
San Miguel Regional Housing Authority
Annual Financial Report
December 31, 2016
Telluride, Colorado

San Miguel Regional Housing Authority

Table of Contents

	<u>Page</u>
<i>Independent Auditor's Report</i>	1
Management's Discussion and Analysis	3
<i>Basic Financial Statements</i>	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
<i>Notes to Basic Financial Statements</i>	11
<i>Required Supplemental Information</i>	
Schedule of the Authority's Proportionate Share of Net Pension Liability	23
Schedule of Contributions	24
<i>Other Schedules</i>	
Combining Financial Schedules	25

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Miguel Regional Housing Authority
Telluride, Colorado

We have audited the accompanying financial statements of the San Miguel Regional Housing Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 San Miguel Regional Housing Authority, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of proportionate share of net pension liability and Schedule of Contributions, pages 3 through 7, 23 and 24 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 Authority's basic financial statements. The combining financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Blair and Associates, P.C.

Cedaredge, Colorado
May 15, 2017

San Miguel Regional Housing Authority
Management's Discussion and Analysis
Year Ended December 31, 2016

This narrative overview and analysis of the San Miguel Regional Housing Authority, (SMRHA), performance through December 31, 2016 is provided as a supplement to SMRHA year-end financial statements. Please read it in conjunction with the transmittal letter at the beginning of this report, the basic financial statements following this section and the notes to the basic financial statements.

Financial Highlights

- The assets of SMRHA exceeded the liabilities at December 31, 2016 by \$747,889 (net position). All of this amount \$747,889 (unrestricted net position) may be used to meet ongoing obligations.
- The SMRHA total net position increased by \$31,092 from the prior year.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to SMRHA basic financial statements. The SMRHA basic financial statements are comprised of two components: 1) the Basic Financial Statements and 2) Notes to the Basic Financial Statements that provide additional disclosure of some of the information in the basic financial statements.

The balance sheet present information on SMRHA's assets, deferred outflow of resources, liabilities and deferred inflow of resources with the differences reported as net position. Over time, increases or decreases in net position may serve as useful indicators as to whether the SMRHA's financial health is improving or deteriorating.

The **Statement of Revenues, Expenses and Changes in Net Position** present information showing how SMRHA's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future years.

The **Statement of Cash Flows** reports how SMRHA's cash and cash equivalents were used in and provided by its operating, noncapital financing, capital and related financing, and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances at December 31, 2016. The SMRHA uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. These statements provide answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.

Notes to the Basic Financial Statements provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to a comprehensive understanding of the information provided in the basic financial statements.

