

**HOUSING AUTHORITY OF THE
CITY OF WALSENBURG, COLORADO**

FINANCIAL STATEMENTS

March 31, 2016



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HOUSING AUTHORITY OF THE TOWN OF WALSENBURG, COLORADO

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of the City of Walsenburg
Walsenburg, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Walsenburg, 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.

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 of the Housing Authority of the City of Walsenburg, 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 3 – 8 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 Walsenburg's basic financial statements. The schedule of expenses by program and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenses by program and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenses by program and the U.S. Department of Housing and Urban Development supplementary financial data schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Plutt Rogers & Company PC

December 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

Management's Discussion & Analysis Year Ended March 31, 2016

The following discussion and analysis of the financial statements of the Housing Authority of the City of Walsenburg, Colorado, ("the Authority") provides an overview of the financial activities for the fiscal year ended March 31, 2016. Please consider the following information in addition to your review of the information in the basic financial statements.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Authority. This information contained herein this Management Discussion and Analysis (MD&A) should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has two individual programs. They include the Low Rent Public Housing Program and the Business Activities Program.

- The Low Rent Program consists of 129 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing & Urban Development based on a formula. Included in the Low Rent Program are the Capital Fund grants which are also a formula based program from HUD. The purpose is to provide funding for the modernization and improvement of the Low Rent Public Housing Program units. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.
- The Business Activities Program has been setup to receive grants and other local funding. This program controls non-HUD monies. The Authority acts as the management agent for the Huerfano County Economic Development Spanish Peaks Apartments (a 30-unit tax credit project), manages 2 city units and administers 45 Section 8 vouchers for the State of Colorado Housing Division for Huerfano & Las Animas Counties.

Financial Highlights

The Authority's financial condition continues to decline as grant funding continues to decrease.

- Total Net Position was \$2,111,802 at March 31, 2016, an increase of \$23,225 or 1.11% from the \$2,088,577 reported at March 31, 2015.
- Public Housing Annual Contributions for 2016 were \$301,002 representing a decrease in the amount of \$2,187 from fiscal year 2015 funding of \$303,189.
- Capital Grants for 2016 were \$241,890 representing an increase in the amount of \$208,193 from fiscal year 2015 funding of \$33,697.
- Total Cash was \$623,78526 in 2016 and \$417,611 at March 31, 2015 an increase of \$206,159.
- Total Capital Assets, Net decreased \$87,276 from \$1,669,150 in 2015 to \$1,581,874 at March 31, 2016. This was the result of the addition of Building Improvements, Site Improvements and Equipment of \$58,109 and the recording of Depreciation Expense of \$145,385.

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

Management's Discussion & Analysis Year Ended March 31, 2016

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authorities basic financial statements. The basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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. Net Position is comprised of three individual components:

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

The **statement of revenues, expenses and changes in net position** 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 reported in this statement for some items will result in cash flows in future periods.

The **statement of cash flows** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended March 31, 2016.

Fund 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 keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. The Authority's fund is a proprietary fund type.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately after the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

**Management's Discussion & Analysis
Year Ended March 31, 2016**

Housing Authority Financial Analysis

As earlier noted, changes in net position may serve as a useful indicator of changes in the financial position of an organization. On March 31, 2016 assets exceeded liabilities by \$2,111,802. This amount is broken down to \$1,581,874 that is invested in capital assets and \$529,928 that is unrestricted. Capital Assets, Net represent the largest portion of assets at \$1,581,874. Cash represent the next largest portion of assets at \$623,785. The increase in cash is due to the decrease in grants receivable from 2015.

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended March 31, 2016 and 2015.

