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

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2017

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

TABLE OF CONTENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Colorado Springs ("Housing Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority, as of December 31, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11 and PERA of Colorado pension schedules on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Housing Authority's basic financial statements. The combining financial statements and statement and certification of actual modernization costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

The combining financial statements, statement and certification of actual modernization costs, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, statement and certification of actual modernization costs, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 11, 2018, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
June 11, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

As management of the Housing Authority of the City of Colorado Springs (the "Housing Authority"), we offer the readers of the Housing Authority's financial statements this narrative overview of the financial activities of the Housing Authority for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the Housing Authority's financial statements.

Financial Highlights

- The assets of the Housing Authority exceeded its liabilities at December 31, 2017 by $26,068,234(Net Position).

- The Housing Authority's total cash balance at December 31, 2017 was $10,353,015 representing a decrease of ($899,551) from December 31, 2016.

- The Housing Authority had an operating revenue of $29,876,321 and net nonoperating revenue and capital grants of $603,288 during 2017. Part of the nonoperating revenue and capital contributions includes federal capital grants of $431,801 compared to 2016 of $726,551. Net position decreased by ($1,294,314) during 2017 compared to an increase of $1,176,324 in 2016.

Overview of the Financial Statements

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

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

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

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

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

Overview of the Financial Statements - Continued

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

The Housing Authority's Programs

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

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

- Section 8 Housing Assistance Program Special Allocations - Under the Section 8 Housing Assistance Program Special Allocations, the Housing Authority rents units that it owns to low-income households. A portion of those rents are received directly from the tenants and the remaining portion is received from a HUD Section 8 Subsidy. The tenants' portion of the rents is based upon 30 percent of household income. The Housing Authority owns four buildings, consisting of 18 total units under the Section 8 Housing Assistance Program Special Allocations.

- Section 8 New Construction Program - Under the Section 8 New Construction Program, the Housing Authority owns a high-rise apartment building containing 99 units. The building is for senior citizens only and rents are calculated and received similar to the Section 8 Housing Assistance Program Special Allocations described above.

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

The Housing Authority's Programs - Continued

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

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

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

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

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

- Other Programs - The Housing Authority owns and operates numerous other non-HUD funded affordable housing projects for both low-income and senior citizens. In addition, the Housing Authority manages a 33-unit senior apartment building for a Section 501(c)(3) corporation, Senior Heritage Plaza, Inc.

Financial Analysis

Condensed Statement of Net Position for the Years Ended December 31, 2017 and 2016:

	2017	2016	% INCREASE/ (DECREASE)
Current Assets	$ 10,792,344	$13,507,223	(20.1)%
Capital Assets, Net	33,392,363	34,888,452	(4.3)
Other Noncurrent Assets	763,634	934,651	(18.3)
Deferred Outflows of Resources (Pension)	1,621,453	1,409,841	15.0
Total Assets and Deferred Outflows of Resources	46,569,794	50,740,167	(8.2)
Current Liabilities	2,061,992	2,736,720	(24.7)
Noncurrent Liabilities	18,163,406	18,575,080	(2.4)
Deferred Inflows of Resources (Pension and HAP)	276,162	2,065,819	(86.6)
Total Liabilities and Deferred Inflows of Resources	20,501,560	23,377,619	(12.3)
Net Investment in Capital Assets	21,421,121	20,888,504	2.5
Restricted Net Position	3,130,509	3,274,242	(4.4)
Unrestricted Net Position	1,516,584	3,199,802	(52.6)
Total Net Position	**$26,068,234**	**$27,362,548**	**(4.7)**

Major factors affecting the Statement of Net Position:

Total assets decreased by ($4,170,373) or (8.2%). This decrease is due to a decrease in restricted and unrestricted cash and investments.

Total liabilities saw a decrease of ($2,876,059) during 2017, or (12.3%). The decrease is due lower net pension liability and repayment of long-term debt.

The Housing Authority's net investment in capital assets increased by $532,617 or 2.5%, its restricted net position decreased by ($143,733) or (4.4%), and its unrestricted net position decreased by ($1,683,218) or (52.6%), during 2017.

Financial Analysis - Continued

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

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016	% INCREASE/ (DECREASE)
Operating Revenue:			
Dwelling Rental	$ 7,882,400	$ 7,516,291	4.9%
Operating Grants	20,450,790	19,943,230	2.5
Other Operating Revenue	1,543,131	1,450,501	6.4
Total Operating Revenue	29,876,321	28,910,022	3.3
Operating Expenses:			
Administrative	3,801,325	3,313,155	14.7
Tenant Services	18,902	15,137	24.9
Utilities	11,280,767	1,239,402	3.3
Maintenance and Operations	3,960,578	3,454,435	14.7
General Expenses	712,537	767,149	(7.1)
Housing Assistance Payments	16,161,396	16,061,803	0.6
Depreciation	3,297,694	3,075,502	7.2
Total Operating Expenses	29,233,199	27,926,583	4.7
Net Operating Income	643,122	983,439	(34.6)
Nonoperating (Expense) Revenue:			
Interest Expense	(446,170)	(518,787)	14.0
Gain (Loss) on Disposal of Capital Assets	130,208	(73,737)	276.6
Investment Income	41,279	58,858	(29.9)
Net Nonoperating (Expense)	(274,683)	(533,666)	48.5
Change in Net Position Before Capital Grants	368,439	449,773	(18.1)
Capital Grants	431,801	726,551	(40.6)
Change in Net Position	800,240	1,176,324	(32.0)
Net Position - January 1	27,362,548	26,186,224	4.5
Prior Period Adjustment	(2,094,554)	-	n/a
Net Position - December 31	**$26,068,234**	**$27,362,548**	**(4.7)**

Financial Analysis - Continued

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

Tenant rental income was up $366,109 during 2017 while operating grant revenue up $507,560. The change in federal and local operating grant revenue from 2016 to 2017, by program, was as follows:

	Increase (Decrease)
Section 8 Housing Choice Vouchers	$ 196,065
Section 8 New Construction	9,229
Shelter Plus Care	(6,979)
Home Investment Partnership	14,674
Section 8 Moderate Rehabilitation	(2,848)
Low-Rent Public Housing	124,530
Section 8 Moderate Rehab SRO	(5,741)
Section 8 Special Allocations	(1,100)
City Grant	179,730
	$ 507,560

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

Long-Term Debt

As of December 31, 2017, the Housing Authority had $12,712,069 in debt (bonds, notes, etc.) outstanding compared to $14,404,707 as of December 31, 2016; a net decrease of ($1,692,638).

Long-Term Debt consisted of the following:

	DECEMBER 31,	
	2017	2016
Total Loans	$ 12,712,069	$ 14,404,707
Less: Current Portion	(776,278)	(1,232,662)
Noncurrent Portion	**$ 11,935,791**	**$ 13,172,045**

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

Changes in long-term debt are summarized below:

Schedule of Changes in Notes and Bonds Payable

12/31/2016	Borrowings	Principal Repayment	Adjustments	12/31/2017
$14,404,707	**$ -**	**$(3,787,192)**	**$2,094,554**	**12,712,069**

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

Capital Assets

As of December 31, 2017, the Housing Authority had $33,392,363 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of ($1,496,089) from December 31, 2016.

