

**HOUSING AUTHORITY OF THE CITY OF TRINIDAD
TRINIDAD, COLORADO**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED MARCH 31, 2018**

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Trinidad
Trinidad, Colorado

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Trinidad (Authority), Colorado, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Trinidad, Colorado, as of March 31, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages i-viii 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Trinidad, Colorado’s basic financial statements. The accompanying PHA’s Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 1, 2018, on my consideration of the Housing Authority of the City of Trinidad, Colorado’s internal control over financial reporting and on my 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 my 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 Housing Authority of the City of Trinidad, Colorado’s internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri
June 1, 2018

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
March 31, 2018

Introduction

This Management's Discussion and Analysis (MD&A) of the Trinidad Housing Authority (Authority) provides an introduction and overview to the financial statements of the Trinidad Housing Authority for the fiscal year ended March 31, 2018. The Trinidad Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended March 31, 2018, to assist the reader in focusing on significant financial issues.

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

The Authority has several individual programs. These programs are listed as follows:

- Low Rent Public Housing Program: The Low Rent Program consists of 198 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula.
- Capital Fund Program: The Capital Fund program is also funded from HUD based on a formula. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.
- Housing Choice Voucher Program: The Housing Choice Voucher Program provides rental assistance to aid low income families to afford, decent, safe and sanitary rental housing. The Housing Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The Housing Authority currently has 83 units available. Funds are provided by HUD to provide rental assistance payments. The Housing Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis.
- Management Program: The purpose of the Management Program is to manage and operate non-owned low-income housing. One apartment complex is currently being managed from this fund. A management fee is paid to the fund from the Section 8 New Construction Program.
- Section 8 New Construction Program. The Section 8 New Construction Program is a project based apartment complex that HUD has entered into a contract to provide Housing Assistance Payments (HAP) to the Authority for these specific units. This program is managed by the Authority. It consists of 50 units. Tenants typically pay rent which is the 30 percent of the adjusted gross income. The remaining portion of the rent is provided by HUD in the form of rental assistance.

Overview of the Financial Statements

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

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

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2018

Overview of the Financial Statements – (Continued)

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

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets
- *Restricted Component of Net Position* consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.
- *Unrestricted Component of Net Position* represents the remaining resources available that does not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended March 31, 2018, to determine the change in net position for the fiscal year.

The Statement of Cash Flows report cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended March 31, 2018.

Financial Highlights

- The Trinidad Housing Authority's Net Position increased from the March 31, 2017 balance of \$3,190,447 to the March 31, 2018 balance of \$3,869,260, an increase of \$678,813 or 21%. The total assets increased during the same time frame by \$778,382 or 16%.
- Total revenues increased from \$1,981,075 earned for the year ended March 31, 2017 to \$2,716,077 earned for the year ended March 31, 2018, an increase of \$735,002 or 37%.
- Total expenses increased by \$154,843 from \$1,865,430 incurred for the year ended March 31, 2017 to \$2,020,273 incurred for the year ended March 31, 2018. This represents an increase of 8%.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended March 31, 2018 and March 31, 2017.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2018

Housing Authority Activities & Highlights – (Continued)

**Summary Statement of Net Position
As of March 31, 2018 & 2017**

Category	FYE 2018	FYE 2017	Change \$	Change %
Current Assets	\$ 1,997,037	\$ 2,217,270	\$ (220,233)	-10%
Noncurrent Assets	3,611,740	2,613,125	998,615	38%
Total Assets	5,608,777	4,830,395	778,382	16%
Current Liabilities	273,679	165,637	108,042	65%
Noncurrent Liabilities	1,465,838	1,474,311	(8,473)	-1%
Total Liabilities	1,739,517	1,639,948	99,569	6%
Unrestricted	1,623,974	2,012,488	(388,514)	-19%
Net Investment in Capital Assets	2,159,335	1,142,279	1,017,056	89%
Restricted	85,951	35,680	50,271	141%
Total Net Position	\$ 3,869,260	\$ 3,190,447	\$ 678,813	21%

Current Assets

Current assets decreased by \$220,233 due primarily to the agency purchasing an office building in the current year utilizing operating funds.

Noncurrent Assets

Noncurrent assets increased by \$998,615 due primarily to the addition of capital assets exceeding current year depreciation expense. See capital asset section for further information.

Current Liabilities

Current liabilities increased by \$108,042 due primarily to an increase in accounts payable of \$75,528 (fire suppression system), accrued compensated absences of \$938, accounts payable – other government of \$5,962, tenant security deposit liability of \$1,447, other current liabilities of \$16,313 (N/C S/R IPF payable), and accrued liabilities – other of \$5,748 (utilities payable).

Net Position

Restricted

The restricted component of net position of the Authority increased by \$50,271 from the previous fiscal year. The increase was due primarily to the recording of excess HAP funding over expenditures of \$20,291 in the current year and the N/C S/R Section 8 Program restricted accounts increasing by \$29,980 in the current year.

Unrestricted

The Authority's unrestricted component of Net Position changed from \$2,012,488 to \$1,623,974, a change of \$388,514, or 19% for the current year. The primary reason for the decrease was due to the Authority using operating funds in the amount of \$376,264 to purchase a new office building. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2018

Housing Authority Activities & Highlights – (Continued)

Net Position – (Continued)

Unrestricted – (Continued)

The individual program balances that comprise the unrestricted component of net position are as follows:

▪ Low Rent Housing Program	\$1,597,111
▪ Community Development Block Grant	(30)
▪ Section 8 New Construction	29,335
▪ Management Program	<u>(2,442)</u>
Total	<u>\$1,623,974</u>

***Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended March 31, 2018 and 2017***

Category	FYE 2018	FYE 2017	Change \$	Change %
Tenant Revenue	\$ 507,440	\$ 446,916	\$ 60,524	14%
HUD Operating Grants	1,273,365	1,444,309	(170,944)	-12%
Capital Grants	269,895	18,226	251,669	1381%
Other Gov't Grants	485,276	-	485,276	N/A
Interest Income-Unrestricted	8,067	8,507	(440)	-5%
Interest Income-Restricted	34	21	13	62%
Other Revenue	172,000	63,096	108,904	173%
Total Revenue	2,716,077	1,981,075	735,002	37%
Administration	433,560	389,070	44,490	11%
Tenant Services	7,971	16,155	(8,184)	-51%
Utilities	80,739	81,461	(722)	-1%
Ordinary Maintenance	584,766	523,304	61,462	12%
Protective Services	5,829	9,813	(3,984)	-41%
General Expense	273,370	193,757	79,613	41%
Casualty Losses - noncapitalized	-	3,086	(3,086)	-100%
Housing Assistance Payments	294,334	305,387	(11,053)	-4%
Depreciation	339,704	343,397	(3,693)	-1%
Total Expenses	2,020,273	1,865,430	154,843	8%
Excess of Revenue over Expenses	695,804	115,645	580,159	502%
Net Position, Beginning of Year	3,190,447	2,886,706	303,741	11%
Prior Period Adjustments	(16,991)	188,096	(205,087)	0%
Net Position, End of Year	\$ 3,869,260	\$ 3,190,447	\$ 678,813	21%

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2018

Housing Authority Activities & Highlights – (Continued)

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's total revenue decreased by \$735,002 from the previous year. Significant variances include the following:

- HUD operating grants decreased from \$1,444,309 to \$1,273,365, a decrease of \$170,944. This decrease was due to lower operating grants of \$232,992 in the Capital Fund Program, with an increase of \$16,611 in the Section 8 Voucher Program, \$9,481 in the N/C S/R Section 8 Program, and \$35,956 in the Operating Fund.
- Capital grant revenue increased from \$18,226 to \$269,895, an increase of \$251,669 due to increased capital improvement activity in the current year.
- Other government grants increased from \$0 to \$485,276 due to the agency receiving CDBG funds in the current year.
- Other revenue increased by \$108,904 primarily due to insurance proceeds received in the amount of \$110,795 for storm damage to roof and siding.

Total expenses increased by \$154,843 from the previous year. Significant variances include the following:

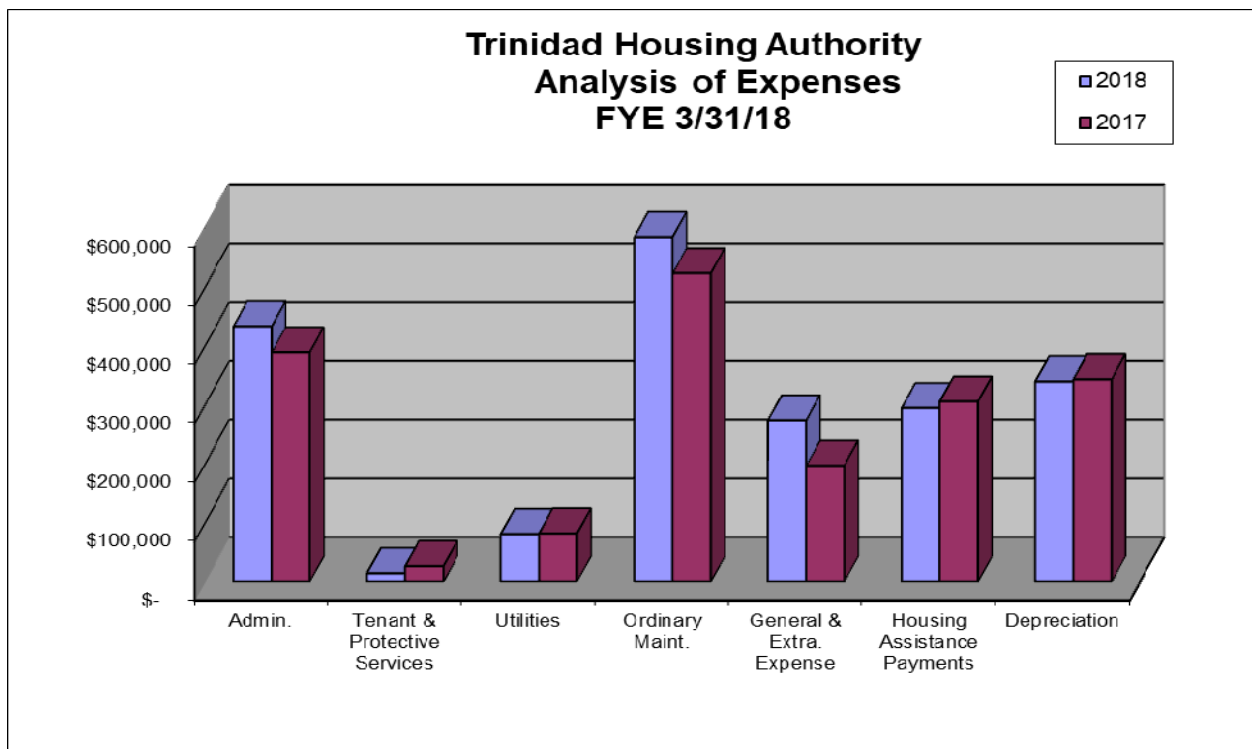
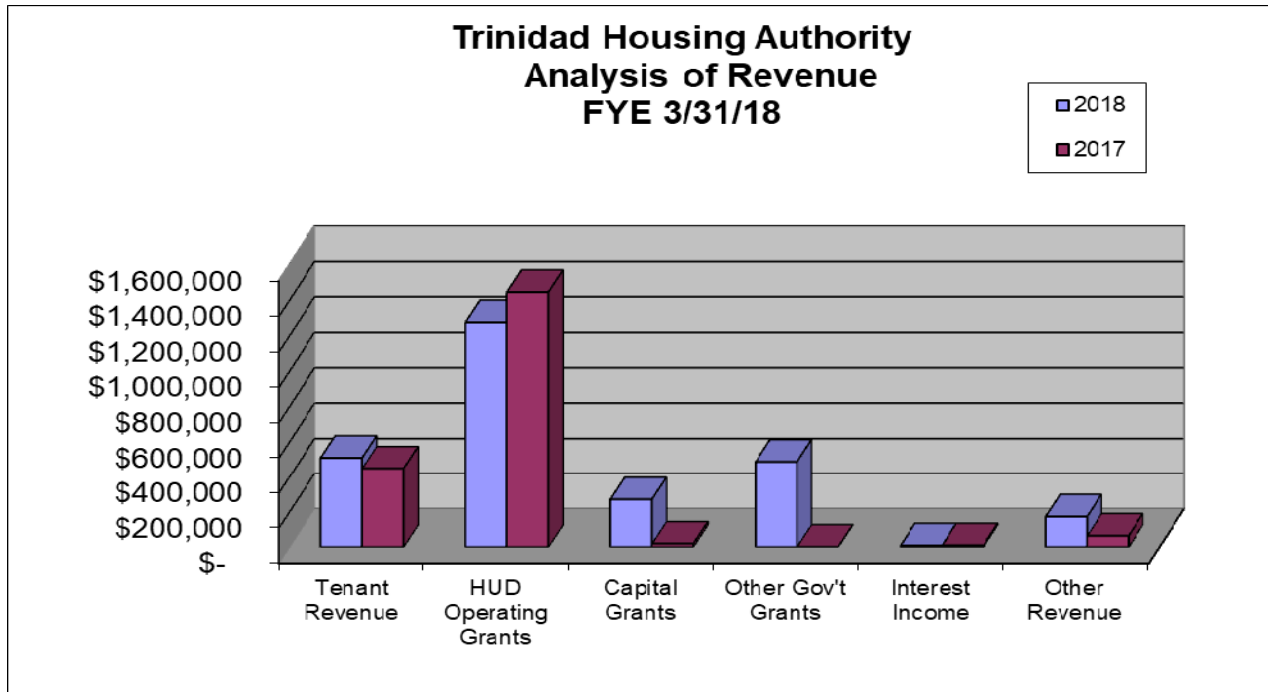
- Administrative costs increased by \$44,490 due primarily to an increase in staffing and benefit costs, office expenses, and administrative sundry costs. Administrative salaries and benefit costs increased by \$19,911 from the previous year and office expenses increased by \$11,868. Specifically, an across the board wage increase was awarded to all staff along with a modest cost of living increase, health insurance costs increased by 5% and hours were increased for one junior staff member. An increase in "overtime" costs was incurred due to an increased workload stemming from grant administration and other capital projects completed during the year. Administrative sundry also increased by \$10,500 due primarily to regulatory development costs associated with procurement of the new administrative office space.
- Tenant service costs decreased by \$8,184 primarily due to the reduction in tenant services provided in the current year.
- Ordinary maintenance costs increased by \$61,462 primarily due to the increase in maintenance labor and benefit costs of \$7,679, material costs of \$34,450, and contract costs of \$19,333. Miscellaneous contract costs increased the most significantly by \$29,742. Specifically, maintenance labor costs increased due to the across the board wage increase and the accompanying cost of living increase afforded to all staff as discussed above. Benefit costs increased due to more maintenance staff choosing to participate in health insurance and retirement benefit programs. Contract and material expense increased in part, due to higher flooring costs. Additionally, the Authority experienced a high rate of tenant caused damages unit turnover.
- Total general expense costs increased by \$79,613 due primarily to an increase in interest expense on mortgage payable of \$46,905 resulting from a positive surplus cash flow in the prior year, compensated absences of \$8,973, payment in lieu of taxes of \$5,962, bad debts – tenants of \$2,622, and other general expenses of \$14,678 in the current year.
- Housing assistance payments decreased from prior year by \$11,053 due to a decrease in unit months leased of 742 in 2017 to 684 in 2018.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2018

