

COSTILLA COUNTY HOUSING AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Costilla County Housing Authority

We have audited the accompanying financial statements of the business type activities of Costilla County Housing Authority as of and for the year ended September 30, 2017, which collectively comprise the Authority's basic financial statements as listed in the table of contents and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Costilla County Housing Authority as of September 30, 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.

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Other-Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Authority's Proportionate Share of the Net Pension Liability – PERA and Schedule of Pension Contributions – PERA, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Costilla County Housing Authority's financial statements as a whole. The combining program schedules, financial data schedule and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining fund financial statements, schedule of expenditures of Federal awards, and the financial data schedule, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2018 consideration of the Costilla County 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 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 Costilla County Housing Authority's internal control over financial reporting and compliance.



January 4, 2018
Brighton, CO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis

As management of the Costilla County Housing Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2017.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$759,601.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statement. The Authority's financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements

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

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as an underlying event giving rise to the change occurs, regardless of the time of related cash flows.

Fund Financial Statements

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

The Authority has one proprietary fund, an Enterprise Fund. The Authority uses an Enterprise Fund to account for its low income affordable housing activities. Note 1 to the financial statements provides additional information on Authority's funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 9 to 20 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also includes certain supplementary information concerning the Authority's federal award expenditures.

Financial Analysis

As noted, Net Position may, over time serve as a useful indicator of the Authority's financial position. The largest portion of the Authority's Net Position (43 percent) reflects its investment in capital assets (e.g. land improvements, building, and equipment), less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide affordable low rent housing to its tenants and are not available for future spending.

	2017	2016	Change
ASSETS			
Current and other assets	\$ 649,194	\$ 546,673	\$ 102,521
Capital assets	1,873,602	1,856,855	16,747
Total Assets	<u>2,522,796</u>	<u>2,403,528</u>	<u>119,268</u>
Deferred Outflows of Resources	<u>89,727</u>	<u>64,264</u>	<u>25,463</u>
LIABILITIES			
Current liabilities	68,142	71,833	(3,691)
Long term liabilities	1,776,256	1,756,890	19,366
Total liabilities	<u>1,844,398</u>	<u>1,828,723</u>	<u>15,675</u>
Deferred Inflows of Resources	<u>8,524</u>	<u>7,273</u>	<u>1,251</u>
NET POSITION			
Net investment in capital assets	376,997	340,682	36,315
Restricted	184,109	174,790	9,319
Unrestricted	198,495	116,324	82,171
Total Net Position	<u>\$ 759,601</u>	<u>\$ 631,796</u>	<u>\$ 127,805</u>

As of the current fiscal year, as well as in the previous fiscal year, the Authority is able to report a positive balance in the Net Position. Capital assets have increased over the prior year. This is due to improvements added during year 2017 in an amount more than the depreciation incurred during 2017. Current assets have increased due to an increase in cash as a result of operations. Current liabilities have increased due to the normal timing of payments. Long Term liabilities have increased due to changes in the net pension liability which was partially offset by the payment of principal on long term debt. The net position increased due to revenues exceeding expenses for the year.

	Change in Net Position		
	2017	2016	Increase (Decrease)
Revenue:			
Operating Revenue			
Charges for Services	\$ 205,069	\$ 163,497	\$ 41,572
Grants and Contribution	515,258	498,701	16,557
Other Income	53,737	27,162	26,575
Total Revenue	<u>774,064</u>	<u>689,360</u>	<u>84,704</u>
Expenses:			
Operating Expenses	622,233	570,453	51,780
Non Operating Expenses	24,026	25,761	(1,735)
Total Expenses	<u>646,259</u>	<u>596,214</u>	<u>50,045</u>
Change in Net Position	127,805	93,146	34,659
Net Position-Beginning	631,796	538,650	93,146
Net Position-Ending	<u>\$ 759,601</u>	<u>\$ 631,796</u>	<u>\$ 127,805</u>

The revenue is increased in 2017, from the prior year due to increase in grants and capital contributions and rental income. The expenses are increased due to increase in general and administration, and maintenance and operation expenses and pension related expenses.

Capital Assets

The Authority's investment in capital assets as of September 30, 2017, amounts to \$1,873,602 (net of accumulated depreciation). This investment in capital assets included Land Improvements, Building and Equipment. The Authority's capital expenditures were \$155,789 during fiscal year 2017. Additional information on the Authority's capital assets can be found in note 3 to the financial statements.

Long Term Debt

At the end of the year, the Authority had outstanding long-term debt of \$1,496,605. The Authority paid \$19,568 towards principal during the year. There was no additional long term debt incurred during the year. Additional information on the Authority's Long Term Debt can be found in note 4 of the financial statements.

Economic Factors and Next Year's Revenue

The Authority does not receive any revenue by taxes. Due to changing market conditions there have been fluctuations in vacancy rates.