CONDENSED STATEMENT OF NET POSITION				
	2016		2015	
ASSETS				
Current Assets	\$ 624,499	27.6%	\$ 538,236	23.8%
Noncurrent Assets	1,640,496	72.4%	1,724,165	76.2%
Total Assets	2,264,995	100.0%	2,262,401	100.0%
LIABILITIES				
Current Liabilities	153,193	6.8%	151,247	6.7%
Noncurrent Liabilities	-	0.0%	22,577	1.0%
Total Liabilities	153,193	6.8%	173,824	7.7%
NET POSITION				
Net Investment in Capital Asset	1,581,874	69.8%	1,669,150	73.8%
Unrestricted	529,928	23.4%	419,427	18.5%
Total Net Position	\$ 2,111,802	93.2%	\$ 2,088,577	92.3%

Rental revenue continues to decline as the economy gets worse. More and more tenants have become jobless and therefore our rents have declined and our negative rents have increased. Interest rates are as low as they can possible go without going to zero. Income from the state of Colorado Section 8 program and our management of the Tax Credit Spanish Peaks Apartments & City Properties help supplement our Housing Authority. The Authority's operating revenues exceeded expenses including non-operating revenue and capital contributions by \$22,076. This excess revenue is primarily due to an increase in grant funding and a decrease in spending from the prior year. Revenues of the Authority are generated principally from dwelling rents, HUD grants (including Operating and Capital Funds) and Management Fees. The Authority's operating revenue increased by \$216,914 or 30.29% during the current fiscal year. The increase in revenue was primarily due to an increase in the HUD Operating Subsidy and Capital Grants revenue of \$206,006, an increase in rents of \$27,913 and a decrease in Other Revenue of \$17,005. Interest income increased due to a larger cash balance from the previous year. The increase in spending in all programs from \$838,190 in 2015 to \$910,888 is a result of an increase in salary and benefits in administration, and increase in utilities and insurance and a decrease in operations and maintenance salaries, benefits and other expenses. This change in net position of \$23,225 when added to the beginning net assets, results in ending net assets in the amount of \$2,111,802.

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

**Management's Discussion & Analysis
Year Ended March 31, 2016**

The table below lists the revenue, expenses and changes in net position comparisons for the year ended March 31, 2016 and 2015.

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION				
	2016		2015	
OPERATING REVENUE				
Rental	\$ 314,795	33.7%	\$ 286,882	40.1%
Grants	542,892	58.2%	336,886	47.0%
Other	75,277	8.1%	92,282	12.9%
Total Operating Revenue	932,964	100.0%	716,050	100.0%
OPERATING EXPENSES	910,888	97.6%	838,190	117.1%
OPERATING INCOME (LOSS)	22,076	2.4%	(122,140)	-17.1%
NONOPERATING REVENUE (EXPENSES)	1,149	0.1%	996	0.1%
Change in Net Position	23,225	2.5%	(121,144)	-16.9%
Net Position, Beginning	2,088,577	100.0%	2,209,721	100.0%
Net Position, Ending	\$ 2,111,802	101.1%	\$ 2,088,577	94.5%

- Budgets are adopted for all funds as a management control device but are not presented in the financial statements as it is not legally required.
- Total ending Cash was \$623,785.
- Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest. The Authority had no investments at March 31, 2016.

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

**Management's Discussion & Analysis
Year Ended March 31, 2016**

Capital Assets

During 2016 there was \$58,109 in additions to capital assets. Further information on the Authority's capital assets can be found in Notes 1 and 5 in the notes to financial statements.

CAPITAL ASSETS				
	Balance 3/31/15	Additions	Deletions	Balance 3/31/16
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	\$ 810,246	\$ -	\$ -	\$ 810,246
CAPITAL ASSETS, BEING DEPRECIATED				
Site Improvements	389,772	23,312	-	413,084
Building and Improvements	6,934,680	32,540	-	6,967,220
Dwelling Equipment	100,671	-	-	100,671
Other Equipment	336,616	2,257	-	338,873
Total Capital Assets Being Depreciated	<u>7,761,739</u>	<u>58,109</u>	<u>-</u>	<u>7,819,848</u>
ACCUMULATED DEPRECIATION				
Site Improvements	211,443	24,564	-	236,007
Building and Improvements	6,273,504	110,973	-	6,384,477
Dwelling Equipment	89,096	6,198	-	95,294
Other Equipment	328,792	3,650	-	332,442
Total Accumulated Depreciation	<u>6,902,835</u>	<u>145,385</u>	<u>-</u>	<u>7,048,220</u>
Total Capital Assets Being Depreciated, Net	<u>858,904</u>	<u>(87,276)</u>	<u>-</u>	<u>771,628</u>
Total Capital Assets, Net	<u>\$ 1,669,150</u>	<u>\$ (87,276)</u>	<u>\$ -</u>	<u>\$ 1,581,874</u>

Debt Administration

The Housing Authority has no debt.

