

cPa DIXON, WALLER & CO., INC.

THE HOUSING AUTHORITY OF THE
COUNTY OF OTERO, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2017

E

RECEIVED

Office of the State Auditor

September 4, 2018

DIXON, WALLER & CO., INC.

TABLE OF CONTENTS

HOUSING AUTHORITY – COUNTY

OF OTERO, COLORADO

YEAR ENDED DECEMBER 31, 2017

PAGE

Title Page

Table of Contents

FINANCIAL SECTION

Independent Auditor's Report----- 1-2

Management's Discussion and Analysis----- i-vii

BASIC FINANCIAL STATEMENTS

Statement of Net Position ----- 3

Statement of Revenues, Expenses, and Changes
In Net Position ----- 4

Statement of Cash Flows ----- 5

Notes to Basic Financial Statements----- 6-14

SUPPLEMENTARY INFORMATION

Financial Data Schedules----- 15-22

SINGLE AUDIT SECTION

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 <i>Government Auditing Standards</i>	23-24
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by Uniform Guidance... ..	25-26
Schedule of Findings and Questioned Costs.....	27-28
Schedule of Expenditures of Federal Awards.....	29
Notes to the Schedule of Expenditures of Federal Awards	30

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

Independent Auditor's Report

Board of Directors
Otero County Housing Authority
La Junta, CO 81050

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Otero County Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Otero County 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 that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Otero County Housing Authority's basic financial statements. The financial data schedules 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*, and is also not a required part of the basic financial statements.

The financial data schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules and the 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 our report dated July 18, 2018 on our consideration of the Otero 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 Otero County Housing Authority's internal control over financial reporting and compliance.


July 18, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Otero County Housing Authority Management's Discussion and Analysis For the Year Ended December 31, 2017

Introduction

This Management's Discussion and Analysis (MD&A) of the Otero County Housing Authority (Authority) provides an introduction and overview to the financial statements of the Otero County Housing Authority for the fiscal year ended December 31, 2017. The Otero County Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2017, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its enterprise funds encompassing all programs administered by the Otero County Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has five individual funds which include the Housing Choice Voucher Program, two separate Rural Development Projects, a subsidized 32 unit project, and a Management Fund. The housing Choice Voucher Program provides rental assistance to aid low income families afford, decent, safe and sanitary rental housing. The Housing Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The Housing Choice Voucher Program currently has 46 vouchers. The Housing Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis.

The Manzanola Family Apartments is a 10 unit apartment complex funded through a notes payable from Rural Development. Rural Development also provides rental assistance payments to the program for these specific units. Tenants typically pay rent which is 30 percent of the adjusted gross income. The remaining portion of the rent is provided by Rural Development in the form of rental assistance.

The Valle Apartment Project is a 48 unit apartment complex funded with notes payable from the Farmer's Home Administration. Rural Development also provides rental assistance payments to the program for these specific units. Tenants typically pay rent which is 30 percent of the adjusted gross income. The remaining portion of the rent is provided by Rural Development in the form of rental assistance.

The Elderly Apartment Program is a 32 unit apartment complex. Rental assistance payments are provided by Colorado Housing and Finance Authority. The project currently has no debt attached to it.

Management's Discussion and Analysis-Cont.

The Management Fund is used to account for special grants received by the Housing Authority and to collect management fees earned from managing additional apartment complexes throughout the community.

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's basic financial statements. The basic financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

The Statement of Net Position presents information on the assets and liabilities, with the differences between the two being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

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

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended December 31, 2017 to determine the change in net position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2017.

Management's Discussion and Analysis-Cont.

Financial Highlights

- The Otero County Housing Authority's total net position increased from \$1,078,219 to \$1,111,556, an increase of \$33,336 or 3%.
- The unrestricted net asset balance is reported as \$1,142,904 at December 31, 2017. This represents a decrease of \$74,710 from the previous year.
- Total revenues increased from \$765,585 to \$782,504 an increase of \$16,919 or 2%.
- Total expenses decreased by \$24,855, from \$774,023 to \$749,168 for the current year.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended December 31, 2017 and December 31, 2016.

Summary Statement of Net Position December 31, 2017 and 2016

<u>Category</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 1,339,716	\$ 1,432,398	\$ (92,682)	-6%
Noncurrent Assets	\$ 895,679	\$ 834,513	\$ 61,166	7%
Total Assets	\$ 2,235,395	\$ 2,266,911	\$ (31,516)	-1%
Current Liabilities	\$ 103,862	\$ 131,712	\$ (27,850)	-21%
Long Term Liabilities	\$ 1,019,977	\$ 1,056,979	\$ (37,002)	-4%
Total Liabilities	\$ 1,123,839	\$ 1,188,691	\$ (64,852)	-5%
Unrestricted	\$ 1,142,904	\$ 1,217,614	\$ (74,710)	-6%
Net Investment in Capital Assets	\$ (39,380)	\$ (139,394)	\$ 100,014	-72%
Restricted	\$ 8,032	\$ -	\$ 8,032	N/A
Total Net Position	\$ 1,111,556	\$ 1,078,220	\$ 33,336	3%

Current Assets

The Authority's current asset balance decreased by \$31,516 from the previous year. Cash and investments decreased by \$26,323 during the year, due primarily to the purchase of capital assets during the year.

Noncurrent Assets

Noncurrent assets increased by \$61,166 primarily due to the completion of capital projects in the current year.

Management's Discussion and Analysis-Cont.

Current Liabilities

Current liabilities decreased from \$131,712 to \$103,862 during the current year. The decrease was primarily due to the accounts payable. Accounts payable decreased by \$16,774 during the year.

Noncurrent Liabilities

Long Term Liabilities decreased from \$1,056,979 to \$1,019,977 as a result of normal monthly payments on mortgage payable balances.

Net Position

The Authority's total net position increased by \$33,336 from the previous year.

The Authority's unrestricted component of net position decreased from \$1,217,614 to \$1,142,904, a decrease of \$74,710, or 6% for the current year. This is primarily attributable to the completion of the capital improvement project in the El Valle Apartment Project and the Elderly Apartment Program.

Restricted net position increased during the current fiscal year. This component increased by \$8,032 due primarily to the reclassification of restricted resources in the Housing Choice Voucher Program.

Management's Discussion and Analysis-Cont.

Overview of the Financial Statements-Cont.