Request for Information

This financial report is designed to provide an overview of the Costilla County Housing Authority's finances for all interested parties. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

Costilla County Housing Authority
915 Pedro St. P.O. Box 629
San Luis, CO 81152

BASIC FINANCIAL STATEMENTS

**COSTILLA COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 415,603
Other receivables	7,537
Tenants Receivable (net of bad debt allowance)	3,955
Prepaid Expenses	665
Cash Security Deposit - Restricted	37,325
Restricted Cash - Replacement Reserves	184,109
Total Current Assets	<u>649,194</u>
Non Current Assets	
Capital Assets	
Land	114,391
Building and Improvements	6,153,679
Equipment	169,052
Less Accumulated Depreciation	<u>(4,563,520)</u>
Total Capital Assets Net of Depreciation	<u>1,873,602</u>
Total Noncurrent Assets	<u>1,873,602</u>
 TOTAL ASSETS	 <u>2,522,796</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Pensions	<u>89,727</u>
Total Deferred Outflows of Resources	<u>89,727</u>

LIABILITIES

Current Liabilities	
Accounts Payable	7,160
Other Accrued Liabilities	271
Tenant Security Deposits	37,325
Accrued Interest Payable	1,932
Current Portion of Long Term Debt	21,454
Total Current Liabilities	<u>68,142</u>
Noncurrent Liabilities:	
Notes and Mortgage Payable	1,475,151
Net Pension Liability	301,105
Total Noncurrent Liabilities	<u>1,776,256</u>
TOTAL LIABILITIES	<u>1,844,398</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows- Pensions	<u>8,524</u>
Total Deferred Inflows of Resources	<u>8,524</u>

NET POSITION

Net Investment in Capital Assets	376,997
Restricted for Capital Improvements	184,109
Unrestricted	198,495
TOTAL NET POSITION	<u>\$ 759,601</u>

See the accompanying Independent Auditors' Report

**COSTILLA COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

OPERATING REVENUES:	
Dwelling Rental	\$ 205,069
Other Income	53,097
TOTAL OPERATING REVENUES	258,166
OPERATING EXPENSES:	
General and Administrative	197,902
Utilities	97,771
Maintenance and Operation	187,518
Depreciation	139,042
TOTAL OPERATING EXPENSES	622,233
OPERATING (LOSS)	(364,067)
NON OPERATING REVENUES (EXPENSES):	
Governmental Grants	437,090
Interest Expense	(24,026)
Interest Income	640
TOTAL NONOPERATING REVENUE (EXPENSE)	413,704
INCOME BEFORE CAPITAL CONTRIBUTIONS	49,637
Capital Contributions	78,168
CHANGE IN NET POSITION	127,805
NET POSITION - BEGINNING	631,796
NET POSITION - ENDING	\$ 759,601

See the accompanying Independent Auditors' Report

**COSTILLA COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Cash Flows From Operating Activities:	
Cash Received from Tenants	\$ 251,010
Cash Paid to Employees	(328,190)
Cash Paid to Suppliers	(137,411)
Net Cash (Used) by Operating Activities	<u>(214,591)</u>
Cash Flows From Noncapital Financing Activities:	
Government Grants	437,090
Net Cash Provided by Non-Capital Financing Activities	<u>437,090</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of Property, Plant and Equipment	(155,789)
HUD Capital Grant	78,168
Repayment of Notes and Mortgage	(19,568)
Interest on Notes and Mortgage	(24,177)
Net Cash (Used) by Capital and Related Financing Activities	<u>(121,366)</u>
Cash Flows from Investing Activities:	
Interest Income	640
Net Cash Provided by the Investing Activities	<u>640</u>
Net Increase (Decrease) in Cash and Cash Equivalents	101,773
Cash and Cash Equivalents, Beginning	<u>535,264</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 637,037</u></u>
Detail of cash and cash equivalents:	
Cash	415,603
Cash -security deposit	37,325
Cash- restricted	184,109
Total cash and cash equivalents	<u><u>\$ 637,037</u></u>
Reconciliation of Operating Income to Net Cash Used for Operating Activities:	
Operating Loss	\$ (364,067)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	139,042
Pension related changes	16,609
Changes in Assets and Liabilities:	
Accounts Receivable - Tenants	1,593
Other Receivables	(7,537)
Prepaid Expenses	5,196
Accounts Payable	(3,563)
Security Deposit	(1,336)
Other Accrued Liabilities	(528)
Net Cash (Used) by Operating Activities	<u><u>\$ (214,591)</u></u>

See the accompanying Independent Auditors' Report

Costilla County Housing Authority
Notes to Financial Statements
September 30, 2017

Note 1 Summary of Significant Accounting Policies

The Costilla County Housing Authority (the Authority) was established in November 1971. The Authority is managed by a Board of Commissioners. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP). The significant accounting policies of the Authority are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the Authority's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity" as amended by GASB No. 39. GASB pronouncements set forth the financial accountability of governmental organizations elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. Based upon the application of these criteria, no entities will be included in the Authority's reporting entity.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Enterprise fund accounting is utilized by the Authority in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to tenants for rent. Operating expenses include the cost of providing low income housing, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority applies GASB pronouncements in the financial statements. The Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

It requires the classification of net position into three components: Net investment in capital assets; restricted; and unrestricted. When both restricted and unrestricted assets are available to be used it is the Authority's policy to utilize restricted assets first.

Proprietary Fund – The Authority's operations are accounted for in a single enterprise fund. Enterprise Funds account for those operations financed and operated in a manner similar to private business or where the Authority has decided that determination of revenues earned, costs incurred, and net income is necessary for management accountability. The Authority has the following programs within the Enterprise Fund.