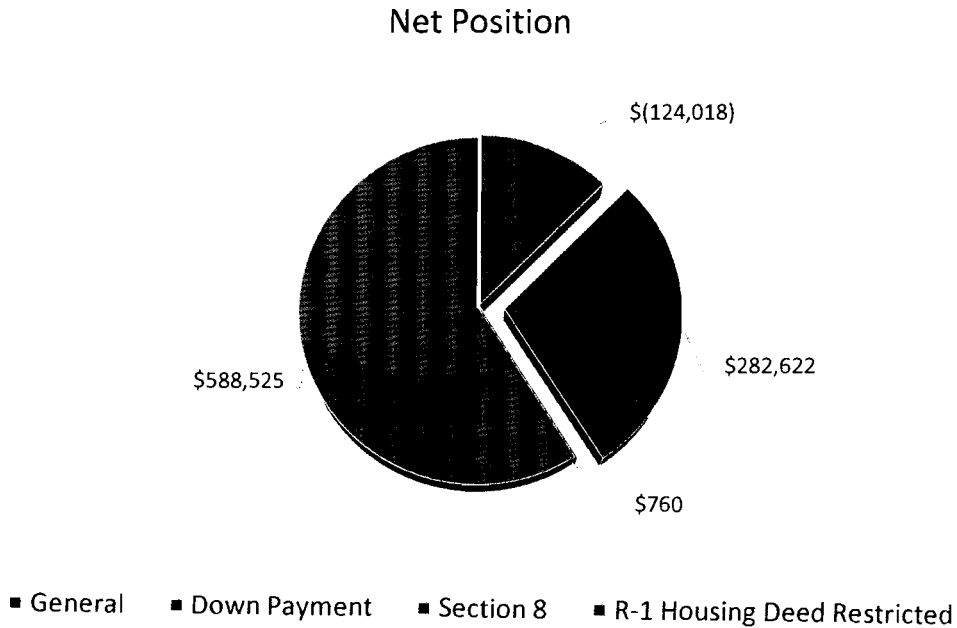
Financial Analysis

Net position is summarized in the table below:

	2016	2015
Current assets	\$ 206,815	\$ 207,940
Restricted assets, noncurrent	796,063	755,869
Other noncurrent assets	315	315
Total assets	1,003,193	964,124
Deferred outflow of resources	81,081	35,096
Current liabilities	24,426	20,601
Net pension liability	299,381	256,846
Total liabilities	323,807	277,447
Deferred inflow of resources	12,578	4,976
Unrestricted	747,889	716,797
Total net position	\$ 747,889	\$ 716,797

The SMRHA's current ratio reflects the relationship between current assets and current liabilities and is a measure of SMRHA's ability to pay short-term obligations. At December 31, 2016, SMRHA's current ratio is 8:1

The following is a breakdown of net position by programs.

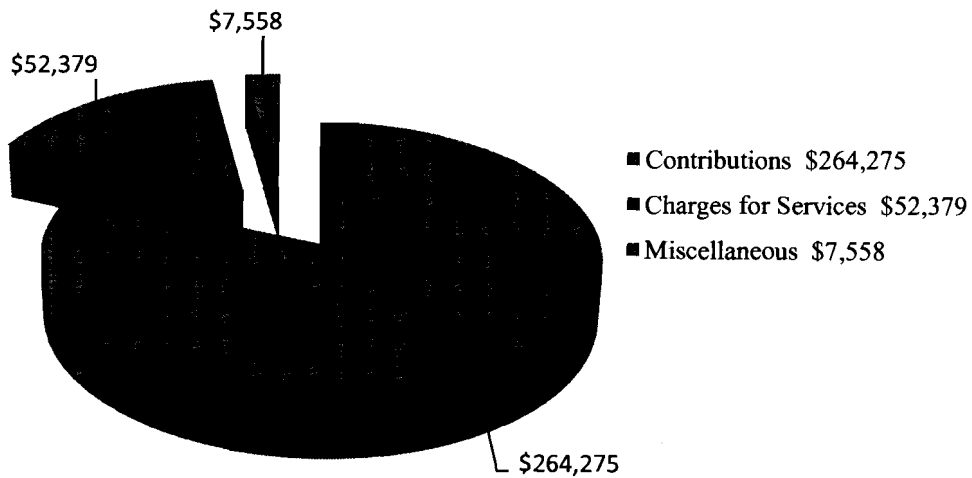


Changes in net position are summarized in the table below:

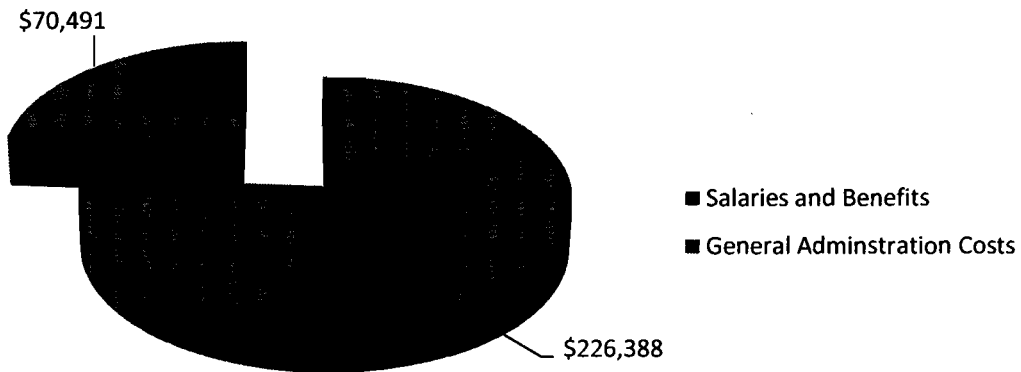
	2016	2015
Operating revenues	\$ 324,412	\$ 332,548
Operating expenses	296,879	285,890
Operating (loss) income	27,533	46,658
Nonoperating revenues (expenses)		
Interest income	3,559	725
Loss on sale of land	-	(68,436)
Nonoperating revenues (expenses),net	3,559	(67,711)
Change in net position	31,092	(21,053)
Net position, January 1	716,797	737,850
Net position, December 31	\$ 747,889	\$ 716,797

The SMRHA had an overall increase in net position of \$31,092 in 2016.

Operating Revenue



Operating Expenses



Capital Assets and Debt Administration

The SMRHA's capital assets are summarized in the table below:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 42,405	\$ 42,405
Less accumulated depreciation	(42,405)	(42,405)
Net capital assets	<u>\$ -</u>	<u>\$ -</u>

Additional information on SMRHA's capital assets can be found in Note E to the basic financial statements.

Economic Factors and Next Year's Budget

- The SMRHA continues to function as an independent agency with funding from the Towns of Telluride and Mountain Village, San Miguel County, and Colorado Dept. of Housing.
- Overseeing the sales, re-sales and rentals of over 1100 deed restricted properties in San Miguel County.
- In coordination with Colorado Division of Housing, SMRHA continues to administer the Section 8 Rental Program. Forty-eight vouchers were administered locally at the end of 2016. The program was frozen and 13 vouchers were lost throughout 2016.
- The Down Payment Assistance Loan Program continues to provide loans of \$10,000 or 5% of purchase price whichever is less. The Executive Director can approve loans for buyers who meet the guidelines and the SMRHA Board reviews applications that fall outside the guidelines. There were 2 new loans in 2016. There were 2 loans paid off in 2016 and an additional loan that is being repaid in payments.
- The Spruce House Lottery was held in September and October of 2016. The drawing was in October and eight units were assigned to buyers and though none closed in 2016, all units closed in the beginning of 2017.
- In 2016 there were 95 applications to purchase units including the Spruce House Lottery and 7 applications carried into 2016 from 2015. There were 33 sets of closing documents provided by the end of the year. There were 4 closings that carried into 2017. There were 40 applications to rent.
- Compliance for San Miguel County was initiated in 2016 and continued into 2017 and the Town of Mountain Village Compliance was picked up for final contacts. The Town of Telluride continued to pursue resolution on non-compliant unit owners. Some of the issues were resolved and others have moved into enforcement phases.
- The SMRHA Executive Director continued to offer homebuyer education classes and follow-up counseling as requested. The Town of Crested Butte requested 1 additional class for locals due to a lottery of land they were going to conduct.
- In 2016 a new position was added, Administrative Assistant, at 30 hours per week and the full-time Housing Specialist position needed to be re-filled. The new staff began before the end of the year.