	DECEMBER 31, 2017	DECEMBER 31, 2016
Land	$ 8,356,618	$ 8,363,260
Buildings and Improvements	90,500,742	88,497,858
Furniture and Equipment	1,050,800	1,016,717
Accumulated Depreciation	(66,949,398)	(63,715,934)
Construction in Progress	433,601	726,551
Total	**$ 33,392,363**	**$ 34,888,452**

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

Changes in Capital Assets

Beginning Balance	$ 34,888,452
Additions	1,808,247
(Net) Deletions	(6,642)
Depreciation	(3,297,694)
Ending Balance	**$ 33,392,363**

This year's major additions to Capital Assets were:

Amp 1 Windows & Siding	$ 93,600
Amp 2 Windows & Siding	108,400
Amp 2 Roof	85,291
Heatherwood Roof	228,075
Bates Elevator	50,105
Howard/Hennessey Remodel	130,172
Heatherwood Windows & Siding	618,925
Scattered Sites Roofs	234,497
Rio Grande Deck	69,344
	$ 1,618,409

Future Events

At present, funding levels for CSHA's primary programs have not been determined for FY 2019. The consensus at this point is that a continuing resolution will be enacted until a formal budget is approved. CSHA staff will continually monitor this issue moving forward.

Contacting the Housing Authority's Financial Management

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

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

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

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 6,572,328
Cash and cash equivalents - restricted	3,780,687
Receivables	
Tenants, net of allowance for doubtful accounts	18,784
Other	236,220
Due from other governments	61,692
Inventory	40,690
Current portion of notes receivable, net of allowance for doubtful accounts	81,943
TOTAL CURRENT ASSETS	10,792,344
NONCURRENT ASSETS	
Notes receivable, net of allowance for doubtful accounts	763,608
Other assets	26
Land	8,356,618
Buildings and improvements	90,500,742
Furniture and equipment	1,050,800
Construction in progress	433,601
Less accumulated depreciation	(66,949,398)
TOTAL NONCURRENT ASSETS	34,155,997
TOTAL ASSETS	44,948,341
DEFERRED OUTFLOWS OF RESOURCES	
Pension (PERA of Colorado)	1,621,453
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 46,569,794**

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

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 48,942
Accrued payroll liabilities	94,099
Accrued interest	33,928
Accrued expenses	47,879
Compensated absences	174,855
Unearned revenue	275,531
Due to other governments	174,796
Tenants' security deposits	435,684
Current portion of long-term debt	776,278
TOTAL CURRENT LIABILITIES	2,061,992
NONCURRENT LIABILITIES	
Net pension liability (PERA of Colorado)	6,148,363
Long-term debt	11,935,791
Compensated absences	64,522
Tenants' FSS escrow	14,730
TOTAL NONCURRENT LIABILITIES	18,163,406
TOTAL LIABILITIES	20,225,398
DEFERRED INFLOWS OF RESOURCES	
Pension (PERA of Colorado)	276,162
NET POSITION	
Net investment in capital assets	21,421,141
Restricted	3,130,509
Unrestricted	1,516,584
TOTAL NET POSITION	26,068,234
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 46,569,794**

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

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUE	
Dwelling rental	$ 7,882,400
Operating grants	20,450,790
Other operating revenue	1,543,131
TOTAL OPERATING REVENUE	29,876,321
OPERATING EXPENSES	
Administration	3,801,325
Tenant services	18,902
Utilities	1,280,767
Maintenance and operations	3,960,578
General expenses	712,537
Housing assistance payments	16,161,396
Depreciation	3,297,694
TOTAL OPERATING EXPENSES	29,233,199
OPERATING INCOME	643,122
NONOPERATING REVENUE (EXPENSE)	
Interest income	41,279
Gain on disposal of capital assets	130,208
Interest expense	(446,170)
NET NONOPERATING (EXPENSE)	(274,683)
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	368,439
CAPITAL GRANTS	431,801
CHANGE IN NET POSITION	800,240
NET POSITION AT BEGINNING OF YEAR	27,362,548
PRIOR PERIOD ADJUSTMENTS	(2,094,554)
NET POSITION AT END OF YEAR	**$ 26,068,234**

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

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants/participants	$ 7,839,452
Cash received from operating grants	18,860,071
Other income received	1,537,092
Cash payments to tenants/participants	(101,348)
Cash payments to vendors	(5,235,811)
Cash payments to employees	(4,250,100)
Cash payments for housing assistance	(16,161,396)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,487,960
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	431,801
Acquisition of capital assets	(1,808,247)
Proceeds from sale of capital assets	163,803
Principal payments	(3,605,374)
Interest paid	(467,270)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(5,285,287)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	1,672,506
Payments received on notes receivable	183,950
Interest received	41,320
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,897,776
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(899,551)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,252,566
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 10,353,015**

(Continued on page 16)

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

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT OF CASH FLOWS - Continued
YEAR ENDED DECEMBER 31, 2017

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

Cash and cash equivalents	$ 6,572,328
Cash and cash equivalents - restricted	3,780,687
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	**$ 10,353,015**

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	$ 643,122
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	3,297,694
Forgivable debt reduction	(181,818)
Changes in assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	(8,767)
Notes receivable	3,697
Due from other governments	(18,348)
Inventory	126,313
Increase (decrease) in liabilities	
Accounts payable	660
Accrued payroll liabilities	(3,249)
Accrued expenses	(18,662)
Due to other governments	29,677
Unearned revenue	(156,093)
Compensated absences	(23,103)
Tenants' FSS escrow	2,656
Tenants' security deposits	12,290
Deferred inflows of resources	(1,218,109)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 2,487,960**

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

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

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

Reporting Entity

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

Programs Administered by the Housing Authority

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

A listing of state/local programs is as follows:

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

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

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

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

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

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

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

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

Cash and Cash Equivalents - Cash and cash equivalents consist of checking, savings and money market accounts and are stated at fair value. Deposits are fully collateralized and are identified specifically in the name of the Housing Authority.

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

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

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

Accounts Receivable - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts of $8,284. The Housing Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Notes Receivable - Notes receivable are recorded at net amount. Notes receivable consist of mortgage receivable and notes for fraud recovery income. At December 31, 2017, the allowance for uncollectible mortgages receivable, tenant repayment agreements and notes for fraud recovery was $15,230.

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

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

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

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

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

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

Impairment of Long-Lived Assets - The Housing Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered if the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended December 31, 2017.

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

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

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

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

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

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

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

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

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

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

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

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

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

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

Subsequent Events - The Housing Authority has evaluated subsequent events through June 11, 2018, the date which the financial statements were available to be issued.

NOTE 2 - Cash and Cash Equivalents

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

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

Risk Disclosures:

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Housing Authority's investment policy limits the Housing Authority's investment portfolio to maturities not to exceed three years at time of purchase. At December 31, 2017, the Housing Authority's deposits were not limited and all of which are either available on demand or have maturities of less than three years.