Economic Factors and Future Plans for 2017

- In the year to come the Authority plans on continuing to provide an opportunity for a healthy, affordable, decent and safe living environment for the community through its programs.
- Public Housing Program - Continue scheduled preventive and regular maintenance to maintain the properties and fund planned major rehabilitation projects with Capital funds that will be expended on the dwelling units.
- Dwelling rents were projected conservatively as work in the area varies considerably.
- The Housing Authority is dependent upon HUD for operating grants and tenant rents for the funding of operations. As economic conditions continuing to improve, income from HUD and income from rents are bringing in income to the Housing Authority.
- It is anticipated that budget short falls will continue to require cuts in the PHA budget.

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

Management's Discussion & Analysis Year Ended March 31, 2016

- Business Activities Program – The Authority will discontinue to receive management fees and from the Huerfano County Economic Development Spanish Peaks Apartments as it is not economically feasible to continue managing the complex. The city units and the Section 8 vouchers from the State of Colorado Housing Division will continue to provide income.
- The Huerfano County Economic Development Spanish Peaks Apartments are being considered for sale in the future. The sale of the units would have an impact on the operations of the authority as both management fees and staffing would be decreased.
- Interest continues to remain very low with the local banks and economy.

Requests for Information

The financial report is designed to provide a general overview of Housing Authority of the City of Walsenburg, Colorado's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

The Housing Authority of the City of Walsenburg
Jacque Sikes, Executive Director
220 Russell Avenue
Walsenburg, Colorado 81089

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF WALSENBURG

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

March 31, 2016

(With Comparative Actual Amounts for March 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 565,163	\$ 362,611
Accounts Receivable:		
PHA Projects	3,751	18,268
Tenants - Dwelling Rents	2,469	10,216
Accrued Interest Receivable	186	197
Due from Other Governments - HUD	7,960	101,974
Inventories	44,970	44,970
Total Current Assets	<u>624,499</u>	<u>538,236</u>
Noncurrent Assets		
Cash - Restricted	58,622	55,015
Capital Assets Not Being Depreciated:		
Land	810,246	810,246
Capital Assets, net of Depreciation	771,628	858,904
Total Noncurrent Assets	<u>1,640,496</u>	<u>1,724,165</u>
Total Assets	<u>2,264,995</u>	<u>2,262,401</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	10,797	13,295
Accrued Wage and Related Liabilities	4,816	12,511
Accrued Compensated Absences - Current	11,721	23,285
Tenant Security Deposits	58,622	55,015
Accrued Liabilities - Other	8,868	8,037
Due to Other Governments	50,582	31,883
Deferred Revenue	7,787	7,221
Total Current Liabilities	<u>153,193</u>	<u>151,247</u>
Noncurrent Liabilities		
Compensated Absences Due Beyond One Year	-	22,577
Total Noncurrent Liabilities	<u>-</u>	<u>22,577</u>
Total Liabilities	<u>153,193</u>	<u>173,824</u>
NET POSITION		
Net Investment in Capital Assets	1,581,874	1,669,150
Unrestricted Net Position	529,928	419,427
Total Net Position	<u>\$ 2,111,802</u>	<u>\$ 2,088,577</u>

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

HOUSING AUTHORITY OF THE CITY OF WALSENBURG
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended March 31, 2016
(With Comparative Actual Amounts for the Year Ended March 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Dwelling Rents	\$ 302,429	\$ 272,082
Other Tenant Revenue	12,366	14,800
Tenant Revenue	<u>314,795</u>	<u>286,882</u>
OPERATING EXPENSES		
Administrative	261,345	181,470
Tenant Services	289	300
Utilities	124,752	112,175
Maintenance & Operations	293,564	313,484
Other General Expense	28,248	21,846
Insurance Premiums	57,305	49,698
Extraordinary Maintenance	-	3,162
Depreciation Expense	<u>145,385</u>	<u>156,055</u>
Total Operating Expenses	<u>910,888</u>	<u>838,190</u>
OPERATING INCOME (LOSS)	<u>(596,093)</u>	<u>(551,308)</u>
OTHER INCOME		
HUD Contribution and Grant	301,002	303,189
HUD Capital Grants	241,890	33,697
Investment Income - Unrestricted	1,149	996
Other Revenue	<u>75,277</u>	<u>92,282</u>
Total Other Income	<u>619,318</u>	<u>430,164</u>
CHANGE IN NET POSITION	23,225	(121,144)
NET POSITION, Beginning	<u>2,088,577</u>	<u>2,209,721</u>
NET POSITION, Ending	<u>\$ 2,111,802</u>	<u>\$ 2,088,577</u>