Request for Information

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

San Miguel Regional Housing Authority
P.O. Box 840
Telluride, Colorado 81435

San Miguel Regional Housing Authority
Statement of Net Position
December 31, 2016

Assets and Deferred Outflow of Resources

	2016
Current Assets	
Cash (Note A)	\$ 161,806
Investments	45,009
Prepaid items	315
Total current assets	207,130
Restricted Assets	
Cash and investments (Note D)	
Loan default reserve-Cash	68,260
Loan default reserve	504,001
Notes receivable - Down payment program	223,802
Total restricted assets	796,063
Net property and equipment (Note E)	-
Deferred Outflow of Resources (Note H)	
Pension contributions made after the measurement date	21,202
Pension net difference between actual and expected experience	2,246
Pension net difference between projected and actual investment earnings	57,633
Total Deferred Outflow of Resources	81,081
Total assets and Deferred Outflow of Resources	\$ 1,084,274

Liabilities, Deferred Inflow of Resources and Net Position

Current liabilities	
Accounts payable	\$ 5,760
Accrued expenses	18,666
Total current liabilities	24,426
Net Pension Liability (Note H)	299,381
Deferred Inflow of Resources (Note H)	
Pension difference between expected and actual experience	10
Pension change in proportionate share of net pension liability	12,020
Change in assumptions	548
Total Deferred Inflow of Resources	12,578
Net position	
Investment in capital assets, net of related debt	-
Unrestricted	747,889
Total	747,889
Total liabilities and net position	\$ 1,084,274

The accompanying notes are an integral part of these financial statements

San Miguel Regional Housing Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2016

	<u>2016</u>
Operating Revenues	
Contributions	\$ 264,275
Charges for service and facilities	52,379
Miscellaneous	<u>7,758</u>
Total operating revenues	<u>324,412</u>
Operating expenses	
Personnel costs	226,388
General and administrative	<u>70,491</u>
Total operating expense	<u>296,879</u>
Operating income (loss) before depreciation	27,533
Nonoperating revenues (expenses)	
Earnings on deposits and investments	<u>3,559</u>
Nonoperating revenues (expenses), net	<u>3,559</u>
Gain (loss) before other revenues, expenses, gains, losses and transfers	31,092
Net position, January 1	<u>716,797</u>
Net position, December 31	<u>\$ 747,889</u>

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

San Miguel Regional Housing Authority
Statement of Cash Flows
For the Year Ended December 31, 2016

	2016
Cash flows from operating activities:	
Receipts from governments and others	\$ 447,551
Payments to employees and other costs	(222,236)
Payments to vendors, suppliers and transfers	(195,511)
Net cash provided (used) in operating activities	29,804
Cash flows from investing activities:	
Purchase of investments	(34,488)
Sale of investments	15,000
Interest received	3,220
Net cash provided (used) in investing activities	(16,268)
Net increase (decrease) in cash and cash equivalents	13,536
Cash and cash equivalents, January 1	148,270
Cash and cash equivalents, December 31	\$ 161,806
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	\$ 27,533
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities:	
Changes in operating assets and liabilities	
(Increase) decrease in notes receivable	(5,706)
Increase (decrease) in accounts payable	3,825
Increase (decrease) in pension liabilities	4,152
Net cash provided (used) in operating activities	\$ 29,804

The accompanying notes are an integral part of these financial statements

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note A - Summary of Significant Accounting Policies

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

Financial Reporting Entity

These financial statements present the San Miguel Regional Housing Authority (the Authority). The Authority, incorporated January 28, 1997, operates under a three member Board of Directors (Board) appointed by the Authority Council of the Authority of Telluride and the County Commissioners of San Miguel County. The Authority was formed primarily to provide for the affordable housing needs within Telluride and San Miguel County as well as make recommendations for land use regulations, deed restrictions and amendments to development regulations.

The Authority has entered into an Intergovernmental Agreement as of January 1, 2007 with San Miguel County, Town of Mountain Village and the Town of Telluride. The Intergovernmental Agreement designates the San Miguel Regional Housing Authority as an agent of the other entities. The San Miguel Regional Housing Authority manages the operations of the Authority. The operations are reported and disclosed within the financial statements.

The Authority's basic financial statements include the accounts of the Authority operations. There are no component units that need to be included in these financial statements.

Enterprise Fund Accounting

The Authority is financed and operated in a manner similar to private enterprise. The Authority intends operating expenses be financed primarily through charges for rentals and services.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The Authority uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash consists of operating and restricted cash and highly liquid debt instruments purchased with an initial maturity of three months or less.