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

NOTE 2 - Cash and Cash Equivalents - Continued

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

Deposits: The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash be deposited in eligible public depositories. Eligibility is determined by state statutes and regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits. At December 31, 2017, $10,185,769 of the Housing Authority's bank balance of $10,804,594 was exposed to custodial credit risk as follows:

Uninsured, collateral pledged by bank	**$ 10,185,769**

At December 31, 2017, the Housing Authority reported cash and cash equivalents as follows:

Cash and cash equivalents	$ 6,572,328
Cash and cash equivalents - restricted	3,780,687
	$ 10,353,015

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

NOTE 3 - Notes Receivable

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

The Housing Authority also has notes with tenants for fraud recovery payments and rent repayment agreements.

Notes receivable (net of allowance of $15,230) at December 31, 2017, consists of the following:

Current portion, net	$ 81,943
Noncurrent portion, net	763,608
TOTAL NOTES RECEIVABLE, NET	**$ 845,551**

NOTE 4 - Capital Assets

A summary in changes in capital assets is as follows:

	BALANCE 12/31/16	ADDITIONS	REDUCTIONS	TRANSFERS	BALANCE 12/31/17
Capital assets not being depreciated:					
Land	$ 8,363,260	$ -	$ (6,642)	$ -	$ 8,356,618
Construction in progress	726,551	433,601	-	(726,551)	433,601
Total capital assets not being depreciated	9,089,811	433,601	(6,642)	(726,551)	8,790,219
Capital assets being depreciated:					
Buildings and improvements	88,497,858	1,356,414	(64,230)	710,700	90,500,742
Furniture and equipment	1,016,717	18,232	-	15,851	1,050,800
Total capital assets being depreciated	89,514,575	1,374,646	(64,230)	726,551	91,551,542
Less accumulated depreciation	(63,715,934)	(3,297,694)	64,230	-	(66,949,398)
Total capital assets being depreciated, net of accumulated depreciation	25,798,641	(1,923,048)	-	726,551	24,602,144
Total Capital Assets, Net of Accumulated Depreciation	**$34,888,452**	**$(1,489,447)**	**$ (6,642)**	**$ -**	**$33,392,363**

NOTE 5 - Investment in Joint Ventures

The Housing Authority is a general partner in the West Meadows Apartment Homes, LLLP (the Partnership), a Colorado limited liability limited partnership. The Partnership was formed to develop and operate a 216 unit apartment complex in Colorado Springs, Colorado and began operations in June, 2002. The Housing Authority does not share in the profits or losses of the LLC.

The Housing Authority is also a special member of the Academy Heights Housing Partners, LLC (the Company), a Colorado limited liability company. The Company was organized to construct and operate a 160 unit apartment complex called the Winfield Apartments located in Colorado Springs, Colorado. Operations commenced in May 2002. The Housing Authority does not received any allocation of operating profits and losses from the LLC. For the year ended December 31, 2017, the Housing Authority earned a special member annual fee of $23,319.

The Housing Authority is also a .0051 percent majority general partner in the Wyndam-Colorado Springs Partners, L.P. (the Partnership), a Colorado limited partnership. The Partnership was organized in July 2003 to develop and operated a 72 unit affordable apartment complex for senior citizens in Colorado Springs, Colorado, known as Wyndam Colorado Springs Apartments. Operations commenced in October 2004. The Housing Authority is allocated .0051 percent of the Partnership’s operating profits and losses each year. The Partnership incurred a net financial loss for the year ended December 31, 2017 of ($100,379) of which a loss of ($5) was allocated to the Housing Authority. At December 31, 2017, the Housing Authority’s equity share was ($115).

NOTE 5 - Investment in Joint Ventures - Continued

The Housing Authority is also a .0051 percent majority general partner in the Wyndam-Colorado Springs Partners II, L.P. (the Partnership), a Colorado limited partnership. The Partnership was organized in August 2007, to develop and operate a 48 unit affordable apartment complex for senior citizens in Colorado Springs, Colorado, known as Wyndam II Colorado Springs Apartments Operations commenced January 2008. The Housing Authority is allocated .0051 percent of the Partnership's operating profits and losses each year. The Partnership incurred a net financial loss for the year ended December 31, 2017 of ($116,364) of which a loss of ($6) was allocated to the Housing Authority. At December 31, 2017, the Housing Authority's equity share was ($22).

In July 2003, the Housing Authority became a 1.0 percent member of the Park Meadows Affordable Housing, LLC (the LLC), a Colorado limited liability company. The LLC was formed in January 2002 to acquire, own and operate an apartment complex known as the Park Meadows Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The LLC's net income for the year ended December 31, 2017 was $212,080. The Housing Authority has a 1.0 percent capital interest in the LLC only and does not receive any allocation of operating profits and losses from the LLC. Therefore, none are recorded in the accompanying financial statements.

In May 2007, the Housing Authority became a .001 percent Class B Limited Partner of the GT Apartments LLLP (the Partnership), a Colorado limited partnership. The Partnership was formed in December 2006 to acquire, own and operate an apartment complex known as the Green Tree Village Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The Housing Authority is allocated .001 percent of the Partnership's operating profits and losses each year. The Partnership incurred a net financial loss for the year ended December 31, 2017 of ($203,940) of which a loss of ($2) was allocated to the Housing Authority. At December 31, 2017, the Housing Authority's equity share was ($81).

In May 2007 the Housing Authority became a 1.0 percent member of AFA Project Sublessee, LLC (the AFA), a Delaware limited liability company. The AFA was formed to develop and lease a private housing project (the Project) located on the U.S. Air Force Academy in El Paso County, Colorado. The Project will provide affordable housing to low and moderate income military and civilian personnel stationed at the U.S. Air Force Academy. For the year ended December 31, 2017, the Housing Authority earned a participation fee of $188,577. The Housing Authority is not liable for any of the AFA's debt. The AFA has no assets or liabilities and produces no revenue, so no financial statements are prepared.

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

NOTE 5 - Investment in Joint Ventures - Continued

In October 2010, the Housing Authority became a .005 percent special limited partner of the CS Pike Senior 2010 L.P. (the Partnership), a Colorado limited partnership. The purpose of the Partnership is to develop and operate the 70 unit Senior Apartments called the Village at Homewood Point in Colorado Springs, Colorado, in a manner that provides decent, safe, affordable housing for low income persons. The Partnership agreed to maintain four units to be leased at 30 percent of area median income instead of 40 percent of area median income as a condition of acceptance of a limited partner interest by the Housing Authority. In consideration of the administration costs of the Housing Authority, the Partnership pays the Housing Authority an annual fee of $750, which was still owed as of December 31, 2017. The Partnership incurred a net financial loss for the year ended December 31, 2017 of ($188,066) of which a loss of ($9) was allocated to the Housing Authority. At December 31, 2017, the Housing Authority’s equity share was ($86).

In July 2011, the Housing Authority became a .0005 percent special administrative member of Point of the Pines LLC, (the LLC) a Colorado Limited Liability Company formed to develop and operate a 110 unit affordable assisted living facility in Colorado Springs, Colorado for low-income elderly and disabled persons. The Housing Authority receives a special administrative fee of $10,000 annually. The Partnership incurred a net financial loss for the year ended December 31, 2017 of ($189,502) of which a loss of ($9) was allocated to the Housing Authority. At December 31, 2017, the Housing Authority’s equity share was ($65).

