



**Housing Authority of the County of Grand, Colorado
dba Grand County Housing Authority
(A Component Unit of Grand County, Colorado)**

**Financial Statements
Year Ended December 31, 2015**



**Housing Authority of the County of Grand, Colorado
 dba Grand County Housing Authority
 Basic Financial Statements
 December 31, 2015**

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**Housing Authority of the County of Grand, Colorado
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Basic Financial Statements
December 31, 2015**

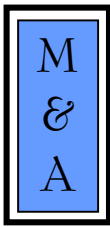
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INDEPENDENT AUDITOR'S REPORT

**To the Housing Authority Board
Housing Authority of the County of Grand, Colorado
dba Grand County Housing Authority**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of Grand County Housing Authority, Colorado (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes 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 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Member: American Institute of Certified Public Accountants

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**To the Board of County Commissioners
Grand County Housing Authority, Colorado**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grand County Housing Authority, Colorado as of December 31, 2015, 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis in Section B 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.

The budgetary comparison information in Section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison 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 statement 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements taken as a whole. The individual fund budgetary information found in Section F listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the Authority's financial statements. The individual fund budgetary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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.

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit Section G are presented for the purpose of additional analysis, 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"), and are not a required part of the Authority's financial statements. Such information has been subjected to the auditing procedures applied 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 statement 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 Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

**To the Board of County Commissioners
Grand County Housing Authority, Colorado**

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with 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 the 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 the Authority's internal control over financial reporting and compliance.

**McMahan and Associates, L.L.C.
Avon, Colorado
March 16, 2016**



MANAGEMENT DISCUSSION AND ANALYSIS



Grand County Housing Authority

Management's Discussion and Analysis

December 31, 2015

As management of Grand County Housing Authority, (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2015.

Financial Highlights

- The Authority's net position changed by \$166,022.
- The Authority's projects continue to struggle financially. Due to several of the Authority's projects carrying net position deficiencies, the Authority has a deficit net position of \$(20,755).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements are comprised of two components: 1) financial statements; and 2) Notes to the Financial Statements. These components are discussed below.

Financial statements: The financial statements are designed to provide readers with an overview of the Authority's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet/Statement of Net Position presents information on all the Authority's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net position. The Balance Sheet columns present the financial position focusing on short-term available resources and are reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. 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 Revenues, Expenditures and Changes in Fund Balance/Statement of Activities shows how the government's fund balance and net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities and Changes in Net Position column focuses on long-term economic resources and is reported on a full accrual basis.

The Authority's financial statements can be found in section C of this report.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the Authority. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in section D of this report.

Financial Analysis of the Authority (continued)

Grand County Housing Authority's Net Position

	<u>Governmental</u>		<u>Business - Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:						
Current	\$ 12,131	\$ 8,381	\$ 200,697	\$ 182,000	\$ 212,828	\$ 190,381
Other assets	239,248	243,063	233,616	213,237	472,864	456,300
Capital assets, net	-	-	1,347,195	1,261,962	1,347,195	1,261,962
Deferred outflows	-	-	-	-	-	-
Total Assets and Deferred outflows	<u>251,379</u>	<u>251,444</u>	<u>1,781,508</u>	<u>1,657,199</u>	<u>2,032,887</u>	<u>1,908,643</u>
Liabilities:						
Other liabilities	36,165	16,288	127,771	130,494	163,936	146,782
Long-term liabilities	-	-	1,889,707	1,948,638	1,889,707	1,948,638
Deferred inflows	-	-	-	-	-	-
Total Liabilities and Deferred inflows	<u>36,165</u>	<u>16,288</u>	<u>2,017,478</u>	<u>2,079,132</u>	<u>2,053,643</u>	<u>2,095,420</u>
Net Position:						
Invested in capital assets	-	-	(561,890)	(694,343)	(561,890)	(694,343)
Restricted	131,549	109,119	218,482	198,103	350,031	307,222
Unrestricted	83,665	126,037	107,438	74,307	191,103	200,344
Total Net Position	<u>\$ 215,214</u>	<u>\$ 235,156</u>	<u>\$ (235,970)</u>	<u>\$ (421,933)</u>	<u>\$ (20,756)</u>	<u>\$ (186,777)</u>

The majority of the Authority's total assets reflect capital assets, which includes land, buildings, and equipment, less applicable depreciation.

The Authority's only long-term debt obligations relate to its acquisition of buildings and assets for affordable housing. It has no long-term liabilities relating to its governmental activities.

Financial Analysis of the Authority (continued)

Grand County Housing Authority's Change in Net Position

	Governmental		Business - Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 7,728	\$ 273,116	\$ 1,152,536	\$ 1,102,931	1,160,264	1,376,047
Operating grants and contrib	149,414	343,749	1,527	-	150,941	343,749
Capital grants and contributic	185,000	-	-	-	185,000	-
General revenues:						
Interest and other revenue	8,190	6,412	24	25	8,214	6,437
Total Revenues	350,332	623,277	1,154,087	1,102,956	1,504,419	1,726,233
Expenses:						
Housing	187,452	473,892	1,150,946	1,168,329	1,338,398	1,642,221
Total Expenses	187,452	473,892	1,150,946	1,168,329	1,338,398	1,642,221
Change in Net Position	162,880	149,385	3,141	(65,373)	166,021	84,012
Transfers	(182,822)	8,798	182,822	(8,798)	-	-
Special Item	-	(1,492,272)	-	2,091,273	-	599,001
Net Position - Beginning	235,156	1,569,245	(421,933)	(2,439,035)	(186,777)	(869,790)
Net Position - Ending	\$ 215,214	\$ 235,156	\$ (235,970)	\$ (421,933)	\$ (20,756)	\$ (186,777)

Rent and rental assistance were the most significant sources of revenues.

Financial Analysis of the Authority's Funds

The Authority's Business Type funds had the following financial results:

Silver Spruce Senior Apartments: This fund had a net income (loss) of \$15,753. These apartments had 20 units available during 2015.

Grand Living Senior Homes: This fund had net income (loss) of \$176,089. This facility has 24 units available.

Cliffview: This fund had net income (loss) of (\$5,877). This facility has 24 units available and during 2015. Maintaining a high occupancy rate has historically been a problem at Cliffview. The facility also ended the year with more private pay residents than Medicaid residents making a significant difference on the income side.

The combined amount received from Medicaid residents and the Medicaid subsidy is controlled by the State legislature. The Authority is committed to serving the needs of low income individuals balanced with the financial goal of keeping the private pay ratio high so as to be able to maintain the facility. The demand for private pay assisted living units at this property's location is somewhat limited due to the County's isolated location and relatively high elevation.

Financial Analysis of the Authority (continued)

Budget Variances in the Administrative Fund

The Authority had the following significant variances from budget:

	<u>Over (Under)</u> <u>Budget</u>	<u>Note</u>
Revenues:		
Other grants	(337,000)	Timing on anticipated Cliffview Grants
Expenditures:		
Down Payment Assistance Funds Loaned	9,300	Lower demand for down payment assistance than anticipated.

