



Financial Statements  
December 31, 2016

# Boulder County Housing Authority

# Boulder County Housing Authority

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December 31, 2016

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## Independent Auditor's Report

The Board of Commissioners  
Boulder County Housing Authority  
Boulder, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Boulder County Housing Authority (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. The financial statements of Josephine Commons, LLC, Aspinwall, LLC, and Kestrel 1, LLC were not audited in accordance with *Government Auditing Standards*.

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

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

[www.eidebailly.com](http://www.eidebailly.com)

1730 Burnt Boat Loop, Ste. 100 | P.O. Box 1914 | Bismarck, ND 58502-1914 | T 701.255.1091 | F 701.224.1582 | EOE

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of Boulder County Housing Authority as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boulder County Housing Authority's basic financial statements. The supplementary schedules on pages 62 – 65 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 financial statements.

The supplementary schedules on pages 62 – 65 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 4, 2017 on our consideration of Boulder County Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Boulder County Housing Authority's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Bismarck, North Dakota  
May 4, 2017



Aspinwall @ Josephine Commons

# Management's Discussion and Analysis 2016



BOULDER COUNTY  
**HOUSING  
AUTHORITY**

## CONTENTS:

### Management's Discussion and Analysis

- Programs and Services
- Financial Highlights
- Financial Analysis
- Economic Factors Affecting BCHA's Future

### Financial Statements

### Notes to the Financial Statements

### Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the BCHA's finances and to show accountability for the money it receives. If you have questions concerning any of the information provided in this report, or if you would like to request additional financial information, please contact Will Kugel, Finance Director, Boulder County Housing Authority, PO Box 471, Boulder CO 80306, 303-441-1090 or email at [willkugel@bouldercounty.org](mailto:willkugel@bouldercounty.org).

## Management's Discussion and Analysis

The Boulder County Housing Authority's (BCHA) management discussion and analysis provides an overview of the housing authority's financial activities for the fiscal year ended December 31, 2016. The management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, to provide an overview of BCHA's financial activity and position, and to identify financial trends and concerns. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the notes to the financial statements. This management's discussion and analysis is presented in accordance with the requirements of Governmental Accounting Standards Board Statement No. 34 (GASB No. 34).

BCHA, a blended component unit of Boulder County, Colorado, is a public purpose financial enterprise and, therefore follows enterprise fund accounting. The financial statements are produced on the accrual basis of accounting. The statements in 2016 include one blended component unit, MFPH Acquisitions LLC, of which BCHA is the sole owner, and three discrete component units which are described below.

The first component unit, Josephine Commons, LLC (the "Company") is a Colorado Limited Liability Company formed in 2011 and a legally separate entity from the BCHA. The majority interest of the Company is owned and controlled by private investors. While BCHA, through a separate LLC, is the manager of the Company, its powers are limited to those specifically authorized in the Company's Operating Agreement. Most significant transactions require approval of the investors. Accordingly, Josephine Commons, LLC, is a discrete component unit within BCHA's financial reporting entity.

The second component unit, Aspinwall, LLC (the "Company") is a Colorado Limited Liability Company formed in 2012 and a legally separate entity from BCHA. The majority interest of the Company is owned and controlled by private investors. While BCHA, through a separate LLC, is the manager of the Company, its powers are limited to those specifically authorized in the Company's Operating Agreement. Most significant transactions require approval of the investors. Accordingly, Aspinwall, LLC, is a discrete component unit within BCHA's financial reporting entity.

The third component unit, Kestrel I, LLC (the "Company") is a Colorado Limited Liability Company formed in 2016 and a legally separate entity from BCHA. The majority interest of the Company is owned and controlled by private investors. While BCHA, through a separate LLC, is the manager of the Company, its powers are limited to those specifically authorized in the Company's Operating Agreement.

Most significant transactions require approval of the investors. Accordingly, Kestrel I, LLC, is a discrete component unit within BCHA's financial reporting entity.

The financial statements report information for all Authority and component unit programs and operations. The balance sheet includes all of the Authority's assets and liabilities. All of the revenues and expenses of the Authority are recorded in the statement of revenues, expenses and changes in fund equity.

In addition to reporting this supplementary information in the audit report, the Authority is required to submit financial information annually for most of its projects to related parties, such as federal, state and local grantors, bond insurers and individual banks for which the Authority holds notes and mortgages.

In accordance with Governmental Accounting Standards Board Statement of Governmental Accounting Standards No. 63, the financial statements include a statement of net position (similar to a balance sheet) which reports all financial and capital resources of BCHA. Assets and liabilities are presented in order of liquidity. Assets are classified as "current" (convertible to cash within one year), "non-current," "capital assets" and "financing costs". Liabilities are classified as "current" (payable within one year) and "notes payable net of current portion".

The focus of the statement of net position is designated to represent the available assets, net of liabilities, for the entire organization. Net position is reported in three broad categories as applicable:

**Net Investment in Capital Assets** – This component consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted Net Position** – This component of net position consists of assets restricted when constraints are placed on use by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

**Unrestricted Net Position** – Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

The financial statements also include a statement of activities (similar to an income statement). This statement includes operating revenues (tenant revenue, operating grants, management and developer fee income, and other income), operating expenses (housing assistance payments, administrative costs, utilities, maintenance, depreciation, and other tenant and general expenses), and non-operating revenue and expenses (gain or loss on the sale of assets, interest income and interest expense).