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note A - Summary of Significant Accounting Policies-(continued)

Restricted Assets

The loan default reserve, established pursuant to an intergovernmental agreement between Telluride Housing Authority and the San Miguel County Housing Authority, is to be used solely for the purpose of curing defaults by owners of property subject to the R-1 Housing Deed Restriction or subject to written permission by San Miguel County. These R-1 funds belong and are restricted for the use of San Miguel County.

Property and Equipment

Property and equipment are stated at cost or, if contributed property, at their fair market value at the time of contribution. Depreciation is computed using the straight-line method over the following estimated useful lives:

Property and equipment	5 years
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Compensated Absences

Paid time off is payable at resignation up to a maximum of 24 days. Sick time is payable at 25% after two years of service, 50% after seven years, 75% after fifteen years and 100% after twenty years of the full value of unused sick days earned at the time of resignation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities at the date of the balance sheets. Actual results could differ significantly from these estimates.

Notes B - Budgets

The Authority adopts budgets, not required by State Statutes, on a modified accrual basis that includes all financing sources and uses. The following is a budgetary comparison on a budgetary basis for the year ended December 31, 2016:

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues	<u>\$ 291,625</u>	<u>\$ 327,971</u>	<u>\$ 36,346</u>
Expenses:			
Personnel costs	236,888	226,388	10,500
General and administrative	<u>54,737</u>	<u>70,491</u>	<u>(15,754)</u>
Total Expenses	<u>\$ 291,625</u>	<u>\$ 296,879</u>	<u>\$ (5,254)</u>

**San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016**

Note C - Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding “enterprises.” The amendment is complex and subject to judicial interpretation. The Authority considers itself an “enterprise” and as such, not subject to the provisions of the amendment. The Authority believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations of the Amendment’s language in order to determine if in compliance.

Note D - Deposits and Investments

The following is a reconciliation of the Authority’s deposit and investment balances as of December 31, 2016:

Bank deposits (checking, savings and etc.)	\$ 230,066
Investments:	
ColoTrust	<u>549,010</u>
Total	<u>\$ 779,076</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must at least be equal to the aggregate uninsured deposits.

Custodial Credit: Risks -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 December 31, 2016, the Authority had bank balances of \$ 245,386, of which all of the deposits were insured under the Federal Deposit Insurance Corporation.

Investments

At December 31, 2016 the Authority had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
ColoTrust Plus	N/A	\$ 549,010

Interest rate risk - The Authority's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments may not exceed a maturity date from purchase in excess of five years. The Authority has not experienced fair value losses.

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note D - Deposits and Investments- (continued)

Credit risk- Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. 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; and guaranteed investment contracts. The Authority's general investment policy is to apply the prudent-person rule: Prudence and protection of Authority funds are the primary criteria. All investments and bid requests for investments are predicated on liquidity, yield, safety and interest of the local economy. As of December 31, 2016, the Authority's investment in ColoTrust Plus, a 2a7-like investment pool, was rated AAA/V by Standard & Poor's, Aaa by Moody's Investors Service and AAA/V-1 by Fitch Ratings.

Concentration of credit risk- Investments must be in accordance with Colorado statutes and will be diversified. All of the Authority's investments are in ColoTrust.

Note E - Capital Assets

Changes in capital assets during 2016 were as follows:

	January 1			December 31
	2016	Additions	Deletions	2016
Capital assets being depreciated				
Property and equipment	\$ 42,405	\$ -	\$ -	\$ 42,405
Less accumulated depreciation	(42,405)	-	-	(42,405)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note F - Risk Management

The Authority faces three major types of risk: 1) Third-party liability claims, 2) Property and casualty loss claims, and 3) Workers' compensation claims. The Authority has purchased insurance coverage to cover these risks and is not a participant in a risk pool.