Summary Statement of Revenues & Expenses and Changes in Net Position Years Ended December 31, 2017 and 2016

<u>Category</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 161,351	\$ 153,613	\$ 7,738	5%
HUD Operating Grants	\$ 196,321	\$ 188,931	\$ 7,390	4%
Other Government Grants	\$ 361,618	\$ 370,087	\$ (8,469)	-2%
Interest Income	\$ 2,438	\$ 2,181	\$ 257	12%
Other Revenue	\$ 60,776	\$ 50,773	\$ 10,003	20%
Total Revenue	\$ 782,504	\$ 765,585	\$ 16,919	2%
Administration	\$ 139,469	\$ 131,901	\$ 7,568	6%
Utilities	\$ 106,115	\$ 116,313	\$ (10,198)	-9%
Ordinary Maintenance	\$ 209,534	\$ 237,447	\$ (27,913)	-12%
General Expense	\$ 63,991	\$ 65,655	\$ (1,664)	-3%
HAP	\$ 166,112	\$ 178,109	\$ (11,997)	-7%
Depreciation	\$ 63,947	\$ 44,598	\$ 19,349	43%
Total Expenses	\$ 749,168	\$ 774,023	\$ (24,855)	-3%
Increase (Decrease) in Net Position	\$ 33,336	\$ (8,438)	\$ 41,774	-495%
Net Position, Beginning of Year	\$ 1,078,220	\$ 1,086,658	\$ (8,438)	-1%
Net Position, End of Year	\$ 1,111,556	\$ 1,078,220	\$ 33,336	3%

Results of Operations

Revenues of the Authority are generated principally from dwelling rents, HUD grants and other government grants. The Authority's revenue increased by \$16,919 from the previous fiscal year amount. Significant variances between the years include the following:

- Tenant Revenue increased by \$7,738 or 5% from the previous year.
- HUD Operating Grants increased by \$7,390 or 4% from the previous year.
- Other Government Grants decreased by \$8,469 or 2% from the previous year. This is due primarily to decreased HAP funding on the Housing Choice Voucher program.

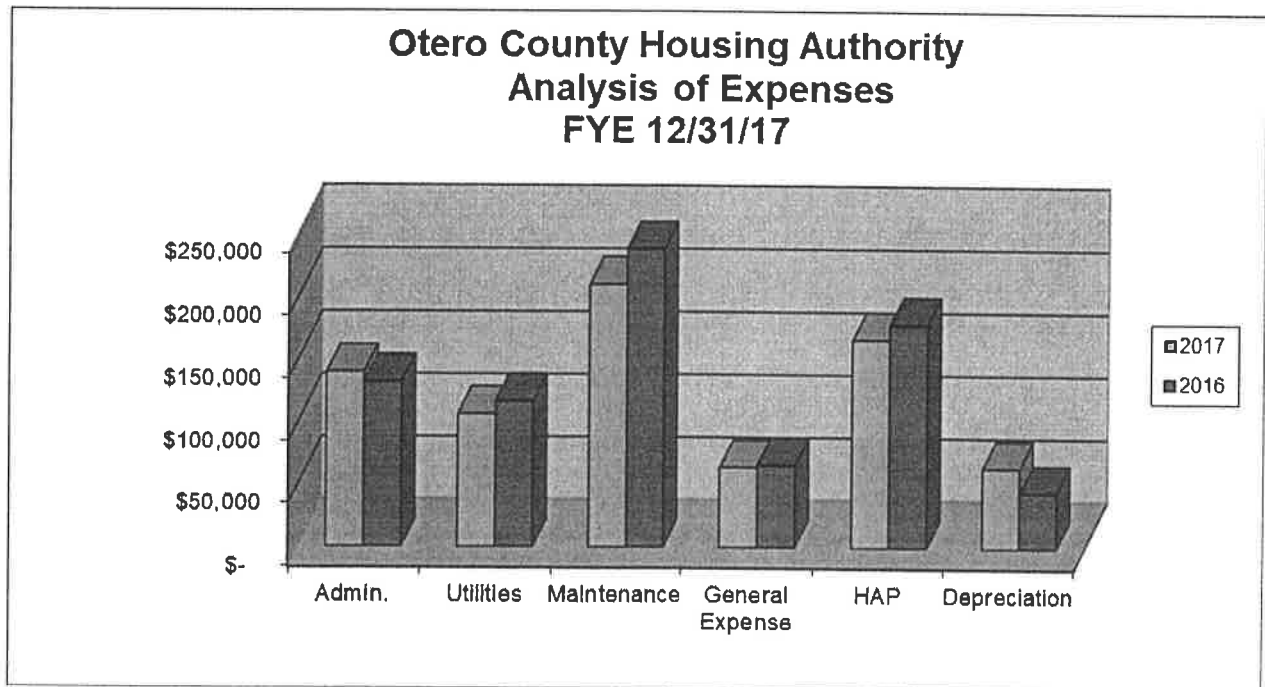
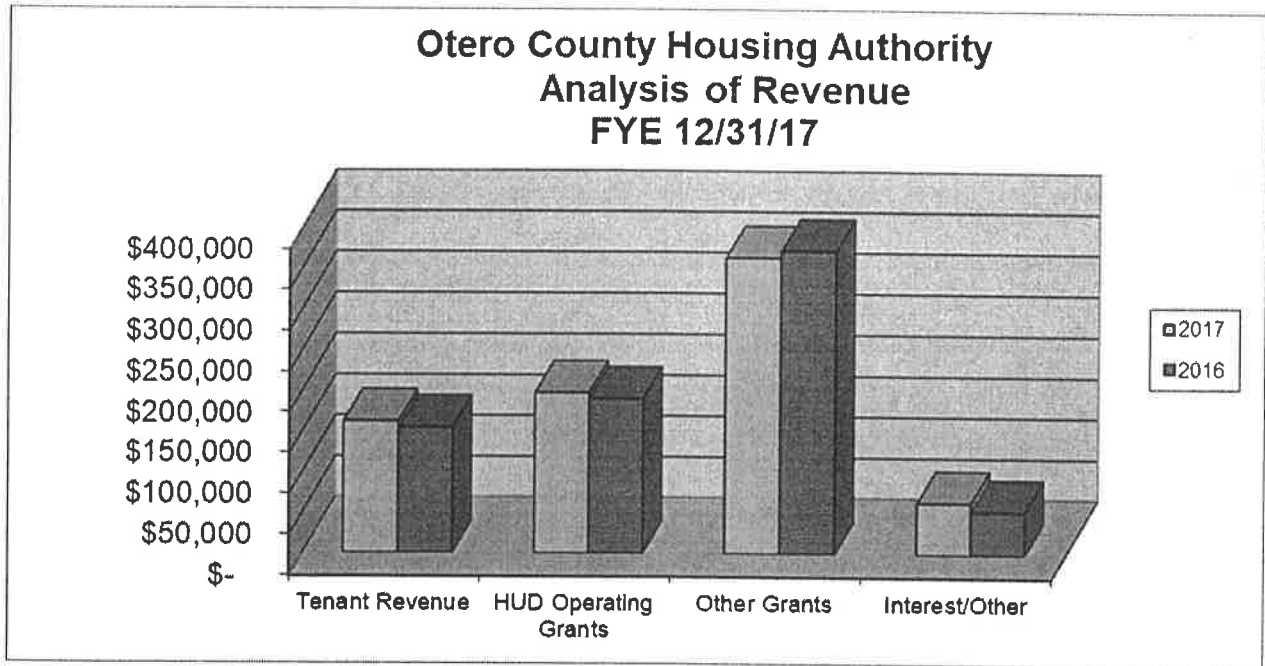
Total expenses decreased by \$24,855. Significant differences between the years include the following:

- Maintenance expenses decreased by \$27,913 or 12%. Landscape and grounds decreased from \$42,205 in 2016 to \$13,420 in 2017, a decrease of \$28,785 during the year. Unit turnaround decreased \$25,486 from the previous year from \$37,064 in 2016 to \$11,578 in 2017.