Housing Authority Activities & Highlights – (Continued)

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



HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2018

Capital Assets

As of March 31, 2018, the Trinidad Housing Authority's net investment in capital assets was \$2,159,335. This investment includes land, building, site improvement, construction in progress, and equipment, less accumulated depreciation. Any debt associated with the asset including the principal balance of long term debt is deducted in this balance.

*Summary Statement of Capital Assets
Years Ended March 31, 2018 and 2017*

<u>Category</u>	<u>FYE 2018</u>	<u>FYE 2017</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 407,991	\$ 407,991	\$ -	0%
Buildings	13,449,230	12,661,627	787,603	6%
Equipment	298,788	248,600	50,188	20%
Site Improvement	8,508	8,508	-	0%
Construction in Progress	519,714	19,186	500,528	2609%
Accumulated Depreciation	(11,072,491)	(10,732,787)	(339,704)	3%
Total Net Capital Assets	\$ 3,611,740	\$ 2,613,125	\$ 998,615	38%

Additions to buildings consist of an attic ladder, roofing project, and exterior painting projects funded by the N/C S/R Section 8 program. There was also a purchase of a new office building, fence, mowers and pickup, along with an electrical upgrade and sidewalks project all funding through the Authority. Additions to construction in progress consist of a fire suppression system funded by a CDBG grant.

Long Term Debt Activity

At March 31, 2018, the Housing Authority had \$1,452,405 in mortgages payable outstanding versus \$1,470,846 in the previous year, a decrease of 1.25%. During the fiscal year, the Housing Authority did not incur any additional debt. The amount classified as noncurrent is \$1,432,876.

In addition, the Authority classifies a portion of the employee's leave as long-term debt. This is due to the Authority not anticipating to pay out the total amount in the following year. The amount listed as long term is \$32,962.

Subsequent Event

The Authority's Low Rent Housing Program faces a potential operating subsidy proration of 92% for the calendar year 2018.

The amount of funding for the 2018 calendar year for the Housing Choice Voucher Program has been finalized by HUD. Proration funding for administrative fees is 77% and HAP funding is 99.745%. These funding levels will result in lower revenues resulting in a decreased level of services supported during the upcoming fiscal year.