In May 2013, the Housing Authority became a .001 percent Class B Limited Partner of the Copper Creek Apartments LLC, (the LLC), a Colorado limited liability company. The LLC was formed in May 2013 to acquire, own and operate a 216 unit apartment complex known as the Copper Creek Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The Housing Authority is allocated .001 percent of the LLC’s operating profits and losses. The LLC incurred a net financial loss for the year ended December 31, 2017 of ($827,831) of which a loss of ($83) was allocated to the Housing Authority. At December 31, 2017, the Housing Authority’s equity share was ($254).

In June 2016, the Housing Authority became a .01 percent Special Member Interest Partner of Summit Apartments, LLC (the LLC), a Colorado limited liability company. The LLC was formed in June 2016 to acquire, own and operate a 256 unit apartment complex known as the Summit Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The Housing Authority receives an annual payment of $11,520 from the Partnership. The Housing Authority does not share in the profits or loss of the LLC.

In October 2016, the Housing Authority became a 1.0 percent Class B Special Member of Copper Range Apartments, LLC (the LLC), a Colorado limited liability company. The LLC was formed in October 2016 to develop and operate a 237 unit apartment complex known as the Copper Range Apartments located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The Housing Authority receives a cumulative property tax management fee of $17,500 annually from the Partnership. The Housing Authority will be allocating .01 percent of the LLC’s operating profits and losses. The LLC incurred a net financial loss for the year ended December 31, 2017 of ($148,652) of which a loss of ($1) was allocated to the Housing Authority. At December 31, 2017, the Housing Authority’s equity share was ($1).

NOTE 5 - Investment in Joint Ventures - Continued

In August 2017, the Housing Authority became a .001 percent Class B Special Member of Traditions at Colorado Springs, LLC (the LLC), a Colorado limited liability company. The LLC was formed in August 2017 to develop and operate a senior living multifamily housing project consisting of 180 units located in Colorado Springs, Colorado for the specific purpose of providing affordable housing to low and moderate income residents. The LLC was still in construction for the year ended December 31, 2017.

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

NOTE 6 - Notes and Bonds Payable

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

HOME OWNERSHIP

Future payments are as follows:

	Principal	Interest	Total
2018	$ 121,500	$ 10,201	$ 131,701
2019	121,500	8,379	129,879
2020	121,500	6,556	128,056
2021	121,500	4,734	126,234
2022	121,500	2,911	124,411
2023-2024	133,347	1,178	134,525
Total	**$ 740,847**	**$ 33,959**	**$ 774,806**

Notes payable of $740,847 at December 31, 2017, consist of numerous loans from the Colorado Housing and Finance Authority (CHFA), the City of Colorado Springs (the “City”), Colorado Department of Housing (CDOH), and El Paso County, Colorado (EPC) to finance second mortgages for home buyers (see Note 3). The annual interest rates of the loans are set at 1.5 percent, the same as to the home buyers, and repayment is based upon payments received on the second mortgages from the home buyers. Future principal payments on these notes are estimated amounts. The payments to CHFA, the City, CDOH, and EPC are based upon the either quarterly or annual notes receivable collections.

NOTE 6 - Notes and Bonds Payable - Continued

SOUTHVIEW PLAZA

Future payments are as follows:

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

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

KIOWA

Future payments are as follows:

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

	City of Colorado Springs
Interest rate	0.00%
Due date	Sale of property
Original balance	$75,000
Monthly payments	Due upon sale

YUMA COURT

The future payments are as follows:

	Principal	Interest	Total
2018	$ 53,603	$ 28,339	$ 81,942
2019	55,528	26,416	81,944
2020	718,093	12,465	730,558
Due on Sale	240,000	-	240,000
Total	**$ 1,067,224**	**$ 67,220**	**$ 1,134,444**

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

NOTE 6 - Notes and Bonds Payable - Continued

CREEKSIDE

The future payments are as follows:

	Principal	Interest	Total
2018	$ 313,262	$ 98,265	$ 411,527
2019	328,731	82,797	411,528
2020	344,964	66,563	411,527
2021	362,000	49,527	411,527
2022	379,879	31,648	411,527
2023-2027	446,329	15,660	461,989
2028-2030	12,978	542	13,520
Due on Sale	250,000	-	250,000
Total	**$ 2,438,143**	**$ 345,002**	**$ 2,783,145**

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

LOWELL SCHOOL

The future payments are as follows:

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

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

RIO GRANDE VILLAGE I

The future payments are as follows:

	Principal	Interest	Total
2018	$ 150,420	$ 113,391	263,811
2019	150,589	107,366	257,955
2020	150,762	101,613	252,375
2021	150,937	95,310	246,247
2022	151,114	89,280	240,394
2023-2027	1,991,563	313,457	2,305,020
2028-2032	96,317	6,089	102,406
2033-2036	72,108	1,342	73,450
Due on Sale	700,000	-	700,000
Total	**$ 3,613,810**	**$ 827,848**	**$ 4,441,658**

NOTE 6 - Notes and Bonds Payable - Continued

RIO GRANDE VILLAGE I - Continued

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

RIO GRANDE VILLAGE II

The future payments are as follows:

	Principal	Interest	Total
2018	$ 89,931	$ 74,989	$ 164,920
2019	90,065	71,272	161,337
2020	90,199	67,735	157,934
2021	90,335	63,835	154,170
2022	90,473	60,115	150,588
2023-2027	454,471	244,852	699,323
2028-2032	886,168	27,523	913,091
2033-2037	78,614	2,081	80,695
2038	1,342	1	1,343
Total	**$ 1,871,598**	**$ 612,403**	**$ 2,484,001**

	El Paso County	US Bank
Interest rate	1.00%	4.61%
Due date	January 1, 2038	July 1, 2028
Original balance	$400,000	$2,300,000
Payments	$1,345	Variable

CHESTNUT GLEN

The future payments are as follows:

	Principal	Interest	Total
2018	$ 21,938	$ 32,063	$ 54,001
2019	22,971	31,030	54,001
2020	24,053	29,948	54,001
2021	25,188	28,812	54,000
2022	26,379	27,622	54,001
2023-2027	511,848	115,109	626,957
2028-2032	30,451	7,494	37,945
2033-2037	34,104	2,575	36,679
Due on Sale	125,000	-	125,000
Total	**$ 821,932**	**$ 274,653**	**$ 1,096,585**

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

NOTE 6 - Notes and Bonds Payable - Continued

SHADOW WOOD CHALET

The future payments are as follows:

	Principal	Interest	Total
2018	$ 25,624	$ 38,046	$ 63,670
2019	26,845	36,826	63,671
2020	28,125	35,545	63,670
2021	29,468	34,202	63,670
2022	30,877	32,793	63,670
2022-2027	631,021	134,801	747,822
2028-2032	30,451	7,494	37,945
2033-2037	34,104	2,575	36,679
Due on Sale	125,000	-	125,000
Total	**$ 943,515**	**$ 322,282**	**$ 1,265,797**

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

TOTAL NOTES AND BONDS PAYABLE

The future payments are as follows:

	Principal	Interest	Total
2018	$ 776,278	$ 395,294	$ 1,171,572
2019	796,229	364,086	1,160,315
2020	1,477,696	320,425	1,798,121
2021	779,428	276,420	1,055,848
2022	800,222	244,369	1,044,591
2023-2027	3,715,610	825,057	4,540,667
2028-2032	1,491,334	49,142	1,540,476
2033-2037	218,930	8,573	227,503
2038	1,342	1	1,343
Due on Sale	2,655,000	-	2,655,000
Total	**$ 12,712,069**	**$ 2,483,367**	**$ 15,195,436**

	Balance 12/31/16	Additions	Reductions	Adjustments	Balance 12/31/17	Amount Due Within One Year
Schedule of changes in notes and bonds payable	**$ 14,404,707**	**$ -**	**$ (3,787,192)**	**$ 2,094,554**	**$ 12,712,069**	**$ 776,278**

NOTE 7 - Other Liabilities

Other liabilities at December 31, 2017, consist of the following:

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Amount Due Within One Year
Compensated absences	$ 262,480	$ -	$ (23,103)	$ 239,377	$ 174,855
Tenants' FSS Escrow	12,074	2,656	-	14,730	-
Total	**$ 274,554**	**$ 2,656**	**$ (23,103)**	**$ 254,107**	**$ 174,855**

NOTE 8 - Net Position

Restricted Net Position

The following is a summary of individual net position restrictions at December 31, 2017:

Program	Purpose/Reason	Amount
Section 8 Choice Vouchers	Unspent Housing Assistance Payments	$ 77,303
Section 8 Special Allocations	Replacement Reserve Accounts	167,397
State/Local	Replacement Reserve and Debt Service Accounts	2,814,355
Low Income Public Housing	Unspent Insurance Proceeds	71,454
Total		**$ 3,130,509**

NOTE 9 - Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

NOTE 9 - Defined Benefit Pension Plan - Continued

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

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

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

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

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

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

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

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

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

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

NOTE 9 - Defined Benefit Pension Plan - Continued

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

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Housing Authority of the City of Colorado Springs is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Housing Authority of the City of Colorado Springs were $349,943 for the year ended December 31, 2017.

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

At December 31, 2017, the Housing Authority of the City of Colorado Springs reported a liability of $6,148,363 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Housing Authority of the City of Colorado Springs' proportion of the net pension liability was based on the Housing Authority of the City of Colorado Springs' contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the Housing Authority of the City of Colorado Springs proportion was 0.4553192846 percent, which was a decrease of .0317265784 from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the Housing Authority of the City of Colorado Springs recognized pension expense of $1,119,753. At December 31, 2016, the Housing Authority of the City of Colorado Springs reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	1,283,919	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(276,162)
Contributions subsequent to the measurement date	337,534	-
Total	**$1,621,453**	**$ (276,162)**

NOTE 9 - Defined Benefit Pension Plan - Continued

$337,534 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflow	Deferred Inflow
2018	$ 741,665	$(257,452)
2019	328,331	(18,710)
2020	206,902	-
2021	7,021	-
2022	-	-
Thereafter	-	-

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

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

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

NOTE 9 - Defined Benefit Pension Plan - Continued

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

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

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

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

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

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

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

NOTE 9 - Defined Benefit Pension Plan - Continued

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

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

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

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

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

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

Sensitivity of the Housing Authority of the City of Colorado Springs proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$9,065,478	$6,148,363	$3,732,670

NOTE 9 - Defined Benefit Pension Plan - Continued

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

Payables to the Pension Plan: At December 31, 2017, the Housing Authority reported a payable of $22,296 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

Defined Contribution Pension Plans

Voluntary Investment Program

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

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2017, program members contributed $212,954.

Other Post-Employment Benefits

Health Care Trust Fund

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

Funding Policy - The Housing Authority of the City of Colorado Springs is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Housing Authority of the City of Colorado Springs are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2017 and 2016, the Housing Authority of the City of Colorado Springs contributions to the HCTF were $28,150 and $28,214, respectively, equal to their required contributions for each year.

NOTE 10- Risk Management

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

NOTE 11 - Economic Dependency

During 2017, the Housing Authority received approximately 69 percent of its revenue from the United States Department of Housing and Urban Development. This funding is subject to federal government budget appropriations and potential funding reductions.

NOTE 12 - Contingencies - Taxpayer's Bill of Rights

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

NOTE 13 - Prior Period Adjustment

The prior period adjustment of $2,094,554 was for the HOME loan program. In prior years, the Housing Authority recognized the payments received as revenue; however, the proceeds are due back to the grant originator and should have been coded as a liability. During 2017, the Housing Authority paid back $1,688,597 to the City and CDOH and have a remaining liability of $405,957 for notes still outstanding.

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

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) OF COLORADO SCHEDULES
DECEMBER 31, 2017

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

	2015	2016	2017
Housing Authority's proportion of the net pension liability	0.6037560360%	0.4870458630%	0.4553192846%
Housing Authority's proportionate share of the net pension liability	$ 5,411,520	$ 5,365,205	$ 6,148,363
Housing Authority's covered employee payroll	$ 3,308,313	$ 2,766,042	$ 2,759,815
Proportionate share of the net pension liability as a percentage of its covered employee payroll	163.57%	193.97%	222.78%
Plan fiduciary net position as a percentage of the total pension liability	80.70%	76.87%	73.65%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years*

	2015	2016	2017
Contractually required contribution	$ 419,494	$ 350,734	$ 349,943
Contributions in relation to the contractually required contribution	(494,494)	(350,734)	(349,943)
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**
Housing Authority's covered employee payroll	$ 3,308,313	$ 2,766,042	$ 2,759,815
Contributions as a percentage of covered employee payroll	12.68%	12.68%	12.68%

*'The Housing Authority implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 7 proceeding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2017

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

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

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

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 1,297,205	$ 34,300	$ 9,322	$ 60,822	$ 2,864,757	$ 988,723
Cash and cash equivalents - restricted	271,365	92,033	-	-	3,222,534	24,118
Receivables						
Tenants, net of allowance for doubtful accounts	13,341	-	-	-	5,401	28
Other	1,932	789	-	-	222,347	205
Due from other governments	-	-	-	9,263	75	-
Due from other programs	-	-	-	-	55,529	-
Inventory	-	-	-	-	-	-
Current portion of notes receivable, net of allowance for doubtful accounts	20,253	6,402	-	-	325	315
TOTAL CURRENT ASSETS	1,604,096	133,524	9,322	70,085	6,370,968	1,013,389
NONCURRENT ASSETS						
Notes receivable, net of allowance for doubtful accounts	-	-	-	-	-	-
Other assets	-	-	-	-	26	-
Land	6,065,718	-	-	-	2,071,360	118,860
Buildings and improvements	42,138,522	-	-	-	42,205,895	3,216,247
Furniture and equipment	584,498	-	125	646	75,193	49,823
Construction in progress	433,601	-	-	-	-	-
Less accumulated depreciation	(34,266,770)	-	(105)	(538)	(28,641,934)	(2,639,272)
TOTAL NONCURRENT ASSETS	14,955,569	-	20	108	15,710,540	745,658
TOTAL ASSETS	16,559,665	133,524	9,342	70,193	22,081,508	1,759,047
DEFERRED OUTFLOWS OF RESOURCES						
Pension (PERA of Colorado)	655,848	289,630	-	-	60,625	93,164
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 17,215,513**	**$ 423,154**	**$ 9,342**	**$ 70,193**	**$ 22,142,133**	**$ 1,852,211**