The focus of the statement of activities is the change in net position for the year, which is similar to net income or net loss.

A statement of cash flows is included, which discloses net cash provided by or used in operating activities, investing activities, and from capital and related financing activities. This statement also includes a reconciliation of the change in net position to net cash from operating activities.

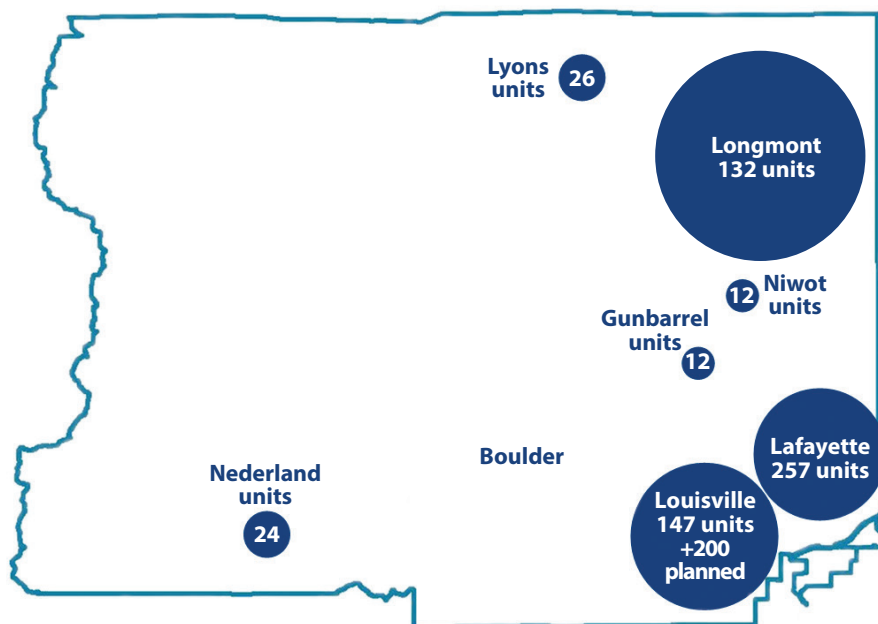
Finally, the financial statements also include the notes to financial statements, which provide additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

To fully understand the activities and financial statements of the Boulder County Housing Authority, the following is a brief description of BCHA's significant programs and services which are provided to residents within the county of Boulder.



## Portfolio Overview

The Boulder County Housing Authority consists of 609 units of affordable rental units that are scattered throughout the Boulder County area (see Inventory of Affordable Housing Map below). Of those 609 units, 241 are located within our Low-income Housing Tax Credit partnerships - Josephine Commons and Aspinwall. The agency is currently developing Kestrel, a LIHTC property that will add 200 affordable units to the portfolio bringing the total number of affordable rental units owned or managed by the authority to 809. The housing authority provides both long- and short-term housing support to Boulder County residents.



Kestrel  
Photograph taken April 2017



## Housing Choice Voucher (HCV) Program

The HCV Program is a rent subsidy program funded by the U.S. Department of Housing and Urban Development (HUD). The program assists individuals and families with very-low income, including seniors and people with disabilities. Assistance is provided on behalf of the participants, who secure their own housing within the community, with rent payments split in portions between the Housing Authority and the household. BCHA currently administers 728 HCVs. HCVs include VASH and FUP.

## The HUD-Veterans Affairs Supportive Housing (HUD-VASH) Program

The VASH program combines HCV rental assistance for homeless Veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). VA provides these services for participating Veterans at VA medical centers and community-based outreach clinics. All participants are referred to BCHA by the VA. BCHA currently has an allocation of 57 VASH vouchers.

## Tenant-Based Rental Assistance (TBRA) Program

TBRA is a state-funded, two-year program through the Colorado Division of Housing, that provides housing vouchers and intensive case management to families with children in both the St. Vrain and Boulder Valley School Districts who are homeless or are at risk of becoming homeless. The program works closely with the McKinney-Vento school liaisons and life skills programs to positively affect the child's academic, attendance and behavioral performance, and their parents' education and employment goals, through housing stabilization.

## Family Unification Program (FUP)

FUP is a supportive housing, early intervention program that provides housing with supportive case management services to both families with identified child welfare concerns and youth transitioning out of the foster care system within Boulder County. The objective is to promote family reunification, with the end result being the prevention of the removal of children from their parents due to housing instability. FUP also addresses the needs of homeless youth that have spent considerable time in the foster care system by offering supportive services, enhancing their opportunity for self-sufficiency and transition into adulthood. BCHA currently administers 47 FUP vouchers.

## Project-Based Voucher (PBV) Program

Under the PBV program, the assistance is tied to the unit, rather than the person. Boulder County owns and manages properties throughout the County and offers these units to eligible residents at a cost that is affordable to them. Participants come from Boulder County's Family Self-Sufficiency Program, a five-year academic, employment and savings initiative program designed to help families to gain job training and education, improve their family's financial situation, and move toward self-sufficiency.