Low Rent- accounts for the activities associated with Aspen Apartment and houses located in San Luis and Fort Garland.

Rural Development - accounts for the activities associated with Senior and Family Housing

Assets and Liabilities

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets - assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$500. Depreciation over the estimated useful lives of the assets is computed using the straight-line method. The estimated useful lives are 20-50 years for buildings, 10-20 years for improvements and 5-20 years for equipment.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The Authority considers certificates of deposit with maturities of more than three months at date of purchase as investments.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results may differ from the estimates.

Compensated Absences

The Authority accrues implemented a paid time off program (PTO); therefore no accrual has been made for compensated absences in the financial statements as the PTO expires at September 30 each year.

Budgets are adopted on a cash basis. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017**

Note 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The Authority adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- State law requires budgets for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to September 30, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The Authority Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Authority Board or revised by the Authority Board.

Short-Term Inter-program Receivables/Payables and Transfers

During the course of operations, transactions may occur between individual programs for the goods provided or services rendered. These receivables and payables are classified as due from other programs or due to other programs on the balance sheet and have been eliminated in the government wide statement of net position. The outstanding balances between programs result mainly from the time lag between the dates that (1) transactions are recorded in the accounting system, and (2) payments between programs are made. The composition of inter program balances as of September 30, 2017, is as follows:

<u>Due From Other Programs</u>	<u>Due (to) Other Programs</u>				
Program	Low Rent	Rural Development Family	Rural Development Senior	Total	
Low Rent	\$ -	\$ (3,103)	\$ (4,088)	\$ (7,191)	
Rural Development - Family	3,103	-	-	3,103	
Rural Development - Senior	4,088	-	-	4,088	
Total	<u>\$ 7,191</u>	<u>\$ (3,103)</u>	<u>\$ (4,088)</u>	<u>\$ -</u>	

Fund Balance deficit

The Authority has a deficit in the fund balance for the Rural Development programs. This is a result of depreciation that is recorded on a basis that is shorter than the amortization of the associated mortgages.

Note 2 Cash and Investments

Restricted Assets

Cash set aside for capital improvements, is classified as restricted assets on the balance sheet because their use is limited by applicable loan covenants.

Cash Deposits

As of September 30, 2017, the Authority's cash deposits had a carrying balance of \$637,037 and corresponding bank balance of \$674,173, of which \$393,041 was FDIC insured. At September 30, 2017, the Authority had cash of \$184,109 restricted for capital improvements and \$38,661 restricted for security deposits.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017

Note 2 Cash and Investments (Continued)

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Authority had \$281,132 collateralized under PDPA at December 31, 2017, accordingly the Authority was not exposed to credit risk.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of September 30, 2017, none of the Authority's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

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

The Authority has not adopted a formal investment policy.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017

Note 3 Capital Assets

The following is a summary of fixed assets at September 30, 2017:

	Beginning Balance	Increase	Decrease	Ending Balance
Non-depreciable				
Land	\$ 114,391	\$ -	\$ -	\$ 114,391
Construction in progress	-	-	-	-
Total non-depreciable	<u>114,391</u>	<u>-</u>	<u>-</u>	<u>114,391</u>
Capital assets, being depreciated:				
Buildings and improvements	6,004,666	149,013	-	6,153,679
Equipment	162,276	6,776	-	169,052
Total capital assets being depreciated	<u>6,166,942</u>	<u>155,789</u>	<u>-</u>	<u>6,322,731</u>
Total Capital Assets	6,281,333	155,789	-	6,437,122
Less accumulated depreciation	<u>(4,424,478)</u>	<u>(139,042)</u>	<u>-</u>	<u>(4,563,520)</u>
Net Capital Assets	<u>\$ 1,856,855</u>	<u>\$ 16,747</u>	<u>\$ -</u>	<u>\$ 1,873,602</u>

Note 4 Long term Debt

On May 1, 1989 the Authority obtained a loan from United State Department of Agriculture Rural Development (USDA) totaling \$756,936. The loan proceeds were used to build Willow Grove-Cottonwood-Gilbert Manor apartments (Family Units) consisting 20 apartments for low income family. The loan carries 9.5 percent interest rate and payable in monthly installment over 50 years. USDA subsidized the interest and the subsidized interest rate on the loan is 1 percent. The monthly payment on the loan is \$1,620 which includes interest and principal. The loan principal is amortized using 9.5 percent rate of interest. The requirements to amortize the loan outstanding as of September 30, 2017 are as follows:

Year	Principal	Interest	Total
2018	10,396	62,194	\$ 72,590
2019	11,427	61,163	72,590
2020	12,562	60,028	72,590
2021	13,809	58,781	72,590
2022	15,179	57,411	72,590
2023-2027	101,716	261,234	362,950
2028-2032	163,255	199,695	362,950
2033-2037	262,026	100,924	362,950
2038	68,983	3,601	72,584
Total	<u>\$ 659,353</u>	<u>\$ 865,031</u>	<u>\$ 1,524,384</u>