Management's Discussion and Analysis-Cont.

- Depreciation expense increased by \$19,349 due primarily to capital projects completed on El Valle Apartments and Elderly Apartments.

We have provided the following presentations to demonstrate the revenues and expenses by summarized account category:



Management's Discussion and Analysis-Cont.

Capital Assets

As of December 31, 2017, the Otero County Housing Authority's net investment in capital assets was \$(39,380). This investment includes land, building, equipment, and related debt net of accumulated depreciation.

Category	FYE 2017	FYE 2016	Change \$	Change %
Land	\$ 64,798	\$ 64,798	\$ -	0%
Buildings	\$ 4,007,799	\$ 3,882,685	\$ 125,114	3%
Equipment	\$ 42,517	\$ 42,517	\$ -	0%
Accumulated Depreciation	\$ (3,219,435)	\$ (3,155,487)	\$ (63,948)	2%
Construction in Progress	\$ -	\$ -	\$ -	N/A
Total Investment in Capital Assets	\$ 895,679	\$ 834,513	\$ 61,166	7%

Building additions consisted primarily of a roofing project at the Elderly Apartments Project and bathroom and window projects at the El Valle Project.

Long Term Debt

The agency incurred no additional debt in the current year. Principal reductions included the normal mortgage payments incurred throughout the fiscal year.

Subsequent Event

As of the time of this analysis, HUD has finalized the funding levels for the 2018 calendar year. The operating subsidy for the Low Rent Housing Program will be funded at 93.27%.

The amount of funding for the 2018 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at 76% and HAP funding at 99.75%. HUD has obligated \$178,076 in HAP funding for the 2018 calendar year.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Otero County Housing Authority
Diane McAtee, Executive Director
P.O. Box 376
La Junta, CO 81050

BASIC FINANCIAL STATEMENTS

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business – Type Activities – Enterprise Funds					
	Manzanola		Valle			Total
	Family	Elderly	Apartments	Section 8	Management	
ASSETS						
Current Assets						
Cash and Cash Interest Bearing	7,858	106,371	41,348	19,097	544,872	719,546
Accrued Interest Receivable	-	2	5	-	9	16
Accounts Receivable:						
Tenants	1,510	459	826	-	-	2,795
HUD, RDA	3,333	-	5,531	664	-	9,528
Other	64	619	1,836	407	18,547	21,473
Prepaid Expenses	1,047	10,167	2,329	-	-	13,543
Due from Other Funds	-	285	348	-	446	1,079
<u>Total Current Assets</u>	<u>13,812</u>	<u>117,903</u>	<u>52,223</u>	<u>20,168</u>	<u>563,874</u>	<u>767,980</u>
Restricted Assets						
Cash	<u>87,134</u>	<u>156,731</u>	<u>327,871</u>	<u>-</u>	<u>-</u>	<u>571,736</u>
Land, Structures and Equipment						
Land, Structures and Equipment	916,218	1,044,760	2,141,639	317	12,180	4,115,114
Less Accumulated Depreciation	(352,217)	(871,289)	(1,983,465)	(307)	(12,157)	(3,219,435)
<u>Net Property, Plant & Equipment</u>	<u>564,001</u>	<u>173,471</u>	<u>158,174</u>	<u>10</u>	<u>23</u>	<u>895,679</u>
TOTAL ASSETS	<u>664,947</u>	<u>448,105</u>	<u>538,268</u>	<u>20,178</u>	<u>563,897</u>	<u>2,235,395</u>
DEFERRED OUTFLOW OF RESOURCES						
	-	-	-	-	-	-
LIABILITIES						
Current Liabilities						
Accounts Payable	2,659	5,028	4,469	126	4,105	16,387
Accrued Interest Payable	8,034	-	321	-	-	8,355
Prepaid Rent	-	448	731	-	-	1,179
Due to Other Funds	61	-	-	385	633	1,079
Amounts Due – HUD	-	-	-	-	-	-
Tenant Security Deposits	5,031	7,284	1,600	-	-	13,915
Compensated Absences Payable	-	-	-	-	147,865	147,865
Unearned Grants	-	-	-	-	-	-
Current Portion of Long-Term Debt	3,149	-	36,140	-	-	39,289
<u>Total Current Liabilities</u>	<u>18,934</u>	<u>12,760</u>	<u>43,261</u>	<u>511</u>	<u>152,603</u>	<u>228,069</u>
NonCurrent Liabilities						
Notes Payable	547,098	-	348,672	-	-	895,770
<u>Total Long-Term Liabilities</u>	<u>547,098</u>	<u>-</u>	<u>348,672</u>	<u>-</u>	<u>-</u>	<u>895,770</u>
TOTAL LIABILITIES	<u>566,032</u>	<u>12,760</u>	<u>391,933</u>	<u>511</u>	<u>152,603</u>	<u>1,123,839</u>
DEFERRED INFLOW OF RESOURCES						
	-	-	-	-	-	-
NET POSITION						
Net Investment in Capital Assets	13,754	173,471	(226,638)	10	23	(39,380)
Restricted	-	-	-	8,032	-	8,032
Unrestricted	<u>85,161</u>	<u>261,874</u>	<u>372,973</u>	<u>11,625</u>	<u>411,271</u>	<u>1,142,904</u>
TOTAL NET POSITION	<u>98,915</u>	<u>435,345</u>	<u>146,335</u>	<u>19,667</u>	<u>411,294</u>	<u>1,111,556</u>