## Component Units - Partnerships in Low-Income Tax Credit Housing

BCHA or its affiliate is the general partner in two tax credit partnerships with a total of 241 units that are operating as of December 31, 2016: Josephine Commons, LLC and Aspinwall, LLC. Both of these entities are component units of BCHA. Additionally, 200 new units will be coming on-line in Louisville, Colorado in 2017 under a new entity called Kestrel I, LLC. Kestrel I, LLC will also be a component unit of BCHA.

## Resident Services

This service offers education, case management and supportive services to assist Boulder County residents on their path toward financial stability and self-sufficiency. Some of the programs include Housing Counseling, Family Self-Sufficiency programs, Financial Classes and Casa de la Esperanza (House of Hope), a residential program that includes after school programs and an academic center.



## Longs Peak Energy Conservation and Weatherization

Through the Longs Peak Energy Conservation (LPEC) group of programs, BCHA provides the following free and subsidized home energy efficiency improvements and rehabilitation services to low-income households:

### Weatherization

The Weatherization Assistance Program provides home efficiency measures to increase affordability, safety, and comfort at no charge to households at or below 200% of the Federal Poverty Level throughout Boulder, Larimer, Gilpin, and Broomfield counties. Measures include: energy audits, insulation, air-sealing, furnace upgrades and more.

In addition to improved safety and comfort in clients' homes, each weatherized home is estimated to save \$238 in energy costs and prevents 2.65 metric tons of CO<sub>2</sub> emissions annually. These savings will be realized every year for at least 15 years (the estimated life of most weatherization measures).

### Energy Bill Savings for Weatherized Homes (July 2014-June 2015)

**\$65,000**  
Annual

**\$977,000**  
15-Year Lifetime

### EnergySmart+

Boulder County households whose income is at or below 80% of the area median income (AMI) level are eligible for the EnergySmart+ program. The program offers market-rate measures similar to the weatherization program, but is subsidized up to 50%. This program is offered in cooperation with the Boulder County-wide EnergySmart program.

### Home Rehabilitation

Four home rehabilitation programs are offered to eligible Boulder County households through LPEC. Each of these programs focuses on one of the following objectives: low-income households within the City of Boulder; low-income households in Boulder County (outside of the cities of Boulder and Longmont); households in need of accessibility improvements; and households affected by the disastrous floods of September 2013. Each program provides the services of a rehabilitation coordinator to assist homeowners in identifying needed repairs and improvements, contractor procurement, project management, and quality assurance. Depending on the program, assistance may be offered in the form of a grant, a loan, or a deferred loan.



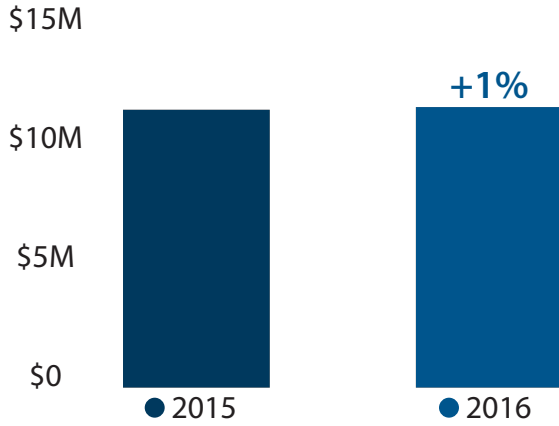
Before Rehabilitation



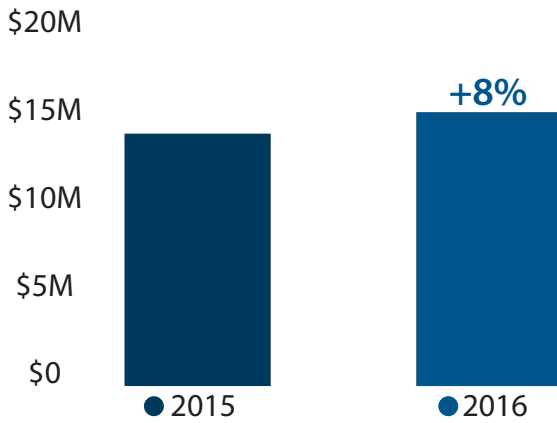
After Rehabilitation

# BCHA Financial Highlights

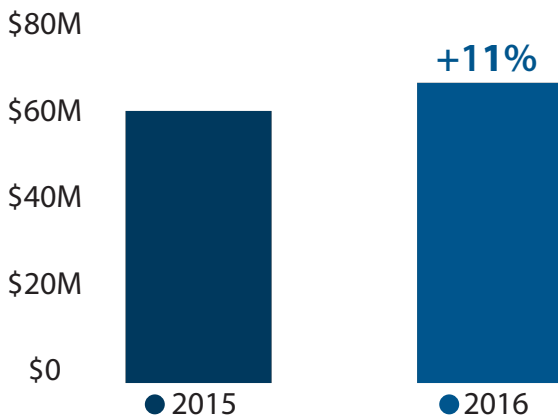
## Cash, Cash Equivalent, and Restricted Cash