No additional subsequent events are noted following year end.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
March 31, 2018

Request for Information

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

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

Trinidad Housing Authority
Rosemarie Shier, Executive Director
128 W First Street
Trinidad, CO 81082

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

STATEMENT OF NET POSITION
March 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	870,174
Cash - restricted		156,315
Investments		739,939
Receivables - net of allowances		134,695
Inventory - net of allowances		34,776
Prepaid expenses		<u>61,138</u>

Total Current Assets 1,997,037

Non-current Assets:

Capital assets:

Land and construction in progress		927,705
Other capital assets, net of depreciation		<u>2,684,035</u>

Total capital assets - net 3,611,740

Total Non-current Assets 3,611,740

Total Assets \$ 5,608,777

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

STATEMENT OF NET POSITION - (Continued)
March 31, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$	144,110
Accrued salaries and benefits		9,754
Tenant security deposit liability		70,364
Accrued compensated absences		19,679
Accrued interest payable		2,364
Current portion of long term debt		19,529
Unearned revenues		<u>7,879</u>

Total Current Liabilities 273,679

Non-current Liabilities:

Long term debt, net of current portion		1,432,876
Compensated absences		<u>32,962</u>

Total Non-current Liabilities 1,465,838

Total Liabilities 1,739,517

NET POSITION

Net investment in capital assets		2,159,335
Restricted		85,951
Unrestricted		<u>1,623,974</u>

Total Net Position 3,869,260

Total Liabilities and Net Position \$ 5,608,777

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2018

OPERATING REVENUES	
Tenant revenue	\$ 507,440
Governmental grants and subsidy	1,274,301
Miscellaneous	<u>172,000</u>
Total operating revenue	<u>1,953,741</u>
OPERATING EXPENSES	
Administrative	433,560
Tenant services	7,971
Utilities	80,739
Ordinary maintenance and operations	584,766
Protective services	5,829
Insurance	82,213
General	111,824
Housing assistance payment	294,334
Depreciation expense	<u>339,704</u>
Total operating expenses	<u>1,940,940</u>
Operating income (loss)	<u>12,801</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	8,101
Interest expense	<u>(79,333)</u>
Net non-operating revenues (expenses)	<u>(71,232)</u>
Income (loss) before contributions and transfers	<u>(58,431)</u>
Capital contributions	<u>754,235</u>
Change in net position	695,804
Total net position - beginning of year	3,190,447
Prior period adjustments	<u>(16,991)</u>
Total net position - end of year	<u>\$ 3,869,260</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 494,429
Received from governmental grants and subsidy	1,236,708
Received from other operating activities	171,039
Payments for goods and services	(571,514)
Payments to employees	(684,107)
Payment in lieu of taxes	(35,001)
Payment for housing assistance	<u>(294,334)</u>

Net cash provided by (used in) operating activities 317,220

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	676,710
Purchases of capital assets	(1,260,764)
Principal paid on capital debt	(18,441)
Interest paid on capital debt	<u>(79,421)</u>

Net cash provided by (used in) capital and related financing activities (681,916)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments	(6,602)
Receipts of interest and dividends	<u>8,100</u>

Net cash provided by (used in) investing activities 1,498

Net increase (decrease) in cash and cash equivalents (363,198)

Cash and cash equivalents at beginning of year 1,389,687

Cash and cash equivalents at end of year \$ 1,026,489

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended March 31, 2018

Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$	12,801
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		339,704
Change in assets and liabilities:		
Receivables, net		(44,450)
Inventories, net		1,931
Prepaid expenses		(16,318)
Accounts and other payables		3,257
Tenant security deposit		1,447
Unearned revenues		803
Compensated absences		11,994
Accrued expenses		<u>6,051</u>
Net cash provided by (used) by operating activities	\$	<u><u>317,220</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

Low Rent – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Capital Fund Program – The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

Housing Choice Vouchers – The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

Business Activities – The Authority acts as a managing agent for Corazon Square property. The Authority receives monthly payment as management fee for the upkeep of the property.

Blended Component Unit (Corazon Square) – The organization operates 50 unit apartment project located in Trinidad, Colorado under Federal Home Administration (FHA) Insured Project. Under this program, HUD provides Section 8 project-based assistance to the housing authorities to help bridge the gap between the rents needed to make a project feasible and the rents affordable to the tenants.

Community Development Block Grant (CDBG) – This program provides communities with resources to address a wide range of unique community development needs by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1E. Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

1F. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD, PILOT, fraud recovery and tenant accounts receivable.

Inventories

Inventories are accounted for under the consumption method and recorded at lower of cost or market. Inventories consist primarily of maintenance materials and supplies held for consumption. The cost of these supplies is regarded as an expenditure at the time the items are consumed. Inventories are classified as current assets on the Statement of Net Position, net of an allowance for obsolete inventory.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$1,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity - (Continued)

Fixed Assets - (Continued)

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	15-40 years
Furniture, equipment and machinery - dwelling	5 years
Furniture, equipment and machinery - administrative	3-15 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to the security deposit fund, modernization, HAP fund and reserve accounts under the Low Rent, Housing Choice Vouchers and Section 8 N/C program.

Compensated Absences

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

Equity Classifications

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted are available, the Authority's policy is to apply restricted assets first.

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1G. Revenues, Expenditures, and Expenses – (Continued)

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Community Development Block Grant	U.S. Department of Housing and Urban Development
Business Activities	Housing Authority
Blended Component Unit: - Corazon Square (Sec 8 N/C)	U.S. Department of Housing and Urban Development

2B. Deposits and Investments Laws and Regulations

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (Continued)

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Capital Fund Program	Modernization
HAP Grant	Housing assistance payments

For the year ended March 31, 2018, the Authority complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash and Investments

As of March 31, 2018, the Authority had the following cash deposits and investments:

Cash deposits	\$ 1,026,089
Petty cash / Change fund	400
Certificate of deposit	<u>739,939</u>
Total	<u>\$ 1,766,428</u>

Following is a reconciliation of the Authority's deposit balances as of March 31, 2018:

Cash and cash equivalents	\$ 870,174
Restricted assets	156,315
Investments	<u>739,939</u>
Total	<u>\$ 1,766,428</u>

Deposits

Custodial Credit Risk - Deposits

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At March 31, 2018, the Authority's bank balances of \$1,168,539 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3A. Cash and Investments – (Continued)

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At March 31, 2018, the Authority's investment balance of \$739,939 was entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank.