On November 1, 1991 the Authority obtained a loan from United State Department of Agriculture Rural Development (USDA) totaling \$943,500. The loan proceeds were used to build Sangre de Cristo (Senior Units) consisting 24 apartments for low income seniors. The loan carries 9.00 percent interest rate and payable in monthly installment over 50 years. USDA subsidized the interest and the subsidized interest rate on the loan is 1 percent. The monthly payment on the loan is \$2,025 which includes interest and principal. The loan principal is amortized using 9.0 percent rate of interest. The requirements to amortize the loan as of September 30, 2017 are as follows:

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017**

Note 4 Long term Debt (Continued)

Year	Principal	Interest	Total
2018	11,058	74,904	85,962
2019	12,095	73,867	85,962
2020	13,230	72,732	85,962
2021	14,471	71,491	85,962
2022	15,829	70,133	85,962
2023-2027	104,405	325,405	429,810
2028-2032	163,464	266,346	429,810
2033-2037	255,933	173,877	429,810
2038-2041	246,767	39,781	286,548
Total	<u>\$ 837,252</u>	<u>\$ 1,168,536</u>	<u>2,005,788</u>

Changes in Long-term Debt during 2017 were as follows:

	Balance 9/30/2016	Additions	Reductions	Balance 9/30/2017	Amounts Due Within One Year
1989 USDA Note	\$ 668,812	\$ -	\$ 9,459	\$ 659,353	\$ 10,396
1991 USDA Note	847,361	-	10,109	837,252	11,058
Total Long-term Debt	<u>\$ 1,516,173</u>	<u>\$ -</u>	<u>\$ 19,568</u>	<u>\$ 1,496,605</u>	<u>\$ 21,454</u>

Note 5 Tenant Receivable

Following is detail of Tenant Receivable

	Low Rent	Senior Rural Development	Family Rural Development	Total
Tenant Receivable	\$ 2,817	\$ 30	\$ 7,181	\$ 10,028
Bad Debt Allowance	(750)	-	(5,323)	(6,073)
Net Receivable	<u>\$ 2,067</u>	<u>\$ 30</u>	<u>\$ 1,858</u>	<u>\$ 3,955</u>

Note 6 Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The Authority 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 Authority 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

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017

Note 6 Defined Benefit Pension Plan (Continued)

available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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
- \$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.

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017**

Note 6 Defined Benefit Pension Plan (Continued)

Contributions. Eligible employees and the Authority 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 ¹	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	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were \$17,424 for the year ended September 30, 2017.

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

At September 30, 2017, the Authority reported a liability of \$301,105 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Authority proportion of the net pension liability was based on the Authority's contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the Authority's proportion was .0222984823 percent, and .0236282839 percent as measured at of December 31, 2015. For the year ended September 30, 2017, the Authority recognized pension expense of \$88,609. At September 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017**

Note 6 Defined Benefit Pension Plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,064	\$ 1
Changes of assumptions or other inputs	\$ 11,378	\$ 975
Net difference between projected and actual earnings on pension plan investments	\$63,822	\$ 0
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 0	\$ 7,548
Contributions subsequent to the measurement date	\$11,463	N/A
Total	\$89,727	\$8,524

The Authority reported \$11,463 as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ended September 30, 2017.

Year Ended	Deferred Outflows	Deferred Inflows					
2018	\$ 32,361	\$ 7,173					
2019	18,095	841					
2020	7,232	-					
2021	7,232	-					
2022	-	-					
Total	\$ 64,920	\$ 8,014					

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

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
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

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017**

Note 6 Defined Benefit Pension Plan (Continued)

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.45 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017

Note 6 Defined Benefit Pension Plan (Continued)

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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 18, 2016 adoption of the current 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:

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017

Note 6 Defined Benefit Pension Plan (Continued)

Asset Class	Target Allocation	10 Year Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	.20%
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%.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

Discount Rate:	6.50%	7.50%	8.50%
Proportionate share of the net pension liability	\$443,966	\$301,105	\$ 182,801

Discount rate. The discount rate used to measure the total pension liability was 7.25 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:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- 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 3.50%.
- 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 and effective as of the measurement date, 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

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017

Note 6 Defined Benefit Pension Plan (Continued)

- 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 assumptions and methods, 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 of 7.25 percent 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, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

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.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Authority 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

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2017

Note 6 Defined Benefit Pension Plan (Continued)

Other Post-Employment Benefits (Continued)

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 Authority 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 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 September 30, 2017, 2016 and 2015, contributions to the HCTF were \$1,378, \$1,368 and \$1,335, respectively, equal to their required contributions for the year ended.

Note 7 Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Authority carries commercial insurance for these risks of loss. The Authority has not experienced losses that exceeded commercial coverage in any of the last three years.

Note 8 Contingencies

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of September 30, 2017, significant amounts of grant expenses have not been audited, but the Authority believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the Authority.

Note 9 TABOR

In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded, unless the local electorate votes to retain the revenue. The Tabor Amendment is subject to many interpretations, however, the Authority believes it is exempt because it receives no taxes and is funded primarily by federal grants and contributions.