(Continued on page 41)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	ELIMINATING ENTRY	TOTAL
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 8,092	$ 164,972	$ 980,918	$ 163,217	$ -	$ 6,572,328
Cash and cash equivalents - restricted	-	-	-	170,637	-	3,780,687
Receivables						
Tenants, net of allowance for doubtful accounts	-	-	-	14	-	18,784
Other	-	9,892	1,055	-	-	236,220
Due from other governments	5,885	-	46,469	-	-	61,692
Due from other programs	-	-	-	-	(55,529)	-
Inventory	-	40,690	-	-	-	40,690
Current portion of notes receivable, net of allowance for doubtful accounts	-	-	54,648	-	-	81,943
TOTAL CURRENT ASSETS	13,977	215,554	1,083,090	333,868	(55,529)	10,792,344
NONCURRENT ASSETS						
Notes receivable, net of allowance for doubtful accounts	-	-	763,608	-	-	763,608
Other assets	-	-	-	-	-	26
Land	-	43,900	-	56,780	-	8,356,618
Buildings and improvements	-	2,665,880	-	274,198	-	90,500,742
Furniture and equipment	292	306,679	8,277	25,267	-	1,050,800
Construction in progress	-	-	-	-	-	433,601
Less accumulated depreciation	(243)	(1,208,031)	(8,124)	(184,381)	-	(66,949,398)
TOTAL NONCURRENT ASSETS	49	1,808,428	763,761	171,864	-	34,155,997
TOTAL ASSETS	14,026	2,023,982	1,846,851	505,732	(55,529)	44,948,341
DEFERRED OUTFLOWS OF RESOURCES						
Pension (PERA of Colorado)	-	522,186	-	-	-	1,621,453
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 14,026**	**$ 2,546,168**	**$ 1,846,851**	**$ 505,732**	**$ (55,529)**	**$ 46,569,794**

(Continued on page 42)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	$ 33,532	$ 4,516	$ 16	$ 2	$ 6,546	$ 3,375
Accrued payroll liabilities	-	-	-	-	-	-
Accrued interest	-	-	-	-	33,928	-
Accrued expenses	18,875	-	-	-	8,458	3,542
Compensated absences	28,721	19,646	-	-	4,945	5,769
Unearned revenue	73,852	-	-	-	199,764	308
Due to other governments	155,319	-	2,660	-	-	-
Due to other programs	-	-	-	-	55,529	-
Tenants' security deposits	199,911	-	-	-	208,415	24,118
Current portion of long-term debt	-	-	-	-	654,778	-
TOTAL CURRENT LIABILITIES	510,210	24,162	2,676	2	1,172,363	37,112
NONCURRENT LIABILITIES						
Net pension liability (PERA of Colorado)	2,547,080	1,125,052	-	-	299,600	344,706
Long-term debt	-	-	-	-	11,241,444	-
Compensated absences	14,939	9,158	-	-	609	3,654
Tenants' FSS escrow	-	14,730	-	-	-	-
TOTAL NONCURRENT LIABILITIES	2,562,019	1,148,940	-	-	11,541,653	348,360
TOTAL LIABILITIES	3,072,229	1,173,102	2,676	2	12,714,016	385,472
DEFERRED INFLOWS OF RESOURCES						
Pension (PERA of Colorado)	135,755	65,025	-	-	15,334	-
NET POSITION						
Net investment in capital assets	14,955,569	-	20	108	3,814,292	745,658
Restricted	71,454	77,303	-	-	2,814,355	-
Unrestricted	(1,019,494)	(892,276)	6,646	70,083	2,784,136	721,081
TOTAL NET POSITION	14,007,529	(814,973)	6,666	70,191	9,412,783	1,466,739
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 17,215,513**	**$ 423,154**	**$ 9,342**	**$ 70,193**	**$ 22,142,133**	**$ 1,852,211**

(Continued on page 43)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF NET POSITION - Continued
DECEMBER 31, 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	ELIMINATING ENTRY	TOTAL
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	$ 11	$ 773	$ 28	$ 143	$ -	$ 48,942
Accrued payroll liabilities	-	94,099	-	-	-	94,099
Accrued interest	-	-	-	-	-	33,928
Accrued expenses	-	15,500	793	711	-	47,879
Compensated absences	-	115,774	-	-	-	174,855
Unearned revenue	-	1,524	-	83	-	275,531
Due to other governments	-	-	16,817	-	-	174,796
Due to other programs	-	-	-	-	(55,529)	-
Tenants' security deposits	-	-	-	3,240	-	435,684
Current portion of long-term debt	-	-	121,500	-	-	776,278
TOTAL CURRENT LIABILITIES	11	227,670	139,138	4,177	(55,529)	2,061,992
NONCURRENT LIABILITIES						
Net pension liability (PERA of Colorado)	-	1,831,925	-	-	-	6,148,363
Long-term debt	-	-	619,347	75,000	-	11,935,791
Compensated absences	-	36,162	-	-		64,522
Tenants' FSS escrow	-	-	-	-	-	14,730
TOTAL NONCURRENT LIABILITIES	-	1,868,087	619,347	75,000	-	18,163,406
TOTAL LIABILITIES	11	2,095,757	758,485	79,177	(55,529)	20,225,398
DEFERRED INFLOWS OF RESOURCES						
Pension (PERA of Colorado)	-	60,048	-	-	-	276,162
NET POSITION						
Net investment in capital assets	49	1,808,428	153	96,864	-	21,421,141
Restricted	-	-	-	167,397	-	3,130,509
Unrestricted	13,966	(1,418,065)	1,088,213	162,294	-	1,516,584
TOTAL NET POSITION	14,015	390,363	1,088,366	426,555	-	26,068,234
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 14,026**	**$ 2,546,168**	**$ 1,846,851**	**$ 505,732**	**$ (55,529)**	**$ 46,569,794**