Capital Asset and Debt Administration

Capital assets: In 2015, the Authority made additions to capital assets and the only deletions were scheduled depreciation amounts. Additional information as well as a detailed classification of the Authority's net capital assets can be found in the Notes to the Financial Statements in section D.

Long-term debts: The Authority's long-term debt obligations relate to the purchase, construction and maintenance of its fund buildings. In 2015 the Authority reduced its long-term debt obligations by regularly scheduled payments. In 2014, \$250,000 in long-term debt related to the Fox Run project due to Grand County was written off. For additional information see Note IV-B Fox Run Apartments LLLP. Additional information regarding long-term debts can be found in Note IV-C in section D.

Economic Conditions Affecting the Authority

The Authority, formed in 1977, provides safe and adequate housing to residents of Grand County. The County's historical boom and bust economic cycles dramatically affect population and housing needs. Grand County's population increased approximately 91% from 1980 to 2015 from 7,475 to 14,289. The Colorado Department of Local Affairs (DOLA) projects that the population of Grand County will increase approximately 18 percent between 2015 and 2012. A future increase in population will provide substantially more need for affordable housing.

The Authority's projects are heavily dependent on federal capital funding and Medicaid rent subsidies. Any declines in funding or subsidies will adversely impact the financial success of the projects and contribute to an already under-served population. The relatively low income of the county's workforce makes it difficult to earn an adequate living and afford housing. Coupled with the lower incomes, the strong second/vacation home market puts a strain on the future development and operation of affordable housing due to higher construction and development costs. Consequently, the housing market has become imbalanced. The county has felt the effects of the national recession and has been slow to recover. This has negatively affected available employment opportunities and revenues to the county and municipalities which have previously funded the Authority. During 2015 no funds were provided for the support of the Housing Authority by municipalities within the county.

Financial Analysis of the Authority (continued)

The Authority administers the Section 8 Housing Choice Voucher program through a Contract with the Colorado Division of Housing.

The Authority expanded its program territory by agreeing to administer the program in Clear Creek and Summit counties in addition to Gilpin, Grand, Jackson and Routt counties. The Authority administers a total of 122 Section 8 units. The actual size of the program can vary depending on where voucher holders locate rental units. The Authority continued to receive portable vouchers from other housing authorities within Colorado and from other housing authorities in other states. In the future, possible reforms in the Section 8 Housing Choice Voucher Program could reduce administrative revenues for the Authority

Overall, the Authority continues to struggle financially. The Federally funded Section 8 program continues to be under attack and administrative fees and overall funding are likely to decline.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Grand County Housing Authority, P.O. Box 264, Hot Sulphur Springs, Colorado 80451.



BASIC FINANCIAL STATEMENTS



Grand County Housing Authority
Government-wide Statement of Net Position
December 31, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current Assets:			
Deposits	\$ 9,773	\$ 179,275	\$ 189,048
Tenant Receivables	-	13,441	13,441
Prepaid Expenses	2,358	3,361	5,719
Other Receivables	-	4,620	4,620
Total Current Assets	<u>12,131</u>	<u>200,697</u>	<u>212,828</u>
Non-Current Assets:			
Deposits Held in Trust	-	20,561	20,561
Restricted Deposits and Reserves	131,549	197,921	329,470
Land	-	64,453	64,453
Buildings and Improvements	-	4,598,264	4,598,264
Building Equipment	-	53,546	53,546
Less: Accumulated Depreciation	-	(3,369,068)	(3,369,068)
Notes, Loans and Mortgages Receivables (Net of \$21,075 Allowance for Bad Debt)	107,699	-	107,699
Other Assets	-	15,134	15,134
Total Non-Current Assets	<u>239,248</u>	<u>1,580,811</u>	<u>1,820,059</u>
Total Assets	<u>251,379</u>	<u>1,781,508</u>	<u>2,032,887</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	34,243	40,833	75,076
Compensated Absences	477	509	986
Taxes and Benefits Payable	-	25,688	25,688
Accrued Interest	-	11,487	11,487
Other Accrued Expenses	1,445	10,150	11,595
Current Portion of Non-Current Liabilities	-	39,104	39,104
Total Current Liabilities	<u>36,165</u>	<u>127,771</u>	<u>163,936</u>
Non-Current Liabilities:			
Deferred Revenue	-	(119)	(119)
Notes Payable - Due in More Than One Year	-	1,869,983	1,869,983
Security Deposits Payable	-	19,843	19,843
Total Non-Current Liabilities	<u>-</u>	<u>1,889,707</u>	<u>1,889,707</u>
Total Liabilities	<u>36,165</u>	<u>2,017,478</u>	<u>2,053,643</u>
Net Position:			
Net Invested in Capital Assets	-	(561,890)	(561,890)
Restricted	131,549	218,482	350,031
Unrestricted	83,665	107,438	191,103
Total Net Position	<u>\$ 215,214</u>	<u>\$ (235,970)</u>	<u>\$ (20,756)</u>

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

Grand County Housing Authority
Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Section 8 Program/Administrative	\$ 187,452	\$ 7,728	\$ 149,414	\$ 185,000	\$ 154,690	\$ -	\$ 154,690
Business-Type activities:							
Senior Housing Programs							
Rural Rental & Section 8 Rent Assistance	1,150,946	1,152,536	1,527	-	-	3,117	3,117
Total Government	<u>\$ 1,338,398</u>	<u>\$ 1,160,264</u>	<u>\$ 150,941</u>	<u>\$ 185,000</u>	<u>\$ 154,690</u>	<u>\$ 3,117</u>	<u>\$ 157,807</u>
		General Revenues:					
		Investment Earnings			8,190	24	8,214
		Transfers			(182,822)	182,822	-
		Total General Revenues			<u>(174,632)</u>	<u>182,846</u>	<u>8,214</u>
		Change in Net Position			(19,942)	185,963	166,021
		Net Position - Beginning			235,156	(421,933)	(186,777)
		Net Position - Ending			<u>\$ 215,214</u>	<u>\$ (235,970)</u>	<u>\$ (20,756)</u>

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

Grand County Housing Authority
Balance Sheet
Governmental Funds
For the Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Administrative Special Revenue Fund	
	2015	2014
Assets:		
Cash	\$ 9,773	\$ 6,357
Restricted Deposits and Reserves	131,549	109,119
Prepaid Expenses	2,358	2,024
Total Assets	143,680	117,500
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable	\$ 35,688	\$ 15,225
Total Liabilities	35,688	15,225
Fund Balances:		
Non-spendable:		
Prepaid Assets	2,358	2,024
Restricted for Down Payment Assistance	131,549	109,119
Unassigned	(25,915)	(8,868)
Total Fund Balances	107,992	102,275
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 143,680	 \$ 117,500

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

Grand County Housing Authority
Reconciliation of Governmental Funds Balance Sheet Total Fund Balance to the
Government-wide Statement of Net Position Governmental Activities Total Net Position
December 31, 2015

Governmental Funds Total Fund Balance	\$ 107,992
Add:	
Long Term Notes, Loans and Mortgages Receivable, net of allowance.	107,699
Less:	
Long-term liabilities, including compensated absences, are not due and payable in the current period, and therefore are not reported in the funds.	<u>(477)</u>
Government-wide Statement of Net Position	
Governmental Activities Total Net Position	<u><u>\$ 215,214</u></u>