REQUIRED SUPPLEMENTAL INFORMATION

Costilla County Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability - PERA
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability	0.0222984823%	0.0236282839%	0.0248382894%	0.0269524076%
Authority's proportional share of the net pension liability	\$ 301,105	\$ 260,285	\$ 222,628	\$ 221,797
Authority's covered payroll	135,157	134,191	136,103	143,794
Total pension liability	5,123,847	4,762,090,000	4,647,777,000	4,517,239,000
Plan fiduciary net position	<u>3,773,506</u>	<u>3,660,509,000</u>	<u>3,751,468,000</u>	<u>3,508,312,000</u>
Net pension liability	<u>\$ 1,350,341</u>	<u>\$ 1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 1,008,927,000</u>
Plan fiduciary net position as a percentage of the total pension liability	73.6%	76.9%	80.7%	77.7%
Net pension liability as a percentage of covered payroll	223%	194%	164%	154%

* Information for the prior 8 years was not available to report

**Costilla County Housing Authority
 Required Supplementary Information
 Schedule of Pension Contributions - PERA
 Last 10 Fiscal Years ****

	2016	2015	2014	2013
Statutorily Required Contribution	17,138	17,015	17,258	18,233
Contributions in Relation to the Statutorily Required Contribution	17,138	17,015	17,258	18,233
<hr/>				
Contribution Deficiency (Excess)	-	-	-	-
<hr/> <hr/>				
Covered Payroll	135,157	134,191	136,103	143,794
Contributions as a % of Covered Payroll	12.68%	12.68%	12.68%	12.68%

** The remaining years will be presented when they become available until 10 years are shown.

SUPPLEMENTAL SECTION

**COSTILLA COUNTY HOUSING AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017**

	<u>LOW RENT</u>	<u>RURAL DEVELOPMENT SENIOR</u>	<u>RURAL DEVELOPMENT FAMILY</u>	<u>TOTAL</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 352,096	\$ 32,354	\$ 31,153	\$ 415,603
Other receivables	7,537	-	-	7,537
Tenants Receivable (net of bad debt allowance)	2,067	30	1,858	3,955
Prepaid Expenses	132	492	41	665
Due from Other Programs	7,191	-	-	7,191
Cash Security Deposit - Restricted	19,607	9,059	8,659	37,325
Restricted Cash - Replacement Reserves	-	95,625	88,484	184,109
Total Current Assets	<u>388,630</u>	<u>137,560</u>	<u>130,195</u>	<u>656,385</u>
Non Current Assets				
Capital Assets				
Land	65,312	-	49,079	114,391
Building and Improvements	4,102,059	1,130,722	920,898	6,153,679
Equipment	165,918	1,567	1,567	169,052
Less Accumulated Depreciation	(3,555,747)	(537,505)	(470,268)	(4,563,520)
Total Capital Assets Net of Depreciation	<u>777,542</u>	<u>594,784</u>	<u>501,276</u>	<u>1,873,602</u>
Total Noncurrent Assets	<u>777,542</u>	<u>594,784</u>	<u>501,276</u>	<u>1,873,602</u>
TOTAL ASSETS	<u>1,166,172</u>	<u>732,344</u>	<u>631,471</u>	<u>2,529,987</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pensions	44,863	22,432	22,432	89,727
Total Deferred Outflows of Resources	<u>44,863</u>	<u>22,432</u>	<u>22,432</u>	<u>89,727</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	3,860	1,270	2,030	7,160
Other Accrued Liabilities	67	140	64	271
Tenant Security Deposits	19,607	9,059	8,659	37,325
Accrued Interest Payable	-	1,141	791	1,932
Current Portion of Long Term Debt	-	11,058	10,396	21,454
Due To Other Programs	-	4,088	3,103	7,191
Total Current Liabilities	<u>23,534</u>	<u>26,756</u>	<u>25,043</u>	<u>75,333</u>
Noncurrent Liabilities:				
Notes and Mortgage Payable	-	826,194	648,957	1,475,151
Net Pension Liability	150,553	75,276	75,276	301,105
Total Noncurrent Liabilities	<u>150,553</u>	<u>901,470</u>	<u>724,233</u>	<u>1,776,256</u>
TOTAL LIABILITIES	<u>174,087</u>	<u>928,226</u>	<u>749,276</u>	<u>1,851,589</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pensions	4,262	2,131	2,131	8,524
Total Deferred Inflows of Resources	<u>4,262</u>	<u>2,131</u>	<u>2,131</u>	<u>8,524</u>
NET POSITION				
Net Investment in Capital Assets	777,542	(242,468)	(158,077)	376,997
Restricted for Capital Improvements	-	95,625	88,484	184,109
Unrestricted	255,144	(28,738)	(27,911)	198,495
TOTAL NET POSITION	<u>\$ 1,032,686</u>	<u>\$ (175,581)</u>	<u>\$ (97,504)</u>	<u>\$ 759,601</u>