## Total Current Assets



## Total Assets



### Assets:

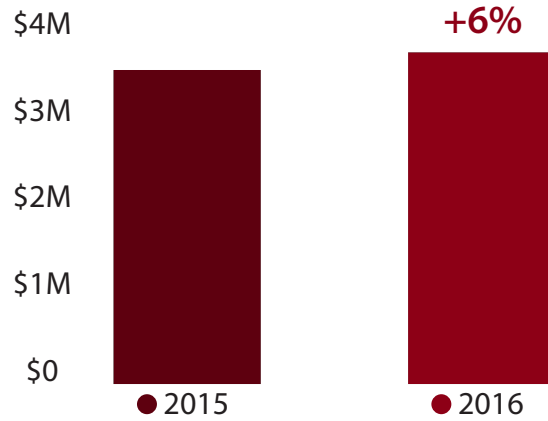
Total current assets increased \$1,187,255 or 8% over 2015 which is primarily associated with a receivable from Boulder County related to an intergovernmental agreement between Boulder County and BCHA to pre-fund 2017 activities for the Housing Assistance Program. BCHA also received \$724,677 in increased federal HCV and FUP funds in 2016 of which \$445,132 was expended in 2016 and the remaining \$279,545 was unspent at year-end.

Total assets and deferred outflows increased \$6,348,019 or 11% over 2015. A substantial portion of this increase related to the activities with the organization's new component unit, Kestrel I, LLC. Activities related to the Kestrel I, LLC project included an increase in notes receivable of \$9,458,116 and a transfer of construction in progress which decreased capital assets by \$5,832,640.

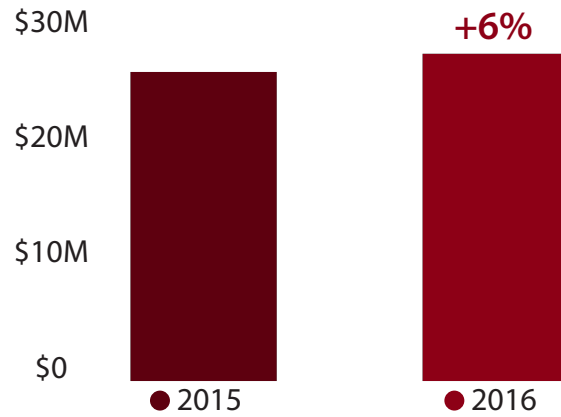
**Liabilities:**

Current liabilities increased \$200,050 or 6% over 2015. This was driven by a net result of an increase in unearned revenue related to 2017 Housing Assistance Program payments received in 2016 and a decrease in accounts payable associated with the Kestrel I, LLC project. Long term liabilities increased \$1,515,421 or 6% over 2015 due to a new note recorded associated with the Kestrel I, LLC project.