The State of Colorado's (the State) Public Deposit Protection Act (PDPA) precludes the Authority from requiring banks to hold securities in the Authority's name. The Authority deposits are subject to and in accordance with the PDPA. Under this act, all uninsured deposits are fully collateralized. The eligible collateral pledged is held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner prescribed by rule and regulation or is segregated from other trust department securities. All collateral so held must be clearly identified as being securities maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. The depository has the right at any time to make substitutions of eligible collateral maintained or pledged and must at all times be entitled to collect and retain all income derived from those investments without restriction.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At March 31, 2018, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 112,176	7/19/2018
Certificate of Deposit	78,789	2/15/2019
Certificate of Deposit	137,697	12/30/2019
Certificate of Deposit	134,911	4/20/2020
Certificate of Deposit	136,196	4/30/2019
Certificate of Deposit	140,170	1/8/2019
Total	\$ <u>739,939</u>	

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3B. Restricted Assets

Restricted assets at March 31, 2018 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Reserve account	\$ 85,951	\$ ----	\$ ----	\$ 85,951
Security deposit	<u>70,364</u>	<u>----</u>	<u>----</u>	<u>70,364</u>
Total	<u>\$ 156,315</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 156,315</u>

3C. Receivables

Receivables at March 31, 2018, consist of the following:

Tenants - net of allowance	\$ 5,785	
Less: Allowance for doubtful account - tenants	<u>(1,445)</u>	
Tenants - net of allowance		\$ 4,340
Fraud recovery	2,402	
Less: Allowance for doubtful account - fraud	<u>(1,441)</u>	
Fraud – net of allowance		961
HUD		53,242
Other government		75,661
Interest		<u>491</u>
Total Accounts Receivable	<u>\$</u>	<u>\$ 134,695</u>

3D. Inventory

Inventory at March 31, 2018 comprised of the following:

Inventory	\$ 38,640
Less: Allowance for obsolete inventory	<u>(3,864)</u>
Inventory - net of allowance	<u>\$ 34,776</u>

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3E. Capital Assets

A summary of capital asset activity for the year ended March 31, 2018 is as follows:

	<u>Balance April 1, 2017</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Reclass/ Transfers in (out)</u>	<u>Balance March 31, 2018</u>
Non-depreciable assets:					
Land	\$ 407,991	\$ -	\$ -	\$ -	\$ 407,991
Construction in progress	19,186	501,488	-	(960)	519,714
Total non-depreciable assets	<u>427,177</u>	<u>501,488</u>	<u>-</u>	<u>(960)</u>	<u>927,705</u>
Depreciable assets:					
Building	12,661,627	786,643	-	960	13,449,230
Equipment - dwelling	24,758	-	-	-	24,758
Equipment - administration	223,842	50,188	-	-	274,030
Leasehold improvements	8,508	-	-	-	8,508
Total depreciable assets	<u>12,918,735</u>	<u>836,831</u>	<u>-</u>	<u>960</u>	<u>13,756,526</u>
Accumulated depreciation	<u>(10,732,787)</u>	<u>(339,704)</u>	<u>-</u>	<u>-</u>	<u>(11,072,491)</u>
Total depreciable assets, net	<u>2,185,948</u>	<u>497,127</u>	<u>-</u>	<u>960</u>	<u>2,684,035</u>
Capital assets, net	<u>\$ 2,613,125</u>	<u>\$ 998,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,611,740</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 260,692
CFP	11,416
CDBG	15,399
Corazon Square	<u>52,197</u>
Total depreciation expense	<u>\$ 339,704</u>

3F. Accounts Payable

Accounts payable at March 31, 2018, consist of the following:

Vendors & contractors	\$ 78,111
PILOT	40,963
Other current liabilities	16,313
Accrued utilities	<u>8,723</u>
Total Accounts Payable	<u>\$ 144,110</u>

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3G. Non-current Liabilities

Non-current liabilities at March 31, 2018, consist of the following:

Accrued compensated absences	\$ 32,962
Mortgage payable	<u>1,432,876</u>
Total Non-Current Liabilities	<u>\$ 1,465,838</u>

The following is the summary of changes in long-term liabilities:

	<u>Balance April 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2018</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	21,906	11,056	---	32,962	19,679
Mortgage payable	<u>1,452,405</u>	---	<u>19,529</u>	<u>1,432,876</u>	<u>19,529</u>
Total Non-Current Liabilities	<u>\$ 1,474,311</u>	<u>\$ 11,056</u>	<u>\$ 19,529</u>	<u>\$ 1,465,838</u>	<u>\$ 39,208</u>

Annual Debt Service Requirements

The long-term debt consists of the following mortgages:

The Project has a mortgage payable to Colorado Housing and Finance Authority which is due in monthly installments of \$3,949, including principal and interest, with final maturity scheduled for March 2034 at an interest rate of 5.75%. The balance due as of March 31, 2018 is \$493,363 (including current portion). The Corazon Square apartment project serves as collateral for this loan.

Additionally, the Project has a second and third mortgage payable to Federal Housing Administration obtained through the Mark to Market program, consisting of a mortgage restructuring in the amount of \$841,541 and \$117,501 respectively. These mortgages have a maturity date of March 1, 2034 at an interest rate of 5.00%. Principal is due in full at maturity, however, if the Project operates Corazon Square as affordable housing until maturity, the second and third mortgages will be forgiven. The Corazon Square apartment project serves as collateral for this loan.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3G. Non-current Liabilities - (Continued)

The annual debt service requirements to maturity for long-term debt as of March 31, 2018, are as follows:

Year Ending March 31,	Principal	Interest	Total
2019	\$ 19,529	\$ 27,859	\$ 47,388
2020	20,682	26,706	47,388
2021	21,904	25,485	47,389
2022	23,197	24,192	47,389
2023	24,566	22,822	47,388
2024-2028	146,378	90,565	236,943
2029-2033	195,000	41,942	236,942
2034-maturity	1,001,149	1,218	1,002,367
	<u>\$ 1,452,405</u>	<u>\$ 260,789</u>	<u>\$ 1,713,194</u>