See the accompanying Independent Auditors' Report

COSTILLA COUNTY HOUSING AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	LOW RENT	RURAL DEVELOPMENT SENIOR	RURAL DEVELOPMENT FAMILY	TOTAL
OPERATING REVENUES:				
Dwelling Rental	\$ 120,852	\$ 53,433	\$ 30,784	\$ 205,069
Other Income	37,504	9,560	6,033	53,097
TOTAL OPERATING REVENUES	<u>158,356</u>	<u>62,993</u>	<u>36,817</u>	<u>258,166</u>
OPERATING EXPENSES:				
General and Administrative	103,059	45,397	49,446	197,902
Utilities	53,398	24,514	19,859	97,771
Maintenance and Operation	90,221	50,175	47,122	187,518
Depreciation	82,053	30,736	26,253	139,042
TOTAL OPERATING EXPENSES	<u>328,731</u>	<u>150,822</u>	<u>142,680</u>	<u>622,233</u>
OPERATING (LOSS)	<u>(170,375)</u>	<u>(87,829)</u>	<u>(105,863)</u>	<u>(364,067)</u>
NON OPERATING REVENUES (EXPENSES):				
Governmental Grants - Operating	201,974	103,817	131,299	437,090
Interest Expense	-	(14,115)	(9,911)	(24,026)
Interest Income	337	137	166	640
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>202,311</u>	<u>89,839</u>	<u>121,554</u>	<u>413,704</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	31,936	2,010	15,691	49,637
HUD Capital Contributions	78,168	-	-	78,168
Net Transfers and Capital Contributions	78,168	-	-	78,168
CHANGE IN NET POSITION	<u>110,104</u>	<u>2,010</u>	<u>15,691</u>	<u>127,805</u>
NET POSITION - BEGINNING	922,582	(177,591)	(113,195)	631,796
NET POSITION - ENDING	<u>\$ 1,032,686</u>	<u>\$ (175,581)</u>	<u>\$ (97,504)</u>	<u>\$ 759,601</u>

See the accompanying Independent Auditors' Report

Costilla County Housing Authority (CO037)
San Luis, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	10,427 Rural Rental Assistance Payments	Subtotal	Total
111 Cash - Unrestricted	\$352,096	\$63,507	\$415,603	\$415,603
112 Cash - Restricted - Modernization and Development		\$184,109	\$184,109	\$184,109
113 Cash - Other Restricted				
114 Cash - Tenant Security Deposits	\$19,607	\$17,718	\$37,325	\$37,325
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$371,703	\$265,334	\$637,037	\$637,037
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$6,905		\$6,905	\$6,905
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$2,817	\$7,211	\$10,028	\$10,028
126.1 Allowance for Doubtful Accounts - Tenants	-\$750	-\$5,323	-\$6,073	-\$6,073
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,972	\$1,888	\$10,860	\$10,860
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$764	\$533	\$1,297	\$1,297
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From	\$7,191		\$7,191	\$7,191
145 Assets Held for Sale				
150 Total Current Assets	\$388,630	\$267,755	\$656,385	\$656,385
161 Land	\$65,312	\$49,079	\$114,391	\$114,391
162 Buildings	\$3,684,115	\$1,974,559	\$5,658,674	\$5,658,674
163 Furniture, Equipment & Machinery - Dwellings	\$71,377	\$15,411	\$86,788	\$86,788
164 Furniture, Equipment & Machinery - Administration	\$94,541	\$7,657	\$102,198	\$102,198
165 Leasehold Improvements	\$417,944	\$57,127	\$475,071	\$475,071
166 Accumulated Depreciation	-\$3,555,747	-\$1,007,773	-\$4,563,520	-\$4,563,520
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$777,542	\$1,096,060	\$1,873,602	\$1,873,602
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$777,542	\$1,096,060	\$1,873,602	\$1,873,602
200 Deferred Outflow of Resources	\$44,863	\$44,864	\$89,727	\$89,727
290 Total Assets and Deferred Outflow of Resources	\$1,211,035	\$1,408,679	\$2,619,714	\$2,619,714
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$3,860	\$3,300	\$7,160	\$7,160

Costilla County Housing Authority (CO037)
San Luis, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

313	Accounts Payable >90 Days Past Due				
321	Accrued Wage/Payroll Taxes Payable				
322	Accrued Compensated Absences - Current Portion				
324	Accrued Contingency Liability				
325	Accrued Interest Payable		\$1,932	\$1,932	\$1,932
331	Accounts Payable - HUD PHA Programs				
332	Account Payable - PHA Projects				
333	Accounts Payable - Other Government				
341	Tenant Security Deposits	\$19,607	\$17,718	\$37,325	\$37,325
342	Unearned Revenue	\$67	\$204	\$271	\$271
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$21,454	\$21,454	\$21,454
344	Current Portion of Long-term Debt - Operating Borrowings				
345	Other Current Liabilities				
346	Accrued Liabilities - Other				
347	Inter Program - Due To		\$7,191	\$7,191	\$7,191
348	Loan Liability - Current				
310	Total Current Liabilities	\$23,534	\$51,799	\$75,333	\$75,333
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$1,475,151	\$1,475,151	\$1,475,151
352	Long-term Debt, Net of Current - Operating Borrowings				
353	Non-current Liabilities - Other				
354	Accrued Compensated Absences - Non Current				
355	Loan Liability - Non Current				
356	FASB 5 Liabilities				
357	Accrued Pension and OPEB Liabilities	\$150,553	\$150,552	\$301,105	\$301,105
350	Total Non-Current Liabilities	\$150,553	\$1,625,703	\$1,776,256	\$1,776,256
300	Total Liabilities	\$174,087	\$1,677,502	\$1,851,589	\$1,851,589
400	Deferred Inflow of Resources	\$4,262	\$4,262	\$8,524	\$8,524
508.4	Net Investment in Capital Assets	\$777,542	-\$400,545	\$376,997	\$376,997
511.4	Restricted Net Position	\$0	\$184,109	\$184,109	\$184,109
512.4	Unrestricted Net Position	\$255,144	-\$56,649	\$198,495	\$198,495
513	Total Equity - Net Assets / Position	\$1,032,686	-\$273,085	\$759,601	\$759,601
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,211,035	\$1,408,679	\$2,619,714	\$2,619,714