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

HOUSING AUTHORITY OF THE CITY OF WALSENBURG

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

(With Comparative Actual Amounts for March 31, 2015)

(With Comparative Actual Amounts for the Year Ended March 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Receipts from Tenants	\$ 341,232	\$ 276,970
Payments to Employees	(319,447)	(256,805)
Payments to Suppliers	<u>(470,860)</u>	<u>(386,129)</u>
Net Cash (Used) by Operating Activities	<u>(449,075)</u>	<u>(365,964)</u>
Cash Flows from Noncapital Financing Activities		
Federal Subsidies	395,016	318,220
Other Non-operating Revenues	<u>75,277</u>	<u>92,282</u>
Net Cash Provided by Noncapital Financing Activities	<u>470,293</u>	<u>410,502</u>
Cash Flows from Capital and Related Financing Activities		
HUD Capital Grants	241,890	33,697
Acquisition of Capital Assets	<u>(58,109)</u>	<u>(34,464)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>183,781</u>	<u>(767)</u>
Cash Flows from Investing Activities		
Earnings on Investments	<u>1,160</u>	<u>995</u>
Net Cash Provided (Used) by Investing Activities	<u>1,160</u>	<u>995</u>
Net Change in Cash	206,159	44,766
CASH, Beginning	<u>417,626</u>	<u>372,860</u>
CASH, Ending	<u>\$ 623,785</u>	<u>\$ 417,626</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating Income (Loss)	\$ (596,093)	\$ (551,308)
Depreciation	145,385	156,055
Changes in operating assets and liabilities:		
Accounts Receivable	22,264	(12,730)
Prepaid Expenses	-	13,190
Inventory	-	-
Accounts Payable	(1,667)	8,393
Accrued Compensated Absences	(41,836)	1,486
Tenant Security Deposits	3,607	1,435
Due to Other Governments	18,699	16,132
Deferred Revenue	<u>566</u>	<u>1,383</u>
Net Cash (Used) by Operating Activities	<u>\$ (449,075)</u>	<u>\$ (365,964)</u>

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

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Walsenburg was created for the purpose of administering Public Housing Programs authorized by the United States Housing Act of 1937. The Department of Housing and Urban Development has direct responsibility for the administering of low-income housing programs. The Housing Authority has entered into an annual contribution contract with the Department of Housing and Urban Development for the funding of these programs through annual contributions and subsidies.

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

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

Reporting entity

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

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

Nature of operations

The following programs are administered by the Housing Authority:

Public Housing Program - This program consists of 129 public housing units. Under this program, HUD provides funding through an annual contribution contract. These funds, along with dwelling rental income received from the tenants, are used to maintain the dwelling units. Included within this program are the Capital Fund grants which provide funding for the modernization and improvement of the Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

Business Activities Program - This programs purpose is to provide flexibility to allow the Authority options of providing services to its residents as well as acquire, construct and manage housing units to meet the overall objective of the Authority. This program controls non-HUD monies. The Authority acts as the management agent for the Huerfano County Economic Development Spanish

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

Peaks Apartments (a 30-unit tax credit project), manages 2 city units and administers 45 Section 8 vouchers for the State of Colorado Housing Division for Huerfano & Las Animas Counties.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (assets less liabilities) are segregated into net invested in capital assets, restricted for debt service and unrestricted components. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Housing Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

A Statement of Net Position provides information about the assets, liabilities, and net position of the Authority at the end of the year. Assets and liabilities are classified as current, noncurrent, or other assets. Net position is classified according to availability of assets to satisfy the Authority's obligations. Net invested in capital assets represents that value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Restricted net position represents resources that have been externally restricted for specific purposes. Unrestricted net position, include all other net position, including those that have been designated by management to be used for other than general operating purposes.