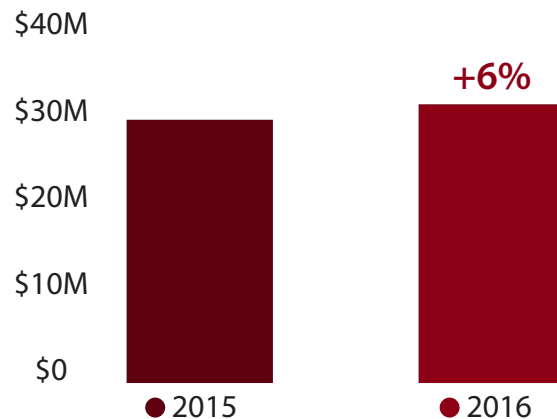
**Current Liabilities**



**Long-term Liabilities**

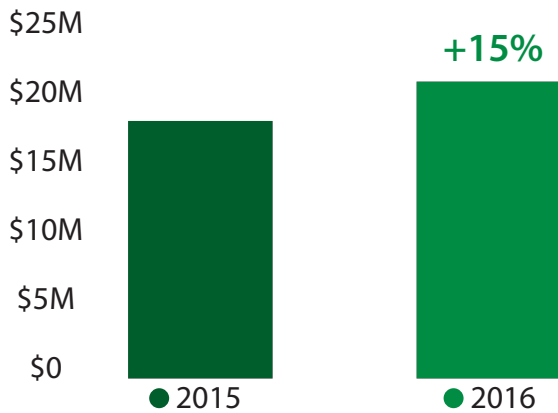


**Total Liabilities**

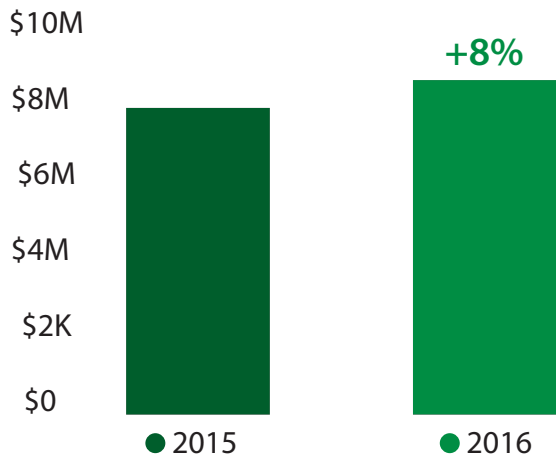


## Major Factors Affecting the Statement of Activities

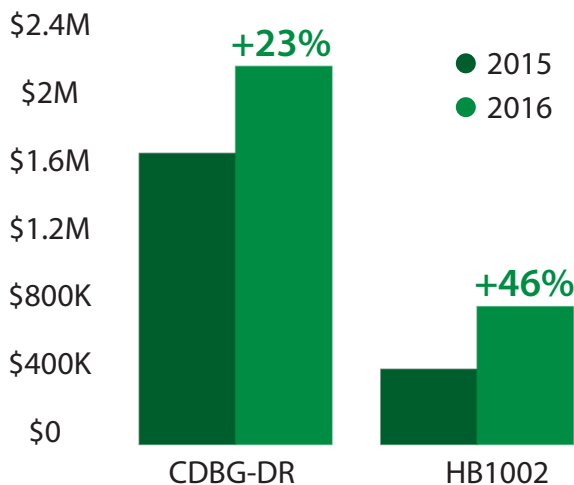
### Total Operating Revenue



### HCV/FUP Grant Revenue



### CDBG-DR and HB1002 Grant Revenue



### Operating Revenue:

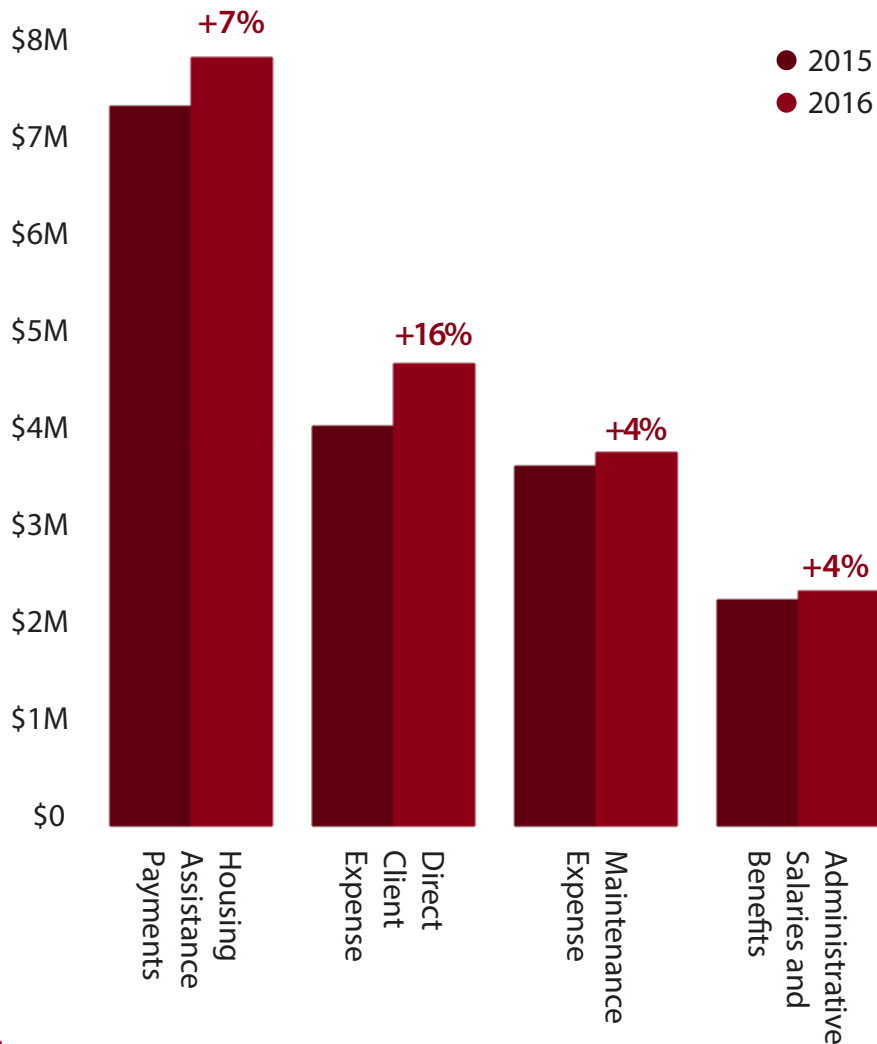
Operating revenues increased \$2,761,930 or 15% over 2015. Most operating revenue categories (e.g., grants, administrative and management fees, and rental income) increased in 2016. The largest drivers of this increase were from grant revenue and developer fees.

Grant revenue increased \$1,963,693 or 13% increase over 2015 primarily related to increased funding to the HCV, FUP, CDBG-DR and HB 1002 programs. HCV and FUP revenue increased \$724,677 over 2015 which allowed BCHA to reopen its waiting list to serve additional voucher holders. CDBG-DR and HB 1002 revenue, which support victims of the 2013 Boulder County flood, increased \$865,793 over 2015.

The Housing Authority earned the initial portion of the developer fee from the Kestrel I, LLC project of \$650,000 during 2016.

