

COSTILLA COUNTY HOUSING AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Costilla County Housing Authority

We have audited the accompanying financial statements of the business type activities of Costilla County Housing Authority as of and for the year ended September 30, 2018, which collectively comprise the Authority's basic financial statements as listed in the table of contents and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Costilla County Housing Authority as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other-Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Authority's Proportionate Share of the Net Pension Liability – PERA, Schedule of Pension Contributions – PERA, Schedule of the Authority's Proportionate Share of the OPEB Liability - PERA and Schedule of OPEB Contributions - PERA, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the Costilla County Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Costilla County Housing Authority's internal control over financial reporting and compliance.



January 18, 2019
Brighton, CO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis

As management of the Costilla County Housing Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2018.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$836,290.

Overview of the Financial Statements

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

Financial Statements

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

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

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

Fund Financial Statements

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis

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

	2018	2017	Change
ASSETS			
Current and other assets	\$ 718,381	\$ 649,194	\$ 69,187
Capital assets	1,916,922	1,873,602	43,320
Total Assets	<u>2,635,303</u>	<u>2,522,796</u>	<u>112,507</u>
Deferred Outflows of Resources	<u>31,159</u>	<u>89,727</u>	<u>(58,568)</u>
LIABILITIES			
Current liabilities	78,486	68,142	10,344
Long term liabilities	1,706,000	1,776,256	(70,256)
Total liabilities	<u>1,784,486</u>	<u>1,844,398</u>	<u>(59,912)</u>
Deferred Inflows of Resources	<u>45,686</u>	<u>8,524</u>	<u>37,162</u>
NET POSITION			
Net investment in capital assets	441,771	376,997	64,774
Restricted	169,235	184,109	(14,874)
Unrestricted	225,284	198,495	26,789
Total Net Position	<u>\$ 836,290</u>	<u>\$ 759,601</u>	<u>\$ 76,689</u>

As of the current fiscal year, as well as in the previous fiscal year, the Authority is able to report a positive balance in the Net Position. Capital assets have increased over the prior year. This is due to improvements added during year 2018 in an amount more than the depreciation incurred during 2018. Current assets have increased due to an increase in cash as a result of operations. Current liabilities have increased due to the normal timing of payments. Long Term liabilities have increased due to changes in the net pension liability which was partially offset by the payment of principal on long term debt. The net position increased due to revenues exceeding expenses for the year.

	Change in Net Position		
	2018	2017	Increase (Decrease)
Revenue:			
Operating Revenue			
Charges for Services	\$ 220,429	\$ 205,069	\$ 15,360
Grants and Contribution	650,661	515,258	135,403
Other Income	758	53,737	(52,979)
Total Revenue	<u>871,848</u>	<u>774,064</u>	<u>97,784</u>
Expenses:			
Operating Expenses	751,838	622,233	129,605
Non Operating Expenses	22,125	24,026	(1,901)
Total Expenses	<u>773,963</u>	<u>646,259</u>	<u>127,704</u>
Change in Net Position	97,885	127,805	(29,920)
Net Position-Beginning (RESTATED)	738,405	631,796	106,609
Net Position-Ending	<u>\$ 836,290</u>	<u>\$ 759,601</u>	<u>\$ 76,689</u>

The revenue is increased in 2018, from the prior year due to increase in grants and capital contributions and rental income. The expenses are increased due to increase in general and administration, and maintenance and operation expenses and pension related expenses.

Capital Assets

The Authority's investment in capital assets as of September 30, 2018, amounts to \$1,916,922 (net of accumulated depreciation). This investment in capital assets included Land Improvements, Building and Equipment. The Authority's capital expenditures were \$188,982 during fiscal year 2018. Additional information on the Authority's capital assets can be found in note 3 to the financial statements.

Long Term Debt

At the end of the year, the Authority had outstanding long-term debt of \$1,475,151. The Authority paid \$21,454 towards principal during the year. There was no additional long term debt incurred during the year. Additional information on the Authority's Long Term Debt can be found in note 4 of the financial statements.

Economic Factors and Next Year's Revenue

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

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

COSTILLA COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 456,779
Other receivables	39,350
Tenants Receivable (net of bad debt allowance)	11,267
Prepaid Expenses	4,695
Cash Security Deposit - Restricted	37,055
Restricted Cash - Replacement Reserves	169,235
Total Current Assets	718,381

Non Current Assets

Capital Assets

Land	114,391
Building and Improvements	6,314,586
Equipment	197,127
Less Accumulated Depreciation	(4,709,182)
Total Capital Assets Net of Depreciation	1,916,922

Total Noncurrent Assets	1,916,922
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TOTAL ASSETS	2,635,303
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Pensions	30,019
Deferred Outflows - OPEB	1,140
Total Deferred Outflows of Resources	31,159

LIABILITIES

Current Liabilities

Accounts Payable	16,043
Other Accrued Liabilities	99
Tenant Security Deposits	37,055
Accrued Interest Payable	1,767
Current Portion of Long Term Debt	23,522
Total Current Liabilities	78,486

Noncurrent Liabilities:

Notes and Mortgage Payable	1,451,629
Net Pension Liability	233,219
Net OPEB Liability	21,152
Total Noncurrent Liabilities	1,706,000
TOTAL LIABILITIES	1,784,486

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows- Pensions	45,128
Deferred Inflows - OPEB	558
Total Deferred Inflows of Resources	45,686

NET POSITION

Net Investment in Capital Assets	441,771
Restricted for Capital Improvements	169,235
Unrestricted	225,284
TOTAL NET POSITION	\$ 836,290

