843</u>	<u>\$ 969,899</u>	<u>\$ 246,896</u>	<u>\$ 627,399</u>	<u>\$ 2,000,037</u>

Housing Authority of the City of Pueblo
Combining Statement of Cash Flows – Discretely Presented Component Units
Year Ended December 31, 2015

	Ashwood Apartments	Oakshire Hills	Santa Fe Crossing	Oakshire Hills II	Total
Reconciliation of Cash and Cash Equivalents					
Cash and cash equivalents	\$ 69,804	\$ 839,121	\$ 174,215	\$ 469,711	\$ 1,552,851
Restricted cash	86,039	130,778	72,681	157,688	447,186
Total Cash and Cash Equivalents	<u>\$ 155,843</u>	<u>\$ 969,899</u>	<u>\$ 246,896</u>	<u>\$ 627,399</u>	<u>\$ 2,000,037</u>
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities					
Operating income (loss)	\$ (223)	\$ 4,893	\$ (111,404)	\$ (73,597)	\$ (180,331)
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	96,039	217,754	237,964	248,561	800,318
Changes in assets and liabilities					
(Increase) decrease in assets:					
Receivables	(303)	246	-	645	588
Prepaid expenses	(330)	(273)	4,878	(29)	4,246
Increase (decrease) in liabilities:					
Accounts payable	862	67	2,535	(1,612)	1,852
Accrued expenses	1,279	4,501	65,865	14,302	85,947
Tenant security deposits payable	(22)	207	14	(150)	49
Net Cash from Operating Activities	<u>\$ 97,302</u>	<u>\$ 227,395</u>	<u>\$ 199,852</u>	<u>\$ 188,120</u>	<u>\$ 712,669</u>

Note 1 - Nature of Organization and Summary of Significant Accounting Policies**Nature of Organization**

The Housing Authority of the City of Pueblo (Authority) is a corporate body created in 1951 and uses available federal, state, and local resources to serve the residents of Pueblo, Colorado by upgrading and maintaining the existing housing stock, encouraging the construction of new housing affordable to low and moderate income households, and providing low and moderate income families and senior households with decent, safe, and affordable rental housing opportunities. The Authority owns and operates 901 units of family housing and administers 1,462 Section 8 housing choice vouchers, 280 Mod Rehab Section 8 Vouchers, and 60 Section 8 VASH Vouchers.

The Authority is governed by a five-member Board of Commissioners, which is appointed by the City of Pueblo, Colorado. The Authority is not financially accountable to the City of Pueblo and thus, is not a component unit of the City of Pueblo.

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separated (can sue and be sued in their own name).
- The Authority holds the corporate powers of the organization.
- The Authority appoints a voting majority of the organization's board.
- The Authority is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Authority.
- There is fiscal dependency by the organization on the Authority.

Blended Component Units

Included within the financial reporting entity of the Authority as blended component units are Pueblo Fenix, Inc., El Centro Pueblo Development Corporation, Inc., Historic Renovations of Pueblo, Inc., and El Pueblo Learning & Technology Services, Inc., which are non-profit organizations controlled by the Authority. Rood Candy Apartments, LLLP is a blended component unit included in the financial reporting entity that is a wholly owned LLLP of the Authority. Separate financial statements for Rood Candy Apartments, LLLP are not issued. Also included within the financial reporting entity of the Authority as a blended component unit is Ashwood Development LLC, which is a wholly owned LLC of the Authority. Separate financial statements for Ashwood Development LLC are not issued.

Pueblo Fenix, Inc. is the general partner in Ashwood Apartments, LLLP, El Centro Pueblo Development Corporation, Inc. is the general partner in Oakshire Hills, LLLP, and Oakshire Hills II (Villas), LLLP, and Historic Renovations of Pueblo, Inc. is the general partner in Santa Fe Crossing, LLLP, which are discretely presented component units and are described below.

Discretely Presented Component Units

The component unit columns in the combined financial statements include the financial data of the Authority's four discretely presented component units as of December 31, 2015. These units are reported in separate columns to emphasize that they are legally separate from the Authority. Since the Authority's year end is March 31 and the discretely presented component units' year end is December 31, there will be differences in the balances reported between the entities due to activity that takes place between those dates (see also Note 10).

Ashwood Apartments, LLLP – the general partner of this partnership, Pueblo Fenix, Inc., is a non-profit organization controlled by the Housing Authority of the City of Pueblo. Pueblo Fenix, Inc. has an ownership percentage of 0.01%. As the general partner, the Authority has the day to day management responsibilities of the partnership.

Oakshire Hills, LLLP – the general partner of this partnership, El Centro Pueblo Development Corporation, Inc., is a non-profit organization controlled by the Housing Authority of the City of Pueblo. El Centro Pueblo Development Corporation, Inc. has an ownership percentage of .01%. As the general partner, the Authority has the day to day management responsibilities of the partnership.

Santa Fe Crossing, LLLP – the general partner of this partnership, Historic Renovations of Pueblo, Inc., is a non-profit organization controlled by the Housing Authority of the City of Pueblo. Historic Renovations of Pueblo, Inc. has an ownership percentage of .01%. As the general partner, the Authority has the day to day management responsibilities of the partnership.

Oakshire Hills II (Villas), LLLP – the general partner of this partnership, El Centro Pueblo Development Corporation, Inc., is a non-profit organization controlled by the Housing Authority of the City of Pueblo. El Centro Pueblo Development Corporation, Inc. has an ownership percentage of .005%. As the general partner, the Authority has the day to day management responsibilities of the partnership.