Costilla County Housing Authority (CO037)
San Luis, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2017

	Project Total	10,427 Rural Rental Assistance Payments	Subtotal	Total
70300 Net Tenant Rental Revenue	\$120,852	\$84,217	\$205,069	\$205,069
70400 Tenant Revenue - Other	\$20,404		\$20,404	\$20,404
70500 Total Tenant Revenue	\$141,256	\$84,217	\$225,473	\$225,473
70600 HUD PHA Operating Grants	\$201,974		\$201,974	\$201,974
70610 Capital Grants	\$78,168		\$78,168	\$78,168
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants		\$235,116	\$235,116	\$235,116
71100 Investment Income - Unrestricted	\$337	\$303	\$640	\$640
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue	\$17,100	\$15,593	\$32,693	\$32,693
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$438,835	\$335,229	\$774,064	\$774,064
91100 Administrative Salaries	\$44,074	\$20,000	\$64,074	\$64,074
91200 Auditing Fees	\$3,833	\$7,666	\$11,499	\$11,499
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing	\$390	\$593	\$983	\$983
91500 Employee Benefit contributions - Administrative	\$15,768	\$10,855	\$26,623	\$26,623
91600 Office Expenses	\$3,350	\$28,208	\$31,558	\$31,558
91700 Legal Expense				
91800 Travel	\$2,966	\$2,124	\$5,090	\$5,090
91810 Allocated Overhead				
91900 Other	\$15,023	\$6,000	\$21,023	\$21,023
91000 Total Operating - Administrative	\$85,404	\$75,446	\$160,850	\$160,850
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0	\$0	\$0
93100 Water	\$32,906	\$26,371	\$59,277	\$59,277
93200 Electricity	\$5,404	\$4,154	\$9,558	\$9,558
93300 Gas				
93400 Fuel	\$15,087		\$15,087	\$15,087
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$53,397	\$30,525	\$83,922	\$83,922

94100 Ordinary Maintenance and Operations - Labor	\$22,849	\$22,274	\$45,123	\$45,123
94200 Ordinary Maintenance and Operations - Materials and Other	\$19,393	\$22,679	\$42,072	\$42,072
94300 Ordinary Maintenance and Operations Contracts	\$32,620	\$44,603	\$77,223	\$77,223
94500 Employee Benefit Contributions - Ordinary Maintenance	\$15,358	\$20,830	\$36,188	\$36,188
94000 Total Maintenance	\$90,220	\$110,386	\$200,606	\$200,606
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$7,149	\$9,978	\$17,127	\$17,127
96120 Liability Insurance	\$3,064		\$3,064	\$3,064
96130 Workmen's Compensation	\$905	\$1,784	\$2,689	\$2,689
96140 All Other Insurance	\$311	\$896	\$1,207	\$1,207
96100 Total Insurance Premiums	\$11,429	\$12,658	\$24,087	\$24,087
96200 Other General Expenses				
96210 Compensated Absences				
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents	\$6,228	\$7,498	\$13,726	\$13,726
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$6,228	\$7,498	\$13,726	\$13,726
96710 Interest of Mortgage (or Bonds) Payable		\$24,026	\$24,026	\$24,026
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$24,026	\$24,026	\$24,026
96900 Total Operating Expenses	\$246,678	\$260,539	\$507,217	\$507,217
97000 Excess of Operating Revenue over Operating Expenses	\$192,157	\$74,690	\$266,847	\$266,847
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$82,053	\$56,989	\$139,042	\$139,042
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$328,731	\$317,528	\$646,259	\$646,259
10010 Operating Transfer In				
10020 Operating transfer Out				
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0

10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$110,104	\$17,701	\$127,805	\$127,805
11020 Required Annual Debt Principal Payments	\$0	\$21,454	\$21,454	\$21,454
11030 Beginning Equity	\$922,582	-\$290,786	\$631,796	\$631,796
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity				
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	684	528	1212	1212
11210 Number of Unit Months Leased	676	511	1187	1187
11270 Excess Cash	\$344,033		\$344,033	\$344,033
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$0		\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$6,062		\$6,062	\$6,062
11650 Leasehold Improvements Purchases	\$72,106		\$72,106	\$72,106
11660 Infrastructure Purchases	\$0		\$0	\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0