See the accompanying Independent Auditors' Report

**COSTILLA COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

OPERATING REVENUES:	
Dwelling Rental	\$ 182,882
Other Income	37,547
TOTAL OPERATING REVENUES	220,429
OPERATING EXPENSES:	
General and Administrative	233,978
Utilities	95,510
Maintenance and Operation	276,688
Depreciation	145,662
TOTAL OPERATING EXPENSES	751,838
OPERATING (LOSS)	(531,409)
NON OPERATING REVENUES (EXPENSES):	
Governmental Grants	534,478
Interest Expense	(22,125)
Interest Income	758
TOTAL NONOPERATING REVENUE (EXPENSE)	513,111
INCOME BEFORE CAPITAL CONTRIBUTIONS	(18,298)
Capital Contributions	116,183
CHANGE IN NET POSITION	97,885
NET POSITION - BEGINNING (RESTATED)	738,405
NET POSITION - ENDING	\$ 836,290

See the accompanying Independent Auditors' Report

**COSTILLA COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Cash Flows From Operating Activities:	
Cash Received from Tenants	\$ 218,425
Cash Paid to Suppliers	(433,232)
Cash Paid to Employees	(138,504)
	<u>(353,311)</u>
Net Cash (Used) by Operating Activities	
Cash Flows From Noncapital Financing Activities:	
Government Grants	495,128
	<u>495,128</u>
Net Cash Provided by Non-Capital Financing Activities	
Cash Flows From Capital and Related Financing Activities:	
Purchase of Property, Plant and Equipment	(188,982)
HUD Capital Grant	116,183
Repayment of Notes and Mortgage	(21,454)
Interest on Notes and Mortgage	(22,290)
	<u>(116,543)</u>
Net Cash (Used) by Capital and Related Financing Activities	
Cash Flows from Investing Activities:	
Interest Income	758
	<u>758</u>
Net Cash Provided by the Investing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	
	26,032
Cash and Cash Equivalents, Beginning	
	<u>637,037</u>
Cash and Cash Equivalents, Ending	
	<u>\$ 663,069</u>
Detail of cash and cash equivalents:	
Cash	456,779
Cash -security deposit	37,055
Cash- restricted	169,235
	<u>\$ 663,069</u>
Reconciliation of Operating Income to Net	
Cash Used for Operating Activities:	
Operating Loss	\$ (531,409)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation	145,662
Pension related changes	27,800
Changes in Assets and Liabilities:	
Accounts Receivable - Tenants	225
Prepaid Expenses	(4,030)
Accounts Payable	8,883
Security Deposit	(270)
Other Accrued Liabilities	(172)
	<u>(353,311)</u>
Net Cash (Used) by Operating Activities	
	<u>\$ (353,311)</u>

See the accompanying Independent Auditors' Report

Costilla County Housing Authority
Notes to Financial Statements
September 30, 2018

Note 1 Summary of Significant Accounting Policies

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

Reporting Entity

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

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

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

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

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

Assets and Liabilities

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

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

Capital assets - assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation over the estimated useful lives of the assets is computed using the straight-line method. The estimated useful lives are 20-50 years for buildings, 10-20 years for improvements and 5-20 years for equipment.

Cash and Cash Equivalents

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

Use of Estimates in the Preparation of Financial Statements

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

Compensated Absences

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

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

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018**

Note 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

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

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

Short-Term Inter-program Receivables/Payables and Transfers

During the course of operations, transactions may occur between individual programs for the goods provided or services rendered. These receivables and payables are classified as due from other programs or due to other programs on the balance sheet and have been eliminated in the government wide statement of net position. The outstanding balances between programs result mainly from the time lag between the dates that (1) transactions are recorded in the accounting system, and (2) payments between programs are made. The composition of inter program balances as of September 30, 2018, is as follows:

<u>Due From Other Programs</u>	<u>Due (to) Other Programs</u>				
<u>Program</u>	<u>Low Rent</u>	<u>Rural Development Family</u>	<u>Rural Development Senior</u>	<u>Total</u>	
Low Rent	\$ -	\$ (5,053)	\$ (4,097)	\$ (9,150)	
Rural Development - Family	5,053	-	-	5,053	
Rural Development - Senior	4,097	-	-	4,097	
Total	<u>\$ 9,150</u>	<u>\$ (5,053)</u>	<u>\$ (4,097)</u>	<u>\$ -</u>	

Fund Balance deficit

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

Note 2 Cash and Investments

Restricted Assets

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

Cash Deposits

As of September 30, 2018, the Authority's cash deposits had a carrying balance of \$663,069 and corresponding bank balance of \$680,078, of which \$365,212 was FDIC insured. At September 30, 2018, the Authority had cash of \$169,235 restricted for capital improvements and \$37,055 restricted for security deposits.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 2 Cash and Investments (Continued)

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Authority had \$314,866 collateralized under PDPA at December 31, 2018, accordingly the Authority was not exposed to credit risk.

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of September 30, 2018, none of the Authority's bank deposits were exposed to custodial credit risk.

Investments

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

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

The Authority has not adopted a formal investment policy.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 3 Capital Assets

The following is a summary of fixed assets at September 30, 2018:

	Beginning Balance	Increase	Decrease	Ending Balance
Non-depreciable				
Land	\$ 114,391	\$ -	\$ -	\$ 114,391
Total non-depreciable	114,391	-	-	114,391
Capital assets, being depreciated:				
Buildings and improvements	6,153,679	160,907	-	6,314,586
Equipment	169,052	28,075	-	197,127
Total capital assets being depreciated	6,166,942	188,982	-	6,511,713
Total Capital Assets	6,281,333	188,982	-	6,626,104
Less accumulated depreciation	(4,563,520)	(145,662)	-	(4,709,182)
Net Capital Assets	\$ 1,856,855	\$ 43,320	\$ -	\$ 1,916,922

Note 4 Long term Debt

On May 1, 1989 the Authority obtained a loan from United State Department of Agriculture Rural Development (USDA) totaling \$756,936. The loan proceeds were used to build Willow Grove-Cottonwood-Gilbert Manor apartments (Family Units) consisting 20 apartments for low income family. The loan carries 9.5 percent interest rate and payable in monthly installment over 50 years. USDA subsidized the interest and the subsidized interest rate on the loan is 1 percent. The monthly payment on the loan is \$1,620 which includes interest and principal. The loan principal is amortized using 9.5 percent rate of interest. The requirements to amortize the loan outstanding as of September 30, 2018 are as follows:

Year	Principal	Interest	Total
2019	11,427	61,163	72,590
2020	12,562	60,028	72,590
2021	13,809	58,781	72,590
2022	15,179	57,411	72,590
2023	16,686	55,904	72,590
2024-2028	111,811	251,139	362,950
2029-2033	179,458	183,492	362,950
2034-2038	288,025	74,919	362,944
Total	\$ 648,957	\$ 802,837	\$ 1,451,794

On November 1, 1991 the Authority obtained a loan from United State Department of Agriculture Rural Development (USDA) totaling \$943,500. The loan proceeds were used to build Sangre de Cristo (Senior Units) consisting 24 apartments for low income seniors. The loan carries 9.00 percent interest rate and payable in monthly installment over 50 years. USDA subsidized the interest and the subsidized interest rate on the loan is 1 percent. The monthly payment on the loan is \$2,025 which includes interest and principal. The loan principal is amortized using 9.0 percent rate of interest. The requirements to amortize the loan as of September 30, 2018 are as follows:

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 4 Long term Debt (Continued)

Year	Principal	Interest	Total
2019	12,095	73,867	85,962
2020	13,230	72,732	85,962
2021	14,471	71,491	85,962
2022	15,829	70,133	85,962
2023	17,313	68,649	85,962
2024-2028	114,198	315,610	429,808
2029-2033	178,798	251,010	429,808
2034-2038	279,941	149,867	429,808
2039-2041	180,319	20,269	200,588
Total	<u>\$ 826,194</u>	<u>\$ 1,093,628</u>	<u>1,919,822</u>

Changes in Long-term Debt during 2018 were as follows:

	Balance 9/30/2017	Additions	Reductions	Balance 9/30/2018	Amounts Due Within One Year
1989 USDA Note	\$ 659,353	\$ -	\$ 10,396	\$ 648,957	\$ 11,427
1991 USDA Note	837,252	-	11,058	826,194	12,095
Total Long-term Debt	<u>\$ 1,496,605</u>	<u>\$ -</u>	<u>\$ 21,454</u>	<u>\$ 1,475,151</u>	<u>\$ 23,522</u>

Note 5 Tenant Receivable

Following is detail of Tenant Receivable

	Low Rent	Senior Rural Development	Family Rural Development	Total
Tenant Receivable	\$ 12,871	\$ 23	\$ 11,015	\$ 23,909
Bad Debt Allowance	(6,242)	(1)	(6,399)	(12,642)
Net Receivable	<u>\$ 6,629</u>	<u>\$ 22</u>	<u>\$ 4,616</u>	<u>\$ 11,267</u>

Note 6 Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The Authority participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense,

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To *the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and September 30, 2018.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 6 Defined Benefit Pension Plan (Continued)

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.

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018**

Note 6 Defined Benefit Pension Plan (Continued)

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

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

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

Contributions provisions as of September 30, 2018: Eligible employees and the Authority are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

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

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were \$17,562 for the year ended September 30, 2018.

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

At September 30, 2018, the Authority reported a liability of \$233,219 for its proportionate share

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 6 Defined Benefit Pension Plan (Continued)

of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Authority proportion of the net pension liability was based on the Authority's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the Authority's proportion was .0209459042 percent, which was a decrease of .0013525781 percent as measured at December 31, 2016. For the year ended September 30, 2018, the Authority recognized pension expense of \$28,426. At September 30, 2018, 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	\$ 14,491	\$ 0
Changes of assumptions or other inputs	\$ 2,464	\$ 0
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 45,128
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 13,064	N/A
Total	\$ 30,019	\$ 45,128

The Authority reported \$13,064 as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ended September 30, 2018.

<u>Year Ended</u>	<u>Pension Expense</u>
2019	\$ 23,651
2020	(6,519)
2021	(16,486)
2022	(15,755)
2023	-
Total	<u>\$ (15,109)</u>

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018**

Note 6 Defined Benefit Pension Plan (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 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

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

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

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 6 Defined Benefit Pension Plan (Continued)

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 most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018**

Note 6 Defined Benefit Pension Plan (Continued)

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

Based on the above assumptions and methods, LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. 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 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

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

Discount Rate:	6.25%	7.25%	8.25%
Proportionate share of the net pension liability	<u>\$371,441</u>	<u>\$233,219</u>	<u>\$117,990</u>

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.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 6 Defined Benefit Pension Plan (Continued)

Changes between the measurement date of the net pension liability September 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

September 30, 2018 the Authority reported a liability of \$233,219 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the Authority's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 7 Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. The Authority participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the Authority are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. 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. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 7 Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Authority were \$1,413 for the year ended September 30, 2018.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 7 Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018 the Authority reported a liability of \$21,152 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Authority proportion of the net OPEB liability was based on Authority contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the Authority proportion was .0016276859 percent, which was a decrease of .0000840403% from its proportion measured as of December 31, 2016.

For the year ended September 30, 2018, the Authority recognized OPEB expense of \$20,570. At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$100	\$0
Changes of assumptions or other inputs	\$0	\$0
Net difference between projected and actual earnings on OPEB plan investments	\$0	\$558
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$1,040	N/A
Total	\$1,140	\$558

\$1,040 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u>	<u>Pension Expense</u>
2019	\$ 792
2020	(248)
2021	(248)
2022	(69)
2023	355
Total	<u>\$ 582</u>

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 7 Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018**

Note 7 Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 7 Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 7 Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the Authority proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	XXX,XXX	XXX,XXX	XXX,XXX

**Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018**

Note 7 Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$20,571	\$21,152	\$21,854

Costilla County Housing Authority
Notes to Financial Statements (Continued)
September 30, 2018

Note 7 Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

OPEB plan fiduciary net position. Detailed information about the HCTF'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 8 Risk Management

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

Note 9 Contingencies

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of September 30, 2018, significant amounts of grant expenses have not been audited, but the Authority believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the Authority.