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
OPERATING REVENUE						
Dwelling rental	$ 2,059,979	$ -	$ -	$ -	$ 5,488,707	$ 290,037
Operating grants	2,147,978	17,058,510	42,133	187,823	179,310	418,970
Other operating revenue	364,006	67,767	14	73	992,931	9,185
TOTAL OPERATING REVENUE	4,571,963	17,126,277	42,147	187,896	6,660,948	718,192
OPERATING EXPENSES						
Administration	1,181,028	1,491,492	3,363	11,174	1,155,160	162,389
Tenant services	18,902	-	-	-	-	-
Utilities	519,836	-	-	-	632,790	91,826
Maintenance and operations	2,159,852	-	295	670	1,393,403	258,865
General expenses	422,720	-	135	135	225,023	18,308
Housing assistance payments	-	15,665,979	37,158	162,121	-	-
Depreciation	1,027,199	-	42	215	1,861,488	222,671
TOTAL OPERATING EXPENSES	5,329,537	17,157,471	40,993	174,315	5,267,864	754,059
OPERATING (LOSS) INCOME	(757,574)	(31,194)	1,154	13,581	1,393,084	(35,867)
NONOPERATING REVENUE (EXPENSE)						
Interest income	1,088	13	-	-	12,022	2,044
Gain on disposal of capital assets	157,161	-	-	-	-	-
Operating transfers in (out)	50,000	-	-	-	725,006	(375,006)
Interest expense	-	-	-	-	(417,177)	(17,826)
NET NONOPERATING REVENUE (EXPENSE)	208,249	13	-	-	319,851	(390,788)
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(549,325)	(31,181)	1,154	13,581	1,712,935	(426,655)
CAPITAL GRANTS	431,801	-	-	-	-	-
CHANGE IN NET POSITION	(117,524)	(31,181)	1,154	13,581	1,712,935	(426,655)
NET POSITION AT BEGINNING OF YEAR	14,125,053	(783,792)	5,512	56,610	7,699,848	1,893,394
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-
NET POSITION AT END OF YEAR	**$ 14,007,529**	**$ (814,973)**	**$ 6,666**	**$ 70,191**	**$ 9,412,783**	**$ 1,466,739**

(Continued on page 45)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS

Colorado Springs, Colorado

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

YEAR ENDED DECEMBER 31, 2017

	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	ELIMINATING ENTRY	TOTAL
OPERATING REVENUE						
Dwelling rental	$ -	$ -	$ -	$ 43,677	$ -	$ 7,882,400
Operating grants	79,240	-	246,842	89,984	-	20,450,790
Other operating revenue	-	1,632,443	13,948	1,889	(1,539,125)	1,543,131
TOTAL OPERATING REVENUE	79,240	1,632,443	260,790	135,550	(1,539,125)	29,876,321
OPERATING EXPENSES						
Administration	13,078	1,256,265	44,209	22,292	(1,539,125)	3,801,325
Tenant services	-	-	-	-	-	18,902
Utilities	-	17,150	-	19,165	-	1,280,767
Maintenance and operations	471	116,437	2,208	28,377	-	3,960,578
General expenses	-	39,720	693	5,803	-	712,537
Housing assistance payments	69,266	-	226,872	-	-	16,161,396
Depreciation	97	174,534	306	11,142	-	3,297,694
TOTAL OPERATING EXPENSES	82,912	1,604,106	274,288	86,779	(1,539,125)	29,233,199
OPERATING (LOSS) INCOME	(3,672)	28,337	(13,498)	48,771	-	643,122
NONOPERATING REVENUE (EXPENSE)						
Interest income	-	61	25,713	338	-	41,279
(Loss) gain on disposal of capital assets	-	-	(26,953)	-	-	130,208
Operating transfers (out)	-	(400,000)	-	-	-	-
Interest expense	-	-	(11,167)	-	-	(446,170)
NET NONOPERATING (EXPENSE) REVENUE	-	(399,939)	(12,407)	338	-	(274,683)
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(3,672)	(371,602)	(25,905)	49,109	-	368,439
CAPITAL GRANTS	-	-	-	-	-	431,801
CHANGE IN NET POSITION	(3,672)	(371,602)	(25,905)	49,109	-	800,240
NET POSITION AT BEGINNING OF YEAR	17,687	761,965	3,208,825	377,446	-	27,362,548
PRIOR PERIOD ADJUSTMENT	-	-	(2,094,554)	-	-	(2,094,554)
NET POSITION AT END OF YEAR	**$ 14,015**	**$ 390,363**	**$ 1,088,366**	**$ 426,555**	**$ -**	**$ 26,068,234**

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from tenants/participants	$ 2,115,859	$ -	$ -	$ -	$ 5,390,269	$ 289,812
Cash received from operating grants	2,147,978	15,678,878	44,580	179,399	-	418,970
Other income received	364,006	67,767	14	73	992,931	9,185
Cash payments to tenants/participants	-	(97,748)	(411)	(2,046)	-	-
Cash payments to vendors	(2,897,207)	(846,118)	(2,880)	(9,435)	(2,522,033)	(336,933)
Cash payments to employees	(1,391,574)	(565,075)	(900)	(2,545)	(872,367)	(188,429)
Cash payments for housing assistance	-	(15,665,979)	(37,158)	(162,121)	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	339,062	(1,428,275)	3,245	3,325	2,988,800	192,605
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grants	431,801	-	-	-	-	-
Acquisition of capital assets	(715,585)	-	-	-	(1,060,070)	(20,160)
Proceeds from sale of capital assets	163,803	-	-	-	-	-
Principal payments	-	-	-	-	(1,179,416)	(670,000)
Interest paid	-	-	-	-	(420,354)	(35,749)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(119,981)	-	-	-	(2,659,840)	(725,909)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating transfers in (out)	50,000	-	-	-	725,006	(375,006)
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of investments	-	-	-	-	-	1,672,506
Payments received on notes receivable	-	-	-	-	1,806	-
Interest received	1,088	13	-	-	12,022	2,044
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,088	13	-	-	13,828	1,674,550
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	270,169	(1,428,262)	3,245	3,325	1,067,794	766,240
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,298,401	1,554,595	6,077	57,497	5,019,497	246,601
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,568,570**	**$ 126,333**	**$ 9,322**	**$ 60,822**	**$ 6,087,291**	**$ 1,012,841**

(Continued on page 47)

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

COMBINING STATEMENT OF CASH FLOWS - Continued

YEAR ENDED DECEMBER 31, 2017

	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	ELIMINATING ENTRY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from tenants/participants	$ -	$ -	$ -	$ 43,512	$ -	$ 7,839,452
Cash received from operating grants	78,892	-	221,390	89,984		18,860,071
Other income received	-	1,632,443	7,909	1,889	(1,539,125)	1,537,092
Cash payments to tenants/participants	-	-	(1,143)	-	-	(101,348)
Cash payments to vendors	(5,930)	(205,319)	111,037	(60,118)	1,539,125	(5,235,811)
Cash payments to employees	(7,653)	(1,190,403)	(14,869)	(16,285)	-	(4,250,100)
Cash payments for housing assistance	(69,266)	-	(226,872)	-	-	(16,161,396)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(3,957)	236,721	97,452	58,982	-	2,487,960
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grants	-	-	-	-	-	431,801
Acquisition of capital assets	-	(12,432)	-	-	-	(1,808,247)
Proceeds from sale of capital assets	-	-	-	-	-	163,803
Principal payments	-	-	(1,755,958)	-	-	(3,605,374)
Interest paid	-	-	(11,167)	-	-	(467,270)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	-	(12,432)	(1,767,125)	-	-	(5,285,287)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating transfers (out)	-	(400,000)	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of investments	-	-	-	-	-	1,672,506
Payments received on notes receivable	-	-	182,144	-	-	183,950
Interest received	-	61	25,754	338	-	41,320
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	61	207,898	338	-	1,897,776
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,957)	(175,650)	(1,461,775)	59,320	-	(899,551)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,049	340,622	2,442,693	274,534	-	11,252,566
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 8,092**	**$ 164,972**	**$ 980,918**	**$ 333,854**	**$ -**	**$ 10,353,015**