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

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

Year Ended December 31, 2017

	Business – Type Activities – Enterprise Funds					
	Manzanola		Valle			Total
	Family	Elderly	Apartments	Section 8	Management	
<u>OPERATING REVENUES</u>						
Dwelling Rental	29,966	96,880	34,505	-	-	161,351
Excess Utilities	-	-	-	-	-	-
HUD/RDA – Rent Subsidy	43,170	212,106	106,342	196,321	-	557,939
Other	2,093	11,213	3,210	6	44,254	60,776
<u>Total Operating Revenues</u>	<u>75,229</u>	<u>320,199</u>	<u>144,057</u>	<u>196,327</u>	<u>44,254</u>	<u>780,066</u>
<u>Operating Expenses</u>						
Administrative Salaries	1,814	9,820	354	7,308	5,039	24,335
Management Fees	-	-	10,207	-	-	10,207
Employee Benefits & Taxes	1,994	12,141	4,565	1,825	-	20,525
Allocated Overhead	5,671	24,613	-	7,561	43,460	81,305
Office & Other Administrative	3,111	10,286	5,143	1,928	428	20,896
Travel & Training	50	-	71	-	-	121
Utilities	22,426	48,652	35,037	-	-	106,115
Repairs and Maintenance	11,335	128,277	52,559	-	-	192,171
Insurance	6,541	21,414	9,297	231	3,695	41,178
Accounting & Audit	1,950	1,650	2,250	2,150	1,650	9,650
Housing Assistance Payments	-	-	-	166,112	-	166,112
Depreciation	41,510	8,407	13,826	64	140	63,947
<u>Total Operating Expenses</u>	<u>96,402</u>	<u>265,260</u>	<u>133,309</u>	<u>187,179</u>	<u>54,412</u>	<u>736,562</u>
<u>Operating Income (Loss)</u>	<u>(21,173)</u>	<u>54,939</u>	<u>10,748</u>	<u>9,148</u>	<u>(10,158)</u>	<u>43,504</u>
<u>Non-Operating Revenues (Expenses)</u>						
Capital Grant	-	-	-	-	-	-
Interest Earned	120	756	542	-	1,020	2,438
Interest Paid	(8,594)	-	(4,012)	-	-	(12,606)
Loss on Disposition of Assets	-	-	-	-	-	-
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(8,474)</u>	<u>756</u>	<u>(3,470)</u>	<u>-</u>	<u>1,020</u>	<u>(10,168)</u>
<u>INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	<u>(29,647)</u>	<u>55,695</u>	<u>7,278</u>	<u>9,148</u>	<u>(9,138)</u>	<u>33,336</u>
<u>OPERATING TRANSFERS IN (OUT)(NET)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>CHANGE IN NET POSITION</u>	<u>(29,647)</u>	<u>55,695</u>	<u>7,278</u>	<u>9,148</u>	<u>(9,138)</u>	<u>33,336</u>
<u>TOTAL NET POSITION, Beginning</u>	<u>128,562</u>	<u>379,650</u>	<u>139,057</u>	<u>10,519</u>	<u>420,432</u>	<u>1,078,220</u>
<u>TOTAL NET POSITION, Ending</u>	<u>98,915</u>	<u>435,345</u>	<u>146,335</u>	<u>19,667</u>	<u>411,294</u>	<u>1,111,556</u>

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

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2017

	Business – Type Activities – Enterprise Funds					Total
	Manzanola	Valle			Management	
	Family	Elderly	Apartments	Section 8		
<u>Cash Flows from Operating Activities</u>						
Receipts from Rents, Subsidies & Other Revenues	73,281	319,898	145,446	196,851	55,102	790,578
Payments for Salaries & Benefits	(8,807)	(57,199)	(19,883)	(9,133)	1,076	(93,946)
Payments for Allocated Overhead	(5,671)	(24,613)	-	(7,561)	(43,460)	(81,305)
Payments to Vendors, Homeowners	(41,527)	(186,586)	(104,165)	(188,965)	(6,389)	(527,632)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>17,276</u>	<u>51,500</u>	<u>21,398</u>	<u>(8,808)</u>	<u>6,329</u>	<u>87,695</u>
<u>Cash from Investing Activities</u>						
Interest Earnings	120	1,337	538	-	1,013	3,008
<u>Net Cash from Investing Activities</u>	<u>120</u>	<u>1,337</u>	<u>538</u>	<u>-</u>	<u>1,013</u>	<u>3,008</u>
<u>Cash Flows from Non-Capital Financing Activities</u>						
Change in Due From/Due To Funds	32	273	(5)	298	(598)	-
Transfers In (Out)	-	-	-	-	-	-
<u>Net Cash from Non-Capital Financing Activities</u>	<u>32</u>	<u>273</u>	<u>(5)</u>	<u>298</u>	<u>(598)</u>	<u>-</u>
<u>Cash Flows from Capital & Related Financing Activities</u>						
Acquisition of Capital Assets	-	(66,064)	(59,048)	-	-	(125,112)
Principal Paid in Notes	(3,067)	-	(35,781)	-	-	(38,848)
Interest Paid on Notes	(5,744)	-	(4,041)	-	-	(9,785)
<u>Net Cash from Capital & Related Financing Activities</u>	<u>(8,811)</u>	<u>(66,064)</u>	<u>(98,870)</u>	<u>-</u>	<u>-</u>	<u>(173,745)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>8,617</u>	<u>(12,954)</u>	<u>(76,939)</u>	<u>(8,510)</u>	<u>6,744</u>	<u>(83,042)</u>
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>86,375</u>	<u>276,056</u>	<u>446,158</u>	<u>27,607</u>	<u>538,128</u>	<u>1,374,324</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>94,992</u>	<u>263,102</u>	<u>369,219</u>	<u>19,097</u>	<u>544,872</u>	<u>1,291,282</u>
<u>Cash Flows from Operating Activities</u>						
Operating Income (Loss)	(21,173)	54,939	10,748	9,148	(10,158)	43,504
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:						
Depreciation	41,510	8,407	13,826	64	140	63,947
Changes in Assets and Liabilities						
(Increase) Decrease in Prepays	(49)	(537)	62	-	-	(524)
(Increase) Decrease in Accounts Receivable	(1,948)	(732)	1,078	524	10,848	9,770
Increase (Decrease) in Prepaid Rent	-	431	311	-	-	742
Increase (Decrease) in Accounts Payable	(738)	(10,550)	(3,627)	(1,244)	(615)	(16,774)
Increase (Decrease) in Tenant Deposits	(326)	(458)	(1,000)	-	-	(1,784)
Increase (Decrease) in Comp Absences Liability	-	-	-	-	6,114	6,114
Increase (Decrease) in Unearned Grants	-	-	-	(17,300)	-	(17,300)
<u>Net Cash Flows from Operating Activities</u>	<u>17,276</u>	<u>51,500</u>	<u>21,398</u>	<u>(8,808)</u>	<u>6,329</u>	<u>87,695</u>
<u>Cash – Statement of Net Position</u>						
Unrestricted						719,546
Restricted						571,736
Cash and Cash Equivalents (Above)						<u>1,291,282</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Otero County Housing Authority (the Housing Authority) is a local government unit created for the purpose of owning and managing rental properties and programs.

A. Reporting Entity

The reporting entity, for financial purposes, is defined as the primary government (the Otero County Housing Authority) and its component units. The Housing Authority has no component units; the financial statements are comprised of the funds more fully described in subsequent information contained in the footnotes.

The accounting policies of the Otero County Housing Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

B. Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. All activities of the Otero County Housing Authority are reported as business-type. Likewise, the *primary government* is reported separately from the Housing Authority's legally separate *component units* for which the Housing Authority is financially accountable. The Authority has no component units.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Housing Authority consists of the following major proprietary funds:

- Manzanola Family
- Elderly
- Valle Apartments
- Section 8
- Management

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues 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 revenues of the Housing Authority are rents and rent supplements. Operating expenses for the Housing Authority include the cost of services, administrative expenses, and depreciation on capital assets.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Housing Authority as assets with an initial estimated useful life in excess of two years having a value equal to or greater than \$1,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings, Fixtures & Equipment	5-40

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

Revenues and expenses are controlled by budgetary accounting systems in accordance with various legal and grant requirements. Budgets are prepared on the same basis as that used for accounting purposes.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. All encumbrances lapse at the end of the year.

G. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventories are recorded as expenditures when they are used.

H. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefits Amounts

Accumulated unpaid vacation, sick pay, and other employee benefits amounts should be accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts would not be accrued in governmental funds (using the modified accrual basis of accounting). Accrued vacation and sick leave payable has been reflected in the financial statements of the Management Fund as it has been recorded as expense in the other funds and funded on a current basis.

I. Use of Estimates

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

J. Deposits and Investments

The Housing Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Housing Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

In the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year incurred.

L. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time

M. Fund Equity

In the financial statements, funds report reservations of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Land	64,798	-	-	64,798
Capital Assets Being Depreciated:				
Structures	3,882,687	125,112	-	4,007,799
Furniture, Fixtures & Equip.	42,517	-	-	42,517
Construction in Progress	-	-	-	-
Total Capital Assets Being Depreciated	<u>3,925,204</u>	<u>125,112</u>	<u>-</u>	<u>4,050,316</u>
Less Accumulated Depreciation	<u>3,155,488</u>	<u>63,947</u>	<u>-</u>	<u>3,219,435</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>769,716</u>	<u>61,165</u>	<u>-</u>	<u>830,881</u>
<u>Business-Type Activities</u>				
<u>Capital Assets, Net</u>	<u>834,514</u>	<u>61,165</u>	<u>-</u>	<u>895,679</u>

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 3 CASH AND DEPOSITS

The Housing Authority's deposits at year-end were entirely covered by Federal Depository Insurance or secured under the Public Deposit Protection Act of the State of Colorado, whereby the custodial bank pledges collateral for amounts on deposit in excess of the amount guaranteed by the FDIC for governmental entities.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured	614,868	610,815
Uninsured, Collateralized Under the Public Deposit Protection Act of the State of Colorado	<u>680,367</u>	<u>680,367</u>
<u>Sub-Total</u>	1,295,235	1,291,182
Cash on Hand	-	100
<u>Total Cash and Deposits</u>	<u>1,295,235</u>	<u>1,291,282</u>

As presented above, deposits with a bank balance of \$680,367 and a carrying balance of \$680,367 as of December 31, 2017 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

NOTE 4 NOTES PAYABLE

Manzanola Family - The Authority had a note payable to the Farmers Home Administration as of December 31, 2017 which is collateralized by land and buildings. The note required monthly payments and bore the effective rate of interest shown below:

<u>Loan Number</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Principal Balance</u>
84-01	1.00%	\$642	\$116,311

This note was paid down to \$116,311 during 2015 and was then rewritten by the Farmers Home Administration. A debt deferral agreement was entered into by the Housing Authority. It will end on May 26, 2045 with a balloon payment of all principal and accrued interest due at that time. No payment are required until that date. The new loan number is 84-008. The estimated total amount due at May 26, 2045 is \$140,407.

In addition, during 2015 the following two loans were made:

Loan Number 84-005

The loan is a one percent rehabilitation loan made by Farmers Home Administration with all interest and principal payments deferred under the same terms as the longest remaining debt on the property at the time of this loan's issuance. The loan amount was \$95,308. Payment will not be required from normal project operation income but from excess cash after all other secured debts are satisfied. Payment of principal and all interest is due at the end of the loan term.

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 4 NOTES PAYABLE (Continued)

Loan Number 84-007

An additional loan was made by Farmers Home Administration to assist in rehabilitation of the project, also collateralized by land and buildings. The loan requires monthly payment of \$733 by the Housing Authority to satisfy the debt and related interest (at a rate of 3.125% less a one percent interest credit from the monthly subsidy of \$408 allowed by Farmers Home Administration). The original loan amount was \$346,120. Amortization will be over a 50 year period.

<u>Loan Number</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Principal Balance</u>
84-007	3.125%	\$ 733	\$ 338,628

Estimated interest to maturity is \$311,992. Debt reduction requirements follow:

2018	3,149
2019	3,249
2020	3,352
2021	3,459
2022	3,568
2023-2027	19,612
2028-2032	22,923
2033-2037	26,795
2038-2042	31,320
2043-2047	36,609
2048-2052	42,792
2053-2057	50,019
2058-2062	58,466
2063-2065	<u>33,315</u>
	<u>338,628</u>

Valle Apartments - In 1996, the Authority borrowed \$1,099,789 from Farmers Home Administration under the Farm Labor Housing Loan Program. The debt is to be amortized in accordance with the following information:

<u>Interest Rate</u>	<u>Payment</u>	<u>Balance</u>
1%	\$3,318.58	\$384,812

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 4 NOTES PAYABLE (Continued)

Valle Apartments (Continued)

Estimated interest to maturity is \$20,050. Yearly payments of principal are as follows:

2018	36,140
2019	36,503
2020	36,869
2021	37,240
2022	37,614
2023-2027	193,817
2028	<u>6,629</u>
	<u>384,812</u>

Changes in Notes Payable

	<u>Beginning of Year</u>	<u>Increase</u>	<u>Payments</u>	<u>End of Year</u>	<u>Due Within One Year</u>
<u>Manzanola Family:</u>					
Loan Number 84-001,008	116,311	-	-	116,311	-
Loan Number 84-005	95,308	-	-	95,308	-
Loan Number 84-007	341,695	-	3,067	338,628	3,149
Valle Apartments	<u>420,593</u>	<u>-</u>	<u>35,781</u>	<u>384,812</u>	<u>36,140</u>
	<u>973,907</u>	<u>-</u>	<u>38,848</u>	<u>935,059</u>	<u>39,289</u>

NOTE 5 CAPITAL

The Housing Authority has capital consisting of funds advanced by and insured by the FHA under the terms of the Consolidated Farm and Rural Development Act or Title V of Housing Act of 1949.

The Housing Authority is eligible for assistance from HUD on this or any future projects.

NOTE 6 INTEREST SUBSIDY-NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Interest expense on notes payable to Farmers Home Administration does not include \$6,381 that has been credited to the Housing Authority through subsidy by Farmers Home Administration.

NOTE 7 RISK MANAGEMENT

The Authority is exposed to various risks of loss related torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The Authority maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 8 INTERFUND BALANCES

Individual fund interfund receivables and payable balances December 31, 2017 were:

	<u>Due From</u>	<u>Due To</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Section 8	-	385	-	-
Management	446	633	-	-
Valle Apartments	348	-	-	-
Manzanola Family	-	61	-	-
Elderly	<u>285</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total</u>	<u>1,079</u>	<u>1,079</u>	<u>-</u>	<u>-</u>

Interfund balances occur due to short-term lending between funds to assist with cash flow requirements. All are expected to be repaid within one year when classified as due to/from other funds. Transfers were made to support operations.

NOTE 9 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter's approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

The Authority is an entity that exists for the purpose of administering housing programs to benefit the Otero County area. They have no taxing authority, and no bonded debt. They are primarily funded by federal grants, state grants and local county contributions.

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 9 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS (Continued)

The Authority's management believes it is in compliance with the provisions of TABOR which are applicable to this entity. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification as an Enterprise) will require judicial interpretation.