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

Grand County Housing Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	Administrative	
	Special Revenue Fund	
	2015	2014
Revenues:		
Intergovernmental Revenues		
Department of Local Affairs (DOLA)		
Section 8 Housing Choice	\$ 50,814	\$ 41,012
CHFA Home Buyers Education	2,600	3,200
County MOU Agreement Revenue	90,000	90,000
Other grants	185,000	44,515
Total Intergovernmental Revenues	<u>328,414</u>	<u>178,727</u>
Other Revenues		
Down Payment Assistance Loan Payments	43,564	54,699
Investment Income	-	128
Other Revenue	12,938	271,078
Total Other Revenues	<u>56,502</u>	<u>325,905</u>
Total Revenues	<u>384,916</u>	<u>504,632</u>
Expenditures:		
General government		
Auditing Fees	-	2,011
Down Payment Assistance Funds Loaned	20,700	10,150
Down Payment Assistance Funds Returned	-	9,441
Employee Benefit Contributions - Administrative	36,258	34,992
General and Administrative Salaries	120,557	106,271
Homebuyers Education	2,705	2,811
Insurance Premiums	6,551	4,628
Office Expense and Postage	1,576	1,127
Other Expenses	5,800	268,501
Travel, Lodging, and Meals	2,230	2,380
Total Expenditures	<u>196,377</u>	<u>442,312</u>
Special Item: Fox Run	<u>-</u>	<u>934,390</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>188,539</u>	<u>(872,070)</u>
Other Financing Sources (Uses):		
Transfers Out	<u>(182,822)</u>	<u>8,798</u>
Total Other Financing Sources (Uses)	<u>(182,822)</u>	<u>8,798</u>
Net Change in Fund Balances	5,717	(863,272)
Fund Balances - Beginning	102,275	965,547
Fund Balances - Ending	<u>\$ 107,992</u>	<u>\$ 102,275</u>

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

Grand County Housing Authority
Reconciliation of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds	5,717
Governmental funds report down payment assistance outlays as expenditures and repayments as revenue. However, in the government - wide financial statements, down payments assistance outlays are reported as increases in notes, loans, and mortgages receivable. Repayments are reported as decrease in the receivable and interest on the obligations is reported as revenue. The following are the respective differences:	(13,883)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Bad debt expense	(12,363)
Compensated absences	587
Change in Net Position of Governmental Activities	(19,942)

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

Grand County Housing Authority
Proprietary Funds and Blended Component Unit
Statement of Net Position
For the Year Ended December 31, 2015
With Summarized Information for December 31, 2014

	SILVER SPRUCE SENIOR APTS	GRAND LIVING SENIOR HOMES	CLIFFVIEW ASSISTED LIVING CENTER	TOTALS	
				2015	2014
Assets					
Current Assets					
Cash	\$ 51,515	\$ 76,823	\$ 50,937	\$ 179,275	\$ 160,801
Tenant Receivables	-	9,368	6,171	15,539	13,384
Prepaid Expenses	649	993	1,719	3,361	4,215
Other Receivables	2,522	-	-	2,522	3,600
Total Current Assets	<u>54,686</u>	<u>87,184</u>	<u>58,827</u>	<u>200,697</u>	<u>182,000</u>
Capital Assets					
Land	20,000	44,453	-	64,453	64,453
Buildings and Improvements	1,471,815	1,635,774	1,490,675	4,598,264	4,413,264
Building Equipment	26,556	1,399	25,591	53,546	48,302
Total Capital Assets	<u>1,518,371</u>	<u>1,681,626</u>	<u>1,516,266</u>	<u>4,716,263</u>	<u>4,526,019</u>
Accumulated Depreciation	<u>(1,206,591)</u>	<u>(1,150,640)</u>	<u>(1,011,837)</u>	<u>(3,369,068)</u>	<u>(3,264,057)</u>
Net Capital Assets	<u>311,780</u>	<u>530,986</u>	<u>504,429</u>	<u>1,347,195</u>	<u>1,261,962</u>
Other Assets					
Cash - Tenant Security Deposits	4,838	7,059	8,664	20,561	30,665
Cash - Replacement Reserves	117,394	45,402	35,125	197,921	167,438
Deferred assets	15,134	-	-	15,134	15,134
Total Other Assets	<u>137,366</u>	<u>52,461</u>	<u>43,789</u>	<u>233,616</u>	<u>213,237</u>
Total Assets	<u>503,832</u>	<u>670,631</u>	<u>607,045</u>	<u>1,781,508</u>	<u>1,657,199</u>
Liabilities:					
Current Liabilities:					
Accounts Payable	13,351	9,053	18,429	40,833	45,637
Taxes and Benefits Payable	123	-	25,565	25,688	26,289
Accrued Interest	8,223	1,447	1,817	11,487	19,728
Other Accrued Expenses	3,838	2,224	4,372	10,434	2,236
Tenant Security Deposits	4,826	6,917	8,100	19,843	20,623
Notes Payable - Due within One Year	6,778	14,068	18,257	39,103	36,378
Total Current Liabilities	<u>37,139</u>	<u>33,709</u>	<u>76,540</u>	<u>147,388</u>	<u>150,891</u>
Long-Term Liabilities:					
Notes Payable - Due in More than One Year	784,385	536,804	548,793	1,869,982	1,919,927
Deferred Revenue	55	25	26	106	8,314
Total Non-Current Liabilities	<u>784,440</u>	<u>536,829</u>	<u>548,819</u>	<u>1,870,088</u>	<u>1,928,240</u>
Total Liabilities	<u>821,579</u>	<u>570,538</u>	<u>625,359</u>	<u>2,017,476</u>	<u>2,079,131</u>
Net Position:					
Net Invested in Capital Assets	(479,383)	(19,886)	(62,621)	(561,890)	(694,343)
Restricted for Replacements	117,394	45,402	35,125	197,921	167,438
Unrestricted Net Position	44,242	74,577	9,182	128,001	104,972
Total Net Position	<u>\$ (317,747)</u>	<u>\$ 100,093</u>	<u>\$ (18,314)</u>	<u>\$ (235,968)</u>	<u>\$ (421,933)</u>

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

Grand County Housing Authority
Proprietary Funds and Blended Component Unit
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended December 31, 2015
With Summarized Information for December 31, 2014