A Statement of Revenues, Expenses and Changes in Net Position provide information about the Authority's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions.

Operating revenues and expenses generally result from providing services in connection with providing low income housing. Accordingly, revenue such as dwelling rent, operating grants and subsidies from HUD, and other tenant charges are considered to be operating revenues. Other revenues, such as interest income and capital contributions provided for building improvement projects or equipment purchases, are considered to be nonoperating revenues. Operating expenses

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

include: administrative, maintenance, utilities, tenant services, depreciation on capital assets, and other general expenses.

A Statement of Cash Flow provides information about the Authority's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating activities, non-capital financing, and capital financing or investing.

Assets, Liabilities and Net Position

Cash and cash equivalents - For the purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Investments that are available upon demand are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of ninety days or less are also considered "cash equivalents".

Receivables - All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible account and revenues net of uncollectible. Allowances are reported when account are proven to be uncollectible. An allowance of \$-0- has been provided at year end.

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

Inventories - Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

Capital assets - All capital assets with a unit cost greater than \$500 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. The Authority does not capitalize interest costs related to its constructed fixed assets.

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

	<u>Estimated Useful Lives</u>
Buildings and Improvements	15 – 40 years
Furniture and Fixtures	7 – 10 years
Equipment	7 – 10 years

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

Compensated absences - The Authority's personnel policies permit employees to carryover and receive vacation or sick leave benefits upon request. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place. Permanent employees will be paid for their unused vacation and sick leave upon leaving the Authority, if the employee leaves in good standing. This liability has been recorded in the financial statements pursuant to GASB Statement No. 16, "Accounting for Compensated Absences."

Net position - Net position represent the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors (such as through debt covenants), grantors or laws or regulations of other governments. Unrestricted Net Position - All other assets net assets that do not meet the definition, of "restricted" or "invested in capital assets, net of related debt".

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

Grant revenue - The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as deferred revenue.

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

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

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

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

Budgetary Information - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

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

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

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

NOTE 2: CASH AND INVESTMENTS

Cash Deposits

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At March 31, 2016, the Authority's deposits amounting to \$390,334 were insured by federal depository insurance and consequently were not exposed to custodial credit risk as follows:

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured Deposits	\$ 250,000	\$ 250,000
PDPA Insured Deposits	390,334	373,585
Change Fund Cash	-	100
Petty Cash	-	100
Total Cash	<u><u>\$ 640,334</u></u>	<u><u>\$ 623,785</u></u>
Unrestricted Cash		\$ 565,163
Restricted - Tenant Deposits		<u>58,622</u>
Total Cash		<u><u>\$ 623,785</u></u>

Investments

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

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

At March 31, 2016, the Authority did not have any investments.

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016**

NOTE 3: ACCOUNTS RECEIVABLE

A summary of accounts receivable as presented in the Statement of Net Assets at March 31, 2014 are as follows:

PHA Projects	\$ 3,751
Tenants	2469
Allowance for Doubtful Accounts - Dwelling Rents	<u>(0)</u>
Total	<u>\$ 5,220</u>

NOTE 4: DUE FROM OTHER GOVERNMENTS

A summary of due from other governments as presented in the Statement of Net Assets at March 31, 2016 is as follows:

HUD – Operating Subsidy	<u>\$ 7,960</u>
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NOTE 5: CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance 3/31/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 3/31/2016</u>
Non-Depreciable Assets				
Land and Improvements	\$ 810,246	\$ -	\$ -	\$ 810,246
Depreciable Assets				
Site Improvements	389,772	23,312	-	413,084
Buildings and Improvements	6,934,680	32,540	-	6,967,220
Dwelling Equipment	100,671	-	-	100,671
Other Equipment	<u>336,616</u>	<u>2,257</u>	-	<u>338,873</u>
Total Depreciable Assets	<u>7,761,739</u>	<u>58,109</u>	-	<u>7,819,848</u>
Total Capital Assets	<u>8,571,985</u>	<u>58,109</u>	-	<u>8,630,094</u>
Accumulated Depreciation				
Site Improvements	211,443	24,564	-	236,007
Buildings and Improvements	6,273,504	110,973	-	6,384,477
Dwelling Equipment	89,096	6,198	-	95,294
Other Equipment	<u>328,792</u>	<u>3,650</u>	-	<u>332,442</u>
Total Accumulated Depreciation	<u>6,902,835</u>	<u>145,385</u>	-	<u>7,048,220</u>
Depreciable Assets Net	<u>858,904</u>	<u>(87,276)</u>	-	<u>771,628</u>
Net Capital Assets	<u>\$ 1,669,150</u>	<u>\$ (87,276)</u>	\$ -	<u>\$ 1,581,874</u>