(Continued on page 48)

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED DECEMBER 31, 2017

	LOW INCOME PUBLIC HOUSING	SECTION 8 HOUSING CHOICE VOUCHERS	SECTION 8 MODERATE REHAB	SECTION 8 MODERATE REHAB SRO	STATE/LOCAL	SECTION 8 NEW CONSTRUCTION
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION						
Cash and cash equivalents	$ 1,297,205	$ 34,300	$ 9,322	$ 60,822	$ 2,864,757	$ 988,723
Cash and cash equivalents - restricted	271,365	92,033	-	-	3,222,534	24,118
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	**$ 1,568,570**	**$ 126,333**	**$ 9,322**	**$ 60,822**	**$ 6,087,291**	**$ 1,012,841**
RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating (loss) income	$ (757,574)	$ (31,194)	$ 1,154	$ 13,581	$ 1,393,084	$ (35,867)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities						
Depreciation	1,027,199	-	42	215	1,861,488	222,671
Forgivable debt reduction	-	-	-	-	(179,310)	-
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	(8,255)	2,910	-	-	6,244	231
Notes receivable	(8,019)	12,001	-	-	-	(285)
Due from other governments	-	-	3,117	4,410	(75)	-
Inventory	-	-	-	-	-	-
Increase (decrease) in liabilities						
Accounts payable	2,536	749	13	(1)	328	1,211
Accrued payroll liabilities	-	-	-	-	-	-
Accrued expenses	(9,898)	-	-	-	(3,788)	(2,431)
Due to other governments	10,341	(141)	2,660	-	-	-
Unearned revenue	65,819	(112,405)	(411)	(2,046)	(107,036)	116
Compensated absences	(26,891)	(18,210)	-	-	4,769	1,245
Tenants' FSS escrow	-	2,656	-	-	-	-
Tenants' security deposits	4,403	-	-	-	8,859	(492)
Deferred inflows of resources	39,401	(1,284,641)	(3,330)	(12,834)	4,237	6,206
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**$ 339,062**	**$ (1,428,275)**	**$ 3,245**	**$ 3,325**	**$ 2,988,800**	**$ 192,605**

(Continued on page 49)

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

YEAR ENDED DECEMBER 31, 2017

	SHELTER PLUS CARE	COCC	HOME INVESTMENT PARTNERSHIP	SECTION 8 SPECIAL ALLOCATIONS	TOTAL
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION					
Cash and cash equivalents	$ 8,092	$ 164,972	$ 980,918	$ 163,217	$ 6,572,328
Cash and cash equivalents - restricted	-	-	-	170,637	3,780,687
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	**$ 8,092**	**$ 164,972**	**$ 980,918**	**$ 333,854**	**$ 10,353,015**
RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES					
Operating (loss) income	$ (3,672)	$ 28,337	$ (13,498)	$ 48,771	$ 643,122
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities					
Depreciation	97	174,534	306	11,142	3,297,694
Forgivable debt reduction	-	-	(2,508)	-	(181,818)
Changes in assets and liabilities					
(Increase) decrease in assets					
Accounts receivable	-	(9,892)	-	(5)	(8,767)
Notes receivable	-	-	-	-	3,697
Due from other governments	(348)	-	(25,452)	-	(18,348)
Inventory	-	4,171	122,142	-	126,313
Increase (decrease) in liabilities					
Accounts payable	(34)	(3,781)	(77)	(284)	660
Accrued payroll liabilities	-	(3,249)	-	-	(3,249)
Accrued expenses	-	(2,235)	172	(482)	(18,662)
Due to other governments	-	-	16,817	-	29,677
Unearned revenue	-	-	-	(130)	(156,093)
Compensated absences	-	15,984	-	-	(23,103)
Tenants' FSS escrow	-	-	-	-	2,656
Tenants' security deposits	-	-	(450)	(30)	12,290
Deferred inflows of resources	-	32,852	-	-	(1,218,109)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**$ (3,957)**	**$ 236,721**	**$ 97,452**	**$ 58,982**	**$ 2,487,960**

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
DECEMBER 31, 2017

ANNUAL CONTRIBUTIONS CONTRACT

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

	CO06P029501-15
Funds approved	$ 788,440
Funds expended	788,440
EXCESS (DEFICIENCY) OF FUNDS APPROVED	**$ -**
HUD grants	$ 788,440
Funds expended	788,440
EXCESS (DEFICIENCY) OF FUNDS EXPENDED	**$ -**

2. The distribution of costs as shown on the Final Statement of Modernization Costs dated August 7, 2017, accompanying the Actual Modernization Cost Certificates submitted to HUD are in agreement with the Authority's records.

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

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

GRANTOR/PASS THROUGH AGENCY/ PROGRAM TITLE AND GRANT NUMBER	FEDERAL CATALOG NUMBER	PASS-THROUGH GRANT IDENTIFICATION NUMBER	PASS-THROUGH TO SUBRECIPIENTS NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Programs				
Section 8 Project-Based Cluster				
Section 8				
New Construction and Substantial Rehabilitation	14.182	N/A	-	$ 418,970
Housing Assistance Payments Program	14.195	N/A	-	89,984
Moderate Rehabilitation Single Room Occupancy	14.249	N/A	-	187,823
Moderate Rehabilitation	14.856	N/A	-	42,133
TOTAL SECTION 8 PROJECT-BASED CLUSTER				738,910
Section 8 Housing Choice Vouchers	14.871	N/A		
Housing Choice Vouchers			-	17,058,510
Public and Indian Housing	14.850	N/A	-	1,851,870
Public Housing Capital Fund	14.872	N/A	-	727,909
Shelter Plus Care	14.238	N/A	-	79,240
Home Investment Partnership Program	14.239			
City of Colorado Springs				
HOME Loan		CO06986	-	75,000
HOME Loan		CO06886	-	107,000
HOME Grant		CO07843	-	19,970
HOME Grant		CO07020	-	226,872
TOTAL HOME INVESTMENT PARTNERSHIP PROGRAM				428,842
Community Development Block Grant	14.218			
City of Colorado Springs		4271AH-A1	-	179,310
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				**$ 21,064,591**

(Continued on page 52)

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Disclosure of Other Forms of Assistance

Included in the amounts shown on the accompanying schedule of federal awards is a loan - CFDA 14.239 payable to the City of Colorado Springs. The total HUD-insured portion of mortgages have an outstanding balance of $182,000 under this program as of December 31, 2017.

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

OTHER REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Colorado Springs ("Housing Authority"), as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report hereon dated June 11, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
June 11, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Colorado Springs's, ("Housing Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended December 31, 2017. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
June 11, 2018

HOUSING AUTHORITY OF THE CITY OF COLORADO SPRINGS
Colorado Springs, Colorado
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ Yes __X__ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ Yes __X__ None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ Yes __X__ No

Identification of federal major program:

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

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Section II - Financial Statement Findings - NONE

Section III - Federal Award Findings and Questioned Costs - NONE

Section IV - Prior Year Findings - NONE