	SILVER SPRUCE SENIOR APTS	GRAND LIVING SENIOR HOMES	CLIFFVIEW ASSISTED LIVING CENTER	TOTALS	
				2015	2014
Operating Income					
Gross Potential Rents	70,263	81,949	557,188	709,400	653,029
Tenant Assistance / Medicaid Reimbursements	161,411	112,261	155,866	429,538	434,727
Laundry and Vending Revenue	1,411	1,064	-	2,475	2,175
Other Revenue	2,364	9,127	2,356	13,847	13,024
Total Operating Income	235,449	204,401	715,410	1,155,260	1,102,955
Operating Expenses					
Administrative	46,749	45,499	140,820	233,068	214,412
Utilities	50,459	46,865	45,961	143,285	141,713
Operations and Maintenance	45,315	52,733	31,719	129,767	152,979
Taxes and Insurance	16,381	16,036	96,964	129,381	119,852
Activities	-	-	349,954	349,954	347,961
Total Operating Expenses	158,904	161,133	665,418	985,455	976,917
Income (Loss) From Operations Before Depreciation	76,545	43,268	49,992	169,805	126,038
Depreciation	(34,776)	(38,645)	(31,590)	(105,011)	(117,599)
Income (Loss) From Operations	41,769	4,623	18,402	64,794	8,439
Other Income (Expenses)					
Amortization Expense	-	-	-	-	(5,044)
Interest Expense	(17,838)	(13,534)	(30,279)	(61,651)	(68,769)
Net Other Income (Expense)	(17,838)	(13,534)	(30,279)	(61,651)	(73,813)
Net Income (Loss) Before Transfers and Special Items:	23,931	(8,911)	(11,877)	3,143	(65,374)
Transfers In (Out)	(8,178)	185,000	6,000	182,822	(8,798)
Change in Net Position	15,753	176,089	(5,877)	185,965	(74,172)
Net Position - Beginning	(333,500)	(75,996)	(12,437)	(421,933)	(347,761)
Net Position - Ending	(317,747)	100,093	(18,314)	(235,968)	(421,933)

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

Grand County Housing Authority
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015
With Summarized Information for December 31, 2014

	SILVER SPRUCE SENIOR APTS	GRAND LIVING SENIOR HOMES	CLIFFVIEW ASSISTED LIVING CENTER	TOTALS	
				2015	2014
Cash Flows From Operating Activities:					
Cash received from tenants and others	\$ 71,130	\$ 81,012	\$ 556,798	\$ 708,940	\$ 669,376
Cash paid for goods and services	(159,762)	(161,208)	(660,838)	(981,808)	(979,084)
Other cash receipts	164,906	121,391	149,958	436,255	466,892
Net Cash Provided (Used) by Operating Activities	<u>76,274</u>	<u>41,195</u>	<u>45,918</u>	<u>163,387</u>	<u>157,184</u>
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(5,244)	(185,000)	-	(190,244)	-
Principal paid on capital debt	(17,284)	(12,611)	(17,325)	(47,220)	(57,740)
Interest paid on capital debt	(26,079)	(13,534)	(30,279)	(69,892)	(64,030)
Transfers In (Out)	(8,178)	185,000	6,000	182,822	(12,991)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(56,785)</u>	<u>(26,145)</u>	<u>(41,604)</u>	<u>(124,534)</u>	<u>(134,761)</u>
Net Change in Cash and Cash Equivalents	19,489	15,050	4,314	38,853	22,423
Cash and Cash Equivalents - Beginning	154,258	114,234	90,412	358,904	336,480
Cash and Cash Equivalents - Ending	<u>\$ 173,747</u>	<u>\$ 129,284</u>	<u>\$ 94,726</u>	<u>\$ 397,757</u>	<u>\$ 358,903</u>
Cash Consists:					
Cash	51,515	76,823	50,937	179,275	160,800
Cash - Tenant Security Deposits	4,838	7,059	8,664	20,561	30,665
Cash - Replacement Reserves	117,394	45,402	35,125	197,921	167,438
Total Cash	<u>\$ 173,747</u>	<u>\$ 129,284</u>	<u>\$ 94,726</u>	<u>\$ 397,757</u>	<u>\$ 358,903</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 41,769	\$ 4,623	\$ 18,402	\$ 64,794	\$ 8,439
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	34,776	38,645	31,590	105,011	117,599
(Increase) decrease in tenant receivables	-	(1,665)	(490)	(2,155)	15,679
(Increase) decrease in prepaids	1,358	(192)	(312)	854	46
(Increase) decrease in other receivables	1,078	-	-	1,078	22,106
Increase (decrease) in accounts payable	(2,649)	(197)	(1,959)	(4,805)	(14,796)
(Increase) decrease in deferred revenue	53	3	(8,263)	(8,207)	(2,964)
Increase (decrease) in taxes and benefits payable	(1,752)	(1,983)	3,134	(601)	12,168
Increase (decrease) in other accrued expenses	2,185	2,297	3,716	8,198	414
Increase (decrease) in tenant security deposits	(544)	(336)	100	(780)	(1,507)
Total Adjustments	<u>34,505</u>	<u>36,572</u>	<u>27,516</u>	<u>98,593</u>	<u>148,745</u>
Net Cash Provided by Operating Activities	<u>\$ 76,274</u>	<u>\$ 41,195</u>	<u>\$ 45,918</u>	<u>\$ 163,387</u>	<u>\$ 157,184</u>

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

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015

I. Summary of Significant Accounting Policies

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

Grand County Housing Authority (the "Authority") was incorporated under the laws of the State of Colorado in October 1977, to provide safe and adequate housing for the program participants of Grand County, Colorado. The Authority receives and administers the resources received from the U.S. Department of Housing and Urban Development ("HUD") and the U.S. Department of Agriculture -Rural Development, Division of Housing Section 8 and County Memorandums of Understanding ("MOU's"). The Authority is responsible for the administration of Section 8 and Low-Income federal programs, as well as other related operations.

The more significant of the Authority's accounting policies are described below.

A. 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") Statements Nos. 14 and 39.

Based upon the application of these criteria the Authority has been deemed a component unit of Grand County, Colorado, and is blended into Grand County's financial statements as presented in its Comprehensive Annual Financial Report, available from Grand County.

B. Government-wide and Fund Financial Statements

The Authority basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's individual funds).

1. Government-wide Financial Statements

The government-wide financial statements report information on all non-fiduciary activities of the Authority and categorize primary activities as either governmental or business-type.

The Authority reports the following major governmental fund:

Administrative Special Revenue Fund - Special Revenue Funds are used to account for the collection and disbursement of specific revenue sources. The Authority's Special Revenue Fund accounts for all financial resources except those required to be accounted for in the enterprise funds. This fund accounts for the administrative activities of the Authority.

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements (continued)

In the government-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets

2. Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values.

Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The proprietary funds are classified as enterprise funds.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Authority's Major Enterprise Funds include Silver Spruce Senior Apartments, Grand Living Senior Homes, and Cliffview Assisted Living Center.

Under the terms of grant agreements, the Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, they are both restricted and unrestricted in order to finance the Authority's programs. It is the Authority's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

I. Summary of Significant Accounting Policies (continued)

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Both the government-wide financial statements and the fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

3. Financial Statement Presentation

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

2. Investments

Investments are stated at fair market value.

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. The Authority uses the allowance method for recognizing the potential uncollectibility of delinquent accounts receivable. At December 31, 2015 the Authority had established an allowance for bad debts of \$21,075 to account for any amounts which end up uncollectable.