No claims or settlements were in excess of the insurance coverage for 2016 or any of the three prior years.

Note G - Litigation and Contingencies

The Authority is a not party any threatening lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. After consulting with legal council, the Authority's management has concluded that no significant adverse effect on the December 31, 2016, basic financial statements should result upon final disposition of these proceedings.

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note H - Defined Benefit Pension Plan

Plan Description

Pensions. 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 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
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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.

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note H - Defined Benefit Pension Plan- (continued)

Plan Description- (continued)

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 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. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. 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.

Contributions. Eligible employees and 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%

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

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note H - Defined Benefit Pension Plan- (continued)

Plan Description- (continued)

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 \$21,202 for the year ended December 31, 2016.

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

At December 31, 2016, the Authority reported a liability of \$299,381 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Authority proportion of the net pension liability was based on 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, 2015, the Authority proportion was 0.027177 percent, which was a decrease of 0.015 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Authority recognized pension expense of \$25,354. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$2,246	\$10
Changes of assumptions or other inputs		\$548
Net difference between projected and actual earnings on pension plan investments	\$57,633	
Changes in proportion and differences between contributions recognized and proportionate share of contributions		\$12,020
Contributions subsequent to the measurement date	\$21,202	N/A
Total	\$81,081	\$12,578

\$21,202 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note H - Defined Benefit Pension Plan- (continued)

Plan Description- (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2016	
2017	\$12,609
2018	\$14,604
2019	\$15,230
2020	\$4,858

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, 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
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, 2014 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.

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note H - Defined Benefit Pension Plan- (continued)

PERA actuarial assumptions.

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

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

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

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

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

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

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note H - Defined Benefit Pension Plan- (continued)

PERA actuarial assumptions

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note H - Defined Benefit Pension Plan- (continued)

PERA actuarial assumptions

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

Sensitivity of the Authority proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$458,975	\$299,381	\$167,006

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.

Note I - Postemployment Healthcare Benefits

Plan Description

The Authority contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The Authority is required to contribute at a rate of 1.02% for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending December 31, 2016 and 2015, the Authority's contributions to HCTF were \$1,710 and \$1,693, respectively, equal to their required contributions for each year.

San Miguel Regional Housing Authority
Notes to the Basic Financial Statements
December 31, 2016

Note J - Notes Receivable - Down Payment

These notes are for down payment and closing costs to individuals who purchased a home. For notes issued in 2002 -2007 the receiver of the loan has the option to pay the principal plus 5% back at the end of three years or after that time the amount of appreciation to be paid shall be calculated by deducting the original purchase price for the property from the sale price of the property and dividing such amount by the original purchase price (OPP) and multiplying such appreciation percentage by the principal of this note. The loans also would become due upon refinancing of the property, sale of the property, or death of the person who received the loan. The outstanding principal balance of these loans is \$43,350. Loans starting in 2008 are interest bearing at 5% for ten years. Loans starting in 2011 are interest bearing at 5% for 15 years.

Note K - Office Rent

The Authority rents office space from the Telluride Housing Authority at \$2,568 per quarter.

Note L - Restatement

The Authority restated the loan balances in the Down Payment Fund for loans that were forgiven and not recorded to the financial statements.

Net Position-December 31, 2015 previously reported	\$730,876
Adjustment to decrease Net Position	<u>(14,079)</u>
Net Position-December 31, 2015 as restated	<u>\$716,797</u>

San Miguel Regional Housing Authority
Schedule of Authority's Proportionate Share of the Net Pension Liability
Colorado PERA Pension Plan
For the Years Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.027177	0.028656
Authority's proportion share of the net pension liability	\$ 299,381	\$ 256,846
Authority's covered employee payroll	\$ 167,206	\$ 154,346
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	179%	166%
Plan fiduciary net position as a percentage of the total pension liability	76.9%	80.7%
PERA Local Government Division Fiduciary Net Position (thousands)	\$ 3,660,509	\$ 3,751,468
PERA Local Government Division Total Pension Liability (thousands)	\$ 4,762,090	\$ 4,647,777

Notes to the Required Supplementary Information:
There have not been any changes to benefit terms.
There have not been any changes in assumptions.