The financial statements of the discretely presented component units are presented in the Authority's basic financial statements. Complete financial statements of the individual component units can be obtained from the Chief Financial Officer, Housing Authority of the City of Pueblo, 201 S. Victoria Avenue, Pueblo, CO 81003.

Program Accounting

The accounts of the Authority are organized on the basis of programs, each of which is considered a separate accounting entity. The operations of each program are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The Authority classifies its programs as proprietary.

Basis of Accounting and Measurement Focus

The Department of Housing and Urban Development Real Estate Assessment Center (REAC) assesses the financial condition of Public Housing Authorities (PHA's). To uniformly and consistently assess the PHA's, REAC requires that PHA's financial statements conform to Generally Accepted Accounting Principles (GAAP).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of Net Position. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

Cash and Cash Equivalents

The Authority's cash deposits can only be invested in HUD approved investments: direct obligations of the Federal Government backed by the full faith and credit of the United States, obligations of government agencies, securities of government sponsored agencies, demand and savings deposits, time deposits, repurchase agreements, and other securities approved by HUD.

For the purpose of the statement of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit are also considered to be cash equivalents due to their highly liquid nature and insignificant risk of change in value due to changes in interest rates. The Authority uses the certificate of deposits as part of the entity's cash management.

Accounts Receivable

Revenues are recorded when earned and are reported as accounts receivable until collected. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. Management has established an allowance for doubtful accounts for amounts that may not be collectible in the future. Receivables are reported net of the related allowance.

Notes and Other Receivables

Notes and other receivables are carried at amounts advanced, net of a reserve for uncollectible accounts, if any. As of March 31, 2016, the Authority considered all notes and other receivables to be fully collectible.

Inventory

Inventories are valued at the lower of cost or market using the first-in/first-out method.

Capital Assets

Land, buildings and improvements, and equipment are recorded at cost, including indirect development costs. The Authority uses a capitalization threshold of \$5,000. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Land improvements	15 years
Leasehold improvements	10-20 years
Equipment and furnishings	5 years

Investment in Tax Credit Partnerships

Investments in tax credit partnerships are accounted for under the equity method. Investments are stated at cost, plus (minus) the Authority's equity in net earnings (losses) since acquisition, less any distributions received.

Fraud Recovery

HUD requires the Authority to account for monies recovered from tenants who committed fraud or misrepresentation in the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

Operating Revenues and Expenses

The Authority considers all revenues and expenses (including HUD intergovernmental revenues and expenses) as operating items with the exception of interest expense, interest income, and gain/loss on disposal of capital assets which are considered non-operating for financial reporting purposes.

Restricted and Unrestricted Resources

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation leave is accrued in the period incurred. Employees are permitted to accumulate a limited amount of vacation benefits. Upon separation or termination from the Authority, an employee will be paid for all accrued vacation hours.

Sick leave accumulated for employees hired prior to February 20, 2003 is paid up to 120 days (960 hours) for employees at regular rate of pay. For employees hired after February 20, 2003 accrued sick leave in excess of 75 days (600 hours) will be paid at regular rate not to exceed 45 days (360 hours) of compensation. The liability for accumulated sick leave is accrued in the period earned.

Unearned Revenues

As of March 31, 2016, unearned revenue of \$25,907 consists of advance rental payments received.

Components of Net Position

Components of net position include the following:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt, including developer fees payable, issued to finance the acquisition, improvement, or construction of those assets.
- Restricted Net Position – Consists of net position less related liabilities reported in the basic statement of net position that are subject to restraints on their use by HUD.
- Unrestricted Net Position – Consists of net position less related liabilities reported in the basic statement of net position that are not subject to restraints on their use.

Business and Credit Risk

The Authority provides housing on account to tenants which are located primarily in Pueblo, Colorado.

Budgetary

The Authority's annual budgets are approved by the Board of Commissioners. The annual budgets for the Capital Fund Program, Low Rent Public Housing, and Housing Choice Vouchers are submitted annually to HUD. The annual budget for the Farm Labor program is submitted annually to Rural Development. No budget to actual statements are presented in this report, as housing authorities are not legally required to adopt a budget under the Local Government Budget Law of Colorado.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Primary Government

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The institution is allowed 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 public deposits as a group. The market value of the collateral must be at equal to 102% of the uninsured deposits. The general depository agreement required by annual contract with HUD has additional collateral requirements, which the Authority met in 2016.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. At March 31, 2016, the Authority's carrying amount of deposits was \$12,764,394 and the bank balance was \$12,433,124. Of the bank balances, \$622,014 was covered by Federal Depository Insurance, \$11,375,573 was properly collateralized with securities held by a pledging financial institution's agent in the government's name, and the remaining balance of \$435,537 is uncollateralized. Management does not believe the \$435,537 in deposits that are uncollateralized are exposed to a significant level or risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of certificates of deposit will adversely affect the fair value of investments. The risk as addressed by ensuring that all certificates of deposit held by the Authority as of March 31, 2016 mature within 1 year.

Investments

The Authority's investment policy allows for investments to be solely in securities approved by HUD. Authorized investment instruments are as follows:

- Obligations of the United States and certain U.S. government agency securities
- Insured Money Market Deposit Accounts
- Municipal Depository Fund
- Super NOW Accounts
- Certificates of Deposit
- Repurchase Agreements
- Sweep Accounts
- Separate Trading of Registered Interest and Principal of Securities (STRIPS)
- Mutual Funds that meet HUD criteria

The Authority's deposit and investment policy specifies that all investments are to be adequately collateralized if deposits and investments exceed federal insurance limits. The policy does not formally address credit risk, interest rate risk, or foreign currency risk associated with investments.