4. Capital Assets

Capital assets, which include land, infrastructure, buildings, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an estimated useful life in excess of two years with an initial cost of \$5,000 or more. Purchased assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Buildings, equipment and vehicles and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Buildings	30
Equipment and vehicles	3 - 30
Infrastructure	15 - 20

5. Compensated Absences

The Authority's administrative staff employees follow Grand County's personnel policies. Staff accrues vacation and sick leave. Starting employees earn 10 days of vacation leave per year; after 5 years of employment with the County, an employee earns 15 days after ten years of service, 20 days and after 25 years, 25 days of vacation leave. No employee is eligible to carryover more than 30 days vacation from year to year. Sick leave is earned at the rate of one day per month. Sick leave is not paid out upon termination. The compensating absences liability balance was \$477 and is included in the government-wide financial statements at December 31, 2015.

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Fund Balance

The Authority classifies governmental fund balances as follows:

Net Invested in Capital Assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of related debt.

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Unassigned - includes residual positive fund balance within the Administrative Special Revenue Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Unrestricted - includes residual positive fund balance within Proprietary funds which has not been classified within the other above mentioned categories. Unrestricted fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Authority uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Authority first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

7. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Restricted Assets

Certain resources of the Authority are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable agreements.

E. Significant Accounting Policies

1. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

3. Deferred outflows/inflows of resources

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

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

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet includes reconciliation between governmental funds total fund balance and net position of governmental activities as reported in the government-wide Statement of Net Position. The differences include Notes, Loans, and Mortgages Receivables of \$107,699 less long-term liabilities of \$477.

B. Explanation of certain differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide Statement of Activities. The details of these differences include down payment assistance funds and Colorado Mountain Housing Coalition funds. The adjustments also include in changes to bad debt of \$12,363 and \$587 of compensated absences.

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

For the year ended December 31, 2015, budgets were adopted for the administrative special revenue fund and the proprietary funds. Prior to the end of the fiscal year, the Executive Director submits to the Board of Commissioners a proposed operating budget for the year commencing the following January 1. Budget includes proposed expenditures and the means of financing them.

The budgets are prepared using a GAAP basis. Appropriations lapse at the end of each year. These budgets are incorporated within annual contracts approved by U. S. Department of Agriculture -Rural Development, the U. S. Department of Housing and Urban Development (HUD), and the Grand County Board of County Commissioners.

The administrative special revenue fund budget is legally enacted through approval of the Board. Any supplemental appropriations require approval of the Board. Budget amounts reported in the accompanying required supplemental information reflect the supplemental appropriation. The Authority had the following budget changes:

<u>Fund</u>	<u>Original Budget Expenditures</u>	<u>Supplemental Appropriation</u>	<u>Amended Budget Expenditures</u>
Administrative Fund	\$ 667,409	\$ -	\$ 667,409
Silver Spruce Senior Apartments	175,658	13,300	188,958
Grand Living Senior Homes	176,270	210,000	386,270
Cliffview Assisted Living	715,224	-	715,224
	<u>\$ 1,734,561</u>	<u>\$ 223,300</u>	<u>\$ 1,957,861</u>

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

III. Stewardship, Compliance, and Accountability (continued)

B. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand. The comparative information is not included in accordance with GAAP and such information should be read with the Authority's prior year financial statements.

C. TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. Management believes the Authority is exempt from the provisions of the Amendment.

IV. Detailed Notes on all Funds

A. Deposits and Investments

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

At December 31, 2015, the carrying value of the Authority's deposits was \$474,380. The bank balance of these accounts was \$506,284. The FDIC insures the first \$250,000 of the Authority's interest-bearing deposits at each financial institution. Non-interest bearing deposits are fully insured by the FDIC. Interest-bearing deposit balances over \$250,000 are collateralized as required by PDPA. Deposit balances over \$250,000 are collateralized as required by PDPA. The difference between carrying and bank balances represents items that had not cleared the bank at year end.

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

IV. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

At year end, the Authority had the following investments and maturities:

<u>Type</u>	<u>Standard & Poors Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Petty cash	Noted Rated	\$ 500	500	-
Checking	Noted Rated	340,658	340,658	-
Savings and money market	Noted Rated	197,921	197,921	-
		<u>\$ 539,079</u>	<u>\$ 539,079</u>	<u>\$ -</u>

B. Notes Receivable

A summary of the note receivable balances as of December 31, 2015 is as follows:

	<u>Governmental</u>	<u>Business Type</u>			<u>Total Bus.-Type</u>
	<u>Administrative Special Rev.</u>	<u>Cliffview Apartments</u>	<u>Grand Living</u>	<u>Silver Spruce</u>	
Accounts receivable	-	6,171	9,368	2,522	18,061
Net Accounts Receivable on Funds	<u>-</u>	<u>6,171</u>	<u>9,368</u>	<u>2,522</u>	<u>18,061</u>
Long-Term notes receivable	128,774				-
Less: Allowance for Doubtful Accounts	(21,075)				-
Net Government Wide Receivables	<u>107,699</u>				<u>18,061</u>

The following note and loans are included in the Long-Term notes and receivables noted above.

	<u>12/31/14 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/15 Balance</u>
Long-term notes receivable				
Moraine Park Loan	1,816	-	-	1,816
Down Payment Assistance Loans	45,805	20,708	(7,973)	58,540
CMHC Loans	137,620	-	(69,157)	68,463
Long-term notes receivable	185,241	20,708	(77,130)	128,819
Less: Allowance for Doubtful Accounts	(51,297)	-	30,222	(21,075)
Net Government Wide Receivables	<u>133,944</u>	<u>20,708</u>	<u>(46,908)</u>	<u>107,744</u>

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

IV. Detailed Notes on all Funds (continued)

B. Notes Receivable (Continued)

1. Moraine Park

On January 9, 2002, the Authority entered into a promissory note agreement with a private party for the purpose of connecting their property to the sewer system in the Town of Granby. The note bears interest at 1% and was for \$14,040. The note requires monthly payments for a period of ten years beginning in February 2002. The note is nonperforming at this time. At December 31, 2015 and 2014 the outstanding balances of this note were \$1,816 and \$1,816, respectively.

2. Down Payment Assistance Loans

In 2008, the Towns of Grand Lake and Granby provided \$30,000 in down payment assistance loans to qualifying individuals. Loans provided by the Towns are administered by the Authority and once collected, the funds are returned to the Towns. The Authority had down payment assistance loans outstanding in the amount of \$58,540 at year end. The Authority also had an allowance for bad debt totaling \$10,000.

3. CMHC

In July 2014 Colorado Mountain Housing Coalition relinquished its down payment assistance loan portfolio to Grand County Housing Authority. A balance of cash in the amount of \$44,515 was also received at that time. As of December 31, 2014 loans outstanding in this portfolio were \$68,463 and the associated allowance for bad debt was \$11,075.