NOTE 10 DEFINED CONTRIBUTION PLANS

The Authority makes contributions to a Simplified Employee Pension-Individual Retirement Account (IRA) plan. The contributions are discretionary and are made in accordance with the restrictions of Internal Revenue Service code Section 408 (k) directly to the IRA of the employee. Employees are eligible if at least 21 years of age and have been employed for at least 3 years. Contributions are based on a percentage of compensation. The Housing Authority made 5.7% contributions for the year of \$2,571. The compensation for which contributions were calculated was \$45,105.

The Authority also maintains a Salary Reduction Simplified Employee Pension – Individual Retirement Account Plan to which elective deferrals can be made in accordance with allowable Internal Revenue Service guidelines.

NOTE 11 RESTRICTED NET POSITION

Net position restricted in the Section 8 Vouchers fund represents amounts received from HUD in excess of amounts earned for housing assistance payments and administrative fees. The funds restricted are to be used in future periods in the vouchers program.

There were \$8,032 of restricted amounts recorded at December 31, 2017.

NOTE 12 ALLOCATED OVERHEAD COSTS

The Otero County Housing Authority shares administration and operations employees and activities with the La Junta Housing Authority. The following are the total costs of shared services that have been allocated to each fund in the housing authorities and the percentage used to make the allocation by fund for the Otero County Housing Authority.

Administrative Salaries and Benefits	144,111
Office Expenses	6,802
Accounting Fees	21,535
Computer Cost	1,315
Materials	9,133
Other General Administrative	<u>6,025</u>
	<u>188,921</u>

The allocation percentages for Otero County Housing Authority were:

Manzanola Family	3%
Elderly	13%
Section 8	4%
Management	23%
Valle Apartments	0%

SUPPLEMENTARY INFORMATION

Otero County Housing Authority (CO101)
La Junta, CO

Program Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	10.410 Very Low to Moderate Income Housing Loans	14.195 Section 8 Housing Assistance Program, Special Allocations	Total
111 Cash - Unrestricted	\$11,065		\$41,348	\$544,872	\$7,858	\$106,371	\$711,514
112 Cash - Restricted - Modernization and Development	\$0						\$0
113 Cash - Other Restricted	\$8,032		\$326,271		\$82,103	\$149,447	\$565,853
114 Cash - Tenant Security Deposits	\$0		\$1,600		\$5,031	\$7,284	\$13,915
115 Cash - Restricted for Payment of Current Liabilities	\$0						\$0
100 Total Cash	\$19,097	\$0	\$369,219	\$544,872	\$94,992	\$263,102	\$1,291,282
121 Accounts Receivable - PHA Projects	\$0						\$0
122 Accounts Receivable - HUD Other Projects	\$664	\$3,333	\$5,531				\$9,528
124 Accounts Receivable - Other Government	\$407		\$1,836	\$15,975	\$64	\$619	\$18,901
125 Accounts Receivable - Miscellaneous	\$0			\$2,572			\$2,572
126 Accounts Receivable - Tenants	\$0		\$1,024		\$3,241	\$851	\$5,116
126.1 Allowance for Doubtful Accounts - Tenants	\$0		(\$198)		(\$1,731)	(\$392)	-\$2,321
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0						\$0
128 Fraud Recovery	\$249						\$249
128.1 Allowance for Doubtful Accounts - Fraud	(\$249)						-\$249
129 Accrued Interest Receivable	\$0		\$5	\$9	\$1	\$2	\$17
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,071	\$3,333	\$8,198	\$18,556	\$1,575	\$1,080	\$33,813
131 Investments - Unrestricted	\$0						\$0
132 Investments - Restricted	\$0						\$0
135 Investments - Restricted for Payment of Current Liability	\$0						\$0
142 Prepaid Expenses and Other Assets	\$0		\$2,329		\$1,047	\$10,167	\$13,543
143 Inventories	\$0						\$0
143.1 Allowance for Obsolete Inventories	\$0						\$0
144 Inter Program Due From	\$0		\$348	\$446	\$3,333	\$285	\$4,412
145 Assets Held for Sale	\$0						\$0
150 Total Current Assets	\$20,168	\$3,333	\$380,094	\$563,874	\$100,947	\$274,634	\$1,343,050
161 Land	\$0				\$17,284	\$47,514	\$64,798

Otero County Housing Authority (CO101)
La Junta, CO

Program Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	10.410 Very Low to Moderate Income Housing Loans	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	Total
162 Buildings	\$0		\$2,118,607		\$896,474	\$992,718	\$4,007,799
163 Furniture, Equipment & Machinery - Dwellings	\$0						\$0
164 Furniture, Equipment & Machinery - Administration	\$317		\$23,032	\$12,180	\$2,459	\$4,528	\$42,516
165 Leasehold Improvements	\$0						\$0
166 Accumulated Depreciation	(\$307)		(\$1,983,465)	(\$12,157)	(\$352,216)	(\$671,289)	-\$3,219,434
167 Construction in Progress	\$0						\$0
168 Infrastructure	\$0						\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$10	\$0	\$158,174	\$23	\$564,001	\$173,471	\$895,679
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0						\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past	\$0						\$0
173 Grants Receivable - Non Current	\$0						\$0
174 Other Assets	\$0						\$0
176 Investments in Joint Ventures	\$0						\$0
180 Total Non-Current Assets	\$10	\$0	\$158,174	\$23	\$564,001	\$173,471	\$895,679
200 Deferred Outflow of Resources	\$0						\$0
290 Total Assets and Deferred Outflow of Resources	\$20,178	\$3,333	\$538,268	\$563,897	\$664,948	\$448,105	\$2,238,729
311 Bank Overdraft	\$0						\$0
312 Accounts Payable <= 90 Days	\$126		\$809	\$4,105	\$249	\$213	\$5,502
313 Accounts Payable >90 Days Past Due	\$0						\$0
321 Accrued Wage/Payroll Taxes Payable	\$0						\$0
322 Accrued Compensated Absences - Current Portion	\$0			\$23,659			\$23,659
324 Accrued Contingency Liability	\$0						\$0
325 Accrued Interest Payable	\$0		\$321		\$8,034		\$8,355
331 Accounts Payable - HUD PHA Programs	\$0						\$0
332 Account Payable - PHA Projects	\$0						\$0
333 Accounts Payable - Other Government	\$0						\$0
341 Tenant Security Deposits	\$0	\$1,600			\$5,031	\$7,284	\$13,915