Discretely Presented Component Units

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the discretely presented component units' deposits may not be returned. At December 31, 2015, the discretely presented component units' carrying amount of deposits was \$2,000,037 and the bank balance was \$1,995,120. Of the bank balances, \$902,739 was covered by Federal Depository Insurance. The remaining balance of \$1,092,381 was not insured and is exposed to custodial credit risk. Management does not believe that the deposits are exposed to a significant level of risk.

Note 3 - Restricted Cash

Primary Government

Restricted cash consists of \$291,841 in tenant security deposits, \$58,080 in FSS escrow accounts, \$431,523 in bond trust accounts (Note 7), \$16,686 in excess HAP funds for the Housing Choice Voucher and VASH programs (Note 8).

Discretely Presented Component Units

Restricted cash consists of \$130,570 in tenant security deposits, \$123,939 in replacement reserve accounts, and \$192,677 in an operating deficit reserve.

Note 4 - Notes Receivable

Notes Receivable from Tax Credit Projects (Note 10)

Ashwood Apartments, LLLP	
1% note receivable, yearly payments to the extent of available cash flow with entire balance due December 2038	\$ 132,636
Ashwood Apartments, LLLP	
1% note receivable, yearly payments to the extent of available cash flow with entire balance due December 2038	240,000
Ashwood Apartments, LLLP	
5.75% note receivable, due in monthly installments of \$2,334, including interest, due January 2030	361,820
	734,456

Housing Authority of the City of Pueblo
Notes to Financial Statements
March 31, 2016

Oakshire Hills, LLLP	
1% note receivable due December 31, 2017	55,369
1% note receivable due December 31, 2017	236,240
0% note receivable, note to be forgiven June 2017 if no defined events of default, secured by a deed of trust	200,000
	491,609
Santa Fe Crossing, LLLP	
0% note receivable, yearly payments to the extent of available cash flow with entire balance due December 2019	503,211
6.49% note receivable, due in monthly installments of \$6,064, including interest, due December 2021	339,724
6.49% note receivable, due in monthly installments of \$8,132, including interest, due December 2021	647,609
0% note receivable, due in monthly installments of \$3,826, including interest, due December 2018	375,000
	1,865,544
Oakshire Hills II, LLLP - Villas	
2.64% City Home mortgage note receivable due in annual payments from available cash flow, balance due June 2032	250,000
2.64% Division of Housing mortgage note receivable, due in annual payments from available cash flow, balance due June 2032	250,000
4% note receivable, due in annual payments of \$25,507 on March 1st, due June 2027	494,058
	994,058
Total Notes Receivable from Tax Credit Projects	4,085,667
Other Notes Receivable	
Lucky Star Limited Partnership, LLLP	120,000
Individual Loan Programs	22,879
	142,879
	4,228,546
Less current portion	(127,069)
	\$ 4,101,477

Note 5 - Capital Assets

Primary Government

The following is a summary of property, structures, and equipment for the year ended March 31, 2016:

	Balance 03/31/15	Additions	Deletions	Balance 03/31/16
Non-Depreciable				
Land	\$ 3,773,445	\$ -	\$ -	\$ 3,773,445
Total non-depreciable capital assets	<u>3,773,445</u>	<u>-</u>	<u>-</u>	<u>3,773,445</u>
Depreciable				
Buildings and improvements	51,524,952	73,741	33,895	51,564,798
Furniture, equipment and machinery - dwelling	755,005	-	64,271	690,734
Furniture, equipment and machinery - administrative	1,531,036	53,338	148,118	1,436,256
Leasehold improvements	6,861,010	258,864	-	7,119,874
Total depreciable capital assets	<u>60,672,003</u>	<u>385,943</u>	<u>246,284</u>	<u>60,811,662</u>
Less accumulated depreciation for:				
Buildings and improvements	(37,090,913)	(1,199,554)	(33,895)	(38,256,572)
Furniture, equipment and machinery - dwellings	(528,899)	(65,857)	(64,271)	(530,485)
Furniture, equipment and machinery - administrative	(1,384,068)	(87,091)	(148,118)	(1,323,041)
Leasehold improvements	(4,246,094)	(290,186)	-	(4,536,280)
Total accumulated depreciation	<u>(43,249,974)</u>	<u>(1,642,688)</u>	<u>(246,284)</u>	<u>(44,646,378)</u>
Net Depreciable Capital Assets	<u>17,422,029</u>	<u>(1,256,745)</u>	<u>-</u>	<u>16,165,284</u>
Total	<u>\$ 21,195,474</u>	<u>\$ (1,256,745)</u>	<u>\$ -</u>	<u>\$ 19,938,729</u>

Discretely Presented Component Units

The following is a summary of property, structures, and equipment for the year ended December 31, 2015:

	Balance 12/31/14	Additions	Deletions	Balance 12/31/15
Non-Depreciable				
Land	\$ 1,537,636	\$ -	\$ -	\$ 1,537,636
Total	1,537,636	-	-	1,537,636
Depreciable				
Buildings and improvements	21,686,327	-	-	21,686,327
Furniture and equipment	302,121	-	-	302,121
Total depreciable capital assets	21,988,448	-	-	21,988,448
Less: Accumulated Depreciation	(6,783,936)	(785,937)	-	(7,569,873)
Net Depreciable Capital Assets	15,204,512	(785,937)	-	14,418,575
Total	\$ 16,742,148	\$ (785,937)	\$ -	\$ 15,956,211

Note 6 - PILOT Agreement

The Authority has entered into an agreement with the City of Pueblo, Colorado where the Authority may retain all payments in lieu of taxes required to be paid to the City and instead be used for certain allowable expenditures, as defined in the agreement. As of March 31, 2016, the Authority has recorded a payable in the amount of \$927,930 for payments in lieu of taxes withheld by the Authority and not incurred for allowable expenditures under the agreement.