Note 10 TABOR

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

Note 11 Prior Period Adjustment

For the year ended September 30, 2018 the Authority implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the new accounting standard required the beginning fund balance to be restated. The restatement resulted in a decrease of net position in the amount of \$21,196. There was no effect on Statement of Revenues, Expenses and Changes in Net Position for the year ended.

REQUIRED SUPPLEMENTAL INFORMATION

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

Measurement date for the year ending December 31,	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.0209459042%	0.0222984823%	0.0236282839%	0.0248382894%	0.0269524076%
Authority's proportional share of the net pension liability	\$ 233,219	\$ 301,105	\$ 260,285	\$ 222,628	\$ 221,797
Authority's covered payroll	138,503	135,157	134,191	136,103	143,794
Total pension liability	5,396,516,000	5,123,847,000	4,762,090,000	4,647,777,000	4,517,239,000
Plan fiduciary net position	4,283,086,000	3,773,506,000	3,660,509,000	3,751,468,000	3,508,312,000
Net pension liability	<u>\$ 1,113,430,000</u>	<u>\$ 1,350,341,000</u>	<u>\$ 1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 1,008,927,000</u>
Plan fiduciary net position as a percentage of the total pension liability	79.4%	73.6%	76.9%	80.7%	77.7%
Net pension liability as a percentage of covered payroll	168%	223%	194%	164%	154%

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

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

Measurement date for the year ending December 31, Statutorily Required Contribution	2017	2016	2015	2014	2013
	17,562	17,138	17,015	17,258	18,233
 Contributions in Relation to the Statutorily Required Contribution	 17,562	 17,138	 17,015	 17,258	 18,233
 Contribution Deficiency (Excess)	 -	 -	 -	 -	 -
 Covered Payroll	 138,503	 135,157	 134,191	 136,103	 143,794
Contributions as a % of Covered Payroll	12.68%	12.68%	12.68%	12.68%	12.68%

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

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

	2017	2016
Measurement date for the year ending December 31, Authority's proportion of the net OPEB liability	0.0016276859%	0.0017117262%
Authority's proportional share of the net OPEB liability	\$ 21,152	\$ 22,193
Authority's covered payroll	138,503	135,157
Total OPEB liability	1,575,822,000	1,556,762,000
Plan fiduciary net position	276,222,000	260,228,000
Net OPEB liability	\$ 1,299,600,000	\$ 1,296,534,000
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	16.7%
Net OPEB liability as a percentage of covered payroll	15%	16%

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

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

Measurement date for the year ending December 31,	2017	2016
Statutorily Required Contribution	1,413	1,379
Contributions in Relation to the Statutorily Required Contribution	1,413	1,379
Contribution Deficiency (Excess)	-	-
Covered Payroll	138,503	135,157
Contributions as a % of Covered Payroll	1.02%	1.02%

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

SUPPLEMENTAL SECTION

**COSTILLA COUNTY HOUSING AUTHORITY
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018**

	<u>LOW RENT</u>	<u>RURAL DEVELOPMENT SENIOR</u>	<u>RURAL DEVELOPMENT FAMILY</u>	<u>TOTAL</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 405,179	\$ 31,088	\$ 20,512	\$ 456,779
Other Receivables	19,481	8,685	11,184	39,350
Tenants Receivable, Tenants (net of bad debt allowance)	6,629	22	4,616	11,267
Prepaid Expenses	3,423	874	398	4,695
Due from Other Programs	9,150	-	-	9,150
Cash Security Deposit - Restricted	19,234	9,114	8,707	37,055
Restricted Cash - Replacement Reserves	-	72,407	96,828	169,235
Total Current Assets	<u>463,096</u>	<u>122,190</u>	<u>142,245</u>	<u>727,531</u>
Non Current Assets				
Capital Assets				
Land	65,312	-	49,079	114,391
Building and Improvements	4,237,506	1,156,182	920,898	6,314,586
Furniture and Equipment	193,993	1,567	1,567	197,127
Less Accumulated Depreciation	<u>(3,642,546)</u>	<u>(569,580)</u>	<u>(497,056)</u>	<u>(4,709,182)</u>
Total Capital Assets Net of Depreciation	<u>854,265</u>	<u>588,169</u>	<u>474,488</u>	<u>1,916,922</u>
Total Noncurrent Assets	<u>854,265</u>	<u>588,169</u>	<u>474,488</u>	<u>1,916,922</u>
TOTAL ASSETS	<u>1,317,361</u>	<u>710,359</u>	<u>616,733</u>	<u>2,644,453</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pensions	14,079	11,073	4,867	30,019
Deferred Outflows - OPEB	535	420	185	1,140
Total Deferred Outflows of Resources	<u>14,614</u>	<u>11,493</u>	<u>5,052</u>	<u>31,159</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	7,089	5,602	3,352	16,043
Other Accrued Liabilities	17	72	10	99
Tenant Security Deposits	19,234	9,114	8,707	37,055
Accrued Interest Payable	-	1,058	709	1,767
Current Portion of Long Term Debt	-	12,095	11,427	23,522
Due To Other Programs	-	4,097	5,053	9,150
Total Current Liabilities	<u>26,340</u>	<u>32,038</u>	<u>29,258</u>	<u>87,636</u>
Noncurrent Liabilities:				
Notes and Mortgage Payable	-	814,099	637,530	1,451,629
Net Pension Liability	115,548	62,375	55,296	233,219
Net OPEB Liability	10,480	5,657	5,015	21,152
Total Noncurrent Liabilities	<u>126,028</u>	<u>882,131</u>	<u>697,841</u>	<u>1,706,000</u>
TOTAL LIABILITIES	<u>152,368</u>	<u>914,169</u>	<u>727,099</u>	<u>1,793,636</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pensions	23,318	8,395	13,415	45,128
Deferred Inflows - OPEB	288	104	166	558
Total Deferred Inflows of Resources	<u>23,606</u>	<u>8,499</u>	<u>13,581</u>	<u>45,686</u>
NET POSITION				
Net Investment in Capital Assets	854,265	(238,025)	(174,469)	441,771
Restricted for Capital Improvements	-	72,407	96,828	169,235
Unrestricted	301,736	(35,198)	(41,254)	225,284
TOTAL NET POSITION	<u>\$ 1,156,001</u>	<u>\$ (200,816)</u>	<u>\$ (118,895)</u>	<u>\$ 836,290</u>