3H. Inter-program Transactions and Balances

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

Operating Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent	\$ 51,271	\$ -
Housing Choice Vouchers	23,407	-
Capital Fund Program	-	(51,271)
Business Activities	-	(23,407)
Total	<u>\$ 74,678</u>	<u>\$ (74,678)</u>

Inter-program Receivable/Payable

Inter-program receivable/payable is eliminated for financial statement presentation. The following inter-program receivable/payable existed at March 31, 2018:

	<u>Due From</u>	<u>Due To</u>
Low Rent	\$	\$ (903)
HCV	5,542	
Business Activities	3	(4,642)
	<u>\$ 5,545</u>	<u>\$ (5,545)</u>

3I. - Prior Period Error Correction

Section 8 N/C

Miscellaneous current liabilities – To adjust prior years IPF calculation per PCPM \$ 16,991

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan with Met Life. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Authority to contribute 3% of covered wages. Benefits are fully vested at the time of employment.

The following information related to the defined contribution plan at March 31, 2018:

Total payroll	\$	544,787
Total payroll for eligible participants	\$	237,444
Employer contributions made	\$	7,123

4B. Commitments – Construction

At March 31, 2018, the Authority had the following pending Capital Fund project in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-16	\$ 288,555	\$ 82,722

4C. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4D. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with State Farm Insurance.
b. Injuries to employees (workers' compensation)	Purchased insurance with Pinnacol Assurance. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with deductible ranging from \$5,000 - \$20,000.
d. Health and life	Purchased health insurance from Blue Cross Blue Shield; Life insurance is provided by Guardian Inc.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2018

NOTE 4 – OTHER NOTES - (Continued)

4E. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense, Housing Assistance Payment (HAP) and interest expense and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through June 1, 2018 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2019 federal budget.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
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PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
March 31, 2018

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-15</u>
Funds approved	\$ 285,495
Funds expended	<u>285,495</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 285,495
Funds expended	<u>285,495</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated March 31, 2018, 2018 submitted to HUD for approval is in agreement with the Authority's records as of March 31, 2018.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2018

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Program	14.850	\$ 651,845
Capital Fund Program	14.872	321,166
Housing Choice Vouchers	14.871	354,060
Section 8 New Construction & Substantial Rehabilitation	14.182	216,189
Supportive Housing for the Elderly	14.157	* 1,452,405
Passed through the State of Colorado: Community Development Block Grants / State's program and Non-Entitlement Grants in Hawaii	14.228	<u>484,340</u>
Total Expenditures of Federal Awards		\$ <u><u>3,480,005</u></u>

* Consists of principal loan balance at March 31, 2018.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Trinidad (Authority) under programs of the federal government for the year ended March 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
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FINANCIAL DATA SCHEDULE
Year Ended March 31, 2018

	Project Total	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$796,150	\$68,304	\$2,105	\$3,615		\$870,174	\$0	\$870,174
113 Cash - Other Restricted	\$0	\$65,660	\$20,291			\$85,951	\$0	\$85,951
114 Cash - Tenant Security Deposits	\$56,654	\$13,710	\$0			\$70,364	\$0	\$70,364
100 Total Cash	\$852,804	\$147,674	\$22,396	\$3,615	\$0	\$1,026,489	\$0	\$1,026,489
122 Accounts Receivable - HUD Other Projects	\$53,242	\$0	\$0			\$53,242	\$0	\$53,242
124 Accounts Receivable - Other Government	\$0	\$0	\$0		\$75,661	\$75,661	\$0	\$75,661
126 Accounts Receivable - Tenants	\$5,387	\$398	\$0			\$5,785	\$0	\$5,785
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,425	-\$20	\$0			-\$1,445	\$0	-\$1,445
128 Fraud Recovery	\$2,402	\$0	\$0			\$2,402	\$0	\$2,402
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,441	\$0	\$0			-\$1,441	\$0	-\$1,441
129 Accrued Interest Receivable	\$491	\$0	\$0			\$491	\$0	\$491
120 Total Receivables, Net of Allowances for Doubtful Accts	\$58,656	\$378	\$0	\$0	\$75,661	\$134,695	\$0	\$134,695
131 Investments - Unrestricted	\$739,939	\$0	\$0			\$739,939	\$0	\$739,939
142 Prepaid Expenses and Other Assets	\$52,247	\$8,810	\$58	\$23		\$61,138	\$0	\$61,138
143 Inventories	\$36,529	\$2,111	\$0			\$38,640	\$0	\$38,640
143.1 Allowance for Obsolete Inventories	-\$3,653	-\$211	\$0			-\$3,864	\$0	-\$3,864
144 Inter Program Due From	\$0	\$0	\$5,542	\$3		\$5,545	-\$5,545	\$0
150 Total Current Assets	\$1,736,522	\$158,762	\$27,996	\$3,641	\$75,661	\$2,002,582	-\$5,545	\$1,997,037
161 Land	\$381,908	\$10,000	\$0	\$16,083		\$407,991	\$0	\$407,991
162 Buildings	\$11,256,636	\$1,939,028	\$18,815	\$3,763	\$230,988	\$13,449,230	\$0	\$13,449,230
163 Furniture, Equipment & Machinery - Dwellings	\$24,758	\$0	\$0			\$24,758	\$0	\$24,758
164 Furniture, Equipment & Machinery - Administration	\$256,342	\$17,688	\$0			\$274,030	\$0	\$274,030
165 Leasehold Improvements	\$0	\$0	\$0	\$8,508		\$8,508	\$0	\$8,508
166 Accumulated Depreciation	-\$9,479,342	-\$1,572,617	\$0	\$0	-\$20,532	-\$11,072,491	\$0	-\$11,072,491
167 Construction in Progress	\$35,344	\$0	\$0		\$484,370	\$519,714	\$0	\$519,714
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,475,646	\$394,099	\$18,815	\$28,354	\$694,826	\$3,611,740	\$0	\$3,611,740