Note 7 - Long-Term Debt

Primary Government

For the year ended March 31, 2016, the following changes occurred in long-term debt:

	Balance 3/31/15	Increases	Decreases	Balance 3/31/16	Due Within One Year
Notes Payable	\$ 6,799,575	\$ -	\$ (727,587)	\$ 6,071,988	\$ 764,896

Discretely Presented Component Units

For the year ended December 31, 2015, the following changes occurred in long-term debt:

	Balance 12/31/14	Increases	Decreases	Balance 12/31/15	Due Within One Year
Notes Payable	\$ 6,348,135	\$ -	\$ (102,276)	\$ 6,245,859	\$ 116,555

Primary Government

Notes payable as of March 31, 2016, consisted of the following:

Variable rate bond payable to Wells Fargo Bank (0.47% as of March 31, 2016), due in monthly installments of \$34,600, including interest, unpaid principal and interest due December 2018, secured by a Deed of Trust on various properties - see (a)	\$ 790,000
4.04% bond payable to Wells Fargo Bank, due in monthly installments of \$18,851, including interest, unpaid principal and interest due July 2018, secured by a Deed of Trust on various properties - see (a)	1,457,840
1% note payable to the U.S. Department of Agriculture, due in monthly installments of \$1,312, including interest, unpaid principal and interest due due June 2029, secured by a Deed of Trust	194,157
3.3% note payable to Sunflower Bank, due in monthly installments of 28,495, including interest, unpaid principal and interest due May 2029, secured by a cost savings guaranty bond and assignment of contract and contractual rights	3,629,991
	\$ 6,071,988

(a) - The bond documents require that the Authority maintain a letter of credit in the amount of the bond, supporting payment of the principal of, purchase price for, and up to 45 days' accrued interest on the bonds. The Authority maintains an irrevocable letter of credit with Wells Fargo Bank and the letter of credit fees are paid monthly. The letter of credit expires in December 2018. The bond indenture also requires a bond fund to be established. The bond fund is to be used for the payment of the principal of, the purchase price of, the redemption premium, if any, on and the interest on the bonds, and under certain circumstances for the repayment of money owed by the Authority to Wells Fargo Bank pursuant to the reimbursement agreement. The bond indenture also contains certain restrictions and covenants. Under these covenants, the Authority must maintain certain financial covenants (debt service coverage ratio and various liquidity ratios).

The bonds were issued with a 20 year amortization ending July 2023; however, the initial term of the bonds is 15 years, maturing July 2018. Upon the initial maturity date, the Authority has the option to repay the balance, negotiate a 5 year renewal, or refinance the debt with another lender.

Discretely Presented Component Units

Notes payable as of December 31, 2015, consisted of the following:

Ashwood Apartments

1% Division of Housing mortgage note payable to the Housing Authority of the City of Pueblo (HACP), due in annual payments from available cash flow, to December 31, 2038, secured by a mortgage on the property and an assignment of rents	\$ 185,224
1% HOME loan to HACP, due in annual payments from available cash flow, to December 31, 2038, secured by mortgage on property the and an assignment of rents	240,000
5.75% mortgage note payable to HACP, due in monthly installments of \$2,334, including interest beginning in January 2010, to January 2030, secured by a mortgage on the property and an assignment of rents	364,194
	\$ 789,418

Oakshire Hills

6.5% mortgage note payable to Vectra Bank Colorado, due in monthly installments of \$4,875 including interest, to April 2013, thereafter adjusted to the 5-year Libor rate plus 2.35% until October 2017, secured by a deed of trust	\$ 463,443
0% note payable to El Centro Pueblo Development Corporation, Inc.; note to be forgiven June 2017 if no defined events of default, secured by a deed of trust	200,000
1% note payable to HACP, principal and interest due December 31, 2017	174,440
1% note payable to El Centro Pueblo Development Corporation, Inc., principal and interest due December 31, 2017	236,240
	\$ 1,074,123

Santa Fe Crossing

7% mortgage note payable to the City of Pueblo, principal and interest due December 31, 2019, secured by a deed of trust	\$ 650,000
6.49% mortgage note payable to HACP, due in monthly installments of \$6,064, including interest, to December 2021, secured by a deed of trust	387,133
6.49% mortgage note payable to HACP, due in monthly installments of \$8,132, including interest, to December 2021, secured by a deed of trust	600,200
0% mortgage note payable to HACP, due in monthly installments of \$3,826, including interest, to December 2018, secured by a deed of trust	375,000
0% mortgage note payable to HACP, principal and interest due December 2019, secured by a deed of trust	<u>503,211</u>
	<u><u>\$ 2,515,544</u></u>