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

IV. Detailed Notes on all Funds (continued)

C. Capital Assets

The following is the changes in business-type capital assets for the year ended December 31, 2015:

	<u>12/31/14</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/15</u> <u>Balance</u>
Silver Spruce Senior Apartments:				
Land (Non-depreciable)	20,000	-	-	20,000
Buildings and Improvements	1,471,815	-	-	1,471,815
Building Equipment	21,312	5,244	-	26,556
Total Capital Assets	1,513,127	5,244	-	1,518,371
Accumulated Depreciation	(1,171,815)	-	(34,776)	(1,206,591)
Net Capital Assets	341,312	5,244	(34,776)	311,780
Grand Living Senior Homes:				
Land (Non-depreciable)	44,453	-	-	44,453
Buildings and Improvements	1,450,774	185,000	-	1,635,774
Building Equipment	1,399	-	-	1,399
Total Capital Assets	1,496,626	185,000	-	1,681,626
Accumulated Depreciation	(1,111,995)	-	(38,645)	(1,150,640)
Net Capital Assets	384,631	185,000	(38,645)	530,986
Cliffview Assisted Living Center:				
Buildings and Improvements	1,490,675	-	-	1,490,675
Building Equipment	25,591	-	-	25,591
Total Capital Assets	1,516,266	-	-	1,516,266
Accumulated Depreciation	(980,247)	-	(31,590)	(1,011,837)
Net Capital Assets	536,019	-	(31,590)	504,429
Total Business-Type:				
Land (Non-depreciable)	64,453	-	-	64,453
Buildings and Improvements	4,413,264	185,000	-	4,598,264
Building Equipment	48,302	5,244	-	53,546
Total Capital Assets	4,526,019	190,244	-	4,716,263
Accumulated Depreciation	(3,264,057)	-	(105,011)	(3,369,068)
Net Capital Assets	1,261,962	190,244	(105,011)	1,347,195

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

IV. Detailed Notes on all Funds (continued)

D. Long-Term Debt

A summary of the changes in business-type activities long-term debt for 2015 is as follows:

	<u>12/31/14</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>12/31/15</u> <u>Current</u>
Business-Type Activities					
Silver Spruce - CHFA	\$ 231,710	\$ -	\$ (6,321)	\$ 225,389	\$ 6,778
Silver Spruce - HUD Restructure	555,139	-	(10,963)	544,176	-
Silver Spruce - HUD Contingent	21,598	-	-	21,598	-
Grand Living - Rural Housing #1	466,079	-	(11,977)	454,102	13,450
Grand Living - Rural Housing #2	97,405	-	(633)	96,772	619
Cliffview Assisted	584,375	-	(17,325)	567,050	18,257
Total Business-Type	<u>1,956,306</u>	<u>-</u>	<u>(47,219)</u>	<u>1,909,087</u>	<u>39,104</u>

Business-type activities long-term debt service payments will be due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	39,104	96,351	135,455
2017	42,060	93,394	135,454
2018	45,269	90,185	135,454
2019	48,754	86,700	135,454
2020	52,542	82,912	135,454
2021-2025	332,349	344,922	677,270
2026-2030	472,564	184,205	656,770
2031-2035	802,158	47,270	849,428
2036-2040	11,268	20,275	31,543
2041-2045	15,105	16,438	31,543
2046-2050	20,248	11,295	31,543
2051-2055	27,142	4,401	31,543
2056	523	3	526
Total	<u>\$ 1,909,087</u>	<u>\$ 1,078,351</u>	<u>\$ 2,987,438</u>

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

IV. Detailed Notes on all Funds (continued)

D. Long-Term Debt (continued)

Business-type activities long-term debt consists of the following.

Silver Spruce Senior Apartments

On August 20, 2004, the Authority entered into a \$278,700 deed of trust agreement with CHFA as part of the Mark-to Market debt restructuring. The note matures September 1, 2034. The loan bears interest at 6% and requires monthly payments of \$1,671. The regulatory agreement signed in conjunction with the note requires the establishment of a residual receipts account and ongoing deposits into a replacement reserve account. The balance outstanding at December 31, 2015 was \$225,389.

In August, 2004, the Authority entered into a Mortgage Restructuring Deed of Trust note for \$641,514 with the U.S. Department of Housing and Urban Development (HUD). The note bears interest at 1.5% per annum. Note payments are due annually to the extent the project has restricted surplus cash as defined in the loan agreement. The balance of any outstanding principal and accrued interest is due September 1, 2034. The balance outstanding at December 31, 2015 was \$544,176.

The Authority also entered into a Contingent Repayment Deed of Trust note for \$21,599 as part of the restructuring. The note bears interest at 1.5% per annum and contains repayment terms similar to the mortgage restructuring note. The balance outstanding at December 31, 2015 was \$21,598.

Grand Living Senior Homes

Rural Housing #1 -On September 23, 1980, the Authority entered into a \$920,000 mortgage agreement for the construction of the Grand Living Senior Homes complex with the U.S. Department of Agriculture -Rural Development through its Rural Housing Service. The mortgage bears interest at 10.75% and monthly principal and interest payments are \$8,290. Payments are required for 50 years through September, 2030. The Authority receives a monthly interest subsidy which reduces the monthly payment. The balance outstanding at December 31, 2015 was \$454,101.

Rural Housing #2 -On September 15, 2004, the Authority entered into a \$95,000 mortgage agreement for the rehabilitation costs at the Grand Living Senior Homes complex with the U.S. Department of Agriculture -Rural Development through its Rural Housing Service. The Authority borrowed an additional \$11,649 under this agreement in 2006. The mortgage bears interest at 5.875% and monthly principal and interest payments are \$528. Payments are required for 50 years through September, 2054. The Authority receives a monthly interest subsidy which reduces the monthly payment. The balance outstanding at December 31, 2015 was \$96,771.

The Authority receives a monthly interest subsidy for Rural Housing #1 and #2 which reduces the monthly payments on the above mentioned loans to \$1,959 and \$220, respectively. This subsidy, which totaled \$79,668 in the current year, is netted against interest expense.

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

IV. Detailed Notes on all Funds (continued)

D. Long-Term Debt (continued)

Cliffview Assisted Living Center

On October 11, 1994, the Authority entered into a \$795,000 mortgage agreement for the construction of the Cliffview Assisted Living Center with the U.S. Department of Agriculture -Rural Development through its Rural Housing Service. The loan requires monthly principal and interest payments of \$3,967 for a period of 40 years through October, 2034. The loan bears interest at the rate of 5.25% per annum. The balance outstanding at December 31, 2015 was \$567,050.

The land underlying the Cliffview Assisted Living Center is leased from the West Grand School District. The lease runs from September 1994 through September 2044. The lease requires a \$1 annual payment in advance.

E. Fund Equity Deficits

The following individual funds have equity deficits as follows:

Silver Spruce Apartments	\$ (317,747)
Cliffview Assisted Living Center	\$ (18,314)

The Authority is aware of the ongoing deficits in the above funds. The deficits are primarily due to Net Invested in Capital Assets by the properties, Silver Spruce (\$467,135), Grand Living (\$178,853), and Cliffview (\$48,356). While the Authority continues to monitor the operations in these funds, the primary focus is on cash flow requirements rather than the net income or loss of the fund under generally accepted accounting principles. The Authority considers the operations solvent and management does not anticipate any financial difficulties as a result of the consequences of the above deficits.

V. Other Items

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of loss.

B. Commitments and Contingencies

Claims and Judgments - 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 December 31, 2015, 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.