Total operating revenue was \$20,801,958 for 2016.

## Operating Expenses



### Operating Expense:

Total operating expenses increased \$1,338,879 or 7% over 2015 primarily related to the HCV, CDBG-DR and HB 1002 programs. The HCV program expended \$494,152 more in assistance over 2015 as a result of increased funding. Direct Client expense, which expends funding from the CDBG-DR program, HB 1002, and tenant based rental assistance program, increased \$636,510 over 2015 as a result of increased program funding.

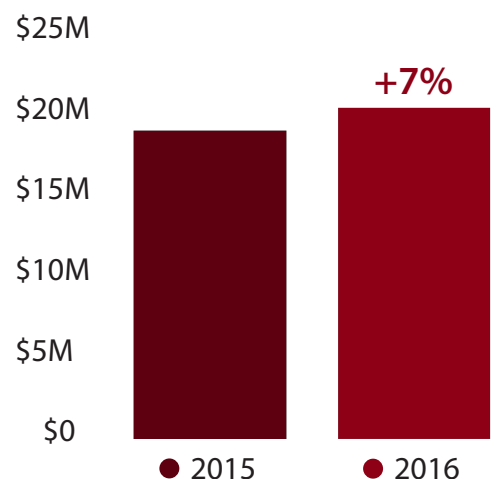
Three significant cost drivers for The Housing Authority are maintenance, utility, and administrative expenses. Maintenance expense was \$3,812,042, a 4% increase over 2015. The utility expense for water, sewer, electricity, gas, and trash removal was \$306,611 and averaged \$833 per unit, a 1% decrease over 2015. Insurance expense totaled \$297,984, a 6% increase over 2015.

Net operating income was \$613,490, a \$1,423,051 increase over 2015. The most significant driver of the increase was the earned developer fee of \$650,000 related to the Kestrel I, LLC project.

### Non-operating Revenue/Expense:

In 2016, The Housing Authority reported \$876,979 in non-operating revenue. A significant driver of this was a \$1,292,036

## Total Operating Expenses



gain on land associated with the Kestrel project. In addition to the gain on land, The Housing Authority donated two parcels of land associated with the Kestrel I, LLC project to the City of Louisville which resulted in \$497,657 of donation expense.

Transfers from the primary government totaled \$2,900,997 for 2016. The 2016 transfers were primarily comprised of a \$2,650,000 transfer of funding for the Housing Stabilization Program.



**Current ratio:** Also referred to as liquidity ratio (ability to pay short and long-term obligations) – the higher the current ratio, the more capable the company is of meeting its obligations. BCHA's current ratio slightly increased from 2015. A significant driver of the increase from 2015 was the development fee from the Kestrel project.

**Portfolio Debt Service Coverage Ratio (DSCR):** DSCR is a measure of the cash flow available to meet annual interest and principle payments on debt. A DSCR greater than 1 means the entity has sufficient income to pay its current debt obligation.

BCHA has two bond groups that include a majority of the properties within its portfolio. These bond groups were refinanced in 2012 and 2013.

	2015	2016
2012 Bond Group	1.36	1.33
2013 Bond Group	1.36	1.34

2016 **4.1**



## Outlook for BCHA in 2017 include:

- Continue construction on Kestrel I, LLC – 200 new units in Louisville, CO
- Develop of a capital plan for controlled maintenance and rehabilitation of the exiting BCHA properties
- Continue to administer the CDBG-DR Rehabilitation and Rental Assistance programs for individuals and families impacted by the 2013 flood. These programs will begin to ramp down activity towards the end of 2017
- Continue to search for suitable land for affordable housing projects – two potential projects on the horizon include parcels of land in Longmont and Nederland

## Economic Factors Affecting BCHA's Future

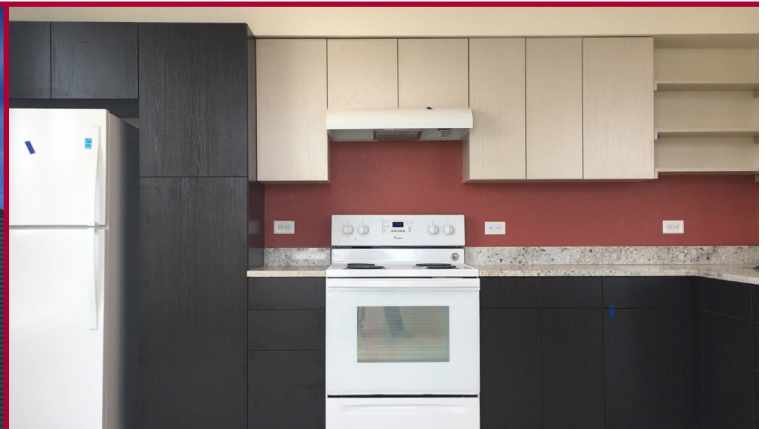
### Significant economic factors affecting the Authority in 2016 are as follows:

- Federal funding of the U.S. Department of Housing and Urban Development, which affect the Authority's Housing Counseling and Housing Choice Voucher programs
- Federal funding of the U.S. Department of Energy, which affects the Weatherization Program
- Changes to maximum rental rates approved by HUD
- High level of demand for housing within the community
- Inflationary pressure on utility rates, supplies and other costs
- Affordable housing market vacancy rates
- Interest rates changes

These factors were taken into account when developing the budget for 2017.