Oakshire Hills II

4% Land note payable, due in annual payments of \$25,507 on March 1st, due June 2027, secured by a second deed of trust	\$ 499,582
2.64% Division of Housing mortgage note payable, due in annual payments from available cash flow, balance due June 2032, secured by a second deed of trust	250,000
2.64% City Home mortgage note payable, due in annual payments from available cash flow, balance due June 2032, secured by a second deed of trust	250,000
5.598% Construction loan payable to Sunflower Bank, due in monthly installments of \$5,212 beginning May 2013, through April 2028, secured by a deed of trust on all property and equipment, a security agreement and an assignment of rents and leases	<u>867,192</u>
	<u><u>\$ 1,866,774</u></u>

Primary Government

The estimated debt requirements to maturity for the year ending March 31, 2016 are as follows:

	Principal	Interest	Total
2017	\$ 764,896	\$ 177,716	\$ 942,612
2018	799,685	161,257	960,942
2019	1,422,080	118,078	1,540,158
2020	262,438	95,251	357,689
2021	270,972	86,717	357,689
2022 - 2026	1,493,202	295,242	1,788,444
2027 - 2030	1,058,715	55,044	1,113,759
Total	\$ 6,071,988	\$ 989,305	\$ 7,061,293

Discretely Presented Component Units

The estimated debt requirements to maturity for the year ending December 31, 2015 are as follows:

	Principal	Interest	Total
2016	\$ 116,555	\$ 232,870	\$ 349,425
2017	1,108,026	224,297	1,332,323
2018	442,845	196,651	639,496
2019	1,222,468	187,869	1,410,337
2020	45,750	126,911	172,661
2021 - 2025	1,175,156	422,017	1,597,173
2026 - 2030	1,198,610	229,578	1,428,188
2031 - 2035	596,566	55,491	652,057
2036 - 2038	339,883	19,363	359,246
Total	\$ 6,245,859	\$ 1,695,047	\$ 7,940,906

Note 8 - Restricted Net Position

As of March 31, 2016 restricted net position consisted of \$16,686 in housing assistance payments received from HUD but not yet paid to eligible individuals.

Note 9 - Annual Contributions Contract

The Authority has an annual contributions contract for Section 8 HAP and adjustments vary based on requirements. The maximum contract was \$9,350,095 for the year ended March 31, 2016.

Note 10 - Related Party Transactions

Investment in Tax Credit Projects

As mentioned in Note 1, included within the financial reporting entity of the Authority are Pueblo Fenix, Inc., El Centro Pueblo Development Corporation, Inc., Historic Renovations of Pueblo, Inc., and El Pueblo Learning & Technology Services, Inc., which are non-profit organizations controlled by the Authority.

Pueblo Fenix, Inc. is the general partner in Ashwood Apartments, LLLP, a 25 unit low income housing tax credit project. El Centro Pueblo Development Corporation, Inc. is the general partner in Oakshire Hills, LLLP, a 50 unit low income housing tax credit project and Oakshire Hills II (Villas), LLLP, a 29 unit low income housing tax credit project. Historic Renovations of Pueblo, Inc. is the general partner in Santa Fe Crossing, LLLP, a 30 unit low income housing tax credit project.

As the general partner in the tax credit projects, the non-profit organizations manage the day to day operations of the projects; however, any significant changes to the operations must be approved by the limited partners. Under the partnership agreements, the Authority and the non-profit organizations have certain rights and obligations, including guarantees relating to operating and construction deficits. Total investment in tax credit projects was \$161,787 as of March 31, 2016.

Accounts Receivable, Notes Receivable, and Developer Fee Receivable

The Authority has receivables from the tax credit projects mentioned above for developer fees, construction advances, and operating advances. As of March 31, 2016 the Authority was owed \$2,365,079 from the four tax credit projects.

As disclosed in Note 4, the Authority is owed \$4,085,667 on various notes receivable from the four tax credit projects mentioned above. As of March 31, 2016, the Authority was owed \$128,690 in accrued interest on the notes receivable.

Due to the different year ends for the tax credit projects, the balances reported as owed to the Authority by the tax credit projects differ from that reported as being receivable by the Authority. This difference is a result of advances and payments that take place between December 31, 2015 and March 31, 2016. As of December 31, 2015, the tax credits owed the Authority \$2,473,369 for developer fees, construction advances, and operating advances, \$3,828,984 for notes payable, and \$175,203 for accrued interest.

Management Fees and Reimbursement of Expenses

The Authority provides management services to the tax credit projects mentioned above. Under the management agreements, the Authority is to be paid management fees totaling 8% of gross receipts on Ashwood Apartments, LLLP, 9% of gross receipts plus \$50 per lease entered into during the preceding month on Oakshire Hills LLLP, 8.5% of gross receipts on Santa Fe Crossing LLLP, and 9% of rental income for Oakshire Hills II LLLP. During 2016, the Authority received \$89,227 in property management fees from the four tax credit projects.

In addition, the Authority is reimbursed for various office expenses, caretaker payroll and benefits, and other maintenance costs incidental to the operations of the six tax credit projects. During 2016, the Authority was reimbursed \$159,260 from the four tax credit projects for these expenses.

Note 11 - Defined Contribution Money Purchase Pension Plan

The Authority contributes to a single employer defined contribution money purchase pension plan on behalf of its employees. The Authority contributes seven percent of each participating employee's compensation. The employee's matching seven percent is paid by the Authority as compensation under an existing agreement. Employees are eligible to participate in the Plan after six months of service as an employee, and become fully vested after five years of service. Employer matching contributions were \$196,930, \$198,624, and \$212,713 for the years ended March 31, 2016, 2015, and 2014, respectively. All of the plan's investments at March 31, 2016 of \$6,989,334 are managed by Principal Financial Group.