Otero County Housing Authority (CO101)
La Junta, CO

Program Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	14,871 Housing Choice Vouchers	10,415 Rural Rental Housing Loans	10,427 Rural Rental Assistance Payments	1 Business Activities	10,410 Very Low to Moderate Income Housing Loans	14,195 Section 8 Housing Assistance Payments Program, Special Allocations	Total
342 Unearned Revenue	\$0		\$731		\$1	\$448	\$1,180
343 Current Portion of Long-term Debt - Capital	\$0		\$36,140		\$3,149		\$39,289
344 Current Portion of Long-term Debt - Operating Borrowings	\$0				\$0	\$0	\$0
345 Other Current Liabilities	\$0		\$0		\$0	\$0	\$0
346 Accrued Liabilities - Other	\$0		\$3,661		\$2,410	\$4,815	\$10,886
347 Inter Program - Due To	\$385	\$3,333		\$633	\$61		\$4,412
348 Loan Liability - Current	\$0						\$0
310 Total Current Liabilities	\$511	\$3,333	\$43,262	\$28,397	\$18,935	\$12,760	\$107,198
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$0				\$547,098		\$895,770
352 Long-term Debt, Net of Current - Operating Borrowings	\$0						\$0
353 Non-current Liabilities - Other	\$0						\$0
354 Accrued Compensated Absences - Non Current	\$0			\$124,206			\$124,206
355 Loan Liability - Non Current	\$0						\$0
356 FASB 5 Liabilities	\$0						\$0
357 Accrued Pension and OPEB Liabilities	\$0						\$0
350 Total Non-Current Liabilities	\$0	\$0	\$348,672	\$124,206	\$547,098	\$0	\$1,019,976
300 Total Liabilities	\$511	\$3,333	\$391,934	\$152,603	\$566,033	\$12,760	\$1,127,174
400 Deferred Inflow of Resources							
508.4 Net Investment in Capital Assets	\$10		(\$226,636)	\$23	\$13,754	\$173,471	-\$39,380
511.4 Restricted Net Position	\$8,032				\$0		\$8,032
512.4 Unrestricted Net Position	\$11,625	\$0	\$372,972	\$411,271	\$85,161	\$261,874	\$1,142,903
513 Total Equity - Net Assets / Position	\$19,667	\$0	\$146,334	\$411,294	\$98,915	\$435,345	\$1,111,555
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$20,178	\$3,333	\$538,268	\$563,897	\$664,948	\$448,105	\$2,238,729

Otero County Housing Authority (CO101)
La Junta, CO

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2017

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	10.410 Very Low to Moderate Income Housing Loans	14.195 Section 8 Housing Assistance Program, Special Allocations	Total
70300 Net Tenant Rental Revenue	\$0		\$34,505		\$29,966	\$96,880	\$161,351
70400 Tenant Revenue - Other	\$0		\$562		\$2,093	\$6,594	\$9,249
70500 Total Tenant Revenue	\$0	\$0	\$35,067	\$0	\$32,059	\$103,474	\$170,600
70600 HUD PHA Operating Grants	\$196,321					\$212,106	\$408,427
70610 Capital Grants	\$0						\$0
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	\$0	\$43,170	\$106,342				\$149,512
71100 Investment Income - Unrestricted	\$6		\$542	\$1,020	\$121	\$756	\$2,445
71200 Mortgage Interest Income	\$0						\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0						\$0
71310 Cost of Sale of Assets	\$0						\$0
71400 Fraud Recovery	\$0						\$0
71500 Other Revenue	\$0		\$2,648	\$44,254		\$4,619	\$51,521
71600 Gain or Loss on Sale of Capital Assets	\$0						\$0
72000 Investment Income - Restricted	\$0						\$0
70000 Total Revenue	\$196,327	\$43,170	\$144,599	\$45,274	\$32,180	\$320,955	\$782,505
91100 Administrative Salaries	\$6,236				\$467	\$2,919	\$9,622
91200 Auditing Fees	\$1,600		\$2,250	\$1,650	\$1,950	\$1,650	\$9,100
91300 Management Fee	\$0		\$10,207				\$10,207
91310 Book-keeping Fee	\$0						\$0
91400 Advertising and Marketing	\$0		\$315		\$89		\$404
91500 Employee Benefit contributions - Administrative	\$1,825				\$242	\$1,096	\$3,163
91600 Office Expenses	\$1,469		\$1,450	\$75	\$192	\$1,208	\$4,394

Otero County Housing Authority (CO101)
La Junta, CO

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	10.410 Very Low to Moderate Income Housing Loans	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	Total
91700 Legal Expense	\$0		\$327		\$157	\$1,210	\$1,694
91800 Travel	\$0		\$71		\$50		\$121
91810 Allocated Overhead	\$7,561			\$43,460	\$5,671	\$24,613	\$81,305
91900 Other	\$695		\$2,172		\$300	\$2,581	\$5,748
91000 Total Operating - Administrative	\$19,386	\$0	\$16,792	\$45,185	\$9,118	\$35,277	\$125,758
92000 Asset Management Fee	\$0						\$0
92100 Tenant Services - Salaries	\$0						\$0
92200 Relocation Costs	\$0						\$0
92300 Employee Benefit Contributions - Tenant Services	\$0						\$0
92400 Tenant Services - Other	\$0						\$0
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$0		\$1,461		\$5,005	\$4,568	\$11,034
93200 Electricity	\$0		\$25,989		\$8,671	\$24,987	\$59,647
93300 Gas	\$0		\$6,401		\$4,670	\$14,011	\$25,082
93400 Fuel	\$0						\$0
93500 Labor	\$0						\$0
93600 Sewer	\$0		\$1,188		\$4,080	\$5,086	\$10,354
93700 Employee Benefit Contributions - Utilities	\$0						\$0
93800 Other Utilities Expense	\$0						\$0
93000 Total Utilities	\$0	\$0	\$35,039	\$0	\$22,426	\$48,652	\$106,117
94100 Ordinary Maintenance and Operations - Labor	\$0		\$14,963		\$4,999	\$35,239	\$55,201
94200 Ordinary Maintenance and Operations - Materials and	\$0		\$12,558		\$2,560	\$13,405	\$28,523
94300 Ordinary Maintenance and Operations Contracts	\$0		\$25,038		\$3,776	\$79,634	\$108,448
94500 Employee Benefit Contributions - Ordinary Maintenance	\$0		\$4,566		\$1,752	\$11,046	\$17,364
94000 Total Maintenance	\$0	\$0	\$57,125	\$0	\$13,087	\$139,324	\$209,536
95100 Protective Services - Labor	\$0						\$0
95200 Protective Services - Other Contract Costs	\$0						\$0