**COSTILLA COUNTY HOUSING AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>LOW RENT</u>	<u>RURAL DEVELOPMENT SENIOR</u>	<u>RURAL DEVELOPMENT FAMILY</u>	<u>TOTAL</u>
Cash Flows From Operating Activities:				
Cash Received from Tenants	\$ 150,964	\$ 63,546	\$ 36,500	\$ 251,010
Cash Paid to Employees	(171,998)	(80,347)	(75,845)	(328,190)
Cash Paid to Suppliers	(66,923)	(36,522)	(33,966)	(137,411)
Net Cash (Used) by Operating Activities	<u>(87,957)</u>	<u>(53,323)</u>	<u>(73,311)</u>	<u>(214,591)</u>
Cash Flows From Noncapital Financing Activities:				
Governments Grants	201,974	103,817	131,299	437,090
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>201,974</u>	<u>103,817</u>	<u>131,299</u>	<u>437,090</u>
Cash Flows From Capital and Related Financing Activities:				
Purchase of Property, Plant and Equipment	(95,836)	(44,301)	(15,652)	(155,789)
HUD Capital Grants	78,168	-	-	78,168
Repayment of Notes and Mortgage	-	(10,109)	(9,459)	(19,568)
Interest on Notes and Mortgage	-	(14,191)	(9,986)	(24,177)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(17,668)</u>	<u>(68,601)</u>	<u>(35,097)</u>	<u>(121,366)</u>
Cash Flows from Investing Activities:				
Interest Income	337	137	166	640
Net Cash Provided by Investing Activities	<u>337</u>	<u>137</u>	<u>166</u>	<u>640</u>
Net Increase (Decrease) in Cash and Cash Equivalents	96,686	(17,970)	23,057	101,773
Cash and Cash Equivalents, Beginning	275,017	155,008	105,239	535,264
Cash and Cash Equivalents, Ending	<u>\$ 371,703</u>	<u>\$ 137,038</u>	<u>\$ 128,296</u>	<u>\$ 637,037</u>
Detail of cash and cash equivalents:				
Cash	352,096	32,354	31,153	415,603
Cash -security deposit	19,607	9,059	8,659	37,325
Cash- restricted	-	95,625	88,484	184,109
Total cash and cash equivalents	<u>\$ 371,703</u>	<u>\$ 137,038</u>	<u>\$ 128,296</u>	<u>\$ 637,037</u>
Reconciliation of Operating Income to Net Cash Used for Operating Activities:				
Operating Loss	\$ (170,375)	\$ (87,829)	\$ (105,863)	\$ (364,067)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:				
Depreciation	82,053	30,736	26,253	139,042
Pension related changes	8,305	4,152	4,152	16,609
Changes in Assets and Liabilities:				
Accounts Receivable - Tenants	1,782	118	(307)	1,593
Other Receivables	(7,537)	-	-	(7,537)
Prepaid Expenses	2,245	(37)	2,988	5,196
Accounts Payable	(2,089)	(1,466)	(8)	(3,563)
Due To / From Other Funds	124	435	(559)	-
Security Deposit	(1,761)	435	(10)	(1,336)
Other Accrued Liabilities	(704)	133	43	(528)
Net Cash (Used) by Operating Activities	<u>\$ (87,957)</u>	<u>\$ (53,323)</u>	<u>\$ (73,311)</u>	<u>\$ (214,591)</u>

SINGLE AUDIT SECTION

Green & Associates LLC

Certified Public Accountants & Business Consultants

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

To the Board of Commissioners
Costilla County Housing Authority

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 business-type activities as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Costilla County Housing Authority's basic financial statements, and have issued our report thereon dated January 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Costilla County 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Costilla County Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Costilla County 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Costilla County 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "G. & Associates LLP". The signature is written in black ink and is positioned above the date and location text.

January 4, 2018
Brighton, CO

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE UNIFORM GUIDANCE

To the Board of Commissioners
Costilla County Housing Authority

Report on Compliance for Each Major Federal Program

We have audited Costilla County Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Costilla County Housing Authority's major federal programs for the year ended September 30, 2017. Costilla County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Costilla County 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 Costilla County 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 Costilla County Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Costilla County 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 September 30, 2017.

119 East Bridge Street Suite 210
Brighton, CO 80601

Green & Associates • LLC

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Certified Public Accountants & Business Consultants

Report on Internal Control Over Compliance

Management of Costilla County 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 Costilla County 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 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 Costilla County 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. This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "G. & Associates LLC". The signature is written in a cursive, flowing style.

January 4, 2018
Brighton, CO

**COSTILLA COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Federal Grantor</u>	<u>CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. Department of Housing and Urban Development:		
Public Housing Operating Subsidy	14.850a	198,895
Public Housing Capital Fund Program Project No.: CO06P037501-15	14.872	59,755
Public Housing Capital Fund Program Project No.: CO06P037501-16	14.872	21,492
Total US Department of Housing and Urban Development		<u>280,142</u>
U.S. Department of Agriculture Rural Development-Rental Assistance	10.427	235,116
Rural Development Loan	10.415	1,516,173
Total U.S. Department of Agriculture		<u>1,751,289</u>
Total Federal Financial Awards		<u>\$ 2,031,431</u>

Note 1. Basis of Presentation

The schedule of expenditures of federal awards is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore some amounts presented in this schedule may differ from amounts presented in the financial statement.

Note 2. Rural Development Loan

The Authority had two loans that were guaranteed by the U.S. Department of Agriculture. The ending balances of each of the loans at September 30, 2017 were \$659,353 and \$837,252.

**COSTILLA COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2017**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material Weakness identified? yes no
- Significant deficiency identified that are not considered to be material weakness? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material Weakness identified? yes no
- Significant deficiency identified that are not considered to be material weakness? yes no

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? yes no

Identification of major programs:

Rural Development-Rental Assistance
And Rural Development Loan 10.415

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

Auditee qualified as low-risk auditee? yes no

Current years findings: None

Prior years findings: None