See the accompanying Independent Auditors' Report

COSTILLA COUNTY HOUSING AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	LOW RENT	RURAL DEVELOPMENT SENIOR	RURAL DEVELOPMENT FAMILY	TOTAL
OPERATING REVENUES:				
Dwelling Rental	\$ 105,342	\$ 53,847	\$ 23,693	\$ 182,882
Other Income	22,366	8,286	6,895	37,547
TOTAL OPERATING REVENUES	<u>127,708</u>	<u>62,133</u>	<u>30,588</u>	<u>220,429</u>
OPERATING EXPENSES:				
General and Administrative	122,486	48,937	62,555	233,978
Utilities	62,802	16,388	16,320	95,510
Maintenance and Operation	110,932	88,700	77,056	276,688
Depreciation	86,799	32,075	26,788	145,662
TOTAL OPERATING EXPENSES	<u>383,019</u>	<u>186,100</u>	<u>182,719</u>	<u>751,838</u>
OPERATING (LOSS)	<u>(255,311)</u>	<u>(123,967)</u>	<u>(152,131)</u>	<u>(531,409)</u>
NON OPERATING REVENUES (EXPENSES):				
Governmental Grants	272,613	117,059	144,806	534,478
Interest Expense	-	(13,160)	(8,965)	(22,125)
Interest Income	428	132	198	758
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>273,041</u>	<u>104,031</u>	<u>136,039</u>	<u>513,111</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	17,730	(19,936)	(16,092)	(18,298)
HUD Capital Contributions	116,183	-	-	116,183
Net Transfers and Capital Contributions	116,183	-	-	116,183
CHANGE IN NET POSITION	<u>133,913</u>	<u>(19,936)</u>	<u>(16,092)</u>	<u>97,885</u>
NET POSITION - BEGINNING (RESTATED)	1,022,088	(180,880)	(102,803)	738,405
NET POSITION - ENDING	<u>\$ 1,156,001</u>	<u>\$ (200,816)</u>	<u>\$ (118,895)</u>	<u>\$ 836,290</u>

See the accompanying Independent Auditors' Report

**COSTILLA COUNTY HOUSING AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	LOW RENT	RURAL DEVELOPMENT SENIOR	RURAL DEVELOPMENT FAMILY	TOTAL
Cash Flows From Operating Activities:				
Cash Received from Tenants	\$ 128,351	\$ 62,196	\$ 27,878	\$ 218,425
Cash Paid to Suppliers	(211,179)	(119,930)	(102,123)	(433,232)
Cash Paid to Employees	(70,683)	(25,440)	(42,381)	(138,504)
Net Cash (Used) by Operating Activities	<u>(153,511)</u>	<u>(83,174)</u>	<u>(116,626)</u>	<u>(353,311)</u>
Cash Flows From Noncapital Financing Activities:				
Governments Grants	253,132	108,374	133,622	495,128
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>253,132</u>	<u>108,374</u>	<u>133,622</u>	<u>495,128</u>
Cash Flows From Capital and Related Financing Activities:				
Purchase of Property, Plant and Equipment	(163,522)	(25,460)	-	(188,982)
HUD Capital Grants	116,183	-	-	116,183
Repayment of Notes and Mortgage	-	(11,058)	(10,396)	(21,454)
Interest on Notes and Mortgage	-	(13,243)	(9,047)	(22,290)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(47,339)</u>	<u>(49,761)</u>	<u>(19,443)</u>	<u>(116,543)</u>
Cash Flows from Investing Activities:				
Interest Income	428	132	198	758
Net Cash Provided by Investing Activities	<u>428</u>	<u>132</u>	<u>198</u>	<u>758</u>
Net Increase (Decrease) in Cash and Cash Equivalents	52,710	(24,429)	(2,249)	26,032
Cash and Cash Equivalents, Beginning	371,703	137,038	128,296	637,037
Cash and Cash Equivalents, Ending	<u>\$ 424,413</u>	<u>\$ 112,609</u>	<u>\$ 126,047</u>	<u>\$ 663,069</u>
Detail of cash and cash equivalents:				
Cash	405,179	31,088	20,512	456,779
Cash -security deposit	19,234	9,114	8,707	37,055
Cash- restricted	-	72,407	96,828	169,235
Total cash and cash equivalents	<u>\$ 424,413</u>	<u>\$ 112,609</u>	<u>\$ 126,047</u>	<u>\$ 663,069</u>
Reconciliation of Operating Income to Net Cash Used for Operating Activities:				
Operating Loss	\$ (255,311)	\$ (123,967)	\$ (152,131)	\$ (531,409)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:				
Depreciation	86,799	32,075	26,788	145,662
Pension and OPEB Related Changes	14,470	4,764	8,566	27,800
Changes in Assets and Liabilities:				
Accounts Receivable - Tenants	2,975	8	(2,758)	225
Prepaid Expenses	(3,291)	(382)	(357)	(4,030)
Accounts Payable	3,229	4,332	1,322	8,883
Due To / From Other Funds	(1,959)	9	1,950	-
Security Deposit	(373)	55	48	(270)
Other Accrued Liabilities	(50)	(68)	(54)	(172)
Net Cash (Used) by Operating Activities	<u>\$ (153,511)</u>	<u>\$ (83,174)</u>	<u>\$ (116,626)</u>	<u>\$ (353,311)</u>

Costilla County Housing Authority (CO037)