### Significant economic factors affecting the Authority in 2016/2017 are as follows:

- Flood recovery work, new contracts, and reimbursements in association with the 2013 natural disaster. As mentioned above, it is expected that much of this work will wrap up by 2017
- Financial, construction, and lease up risk associated with the Kestrel project
- Federal funding of the US Department of Housing and Urban Development



Kestrel · March 2017

Boulder County Housing Authority  
Balance Sheet  
December 31, 2016

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
Assets and Deferred Outflows		
Current Assets		
Cash and cash equivalents	\$ 9,620,475	\$ 1,634,683
Restricted cash and cash equivalents	1,846,142	1,558,128
Accounts receivable		
Tenants	109,574	2,590
Developer fees	555,051	-
Other	42,067	-
Due from Boulder County Housing Authority	-	7,707
Due from other agencies	597,923	-
Due from component units	96,599	-
Due from Boulder County	2,078,511	-
Prepaid expenses	153,969	4,428
Inventory	119,105	-
	<u>15,219,416</u>	<u>3,207,536</u>
Total Current Assets		
Developer Fees	<u>579,646</u>	<u>-</u>
Notes Receivable	<u>26,399,245</u>	<u>-</u>
Accrued Interest Receivable	<u>2,202,508</u>	<u>-</u>
Other Assets	<u>86,400</u>	<u>158,305</u>
Capital Assets		
Non-depreciable	5,822,869	47,530,364
Depreciable, net	<u>14,901,745</u>	<u>45,907,647</u>
Total Capital Assets	<u>20,724,614</u>	<u>93,438,011</u>
Total Assets	65,211,829	96,803,852
Deferred Outflows - Pensions	<u>1,579,976</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 66,791,805</u>	<u>\$ 96,803,852</u>

Boulder County Housing Authority  
Balance Sheet  
December 31, 2016

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
<b>Liabilities, Deferred Inflows and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 673,427	\$ 20,738
Accounts payable - construction	-	4,967,254
Construction loan payable	-	20,562,701
Accrued liabilities	340,967	17,510
Accrued compensated absences	13,993	-
Accrued interest payable	41,712	1,075,182
Unearned revenues	728,936	27,660
Due to discretely presented component units	7,707	-
Due to Boulder County Housing Authority	-	96,599
Due to Boulder County	1,115,933	-
Tenant security deposits payable	110,193	75,586
Developer fee payable	-	555,051
Notes, mortgages and bonds payable - current portion	650,481	299,254
<b>Total Current Liabilities</b>	<u>3,683,349</u>	<u>27,697,535</u>
<b>Long-Term Liabilities</b>		
Accrued compensated absences	156,081	-
Developer fee payable	-	579,646
Accrued interest payable	-	605,358
Notes, mortgages and bonds payable - net of current portion	21,234,238	44,725,400
Net pension liability	5,842,785	-
<b>Total Long-Term Liabilities</b>	<u>27,233,104</u>	<u>45,910,404</u>
<b>Total Liabilities</b>	<u>30,916,453</u>	<u>73,607,939</u>
<b>Deferred Inflows - Pensions</b>	<u>107,220</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	2,400,316	22,883,402
Restricted	136,355	-
Unrestricted	33,231,461	312,511
<b>Total Net Position</b>	<u>35,768,132</u>	<u>23,195,913</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 66,791,805</u>	<u>\$ 96,803,852</u>

Boulder County Housing Authority  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended December 31, 2016

	Primary Government	Discretely Presented Component Units
Operating Revenues		
HUD PHA grants	\$ 9,796,496	\$ -
Other grants	7,203,903	-
Rental income	2,030,343	2,784,480
Administration fees	593,460	-
Management fees	151,844	-
Developer fee income	650,000	-
Other	375,912	33,948
Total operating revenues	<u>20,801,958</u>	<u>2,818,428</u>
Operating Expenses		
Housing assistance payments	7,847,968	-
Administrative salaries and benefits	1,709,969	124,567
Maintenance salaries and benefits	1,374,768	202,370
Regular and extraordinary maintenance	2,437,274	286,752
Direct client expenses	4,718,255	-
Other administrative	693,374	203,764
Depreciation and amortization	783,120	1,796,732
Utilities	306,611	340,531
Insurance	297,984	120,791
Other expenses	19,145	16,375
Total operating expenses	<u>20,188,468</u>	<u>3,091,882</u>
Operating Income (Loss)	<u>613,490</u>	<u>(273,454)</u>
Non-Operating Revenues (Expenses)		
Interest income	705,900	1,073
Interest expense	(589,007)	(1,240,046)
Donation of real property	(497,657)	-
Gain on sale of capital assets	1,292,036	-
Other	(34,293)	-
Total Non-Operating Revenues (Expenses)	<u>876,979</u>	<u>(1,238,973)</u>
Income (Loss) Before Transfers, Other		
Contributions and HUD Capital Grant Income	1,490,469	(1,512,427)
Contributions		
Member contributions, net of syndication costs	-	5,140,008
Member distributions	-	(12,002)
Transfers from Boulder County	2,900,997	-
HUD capital grant income	134,887	-
Change in Net Position	4,526,353	3,615,579
Net Position - Beginning of Year	<u>31,241,779</u>	<u>19,580,334</u>
Net Position - End of Year	<u>\$ 35,768,132</u>	<u>\$ 23,195,913</u>