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

NOTE 6: ACCRUED COMPENSATED ABSENCES

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

	<u>Balance</u> <u>3/31/2015</u>	<u>Net</u> <u>(Decrease)</u>	<u>Balance</u> <u>3/31/2016</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>\$ 45,862</u>	<u>\$ (34,141)</u>	<u>\$ 11,721</u>	<u>\$ 11,721</u>

NOTE 7: PENSION PLAN

The Authority participates in the Edward Jones 457 variable annuity plan. Executive Director is authorized to establish and amend the plan benefits.

The Authority provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Authority contributes an amount equal to 8% of the employee's base salary each month. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Authority contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current-period contribution requirement.

The Authority's total payroll in fiscal year 2016 was \$277,611. The Authority's contributions were calculated using the base salary amount of \$215,189. The Authority made the required contributions, amounting to \$17,215 from the Authority and \$17,215 from the employees.

NOTE 8: RISK MANAGEMENT

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk. Settled claims have not exceeded this coverage in any of the past three years.

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

NOTE 9: COMMITMENTS AND CONTINGENCIES

Federal funding

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

Tabor Amendment

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

NOTE 10: ECONOMIC DEPENDENCY

The Housing Authority is economically dependent on annual contributions and grants received from HUD. The extent of this funding from HUD depends upon appropriations from the federal level.

Supplementary Information

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

Such schedules include:

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

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HOUSING AUTHORITY OF THE CITY OF WALSENBURG

**SCHEDULE OF EXPENSES BY PROGRAM
PROPRIETARY FUND**

**(With Comparative Actual Amounts for March 31, 2015)
(With Comparative Actual Amounts for the Year Ended March 31, 2015)**

	<u>Public Housing</u>	<u>Business Activities</u>	<u>Total</u>	<u>2015</u>
OPERATING EXPENSES				
Administrative				
Administrative Salaries	\$ 114,055	\$ 14,350	\$ 128,405	\$ 92,055
Auditing Fees	6,000	-	6,000	6,000
Advertising and Marketing	38	-	38	834
Employee Benefit Contributions	68,849	-	68,849	40,059
Office Expenses	40,516	1,577	42,093	33,515
Legal Expense	62	14	76	3,883
Travel	12,092	-	12,092	457
Other	3,792	-	3,792	4,667
Total Administrative	245,404	15,941	261,345	181,470
Tenant Services				
Tenant Services - Other	289	-	289	300
Total Tenant Services	289	-	289	300
Utilities				
Water	64,694	-	64,694	54,390
Electricity	10,027	-	10,027	7,941
Gas	4,304	-	4,304	4,612
Sewer	45,727	-	45,727	45,232
Total Utilities	124,752	-	124,752	112,175
Maintenance & Operations				
Labor	134,711	14,495	149,206	160,959
Materials	24,925	2,501	27,426	34,549
Contracts	30,907	7,980	38,887	43,580
Maintenance	78,045	-	78,045	74,396
Total Maintenance & Operations	268,588	24,976	293,564	313,484
Insurance Premiums				
Property Insurance	25,979	-	25,979	25,242
Liability Insurance	7,515	-	7,515	6,336
Workmen's Compensation	10,108	-	10,108	7,040
All Other Insurance	13,703	-	13,703	11,080
Total Insurance Premiums	57,305	-	57,305	49,698
Other General Expense				
Other General Expenses	89	-	89	-
Compensated Absences	-	-	-	5,277
Payments in Lieu of Taxes	18,699	-	18,699	16,132
Bad debt - Tenant Rents	9,460	-	9,460	437
Total Other General Expenses	28,248	-	28,248	21,846
Total Operating Expenses	724,586	40,917	765,503	678,973
Non-Operating Expenses				
Extraordinary Maintenance	-	-	-	3,162
Depreciation Expense	145,385	-	145,385	156,055
Total Non-Operating Expenses	145,385	-	145,385	159,217
Total Expenses	\$ 869,971	\$ 40,917	\$ 910,888	\$ 838,190

See the accompanying Independent Auditors' Report.