The accompanying notes are an integral part of this statement.

**San Miguel Regional Housing Authority
Schedule of Contributions
Colorado PERA Pension Plan
For the Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 21,202	\$ 19,571	\$ 19,910	\$ 20,109						
Contributions in relation to the contractually required contribution	21,202	19,571	19,910	20,109						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
District's covered employee payroll	\$ 167,206	\$ 154,346	\$ 163,304	\$ 162,788						
Contributions as a percentage of covered employee payroll	12.68%	12.68%	12.19%	12.35%						

Notes to the Required Supplementary Information:

There have not been any changes to benefit terms.

There have not been any changes in assumptions.

The accompanying notes are an integral part of this statement.

San Miguel Regional Housing Authority
Combining Financial Schedules
December 31, 2016

	<u>General Fund</u>	<u>Down Payment Fund</u>	<u>Section 8 Fund</u>	<u>R-1 Housing Deed Restricted Fund</u>	<u>Combined Total</u>
Current Assets					
Cash	\$ 130,971	\$ 13,811	\$ 760	\$ 16,264	\$ 161,806
Investments	-	45,009	-	-	45,009
Prepaid items	315	-	-	-	315
Total current assets	<u>131,286</u>	<u>58,820</u>	<u>760</u>	<u>16,264</u>	<u>207,130</u>
Restricted Assets					
Loan default reserve-Cash	-	-	-	68,260	68,260
Loan default reserve-Investments	-	-	-	504,001	504,001
Notes receivable	-	223,802	-	-	223,802
Total restricted assets	<u>-</u>	<u>223,802</u>	<u>-</u>	<u>572,261</u>	<u>796,063</u>
Deferred Outflows of Resources					
Pension contributions made after the measurement date	21,202	-	-	-	21,202
Pension net difference between actual and expected experience	2,246	-	-	-	2,246
Pension net difference between projected and actual investment earnings	57,633	-	-	-	57,633
Total Deferred Outflow of Resources	<u>81,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,081</u>
Total assets and deferred outflow of resources	<u>\$ 212,367</u>	<u>\$ 282,622</u>	<u>\$ 760</u>	<u>\$ 588,525</u>	<u>\$ 1,084,274</u>
Current Liabilities					
Accounts payable	\$ 5,760	\$ -	\$ -	\$ -	\$ 5,760
Accrued payroll	4,938	-	-	-	4,938
Accrued expenses	13,728	-	-	-	13,728
Total current liabilities	<u>24,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,426</u>
Net Pension Liability	<u>299,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,381</u>
Deferred Inflow of Resources					
Pension difference between expected and actual experience	10	-	-	-	10
Pension change in proportionate share of net pension liability	12,020	-	-	-	12,020
Change in assumptions	548	-	-	-	548
Total Deferred Inflow of Resources	<u>12,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,578</u>
Net Position					
Investment in capital assets net of related debt	-	-	-	-	-
Unrestricted	(124,018)	282,622	760	588,525	747,889
Total net position	<u>(124,018)</u>	<u>282,622</u>	<u>760</u>	<u>588,525</u>	<u>747,889</u>
Total liabilities and net position	<u>\$ 212,367</u>	<u>\$ 282,622</u>	<u>\$ 760</u>	<u>\$ 588,525</u>	<u>\$ 1,084,274</u>