Note 12 - Management Services

As mentioned in Note 10, the Authority provides management services for Ashwood Apartments, LLLP, Central Apartments LLLP, Oakshire Hills LLLP, Santa Fe Crossing LLLP, and Oakshire Hills II LLLP. In addition, the Authority provides management services for Union Plaza and Richmond Apartments. Union Plaza and Richmond apartments pay for all direct charges and then reimburse the Authority through a management fee agreement for the salaries, employee benefits, and other overhead items.

Note 13 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for the risks of loss, including worker's compensation and employee accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Limits of insurance coverage have been adjusted annually.



Supplementary Information
March 31, 2016

Housing Authority of the City of Pueblo

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	Low Rent Public Housing	Section 8 Rental Voucher Program	Section 8 Mod Rehab Program	COCC Fund Program
Assets				
Current Assets				
Cash and cash equivalents	\$ 6,958,777	\$ 1,065,116	\$ 526,020	\$ 2,038,036
Restricted cash	220,746	74,767	-	431,523
Accounts receivable				
HUD	32,646	-	30,914	-
Tenants, net of allowance	21,274	-	-	24,498
Related party - current portion	9,720	-	-	1,458,613
Interest on note receivables	-	-	-	310,860
Other	-	-	5,421	-
Notes receivable - current portion	-	-	-	127,069
Inventory	37,972	-	-	93,990
Prepaid expenses	-	-	-	223,801
	<u>7,281,135</u>	<u>1,139,883</u>	<u>562,355</u>	<u>4,708,390</u>
Notes receivable, net of current portion	-	-	-	4,465,169
Other assets	-	-	-	-
Non-depreciable capital assets	3,310,198	-	-	241,683
Depreciable capital assets, net	<u>13,099,770</u>	<u>5,182</u>	<u>-</u>	<u>128,666</u>
Total Assets	<u><u>\$ 23,691,103</u></u>	<u><u>\$ 1,145,065</u></u>	<u><u>\$ 562,355</u></u>	<u><u>\$ 9,543,908</u></u>
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 60,957	\$ -	\$ 5,438	\$ 59,169
Accounts payable - HUD	-	4,700	-	-
Accrued wages payable	53,069	12,924	2,453	146,172
Accrued compensated absences	-	19,119	-	68,610
Accrued liabilities	13,779	67,196	-	-
Accrued interest payable	-	-	-	316
Interfund balances	67,691	13,412	151	-
Unearned revenue	22,092	-	-	-
Notes and mortgages payable - current	226,400	-	-	355,000
Total current liabilities	<u>443,988</u>	<u>117,351</u>	<u>8,042</u>	<u>629,267</u>
Tenants security deposits payable	198,684	-	-	-
Accrued compensated absences	192,127	19,800	-	274,068
Accrued payments in lieu of taxes	927,930	-	-	-
Notes and mortgages - net of current portion	3,403,591	-	-	435,000
Total Liabilities	<u><u>5,166,320</u></u>	<u><u>137,151</u></u>	<u><u>8,042</u></u>	<u><u>1,338,335</u></u>
Net Position				
Net investment in capital assets	12,779,977	5,182	-	(419,651)
Restricted	-	16,686	-	-
Unrestricted	<u>5,744,806</u>	<u>986,046</u>	<u>554,313</u>	<u>8,625,224</u>
Total Net Position	<u><u>18,524,783</u></u>	<u><u>1,007,914</u></u>	<u><u>554,313</u></u>	<u><u>8,205,573</u></u>
Total Liabilities and Net Position	<u><u>\$ 23,691,103</u></u>	<u><u>\$ 1,145,065</u></u>	<u><u>\$ 562,355</u></u>	<u><u>\$ 9,543,908</u></u>

Housing Authority of the City of Pueblo
Combining Statement of Net Position
March 31, 2016

Farm Worker Housing	Mineral Palace Tower	Family Self Sufficiency	Blended Component Units	Eliminations	Total
\$ 215,802	\$ 806,975	\$ -	\$ 355,538	\$ -	\$ 11,966,264
8,175	44,443	-	18,476	-	798,130
-	-	3,567	-	-	67,127
200	1,718	-	1,003	-	48,693
-	1,243,471	4,939	-	(351,664)	2,365,079
-	-	-	17,324	(199,494)	128,690
-	-	-	3,750	-	9,171
-	-	-	-	-	127,069
780	2,190	-	241	-	135,173
-	7,937	-	1,777	-	233,515
<u>224,957</u>	<u>2,106,734</u>	<u>8,506</u>	<u>398,109</u>	<u>(551,158)</u>	<u>15,878,911</u>
-	-	-	436,240	(799,932)	4,101,477
-	-	-	196,191	(34,404)	161,787
66,700	134,819	-	20,045	-	3,773,445
513,566	798,498	-	1,619,602	-	16,165,284
<u>\$ 805,223</u>	<u>\$ 3,040,051</u>	<u>\$ 8,506</u>	<u>\$ 2,670,187</u>	<u>\$ (1,385,494)</u>	<u>\$ 40,080,904</u>
\$ 498	\$ 13,719	\$ -	\$ 7,134	\$ -	\$ 146,915
-	-	-	-	-	4,700
214	3,717	1,599	-	-	220,148
-	-	-	-	-	87,729
-	1,149	-	3,705	(3,705)	82,124
162	2,127	-	199,494	(199,494)	2,605
1,099	5,152	2,078	258,376	(347,959)	-
387	3,428	-	-	-	25,907
13,866	169,630	-	45,916	(45,916)	764,896
<u>16,226</u>	<u>198,922</u>	<u>3,677</u>	<u>514,625</u>	<u>(597,074)</u>	<u>1,335,024</u>
8,100	35,549	-	19,041	-	261,374
-	8,016	4,829	-	-	498,840
-	-	-	-	-	927,930
180,291	1,288,210	-	754,016	(754,016)	5,307,092
<u>204,617</u>	<u>1,530,697</u>	<u>8,506</u>	<u>1,287,682</u>	<u>(1,351,090)</u>	<u>8,330,260</u>
386,109	(524,523)	-	1,035,906	-	13,263,000
-	-	-	-	-	16,686
214,497	2,033,877	-	346,599	(34,404)	18,470,958
<u>600,606</u>	<u>1,509,354</u>	<u>-</u>	<u>1,382,505</u>	<u>(34,404)</u>	<u>31,750,644</u>
<u>\$ 805,223</u>	<u>\$ 3,040,051</u>	<u>\$ 8,506</u>	<u>\$ 2,670,187</u>	<u>\$ (1,385,494)</u>	<u>\$ 40,080,904</u>