Grand County Housing Authority
Notes to the Basic Financial Statements
December 31, 2015
(continued)

V. Other Items (continued)

C. Management Agreements

Management Agreements -The Authority has entered into agreements for the management of the Silver Spruce Senior Apartments, Grand Living Senior Homes and Cliffview Assisted Living Center properties with Senior Housing Options. The Silver Spruce Senior Apartments agreement calls for compensation of 6% of rental revenue collected, the Grand Living Senior Homes agreement calls for compensation of \$54 per unit per month and the Cliffview Assisted Living Center agreement calls for compensation of 6% of gross collections. The agreements were entered into during 2002, do not expire, and are cancelable by either party with proper notice.

D. Rental Assistance Agreements

- i. Grand Living Senior Homes: A Rental Assistance Agreement for Grand Living Senior Homes was approved August 9, 2011 with \$115,900 remaining, including a portion of the prior agreement, at December 31, 2015. The agreement runs until renewed by U.S. Department of Agriculture - Rural Development or the funds are exhausted. The agreement was renewed in 2013 for \$115,200. The Rental assistance payment provided to Grand Living Senior Homes for 2015 was \$112,261.
- ii. A Rental Assistance Agreement was approved for Silver Spruce Senior Apartments on September 1, 2004 with HUD. The agreement has a term of 20 years. The agreement provides for rental assistance for tenants within the project meeting certain resource and income guidelines. The agreement provided rental assistance of \$161,411 during the year.
- iii. Cliffview Assisted Living Center is an assisted living facility which has several tenants that qualify for Medicaid reimbursement. The payment rates are changed through legislative action in the annual state budget process. The facility experienced an increase in Medicaid qualified tenants in 2014 resulting in a 9% (\$12,574) increase in Medicaid reimbursement revenue.

E. Subsequent Events

Management has evaluated subsequent events through March 16, 2016, the date these financial statements were available to be issued. No significant events have occurred which would impact the financial statements at December 31, 2015.



REQUIRED SUPPLEMENTARY INFORMATION



Grand County Housing Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Special Administrative Fund
For the Year Ended December 31, 2015
With Summarized Information for December 31, 2014

	<u>2015</u>			Final Budget Variance Positive (Negative)	<u>2014</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Section 8 Housing Choice	\$ 53,000	\$ 53,000	\$ 50,814	\$ (2,186)	\$ 41,012
Other grants	522,000	522,000	185,000	(337,000)	44,515
CHFA Home Buyers Education	3,400	3,400	2,600	(800)	3,200
MOU Agreement Revenue	90,000	90,000	90,000	-	90,000
Total Intergovernmental Revenues	<u>668,400</u>	<u>668,400</u>	<u>328,414</u>	<u>(339,986)</u>	<u>178,727</u>
Other Revenues					
Down Payment Assistance Loan Payments	30,000	30,000	43,564	13,564	54,699
Silver Spruce income	6,471	6,471	-	(6,471)	-
Investment Income	-	-	-	-	128
Other Revenue	10,150	10,150	12,938	2,788	271,078
Total Other Revenues	<u>46,621</u>	<u>46,621</u>	<u>56,502</u>	<u>9,881</u>	<u>325,905</u>
Total Revenues	<u>715,021</u>	<u>715,021</u>	<u>384,916</u>	<u>(330,105)</u>	<u>504,632</u>
Expenditures:					
General government					
Auditing Fees	1,900	1,900	-	1,900	2,011
Down Payment Assistance Funds Loaned	30,000	30,000	20,700	9,300	10,150
Down Payment Assistance Funds Returned	-	-	-	-	9,441
Employee Benefit Contributions - Administrative	37,753	37,753	36,258	1,495	34,992
General and Administrative Salaries	109,046	109,046	120,557	(11,511)	106,271
Homebuyers Education	3,400	3,400	2,705	695	2,811
Insurance Premiums	6,285	6,285	6,551	(266)	4,628
Office Expense and Postage	1,450	1,450	1,576	(126)	1,127
Other Expenses	5,975	5,975	5,800	175	268,501
Travel, Lodging, and Meals	2,100	2,100	2,230	(130)	2,380
Total Expenditures	<u>197,909</u>	<u>197,909</u>	<u>196,377</u>	<u>1,532</u>	<u>442,312</u>
Special Item: Fox Run Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>934,390</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>517,112</u>	<u>517,112</u>	<u>188,539</u>	<u>(328,573)</u>	<u>(872,070)</u>
Other Financing Sources (Uses):					
Transfers In (Out)	<u>(469,500)</u>	<u>(469,500)</u>	<u>(182,822)</u>	<u>286,678</u>	<u>8,798</u>
Total Other Financing Sources (Uses)	<u>(469,500)</u>	<u>(469,500)</u>	<u>(182,822)</u>	<u>286,678</u>	<u>8,798</u>
Net Change in Fund Balances	<u>\$ 47,612</u>	<u>\$ 47,612</u>	<u>5,717</u>	<u>\$ (41,895)</u>	<u>(863,272)</u>
Fund Balances - Beginning			<u>102,275</u>		<u>965,547</u>
Fund Balances - Ending			<u>\$ 107,992</u>		<u>\$ 102,275</u>

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



SUPPLEMENTARY INFORMATION



Grand County Housing Authority
Silver Spruce Senior Apartments Fund
Schedule of Revenues, Expenditures, and Changes in Net Position - GAAP Basis
For the Year Ended December 31, 2015
With Summarized Information for December 31, 2014

	<u>December 31, 2015</u>			Final Budget Variance Positive (Negative)	<u>2014</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Gross Potential Rents	60,053	60,053	70,263	10,210	68,411
Tenant Assistance Payments	169,022	169,022	161,411	(7,611)	163,279
Laundry and Vending Revenue	1,490	1,490	1,411	(79)	1,179
Other Revenue	526	526	2,364	1,838	3,121
Total Revenues	<u>231,091</u>	<u>231,091</u>	<u>235,449</u>	<u>4,358</u>	<u>235,990</u>
Expenses:					
Administrative	42,402	42,402	46,749	(4,347)	43,231
Utilities	57,810	57,810	50,459	7,351	51,006
Operations and Maintenance	42,019	55,319	45,315	10,004	51,260
Taxes and Insurance	13,375	13,375	16,381	(3,006)	12,721
Interest Expense	20,052	20,052	17,838	2,214	22,821
Total Expenses	<u>175,658</u>	<u>188,958</u>	<u>176,742</u>	<u>12,216</u>	<u>181,039</u>
Other Financing Sources (Uses):					
Transfers In (Out)	-	-	(8,178)	(8,178)	(8,798)
Change in Net Position - Budget Basis	<u>55,433</u>	<u>42,133</u>	50,529	<u>8,396</u>	46,153
Reconciliation from Budget to GAAP Basis:					
Amortization Expense			-		(5,044)
Depreciation			(34,776)		(47,364)
Change in Net Position - GAAP Basis			<u>15,753</u>		<u>(6,255)</u>
Net Position - Beginning			<u>(333,500)</u>		<u>(327,245)</u>
Net Position - Ending			<u>(317,747)</u>		<u>(333,500)</u>