San Luis, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$405,179		\$51,600	\$456,779	\$0	\$456,779
112 Cash - Restricted - Modernization and Development	\$0			\$0	\$0	\$0
113 Cash - Other Restricted	\$0		\$169,234	\$169,234	\$0	\$169,234
114 Cash - Tenant Security Deposits	\$19,234		\$17,821	\$37,055	\$0	\$37,055
115 Cash - Restricted for Payment of Current Liabilities	\$0			\$0	\$0	\$0
100 Total Cash	\$424,413	\$0	\$238,655	\$663,068	\$0	\$663,068
121 Accounts Receivable - PHA Projects	\$0			\$0	\$0	\$0
122 Accounts Receivable - HUD Other Projects	\$19,481			\$19,481	\$0	\$19,481
124 Accounts Receivable - Other Government	\$0		\$19,869	\$19,869	\$0	\$19,869
125 Accounts Receivable - Miscellaneous	\$0			\$0	\$0	\$0
126 Accounts Receivable - Tenants	\$12,871		\$11,038	\$23,909	\$0	\$23,909
126.1 Allowance for Doubtful Accounts - Tenants	-\$6,242		-\$6,400	-\$12,642	\$0	-\$12,642
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0			\$0	\$0	\$0
128 Fraud Recovery	\$0			\$0	\$0	\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0			\$0	\$0	\$0
129 Accrued Interest Receivable	\$0			\$0	\$0	\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$26,110	\$0	\$24,507	\$50,617	\$0	\$50,617
131 Investments - Unrestricted	\$0			\$0	\$0	\$0
132 Investments - Restricted	\$0			\$0	\$0	\$0
135 Investments - Restricted for Payment of Current Liability	\$0			\$0	\$0	\$0
142 Prepaid Expenses and Other Assets	\$3,423		\$1,271	\$4,694	\$0	\$4,694
143 Inventories	\$0			\$0	\$0	\$0
143.1 Allowance for Obsolete Inventories	\$0			\$0	\$0	\$0
144 Inter Program Due From	\$9,151			\$9,151	-\$9,151	\$0
145 Assets Held for Sale	\$0			\$0	\$0	\$0
150 Total Current Assets	\$463,097	\$0	\$264,433	\$727,530	-\$9,151	\$718,379
161 Land	\$65,312		\$49,079	\$114,391	\$0	\$114,391
162 Buildings	\$4,237,506		\$2,034,655	\$6,272,191	\$0	\$6,272,191
163 Furniture, Equipment & Machinery - Dwellings	\$71,377		\$15,411	\$86,788	\$0	\$86,788
164 Furniture, Equipment & Machinery - Administration	\$122,616		\$30,119	\$152,735	\$0	\$152,735
165 Leasehold Improvements	\$0			\$0	\$0	\$0
166 Accumulated Depreciation	-\$3,642,546		-\$1,066,636	-\$4,709,182	\$0	-\$4,709,182
167 Construction in Progress	\$0			\$0	\$0	\$0
168 Infrastructure	\$0			\$0	\$0	\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$854,265	\$0	\$1,062,658	\$1,916,923	\$0	\$1,916,923
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0			\$0	\$0	\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0			\$0	\$0	\$0
173 Grants Receivable - Non Current	\$0			\$0	\$0	\$0
174 Other Assets	\$0			\$0	\$0	\$0
176 Investments in Joint Ventures	\$0			\$0	\$0	\$0
180 Total Non-Current Assets	\$854,265	\$0	\$1,062,658	\$1,916,923	\$0	\$1,916,923
200 Deferred Outflow of Resources	\$14,613		\$16,545	\$31,158	\$0	\$31,158
290 Total Assets and Deferred Outflow of Resources	\$1,331,975	\$0	\$1,343,636	\$2,675,611	-\$9,151	\$2,666,460
311 Bank Overdraft	\$0			\$0	\$0	\$0
312 Accounts Payable <= 90 Days	\$1,935		\$4,836	\$6,771	\$0	\$6,771
313 Accounts Payable >90 Days Past Due	\$0			\$0	\$0	\$0
321 Accrued Wage/Payroll Taxes Payable	\$0			\$0	\$0	\$0
322 Accrued Compensated Absences - Current Portion	\$0			\$0	\$0	\$0
324 Accrued Contingency Liability	\$0			\$0	\$0	\$0
325 Accrued Interest Payable	\$0		\$1,767	\$1,767	\$0	\$1,767
331 Accounts Payable - HUD PHA Programs	\$0			\$0	\$0	\$0
332 Account Payable - PHA Projects	\$0			\$0	\$0	\$0

Costilla County Housing Authority (CO037)

San Luis, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

333	Accounts Payable - Other Government	\$0		\$0	\$0	\$0
341	Tenant Security Deposits	\$19,234		\$17,821	\$37,055	\$37,055
342	Unearned Revenue	\$17		\$82	\$99	\$99
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0		\$23,522	\$23,522	\$23,522
344	Current Portion of Long-term Debt - Operating Borrowings	\$0		\$0	\$0	\$0
345	Other Current Liabilities	\$0		\$0	\$0	\$0
346	Accrued Liabilities - Other	\$5,155		\$4,116	\$9,271	\$9,271
347	Inter Program - Due To	\$0		\$9,151	\$9,151	\$0
348	Loan Liability - Current	\$0		\$0	\$0	\$0
310	Total Current Liabilities	\$26,341	\$0	\$61,295	\$87,636	\$78,485
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0		\$1,451,629	\$1,451,629	\$1,451,629
352	Long-term Debt, Net of Current - Operating Borrowings	\$0		\$0	\$0	\$0
353	Non-current Liabilities - Other	\$0		\$0	\$0	\$0
354	Accrued Compensated Absences - Non Current	\$0		\$0	\$0	\$0
355	Loan Liability - Non Current	\$0		\$0	\$0	\$0
356	FASB 5 Liabilities	\$0		\$0	\$0	\$0
357	Accrued Pension and OPEB Liabilities	\$126,028		\$128,343	\$254,371	\$254,371
350	Total Non-Current Liabilities	\$126,028	\$0	\$1,579,972	\$1,706,000	\$1,706,000
300	Total Liabilities	\$152,369	\$0	\$1,641,267	\$1,793,636	\$1,784,485
400	Deferred Inflow of Resources	\$23,606		\$22,080	\$45,686	\$45,686
508.4	Net Investment in Capital Assets	\$854,265		-\$412,493	\$441,772	\$441,772
511.4	Restricted Net Position			\$169,234	\$169,234	\$169,234
512.4	Unrestricted Net Position	\$301,735	\$0	-\$76,452	\$225,283	\$225,283
513	Total Equity - Net Assets / Position	\$1,156,000	\$0	-\$319,711	\$836,289	\$836,289
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,331,975	\$0	\$1,343,636	\$2,675,611	\$2,666,460