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2018

	Project Total	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
180 Total Non-Current Assets	\$2,475,646	\$394,099	\$18,815	\$28,354	\$694,826	\$3,611,740	\$0	\$3,611,740
290 Total Assets and Deferred Outflow of Resources	\$4,212,168	\$552,861	\$46,811	\$31,995	\$770,487	\$5,614,322	-\$5,545	\$5,608,777
312 Accounts Payable <= 90 Days	\$1,698	\$542	\$80	\$100	\$75,691	\$78,111	\$0	\$78,111
321 Accrued Wage/Payroll Taxes Payable	\$6,999	\$2,755	\$0			\$9,754	\$0	\$9,754
322 Accrued Compensated Absences - Current Portion	\$14,493	\$3,767	\$1,010	\$409		\$19,679	\$0	\$19,679
325 Accrued Interest Payable	\$0	\$2,364	\$0			\$2,364	\$0	\$2,364
333 Accounts Payable - Other Government	\$28,719	\$12,244	\$0			\$40,963	\$0	\$40,963
341 Tenant Security Deposits	\$56,654	\$13,710	\$0			\$70,364	\$0	\$70,364
342 Unearned Revenue	\$3,156	\$50	\$4,673			\$7,879	\$0	\$7,879
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$19,529	\$0			\$19,529	\$0	\$19,529
345 Other Current Liabilities	\$1,864	\$14,449	\$0			\$16,313	\$0	\$16,313
346 Accrued Liabilities - Other	\$2,871	\$5,852	\$0			\$8,723	\$0	\$8,723
347 Inter Program - Due To	\$903	\$0	\$0	\$4,642		\$5,545	-\$5,545	\$0
310 Total Current Liabilities	\$117,357	\$75,262	\$5,763	\$5,151	\$75,691	\$279,224	-\$5,545	\$273,679
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$1,432,876	\$0			\$1,432,876	\$0	\$1,432,876
354 Accrued Compensated Absences - Non Current	\$22,054	\$8,034	\$1,942	\$932		\$32,962	\$0	\$32,962
350 Total Non-Current Liabilities	\$22,054	\$1,440,910	\$1,942	\$932	\$0	\$1,465,838	\$0	\$1,465,838
300 Total Liabilities	\$139,411	\$1,516,172	\$7,705	\$6,083	\$75,691	\$1,745,062	-\$5,545	\$1,739,517
508.4 Net Investment in Capital Assets	\$2,475,646	-\$1,058,306	\$18,815	\$28,354	\$694,826	\$2,159,335		\$2,159,335
511.4 Restricted Net Position	\$0	\$65,660	\$20,291			\$85,951		\$85,951
512.4 Unrestricted Net Position	\$1,597,111	\$29,335	\$0	-\$2,442	-\$30	\$1,623,974		\$1,623,974
513 Total Equity - Net Assets / Position	\$4,072,757	-\$963,311	\$39,106	\$25,912	\$694,796	\$3,869,260	\$0	\$3,869,260
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,212,168	\$552,861	\$46,811	\$31,995	\$770,487	\$5,614,322	-\$5,545	\$5,608,777

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2018

	Project Total	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$314,310	\$176,057	\$0			\$490,367	\$0	\$490,367
70400 Tenant Revenue - Other	\$14,325	\$2,748	\$0			\$17,073	\$0	\$17,073
70500 Total Tenant Revenue	\$328,635	\$178,805	\$0	\$0	\$0	\$507,440	\$0	\$507,440
70600 HUD PHA Operating Grants	\$703,116	\$216,189	\$354,060			\$1,273,365	\$0	\$1,273,365
70610 Capital Grants	\$269,895	\$0	\$0			\$269,895	\$0	\$269,895
70800 Other Government Grants	\$0	\$0	\$0	\$936	\$484,340	\$485,276	\$0	\$485,276
71100 Investment Income - Unrestricted	\$7,893	\$110	\$41	\$23		\$8,067	\$0	\$8,067
71500 Other Revenue	\$33,082	\$121,917	\$0	\$29,001		\$184,000	-\$12,000	\$172,000
72000 Investment Income - Restricted	\$0	\$34	\$0			\$34	\$0	\$34
70000 Total Revenue	\$1,342,621	\$517,055	\$354,101	\$29,960	\$484,340	\$2,728,077	-\$12,000	\$2,716,077
91100 Administrative Salaries	\$168,032	\$19,358	\$29,143	\$6,668		\$223,201	\$0	\$223,201
91200 Auditing Fees	\$5,445	\$3,855	\$293	\$117		\$9,710	\$0	\$9,710
91300 Management Fee	\$0	\$12,000	\$0			\$12,000	-\$12,000	\$0
91400 Advertising and Marketing	\$2,117	\$336	\$263	\$618		\$3,334	\$0	\$3,334
91500 Employee Benefit contributions - Administrative	\$50,185	\$14,039	\$11,380	\$1,911		\$77,515	\$0	\$77,515
91600 Office Expenses	\$36,608	\$10,694	\$4,089	\$1,258		\$52,649	\$0	\$52,649
91700 Legal Expense	\$8,264	\$4,372	\$0			\$12,636	\$0	\$12,636
91800 Travel	\$5,022	\$0	\$175	\$33		\$5,230	\$0	\$5,230
91900 Other	\$29,285	\$6,334	\$3,660	\$10,006		\$49,285	\$0	\$49,285
91000 Total Operating - Administrative	\$304,958	\$70,988	\$49,003	\$20,611	\$0	\$445,560	-\$12,000	\$433,560
92100 Tenant Services - Salaries	\$3,596	\$0	\$0			\$3,596	\$0	\$3,596
92200 Relocation Costs	\$3,184	\$0	\$0			\$3,184	\$0	\$3,184
92300 Employee Benefit Contributions - Tenant Services	\$308	\$0	\$0			\$308	\$0	\$308
92400 Tenant Services - Other	\$883	\$0	\$0			\$883	\$0	\$883
92500 Total Tenant Services	\$7,971	\$0	\$0	\$0	\$0	\$7,971	\$0	\$7,971