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

Grand County Housing Authority
Grand Living Senior Homes Fund
Schedule of Revenues, Expenditures, and Changes in Net Position - GAAP Basis
For the Year Ended December 31, 2015
With Summarized Information for December 31, 2014

	<u>2015</u>			Final Budget Variance Positive (Negative)	<u>2014</u>
	Original Budget	Final Budget	Actual		Actual
Revenue:					
Gross Potential Rents	77,840	77,840	81,949	4,109	82,437
Tenant Assistance Payments	110,728	110,728	112,261	1,533	111,066
Laundry and Vending Revenue	988	988	1,064	76	996
Other Revenue	8,070	8,070	9,127	1,057	7,765
Total Revenues	<u>197,626</u>	<u>197,626</u>	<u>204,401</u>	<u>6,775</u>	<u>202,264</u>
Expenses:					
Administrative	44,085	48,085	45,499	2,586	43,452
Utilities	48,562	48,562	46,865	1,697	47,469
Operations and Maintenance	43,672	242,472	52,733	189,739	57,399
Taxes and Insurance	13,805	13,805	16,036	(2,231)	13,076
Interest Expense	26,146	26,146	13,534	12,612	14,786
Total Expenses	<u>176,270</u>	<u>379,070</u>	<u>174,667</u>	<u>204,403</u>	<u>176,182</u>
Other Financing Sources (Uses):					
Transfers	-	-	185,000	185,000	-
Change in Net Position - Budget Basis	<u>21,356</u>	<u>(181,444)</u>	214,734	<u>396,178</u>	26,082
Reconciliation from Budget to GAAP Basis:					
Depreciation			(38,645)		(38,645)
Change in Net Position - GAAP Basis			<u>176,089</u>		<u>(12,563)</u>
Net Position - Beginning			(75,996)		(63,433)
Net Position - Ending			<u>100,093</u>		<u>(75,996)</u>

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

Grand County Housing Authority
Cliffview Assisted Living Center Fund
Schedule of Revenues, Expenditures, and Changes in Net Position - GAAP Basis
For the Year Ended December 31, 2015
With Summarized Information for December 31, 2014

	<u>2015</u>			Final Budget Variance Positive (Negative)	<u>2014</u>
	Original Budget	Final Budget	Actual		Actual
Revenues					
Gross Potential Rents	497,169	497,169	557,188	60,019	502,181
Medicaid Reimbursements	223,200	223,200	155,866	(67,334)	160,382
Other Revenue	-	-	2,356	2,356	2,138
Total Income	<u>720,369</u>	<u>720,369</u>	<u>715,410</u>	<u>(4,959)</u>	<u>664,701</u>
Expenses					
Administrative	136,051	136,051	140,820	(4,769)	127,729
Utilities	44,747	44,747	45,961	(1,214)	43,238
Operations and Maintenance	32,646	32,646	31,719	927	44,320
Taxes and Insurance	97,621	97,621	96,964	657	94,055
Activities	356,555	356,555	349,954	6,601	347,961
Interest Expense	47,604	47,604	30,279	17,325	31,163
Total Expenses	<u>715,224</u>	<u>715,224</u>	<u>695,697</u>	<u>19,527</u>	<u>688,466</u>
Other Financing Sources (Uses):					
Transfers In (Out)	-	-	6,000	6,000	-
Change in Net Position - Budget Basis	<u>5,145</u>	<u>5,145</u>	25,713	<u>20,568</u>	(23,765)
Reconciliation from Budget to GAAP Basis:					
Amortization Expense			-		-
Depreciation			(31,590)		(31,590)
Change in Net Position - GAAP Basis			<u>(5,877)</u>		<u>(55,355)</u>
Net Position - Beginning			(12,437)		42,918
Net Position - Ending			<u>(18,314)</u>		<u>(12,437)</u>

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



COMPLIANCE INFORMATION



Grand County Housing Authority
FHA Project No.: 101-35332
Schedule of Replacement Reserve and Surplus Cash for Silver Spruce Senior Apartments
For the Year Ended December 31, 2015

Schedule of Reserve for Replacement

Balance - beginning of year	100,173
Total monthly deposits	19,452
Interest on Replacement Reserve Account	26
Withdrawals	(2,257)
Balance - end of year	<u>\$ 117,394</u>

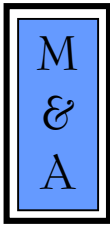
Computation of Surplus Cash, Distributions, and Residual Receipts (Annual)

Cash	\$ 56,353
Total Cash	<u>56,353</u>
Accounts payable - 30 days	(8,100)
Accrued expenses	(2,998)
Prepaid revenue	(55)
Tenant deposits held in trust	(4,826)
Total Current Obligations	<u>(15,979)</u>
Surplus Cash (Deficiency)	<u>\$ 40,374</u>



SINGLE AUDIT COMPLIANCE





MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Independent Auditor's Report

**To the Authority Board
Grand County Housing Authority
Grand County, Colorado**

We have audited, in accordance with U.S. generally accepted auditing standards 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 Grand County Housing Authority (the "Authority") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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.

Member: American Institute of Certified Public Accountants

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**To the Authority Board
Grand County Housing Authority**

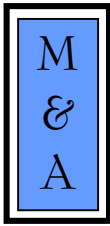
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**McMahan and Associates, L.L.C.
March 16, 2016**



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

Independent Auditor's Report

**To the Board of the Grand County Housing Authority
Grand County, Colorado**

Report on Compliance for Each Major Program

We have audited the Grand County Housing Authority's (the "Authority") 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 December 31, 2015. 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 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 the County'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"), and the Audit Guide. Those standards and 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 the County'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 on the Authority's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

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Report on Internal Control Over Compliance

Management of the 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, we considered the Authority's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine our 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 Guide, 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 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 or on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 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 the 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 Guide. Accordingly, this report is not suitable for any other purpose.

McMahan and Associates, L.L.C.
March 16, 2016

Grand County Housing Authority
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015
(Continued)

Part I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	None noted
Reportable condition identified that is not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	None noted

Federal Awards

Internal control over major programs:	
Material weakness identified	None noted
Reportable conditions identified that is not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	None noted
Dollar threshold used to identify Type A from Type B programs	\$750,000
Identified as low-risk auditee	No

Part II: Findings Related to Financial Statements

Findings related to financial statements as required by Government Auditing Standards	None noted
Auditor-assigned reference number	Not applicable

Part III: Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

Grand County Housing Authority
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014
(Continued)

Note: There were no findings for the fiscal year ended December 31, 2014.

**Grand County Housing Authority
Schedule of Federal Award Expenditures
For the Year Ended December 31, 2015**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Expenditures</u>
U.S. Department of Agriculture - Rural Development			
Rural Rental Housing Loans	10.415	No	41,361
Rural Rental Assistance Payments	10.427	No	112,261
U.S. Department of Housing and Urban Development:			
Section 8 Housing Assistance Payments Program	14.195	No	161,411
Section 221(d)(4) Mortgage Insurance	14.155	Yes	<u>576,737</u>
Total			<u>\$ 891,770</u>

Notes to the Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2015

Note 1. Basis of Presentation:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Leadville Housing Authority and is presented on the accrual basis of accounting. 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 for Federal Awards