Costilla County Housing Authority (CO037)

San Luis, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$105,342		\$77,540	\$182,882	\$0	\$182,882
70400 Tenant Revenue - Other	\$5,648		\$3,156	\$8,804	\$0	\$8,804
70500 Total Tenant Revenue	\$110,990	\$0	\$80,696	\$191,686	\$0	\$191,686
70600 HUD PHA Operating Grants	\$268,612			\$268,612	\$0	\$268,612
70610 Capital Grants	\$116,183			\$116,183	\$0	\$116,183
70710 Management Fee				\$0	\$0	\$0
70720 Asset Management Fee				\$0	\$0	\$0
70730 Book Keeping Fee				\$0	\$0	\$0
70740 Front Line Service Fee				\$0	\$0	\$0
70750 Other Fees				\$0	\$0	\$0
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants	\$0	\$261,865		\$261,865	\$0	\$261,865
71100 Investment Income - Unrestricted	\$428		\$330	\$758	\$0	\$758
71200 Mortgage Interest Income	\$0			\$0	\$0	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0			\$0	\$0	\$0
71310 Cost of Sale of Assets	\$0			\$0	\$0	\$0
71400 Fraud Recovery	\$0			\$0	\$0	\$0
71500 Other Revenue	\$20,718		\$12,023	\$32,741	\$0	\$32,741
71600 Gain or Loss on Sale of Capital Assets	\$0			\$0	\$0	\$0
72000 Investment Income - Restricted	\$0			\$0	\$0	\$0
70000 Total Revenue	\$516,931	\$261,865	\$93,049	\$871,845	\$0	\$871,845
91100 Administrative Salaries	\$42,260		\$38,614	\$80,894	\$0	\$80,894
91200 Auditing Fees	\$4,083		\$8,167	\$12,250	\$0	\$12,250
91300 Management Fee	\$0			\$0	\$0	\$0
91310 Book-keeping Fee	\$0			\$0	\$0	\$0
91400 Advertising and Marketing	\$2,012		\$103	\$2,115	\$0	\$2,115
91500 Employee Benefit Contributions - Administrative	\$22,915		\$20,546	\$43,461	\$0	\$43,461
91600 Office Expenses	\$4,889		\$6,426	\$11,315	\$0	\$11,315
91700 Legal Expense	\$0			\$0	\$0	\$0
91800 Travel	\$3,555		\$3,059	\$6,614	\$0	\$6,614
91810 Allocated Overhead	\$0			\$0	\$0	\$0
91900 Other	\$13,446		\$9,474	\$22,920	\$0	\$22,920
91000 Total Operating - Administrative	\$93,180	\$0	\$86,389	\$179,569	\$0	\$179,569
92000 Asset Management Fee	\$0			\$0	\$0	\$0
92100 Tenant Services - Salaries	\$0			\$0	\$0	\$0
92200 Relocation Costs	\$0			\$0	\$0	\$0
92300 Employee Benefit Contributions - Tenant Services	\$0			\$0	\$0	\$0
92400 Tenant Services - Other	\$4,173		\$2,237	\$6,410	\$0	\$6,410
92500 Total Tenant Services	\$4,173	\$0	\$2,237	\$6,410	\$0	\$6,410
93100 Water	\$27,814		\$21,834	\$49,648	\$0	\$49,648
93200 Electricity	\$5,304		\$5,237	\$10,541	\$0	\$10,541
93300 Gas	\$22,285			\$22,285	\$0	\$22,285
93400 Fuel	\$0			\$0	\$0	\$0
93500 Labor	\$0			\$0	\$0	\$0
93600 Sewer	\$7,400		\$5,637	\$13,037	\$0	\$13,037
93700 Employee Benefit Contributions - Utilities	\$0			\$0	\$0	\$0
93800 Other Utilities Expense	\$0			\$0	\$0	\$0
93000 Total Utilities	\$62,803	\$0	\$32,708	\$95,511	\$0	\$95,511
94100 Ordinary Maintenance and Operations - Labor	\$22,208		\$20,793	\$43,001	\$0	\$43,001
94200 Ordinary Maintenance and Operations - Materials and Other	\$32,300		\$71,852	\$104,152	\$0	\$104,152
94300 Ordinary Maintenance and Operations Contracts	\$42,259		\$58,305	\$100,564	\$0	\$100,564
94500 Employee Benefit Contributions - Ordinary Maintenance	\$14,166		\$14,804	\$28,970	\$0	\$28,970
94000 Total Maintenance	\$110,933	\$0	\$165,754	\$276,687	\$0	\$276,687

Costilla County Housing Authority (CO037)