Otero County Housing Authority (CO101)
La Junta, CO

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2017

	14,871 Housing Choice Vouchers	10,415 Rural Rental Housing Loans	10,427 Rural Rental Assistance Payments	1 Business Activities	10,410 Very Low to Moderate Income Housing Loans	14,195 Section 8 Housing Assistance Payments Program, Special Allocations	Total
95300 Protective Services - Other	\$0						\$0
95500 Employee Benefit Contributions - Protective Services	\$0						\$0
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$0		\$5,492		\$2,883	\$17,850	\$26,225
96120 Liability Insurance	\$0		\$1,620		\$619	\$395	\$2,634
96130 Workmen's Compensation	\$231		\$527	\$3,695	\$245	\$1,412	\$6,110
96140 All Other Insurance	\$0		\$1,658		\$2,794	\$1,757	\$6,209
96100 Total Insurance Premiums	\$231	\$0	\$9,297	\$3,695	\$6,541	\$21,414	\$41,178
96200 Other General Expenses	\$0		\$7	\$353		\$1,789	\$2,149
96210 Compensated Absences	\$1,072		\$354	\$5,039	\$1,347	\$6,901	\$14,713
96300 Payments in Lieu of Taxes	\$0						\$0
96400 Bad debt - Tenant Rents	\$0		\$870		\$2,374	\$3,496	\$6,740
96500 Bad debt - Mortgages	\$0						\$0
96600 Bad debt - Other	\$314						\$314
96800 Severance Expense	\$0						\$0
96000 Total Other General Expenses	\$1,386	\$0	\$1,231	\$5,392	\$3,721	\$12,186	\$23,916
96710 Interest of Mortgage (or Bonds) Payable	\$0		\$4,012		\$6,594		\$12,606
96720 Interest on Notes Payable (Short and Long Term)	\$0						\$0
96730 Amortization of Bond Issue Costs	\$0						\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$4,012	\$0	\$6,594	\$0	\$12,606
96900 Total Operating Expenses	\$21,003	\$0	\$123,496	\$54,272	\$63,487	\$256,853	\$519,111
97000 Excess of Operating Revenue over Operating Expenses	\$175,324	\$43,170	\$21,103	(\$9,998)	(\$31,307)	\$64,102	\$263,394
97100 Extraordinary Maintenance	\$0						\$0
97200 Casualty Losses - Non-capitalized	\$0						\$0
97300 Housing Assistance Payments	\$166,112						\$166,112

Otero County Housing Authority (CO101)
La Junta, CO

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	10.410 Very Low to Moderate Income Housing Loans	14.195 Section 8 Housing Assistance Payments Program - Special Allocations	Total
97350 HAP Portability-In	\$0						\$0
97400 Depreciation Expense	\$64		\$13,826	\$140	\$41,510	\$9,407	\$63,947
97500 Fraud Losses	\$0						\$0
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense	\$0						\$0
90000 Total Expenses	\$187,179	\$0	\$137,322	\$54,412	\$104,997	\$265,260	\$749,170
10010 Operating Transfer In	\$0				\$43,170		\$43,170
10020 Operating transfer Out	\$0	(\$43,170)					(\$43,170)
10030 Operating Transfers from/to Primary Government	\$0						\$0
10040 Operating Transfers from/to Component Unit	\$0						\$0
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss	\$0						\$0
10080 Special Items (Net Gain/Loss)	\$0						\$0
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In	\$0						\$0
10094 Transfers between Project and Program - Out	\$0						\$0
10100 Total Other financing Sources (Uses)	\$0	(\$43,170)	\$0	\$0	\$43,170	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$9,148	\$0	\$7,277	(\$9,138)	(\$29,647)	\$55,695	\$33,335
11020 Required Annual Debt Principal Payments	\$0	\$0	\$3,053	\$0	\$35,781	\$0	\$38,834
11030 Beginning Equity	\$10,519	\$0	\$139,057	\$420,432	\$128,562	\$379,650	\$1,078,220
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0						\$0
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							

Otero County Housing Authority (CO101)
La Junta, CO

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2017

	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	1 Business Activities	10.410 Very Low to Moderate Income Housing Loans	14.195 Section 8 Housing Assistance Payments Program, Special Allocations	Total
11090 Changes in Allowance for Doubtful Accounts - Dwelling							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity	\$11,635						\$11,635
11180 Housing Assistance Payments Equity	\$8,032						\$8,032
11190 Unit Months Available	543		576		120	384	1623
11210 Number of Unit Months Leased	461		188		113	357	1119
11270 Excess Cash							
11610 Land Purchases							
11620 Building Purchases							
11630 Furniture & Equipment - Dwelling Purchases							
11640 Furniture & Equipment - Administrative Purchases							
11650 Leasehold Improvements Purchases							
11660 Infrastructure Purchases							
13510 CFFP Debt Service Payments							
13901 Replacement Housing Factor Funds							

SINGLE AUDIT SECTION

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

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

Board of Directors
Otero County Housing Authority
La Junta, Colorado 81050

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 and each major fund of Otero County Housing Authority as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Otero County Housing Authority's basic financial statements, and have issued our report thereon dated July 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Otero 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 the Otero County Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Otero 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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (See item 2017-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Otero 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.

Dixon, Waller & Co., Inc.

July 18, 2018

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Directors
Otero County Housing Authority
La Junta, Colorado 81050

Report on Compliance for Each Major Federal Program

We have audited Otero 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 Otero County Housing Authority's major federal programs for the year ended December 31, 2017. Otero 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 Otero 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 Otero 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 Otero County Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Otero 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 December 31, 2017.

Report on Internal Control Over Compliance

Management of Otero 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 Otero 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 Otero 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.

Dixon, Waller & Co., Inc

July 18, 2018

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

Auditor's Report

An unmodified report has been issued on the financial statements of Otero County Housing Authority.

Internal Control Over Financial Reporting

A significant deficiency was disclosed by the audit; there were no material weaknesses identified.

Noncompliance Material to Financial Statements

No instances of noncompliance in amounts material to the financial statements of Otero County Housing Authority were disclosed by the audit.

FEDERAL AWARDS

Internal Control Over Major Programs

No significant deficiencies or material weaknesses were identified.

Auditor's Report on Compliance for Major Programs

An unmodified report has been issued on Otero County Housing Authority compliance for major programs.

Audit Findings

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

Section 8 Housing Assistance Payments	14.195
Section 8 Housing Choice Vouchers	14.871

Dollar Threshold to Distinguish Type A and Type B Programs

\$750,000.

Qualification as low-risk auditee

Otero County Housing Authority qualified as a low-risk auditee for the year ended December 31, 2017.

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Item 2017-001

Otero County Housing Authority has an inherent problem it shares with other entities in that it has a limited number of personnel performing accounting and administrative functions. Therefore, a proper separation of duties and responsibilities is not possible.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2017

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>United States Department of Agriculture</u>		
Farm Labor Housing Loans	10.405	420,593
Rural Rental Assistance Payments	10.427	106,342
Rural Rental Housing Loans - Supplement	10.415	43,170
Low Income Housing Loans	10.410	<u>553,314</u>
<u>Total Department of Agriculture</u>		<u>1,123,419</u>
<u>Department of Housing and Urban Development</u>		
Section 8-Housing Choice Vouchers	14.871	196,321
(Passed through Otero County, Colorado)		
Section 8-Housing Assistance Program-Special Allocation	14.195	<u>212,106</u>
<u>Total Department of Housing</u>		<u>408,427</u>
 <u>TOTAL EXPENDITURES</u>		 <u>1,531,846</u>

The accompanying notes are an integral part of this schedule.

THE HOUSING AUTHORITY OF THE COUNTY OF OTERO, COLORADO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes grant activity of Otero County Housing Authority and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, 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, or used in the preparation of the general purpose financial statements.

NOTE 2 LOANS OUTSTANDING

Otero County Housing Authority had the following loan balances outstanding at December 31, 2017. The balances outstanding are included in the federal expenditures presented in this schedule.

<u>Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Farm Labor Housing Loans	10.405	384,812
Low Income Housing Loans	10.410	550,247

NOTE 3 INDIRECT COSTS

The Housing Authority has elected not to use the 10 percent de minimis indirect cost rate.