Housing Authority of the City of Walsenburg (CO003)

WALSENBURG, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2016

	Project Total	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$346,639	\$218,524	\$565,163		\$565,163
114 Cash - Tenant Security Deposits	\$58,622		\$58,622		\$58,622
100 Total Cash	\$405,261	\$218,524	\$623,785	\$0	\$623,785
121 Accounts Receivable - PHA Projects	\$3,751		\$3,751		\$3,751
122 Accounts Receivable - HUD Other Projects	\$7,960		\$7,960		\$7,960
126 Accounts Receivable - Tenants	\$2,469		\$2,469		\$2,469
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
129 Accrued Interest Receivable	\$186		\$186		\$186
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$14,366	\$0	\$14,366	\$0	\$14,366
143 Inventories	\$44,970		\$44,970		\$44,970
143.1 Allowance for Obsolete Inventories	\$0		\$0		\$0
150 Total Current Assets	\$464,597	\$218,524	\$683,121	\$0	\$683,121
161 Land	\$810,246		\$810,246		\$810,246
162 Buildings	\$6,997,809		\$6,997,809		\$6,997,809
163 Furniture, Equipment & Machinery - Dwellings	\$100,671		\$100,671		\$100,671
164 Furniture, Equipment & Machinery - Administration	\$339,124		\$339,124		\$339,124
165 Leasehold Improvements	\$382,244		\$382,244		\$382,244
166 Accumulated Depreciation	-\$7,048,220		-\$7,048,220		-\$7,048,220
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,581,874	\$0	\$1,581,874	\$0	\$1,581,874
180 Total Non-Current Assets	\$1,581,874	\$0	\$1,581,874	\$0	\$1,581,874
290 Total Assets and Deferred Outflow of Resources	\$2,046,471	\$218,524	\$2,264,995	\$0	\$2,264,995
312 Accounts Payable <= 90 Days	\$10,797		\$10,797		\$10,797
321 Accrued Wage/Payroll Taxes Payable	\$4,816		\$4,816		\$4,816
322 Accrued Compensated Absences - Current Portion	\$11,721		\$11,721		\$11,721
333 Accounts Payable - Other Government	\$50,582		\$50,582		\$50,582
341 Tenant Security Deposits	\$58,622		\$58,622		\$58,622
342 Unearned Revenue	\$3,582	\$4,205	\$7,787		\$7,787
346 Accrued Liabilities - Other	\$8,868		\$8,868		\$8,868
310 Total Current Liabilities	\$148,988	\$4,205	\$153,193	\$0	\$153,193
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$148,988	\$4,205	\$153,193	\$0	\$153,193
508.4 Net Investment in Capital Assets	\$1,581,874		\$1,581,874		\$1,581,874
512.4 Unrestricted Net Position	\$315,609	\$214,319	\$529,928	\$0	\$529,928
513 Total Equity - Net Assets / Position	\$1,897,483	\$214,319	\$2,111,802	\$0	\$2,111,802
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,046,471	\$218,524	\$2,264,995	\$0	\$2,264,995

(CONTINUED)

See the accompanying Independent Auditors' Report.

Housing Authority of the City of Walsenburg (CO03)
WALSENBURG, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2016