San Luis, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

95100 Protective Services - Labor	\$0			\$0	\$0	\$0
95200 Protective Services - Other Contract Costs	\$0			\$0	\$0	\$0
95300 Protective Services - Other	\$0			\$0	\$0	\$0
95500 Employee Benefit Contributions - Protective Services	\$0			\$0	\$0	\$0
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$9,139		\$12,398	\$21,537	\$0	\$21,537
96120 Liability Insurance	\$2,259			\$2,259	\$0	\$2,259
96130 Workmen's Compensation	\$1,365		\$507	\$1,872	\$0	\$1,872
96140 All Other Insurance	\$646		\$205	\$851	\$0	\$851
96100 Total Insurance Premiums	\$13,409	\$0	\$13,110	\$26,519	\$0	\$26,519
96200 Other General Expenses	\$36		\$267	\$303	\$0	\$303
96210 Compensated Absences	\$6,195		\$8,413	\$14,608	\$0	\$14,608
96300 Payments in Lieu of Taxes	\$0			\$0	\$0	\$0
96400 Bad debt - Tenant Rents	\$5,492		\$1,077	\$6,569	\$0	\$6,569
96500 Bad debt - Mortgages	\$0			\$0	\$0	\$0
96600 Bad debt - Other	\$0			\$0	\$0	\$0
96800 Severance Expense	\$0			\$0	\$0	\$0
96000 Total Other General Expenses	\$11,723	\$0	\$9,757	\$21,480	\$0	\$21,480
96710 Interest of Mortgage (or Bonds) Payable	\$0		\$22,125	\$22,125	\$0	\$22,125
96720 Interest on Notes Payable (Short and Long Term)	\$0			\$0	\$0	\$0
96730 Amortization of Bond Issue Costs	\$0			\$0	\$0	\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$22,125	\$22,125	\$0	\$22,125
96900 Total Operating Expenses	\$296,221	\$0	\$332,080	\$628,301	\$0	\$628,301
97000 Excess of Operating Revenue over Operating Expenses	\$220,710	\$261,865	-\$239,031	\$243,544	\$0	\$243,544
97100 Extraordinary Maintenance	\$0			\$0	\$0	\$0
97200 Casualty Losses - Non-capitalized	\$0			\$0	\$0	\$0
97300 Housing Assistance Payments	\$0			\$0	\$0	\$0
97350 HAP Portability-In	\$0			\$0	\$0	\$0
97400 Depreciation Expense	\$86,798		\$58,862	\$145,660	\$0	\$145,660
97500 Fraud Losses	\$0			\$0	\$0	\$0
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense	\$0			\$0	\$0	\$0
90000 Total Expenses	\$383,019	\$0	\$390,942	\$773,961	\$0	\$773,961
10010 Operating Transfer In	\$43,000		\$261,865	\$304,865	-\$304,865	\$0
10020 Operating transfer Out	-\$43,000	-\$261,865		-\$304,865	\$304,865	\$0
10030 Operating Transfers from/to Primary Government	\$0			\$0	\$0	\$0
10040 Operating Transfers from/to Component Unit	\$0			\$0	\$0	\$0
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss	\$0			\$0	\$0	\$0
10080 Special Items (Net Gain/Loss)	\$0			\$0	\$0	\$0
10091 Inter Project Excess Cash Transfer In	\$0			\$0	\$0	\$0
10092 Inter Project Excess Cash Transfer Out	\$0			\$0	\$0	\$0
10093 Transfers between Program and Project - In	\$0			\$0	\$0	\$0
10094 Transfers between Project and Program - Out	\$0			\$0	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	-\$261,865	\$261,865	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$133,912	\$0	-\$36,028	\$97,884	\$0	\$97,884
11020 Required Annual Debt Principal Payments	\$0	\$0	\$21,454	\$21,454		\$21,454
11030 Beginning Equity	\$1,032,686	\$0	-\$273,085	\$759,601	\$0	\$759,601
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$10,598		-\$10,598	-\$21,196	\$0	-\$21,196
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						

Costilla County Housing Authority (CO037)
San Luis, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					
11190 Unit Months Available	684		528	1212	0
11210 Number of Unit Months Leased	660		517	1177	0
11270 Excess Cash	\$408,648			\$408,648	\$408,648
11810 Land Purchases	\$0			\$0	\$0
11620 Building Purchases	\$135,447			\$135,447	\$135,447
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$28,075			\$28,075	\$28,075
11650 Leasehold Improvements Purchases	\$0			\$0	\$0
11660 Infrastructure Purchases	\$0			\$0	\$0
13510 CFFP Debt Service Payments	\$0			\$0	\$0
13901 Replacement Housing Factor Funds	\$0			\$0	\$0

SINGLE AUDIT SECTION

**COSTILLA COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Federal Grantor</u>	<u>CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. Department of Housing and Urban Development:		
Public Housing Operating Subsidy	14.850a	225,613
Public Housing Capital Fund Program	14.872	159,183
Total US Department of Housing and Urban Development		<u>384,796</u>
U.S. Department of Agriculture		
Rural Development-Rental Assistance	10.427	261,865
Rural Development Loan	10.415	1,496,605
Total U.S. Department of Agriculture		<u>1,758,470</u>
Total Federal Financial Awards		<u><u>\$ 2,143,266</u></u>

Note 1. Basis of Presentation

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

Note 2. Rural Development Loan

The Authority had two loans that were guaranteed by the U.S. Department of Agriculture. The ending balances of each of the loans at September 30, 2018 were \$648,957 and \$826,194.

Green & Associates LLC

Certified Public Accountants & Business Consultants

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

To the Board of Commissioners
Costilla County Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Costilla County Housing Authority's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

January 18, 2019
Brighton, CO

Green & Associates LLC

Certified Public Accountants & Business Consultants

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

To the Board of Commissioners
Costilla County Housing Authority

Report on Compliance for Each Major Federal Program

We have audited Costilla County Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Costilla County Housing Authority's major federal programs for the year ended September 30, 2018. Costilla County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Costilla County Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

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Brighton, CO 80601

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Certified Public Accountants & Business Consultants

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

January 18, 2019
Brighton, CO

**COSTILLA COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

yes no

Identification of major programs:

Rural Development-Rental Assistance
And Rural Development Loan 10.415

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

Auditee qualified as low-risk auditee?

yes no

Current years findings: None

Prior years findings: None