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2018

	Project Total	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
93100 Water	\$6,062	\$3,560	\$0			\$9,622	\$0	\$9,622
93200 Electricity	\$7,345	\$38,364	\$0			\$45,709	\$0	\$45,709
93300 Gas	\$2,980	\$7,805	\$0			\$10,785	\$0	\$10,785
93400 Fuel	\$0	\$5	\$0			\$5	\$0	\$5
93600 Sewer	\$10,733	\$3,885	\$0			\$14,618	\$0	\$14,618
93000 Total Utilities	\$27,120	\$53,619	\$0	\$0	\$0	\$80,739	\$0	\$80,739
94100 Ordinary Maintenance and Operations - Labor	\$217,812	\$63,902	\$0			\$281,714	\$0	\$281,714
94200 Ordinary Maintenance and Operations - Materials and Other	\$111,819	\$8,570	\$0			\$120,389	\$0	\$120,389
94300 Ordinary Maintenance and Operations Contracts	\$84,418	\$39,239	\$0			\$123,657	\$0	\$123,657
94500 Employee Benefit Contributions - Ordinary Maintenance	\$59,006	\$0	\$0			\$59,006	\$0	\$59,006
94000 Total Maintenance	\$473,055	\$111,711	\$0	\$0	\$0	\$584,766	\$0	\$584,766
95100 Protective Services - Labor	\$0	\$5,724	\$0			\$5,724	\$0	\$5,724
95300 Protective Services - Other	\$105	\$0	\$0			\$105	\$0	\$105
95000 Total Protective Services	\$105	\$5,724	\$0	\$0	\$0	\$5,829	\$0	\$5,829
96110 Property Insurance	\$45,559	\$13,320	\$0			\$58,879	\$0	\$58,879
96120 Liability Insurance	\$573	\$0	\$27	\$11		\$611	\$0	\$611
96130 Workmen's Compensation	\$11,439	\$3,936	\$517	\$186		\$16,078	\$0	\$16,078
96140 All Other Insurance	\$6,132	\$0	\$301	\$212		\$6,645	\$0	\$6,645
96100 Total insurance Premiums	\$63,703	\$17,256	\$845	\$409	\$0	\$82,213	\$0	\$82,213
96200 Other General Expenses	\$819	\$14,459	\$850	\$28		\$16,156	\$0	\$16,156
96210 Compensated Absences	\$31,451	\$10,389	\$2,453	\$1,047		\$45,340	\$0	\$45,340
96300 Payments in Lieu of Taxes	\$28,719	\$12,244	\$0			\$40,963	\$0	\$40,963
96400 Bad debt - Tenant Rents	\$9,141	\$224	\$0			\$9,365	\$0	\$9,365
96000 Total Other General Expenses	\$70,130	\$37,316	\$3,303	\$1,075	\$0	\$111,824	\$0	\$111,824

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2018

	Project Total	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	1 Business Activities	14.228 Community Development Block Grants/State's Program	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$79,333	\$0			\$79,333	\$0	\$79,333
96700 Total Interest Expense and Amortization Cost	\$0	\$79,333	\$0	\$0	\$0	\$79,333	\$0	\$79,333
96900 Total Operating Expenses	\$947,042	\$375,947	\$53,151	\$22,095	\$0	\$1,398,235	-\$12,000	\$1,386,235
97000 Excess of Operating Revenue over Operating Expenses	\$395,579	\$141,108	\$300,950	\$7,865	\$484,340	\$1,329,842	\$0	\$1,329,842
97300 Housing Assistance Payments	\$0	\$0	\$294,334			\$294,334	\$0	\$294,334
97400 Depreciation Expense	\$272,108	\$52,197	\$0		\$15,399	\$339,704	\$0	\$339,704
90000 Total Expenses	\$1,219,150	\$428,144	\$347,485	\$22,095	\$15,399	\$2,032,273	-\$12,000	\$2,020,273
10010 Operating Transfer In	\$51,271	\$0	\$23,407			\$74,678	-\$74,678	\$0
10020 Operating transfer Out	-\$51,271	\$0	\$0	-\$23,407		-\$74,678	\$74,678	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$23,407	-\$23,407	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$123,471	\$88,911	\$30,023	-\$15,542	\$468,941	\$695,804	\$0	\$695,804
11020 Required Annual Debt Principal Payments	\$0	\$18,441	\$0	\$0	\$0	\$18,441		\$18,441
11030 Beginning Equity	\$3,949,286	-\$1,035,231	\$9,083	\$41,454	\$225,855	\$3,190,447	\$0	\$3,190,447
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	-\$16,991	\$0			-\$16,991	\$0	-\$16,991
11170 Administrative Fee Equity			\$18,815			\$18,815		\$18,815
11180 Housing Assistance Payments Equity			\$20,291			\$20,291		\$20,291
11190 Unit Months Available	2354	600	768			3722	0	3722
11210 Number of Unit Months Leased	2291	596	684			3571	0	3571
11270 Excess Cash	\$1,455,122					\$1,455,122		\$1,455,122
11620 Building Purchases	\$632,620					\$632,620		\$632,620
11640 Furniture & Equipment - Administrative Purchases	\$50,188					\$50,188		\$50,188

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

Board of Commissioners
Housing Authority of the City of Trinidad
Trinidad, Colorado

I 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 of the Housing Authority of the City of Trinidad (Authority), Colorado, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated June 1, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, I do not express an opinion on the effectiveness of the 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Audit Solutions, LLC

Chesterfield, Missouri

June 1, 2018

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

Board of Commissioners
Housing Authority of the City of Trinidad
Trinidad, Colorado

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Trinidad (Authority), Colorado'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 the Authority's major federal programs for the year ended March 31, 2018. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Trinidad, Colorado, 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 March 31, 2018.

Report on Internal Control Over Compliance

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

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Audit Solutions, LLC

Chesterfield, Missouri

June 1, 2018

HOUSING AUTHORITY OF THE CITY OF TRINIDAD
Trinidad, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
<u>Identification of major programs:</u>	
➤ CFDA #14.157 Supportive Housing for the Elderly	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended March 31, 2018 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the period ended March 31, 2018 disclosed no Federal Awards audit finding and questioned costs.