	Project Total	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$302,429		\$302,429		\$302,429
70400 Tenant Revenue - Other	\$12,366		\$12,366		\$12,366
70500 Total Tenant Revenue	\$314,795	\$0	\$314,795	\$0	\$314,795
70600 HUD PHA Operating Grants	\$517,611		\$517,611		\$517,611
70610 Capital Grants	\$25,281		\$25,281		\$25,281
70700 Total Fee Revenue			\$0	\$0	\$0
71100 Investment Income - Unrestricted	\$1,149		\$1,149		\$1,149
71500 Other Revenue	\$2,040	\$73,237	\$75,277		\$75,277
70000 Total Revenue	\$860,876	\$73,237	\$934,113	\$0	\$934,113
91100 Administrative Salaries	\$114,055	\$14,350	\$128,405		\$128,405
91200 Auditing Fees	\$6,000		\$6,000		\$6,000
91400 Advertising and Marketing	\$38		\$38		\$38
91500 Employee Benefit contributions - Administrative	\$68,849		\$68,849		\$68,849
91600 Office Expenses	\$40,516	\$1,577	\$42,093		\$42,093
91700 Legal Expense	\$62	\$14	\$76		\$76
91800 Travel	\$12,092		\$12,092		\$12,092
91900 Other	\$3,792		\$3,792		\$3,792
91000 Total Operating - Administrative	\$245,404	\$15,941	\$261,345	\$0	\$261,345
92400 Tenant Services - Other	\$289		\$289		\$289
92500 Total Tenant Services	\$289	\$0	\$289	\$0	\$289
93100 Water	\$64,694		\$64,694		\$64,694
93200 Electricity	\$10,027		\$10,027		\$10,027
93300 Gas	\$4,304		\$4,304		\$4,304
93800 Other Utilities Expense	\$45,727		\$45,727		\$45,727
93000 Total Utilities	\$124,752	\$0	\$124,752	\$0	\$124,752
94100 Ordinary Maintenance and Operations - Labor	\$134,711	\$14,495	\$149,206		\$149,206
94200 Ordinary Maintenance and Operations - Materials and Other	\$24,925	\$2,501	\$27,426		\$27,426
94300 Ordinary Maintenance and Operations Contracts	\$30,907	\$7,980	\$38,887		\$38,887
94500 Employee Benefit Contributions - Ordinary Maintenance	\$78,045		\$78,045		\$78,045
94000 Total Maintenance	\$268,588	\$24,976	\$293,564	\$0	\$293,564
96110 Property Insurance	\$25,979		\$25,979		\$25,979
96120 Liability Insurance	\$7,515		\$7,515		\$7,515
96130 Workmen's Compensation	\$10,108		\$10,108		\$10,108
96140 All Other Insurance	\$13,703		\$13,703		\$13,703
96100 Total insurance Premiums	\$57,305	\$0	\$57,305	\$0	\$57,305
96200 Other General Expenses	\$89		\$89		\$89
96300 Payments in Lieu of Taxes	\$18,699		\$18,699		\$18,699
96400 Bad debt - Tenant Rents	\$9,460		\$9,460		\$9,460
96000 Total Other General Expenses	\$28,248	\$0	\$28,248	\$0	\$28,248
96900 Total Operating Expenses	\$724,586	\$40,917	\$765,503	\$0	\$765,503
97000 Excess of Operating Revenue over Operating Expenses	\$136,290	\$32,320	\$168,610	\$0	\$168,610
97400 Depreciation Expense	\$145,385		\$145,385		\$145,385
90000 Total Expenses	\$869,971	\$40,917	\$910,888	\$0	\$910,888
10010 Operating Transfer In	\$216,609		\$216,609	-\$216,609	\$0
10020 Operating transfer Out	-\$216,609		-\$216,609	\$216,609	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$9,095	\$32,320	\$23,225	\$0	\$23,225
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,906,578	\$181,999	\$2,088,577		\$2,088,577
11190 Unit Months Available	1548		1548		1548
11210 Number of Unit Months Leased	1530		1530		1530
11270 Excess Cash	\$210,257		\$210,257		\$210,257
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$32,540		\$32,540		\$32,540
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$2,257		\$2,257		\$2,257
11650 Leasehold Improvements Purchases	\$23,312		\$23,312		\$23,312
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

See the accompanying Independent Auditors' Report.

**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***

Board of Commissioners
Housing Authority of the City of Walsenburg
Walsenburg, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Walsenburg, Colorado, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Walsenburg, Colorado's basic financial statements and have issued our report thereon dated December 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Walsenburg, Colorado'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 Housing Authority of the City of Walsenburg, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Walsenburg, Colorado's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Walsenburg, Colorado's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Plutt Rogers & Company PC

December 28, 2016

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