**San Miguel Regional Housing Authority
Combining Financial Schedules
Year Ended December 31, 2016**

	General Fund	Down Payment Fund	Section 8 Fund	R-1 Housing Deed Restricted Fund	Combined Adjustments	Combined Total
Operating Revenues						
Town and county contributions	\$ 264,275	\$ -	\$ -	\$ -	\$ -	\$ 264,275
Charges for service and facilities	25,350	-	22,201	116,228	(111,400)	52,379
Miscellaneous	7,398	350	-	10	-	7,758
Total operating revenues	<u>297,023</u>	<u>350</u>	<u>22,201</u>	<u>116,238</u>	<u>(111,400)</u>	<u>324,412</u>
Operating expenses						
Personnel costs	226,388	-	24,125	87,275	(111,400)	226,388
General and administrative	50,347	240	2	19,902	-	70,491
Total operating expense	<u>276,735</u>	<u>240</u>	<u>24,127</u>	<u>107,177</u>	<u>(111,400)</u>	<u>296,879</u>
Operating income (loss)	<u>20,288</u>	<u>110</u>	<u>(1,926)</u>	<u>9,061</u>	<u>-</u>	<u>27,533</u>
Nonoperating revenues (expenses)						
Earnings on deposits and investments	9	339	-	3,211	-	3,559
Nonoperating revenues (expenses), net	<u>9</u>	<u>339</u>	<u>-</u>	<u>3,211</u>	<u>-</u>	<u>3,559</u>
Gain (loss) before other revenues, expenses gains, losses and transfers	20,297	449	(1,926)	12,272	-	31,092
Net position, January 1	<u>(144,315)</u>	<u>282,173</u>	<u>2,686</u>	<u>576,253</u>	<u>-</u>	<u>716,797</u>
Net position, December 31	<u>\$ (124,018)</u>	<u>\$ 282,622</u>	<u>\$ 760</u>	<u>\$ 588,525</u>	<u>\$ -</u>	<u>\$ 747,889</u>

San Miguel Regional Housing Authority
Combining Financial Schedules
Year Ended December 31, 2016

	General Fund	Down Payment Fund	Section 8 Fund	R-1 Housing Deed Restriction Fund	Combined Total
Cash flows from operating activities:					
Receipts from governments and others	\$ 297,023	\$ 12,089	\$ 22,201	\$ 116,238	\$ 447,551
Payments to employees and other costs	(222,236)	-	-	-	(222,236)
Payments to vendors, suppliers and transfers	(46,522)	(17,685)	(24,127)	(107,177)	(195,511)
Net cash provided (used) in operating activities	<u>28,265</u>	<u>(5,596)</u>	<u>(1,926)</u>	<u>9,061</u>	<u>29,804</u>
Cash flows from investing activities:					
Interest received	9	-	-	3,211	3,220
Sale on investments	-	15,000	-	-	15,000
Purchase of investments	-	-	-	(34,488)	(34,488)
Net cash provided (used in) investing activities	<u>9</u>	<u>15,000</u>	<u>-</u>	<u>(31,277)</u>	<u>(16,268)</u>
Net increase (decrease) in cash and cash equivalents	28,274	9,404	(1,926)	(22,216)	13,536
Cash and cash equivalents, January 1	<u>102,697</u>	<u>4,407</u>	<u>2,686</u>	<u>38,480</u>	<u>148,270</u>
Cash and cash equivalents, December 31	<u>\$ 130,971</u>	<u>\$ 13,811</u>	<u>\$ 760</u>	<u>\$ 16,264</u>	<u>\$ 161,806</u>
Reconciliation of operating income (loss) to net cash used in operating activities:					
Operating income (loss)	\$ 20,288	\$ 110	\$ (1,926)	\$ 9,061	\$ 27,533
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities:					
Changes in operating assets and liabilities					
Increase in notes receivable	-	(5,706)	-	-	(5,706)
Increase (decrease) in accounts payable	3,825	-	-	-	3,825
Increase in pension liabilities	4,152	-	-	-	4,152
Net cash provided (used in) operating activities	<u>\$ 28,265</u>	<u>\$ (5,596)</u>	<u>\$ (1,926)</u>	<u>\$ 9,061</u>	<u>\$ 29,804</u>