	Low Rent Public Housing	Section 8 Rental Voucher Program	Section 8 Rehab Program	COCC Fund Program
Operating Revenues				
HUD PHA grants	\$ 3,424,282	\$ 8,281,799	\$ 1,883,925	\$ -
Other grants	-	-	-	-
Rental income	2,269,155	-	-	-
Fraud recovery	-	32,200	-	-
Management fees	-	-	-	1,655,774
Other	299,415	10,266	-	50,897
Total Operating Revenues	5,992,852	8,324,265	1,883,925	1,706,671
Operating Expenses				
Housing assistance payments	6,939	7,473,875	1,609,891	-
Administrative salaries and benefits	484,461	432,720	82,535	1,293,462
Maintenance salaries and benefits	1,172,173	-	-	127,231
Other administrative	1,005,226	388,828	73,113	247,115
Regular and extraordinary maintenance	1,321,816	2,456	78	32,875
Depreciation and amortization	1,309,031	6,139	-	21,280
Utilities	800,610	-	-	10,151
Taxes and insurance	338,311	12,995	2,286	48,352
Payments in lieu of taxes	166,066	-	-	-
Other	103,785	-	-	10,031
Total Operating Expenses	6,708,418	8,317,013	1,767,903	1,790,497
Operating Income (Loss)	(715,566)	7,252	116,022	(83,826)
Non-Operating Revenues (Expenses)				
Interest income	20,120	5,151	2,821	159,772
Interest expense	(119,420)	-	-	(5,941)
Other	-	-	-	1,000
Total Non-Operating Revenues (Expenses)	(99,300)	5,151	2,821	154,831
Income (Loss) Before Capital and Other Contributions	(814,866)	12,403	118,843	71,005
Capital and Other Contributions				
HUD Capital grant	733,577	-	-	-
Change in Net Position	(81,289)	12,403	118,843	71,005
Net Position, Beginning of Year	18,606,072	995,511	435,470	8,134,568
Net Position, End of Year	\$ 18,524,783	\$ 1,007,914	\$ 554,313	\$ 8,205,573

Housing Authority of the City of Pueblo
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended March 31, 2016

Farm Worker Housing	Mineral Palace Tower	Family Self Sufficiency	Blended Component Units	Eliminations	Total
\$ -	\$ 395,300	\$ 42,536	\$ -	\$ -	\$ 14,027,842
53,994	-	21,680	-	-	75,674
42,346	438,947	-	239,156	(12,000)	2,977,604
-	-	-	-	-	32,200
-	-	-	15,000	(1,639,517)	31,257
1,336	23,303	-	6,929	-	392,146
<u>97,676</u>	<u>857,550</u>	<u>64,216</u>	<u>261,085</u>	<u>(1,651,517)</u>	<u>17,536,723</u>
-	-	-	-	-	9,090,705
3	506	60,062	-	-	2,353,749
7,208	122,226	-	30,188	-	1,459,026
14,169	187,447	3,019	56,608	(1,651,517)	324,008
55,232	166,378	-	85,721	-	1,664,556
43,634	125,252	-	143,413	-	1,648,749
19,752	161,575	-	61,375	-	1,053,463
5,988	40,455	1,135	15,516	-	465,038
-	-	-	-	-	166,066
(1,950)	1,326	-	-	-	113,192
<u>144,036</u>	<u>805,165</u>	<u>64,216</u>	<u>392,821</u>	<u>(1,651,517)</u>	<u>18,338,552</u>
<u>(46,360)</u>	<u>52,385</u>	<u>-</u>	<u>(131,736)</u>	<u>-</u>	<u>(801,829)</u>
1,135	4,967	-	3,423	-	197,389
(2,352)	(63,306)	-	(27,965)	-	(218,984)
-	-	-	(158)	(34,404)	(33,562)
<u>(1,217)</u>	<u>(58,339)</u>	<u>-</u>	<u>(24,700)</u>	<u>(34,404)</u>	<u>(55,157)</u>
(47,577)	(5,954)	-	(156,436)	(34,404)	(856,986)
-	-	-	-	-	733,577
<u>(47,577)</u>	<u>(5,954)</u>	<u>-</u>	<u>(156,436)</u>	<u>(34,404)</u>	<u>(123,409)</u>
<u>648,183</u>	<u>1,515,308</u>	<u>-</u>	<u>1,538,941</u>	<u>-</u>	<u>31,874,053</u>
<u>\$ 600,606</u>	<u>\$ 1,509,354</u>	<u>\$ -</u>	<u>\$ 1,382,505</u>	<u>\$ (34,404)</u>	<u>\$ 31,750,644</u>

Housing Authority of the City of Pueblo
Statement of Capital Fund Program – Actual Cost Certificate
Year Ended March 31, 2016

	Program Grant <u>CO06P002501-13</u>
Original Funds Approved	\$ 1,023,468
Funds Drawn	<u>1,023,468</u>
Funds Available	<u><u>\$ -</u></u>
Funds Advanced	\$ 1,023,468
Funds Expended	<u>1,023,468</u>
Funds Available	<u><u>\$ -</u></u>

1. The total amount of Capital Fund Program costs as shown on the Actual Comprehensive Grant Cost Certificate dated July 6, 2016 as submitted to HUD is in agreement with the Authority's accounting records.
2. All Capital Fund Program year work has been completed.
3. All liabilities incurred with the Capital Fund Program year have been fully paid.
4. There were no undischarged liens against the Capital Fund Program year on file in any public office where the liens should be filed.
5. The time for any such liens on the Capital Fund Program year has expired.

Housing Authority of the City of Pueblo
 Schedule of Expenditures of Federal Awards
 Year Ended March 31, 2016

<u>Federal Agency/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
United States Department of Agriculture (USDA)			
Rural Rental Assistance Payments	10.427	N/A	\$ 53,994
Farm Labor Housing Loan	10.405	N/A	<u>209,023</u>
Total USDA expenditure total			<u>263,017</u>
U.S. Department of Housing and Urban Development			
Housing - Choice Vouchers	14.871	N/A	<u>8,317,013</u>
Section 8 Project-based Cluster			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation <i>Passed through the Colorado Housing Finance Authority</i>	14.856	N/A	1,767,903
Section 8 New Construction and Substantial Rehabilitation	14.182	DEN-951 D-77-216	<u>395,300</u>
Total Section 8 Cluster			<u>2,163,203</u>
Low Rent Public Housing	14.850	N/A	<u>3,424,282</u>
Family Self-Sufficiency Program	14.896	N/A	<u>42,536</u>
Capital Fund Program	14.872	N/A	<u>733,577</u>
Total U.S. Department of Housing and Urban Development Housing expenditure total			<u>14,680,611</u>
Total Federal Expenditures			<u>\$ 14,943,628</u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Housing Authority of the City of Pueblo and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. The Housing Authority of the City of Pueblo received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient. Assistance provided to subrecipients was \$0 for the year ended March 31, 2016.

Note B –Significant Accounting Policies

Expenditures in the schedule of expenditures of federal awards are recognized on the accrual basis. Such expenditures are recognized following the cost principles in Subpart E-Cost Principles of the Uniform Guidance. The Authority's summary of significant accounting policies is presented in Note 1 in the basic financial statements.

The Authority has not elected to use the 10% de minimis cost rate.

Note C – Farm Labor Housing Loan Program

The balances and transactions related to the Farm Labor Housing loan program, CFDA Number 10.405, are included in the Housing Authority of the City of Pueblo's basic financial statements. The balance of the loan outstanding as of March 31, 2016 is \$194,157.



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

The Board of Commissioners
Housing Authority of the City of Pueblo
Pueblo, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of the Housing Authority of the City of Pueblo (Authority) as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 14, 2016. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota
October 14, 2016



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Commissioners
Housing Authority of the City of Pueblo
Pueblo, Colorado

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Pueblo's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended March 31, 2016. The Authority's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the Authority's major federal program 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 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 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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended March 31, 2016.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 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 compliance requirement 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 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.



Bismarck, North Dakota

October 14, 2016

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major program:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Low Rent Public Housing	14.850
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**2015-001 U.S. Department of Housing and Urban Development
CFDA #14.871
Section 8 Housing Choice Vouchers**

**Eligibility
Significant Deficiency in Internal Control over Compliance and Instance of Noncompliance**

Initial Fiscal Year Finding Occurred: 2015

Finding Summary: The Program requires the Authority to verify tenant's income through third party verification or EIV at the time of initial application and any time there is a change in income or on the annual recertification to ensure rent calculations are based on actual income. In addition, the Authority must obtain signed applications that contain information needed to determine eligibility, income, and rent. Errors were noted in the calculation of tenant rent in one of the tenant files. This error resulted from the Authority failing to use the correct number of hours in an income calculation.

Status: Corrective action plan was taken to resolve this finding.

**2015-002 U.S. Department of Housing and Urban Development –
CFDA #14.182/14.856
Section 8 New Construction and Substantial Rehabilitation and Lower Income Housing
Assistance Program - Section 8 Moderate Rehabilitation**

**Eligibility
Significant Deficiency in Internal Control over Compliance**

Initial Fiscal Year Finding Occurred: 2014

Finding Summary: The Program requires the Authority to verify tenant's income through third party verification or EIV at the time of initial application and any time there is a change in income or on the annual recertification to ensure rent calculations are based on actual income. In addition, the Authority must obtain signed applications that contain information needed to determine eligibility, income, and rent. Errors were noted in the calculation of tenant rent in one of the tenant files. This error resulted from the Authority failing to use the correct COLA income adjustment correctly in an income calculation.

Status: Corrective action plan was taken to resolve this finding.