See Notes to Financial Statements

Boulder County Housing Authority  
Statement of Cash Flows  
Year Ended December 31, 2016

	Primary Government	Discretely Presented Component Units
Operating Activities		
HUD PHA grants	\$ 10,512,220	\$ -
Other grants	6,906,105	-
Receipts from tenants	1,989,735	2,811,506
Administration fees	593,460	-
Management fee income	151,844	-
Developer fee income	1,436,674	-
Other income	502,437	33,948
Housing assistance payments	(7,847,968)	-
Payments to employees	(3,597,152)	(326,937)
Payments to suppliers	(8,924,826)	(910,907)
Net Cash from Operating Activities	<u>1,722,529</u>	<u>1,607,610</u>
Noncapital Financing Activities		
Payment of flood disaster costs and other	(34,293)	-
Advances from (payments to) related party	(1,453,593)	4,620
Transfers in from Boulder County	2,900,997	-
Net Cash from Noncapital Financing Activities	<u>1,413,111</u>	<u>4,620</u>
Capital and Related Financing Activities		
Proceeds from capital grants	134,887	-
Proceeds from construction note payable	-	20,562,701
Payments to related party	-	(92,485)
Principal payments on long-term debt	(412,651)	(252,837)
Proceeds from long-term debt borrowings	1,450,000	13,152,609
Interest paid on long-term debt	(594,287)	(804,473)
Payments on developer fee payable	-	(786,674)
Member contributions	-	5,190,008
Member distributions	-	(12,002)
Payment of syndication costs	-	(50,000)
Reimbursement of predevelopment and construction costs	5,837,441	(5,837,441)
Acquisition of capital assets	(2,907,667)	(32,962,189)
Proceeds from sale of capital assets	2,900,000	-
Net Cash from (used for) Capital and Related Financing Activities	<u>6,407,723</u>	<u>(1,892,783)</u>
Investing Activities		
Issuance of notes receivable	(9,582,345)	-
Payments received on notes receivable	124,229	-
Interest income	11,299	1,073
Net Cash from (used for) Investing Activities	<u>(9,446,817)</u>	<u>1,073</u>
Net Change in Cash and Cash Equivalents	96,546	(279,480)
Cash and Cash Equivalents, Beginning of Year	<u>11,370,071</u>	<u>3,472,291</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,466,617</u>	<u>\$ 3,192,811</u>

Boulder County Housing Authority  
Statement of Cash Flows  
Year Ended December 31, 2016

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
Reconciliation of Cash and Cash Equivalents		
Cash	\$ 9,620,475	\$ 1,634,683
Restricted Cash	<u>1,846,142</u>	<u>1,558,128</u>
Total Cash and Cash Equivalents	<u>\$ 11,466,617</u>	<u>\$ 3,192,811</u>
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ 613,490	\$ (273,454)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation and amortization	783,120	1,796,732
Forgiveness of notes payable	(61,725)	-
Change in net pension liability	770,056	-
Changes in assets and liabilities		
Change in receivables	(507,874)	25,121
Change in prepaid expenses	(94,728)	105,703
Change in inventory	94,878	-
Change in accounts payable	(505,809)	(48,728)
Change in accrued expenses	315,926	331
Change in unearned revenues	479,651	1,905
Change in due to other agencies	(111,341)	-
Change in security deposits payable	<u>(53,115)</u>	<u>-</u>
Net Cash from Operating Activities	<u>\$ 1,722,529</u>	<u>\$ 1,607,610</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Decrease in notes, mortgages and bonds payable from forgiveness of debt	<u>\$ 61,725</u>	<u>\$ -</u>
Decrease in capital assets from donation	<u>\$ 497,657</u>	<u>\$ -</u>

Boulder County Housing Authority  
Combining Balance Sheet – Component Units  
December 31, 2016

	Josephine Commons, LLC	Aspinwall, LLC	Kestrel I, LLC	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 655,345	\$ 917,500	\$ 61,838	\$ 1,634,683
Restricted cash and cash equivalents	578,296	979,832	-	1,558,128
Accounts receivable				
Tenants	887	1,703	-	2,590
Due from Boulder County Housing Authority	6,914	793	-	7,707
Prepaid Expenses	3,011	1,417	-	4,428
<b>Total Current Assets</b>	<b>1,244,453</b>	<b>1,901,245</b>	<b>61,838</b>	<b>3,207,536</b>
Other Assets, net of Accumulated Amortization	64,249	94,056	-	158,305
<b>Capital Assets</b>				
Non-depreciable	86,500	3,387,965	44,055,899	47,530,364
Depreciable, net	13,525,416	32,382,231	-	45,907,647
<b>Total Capital Assets</b>	<b>13,611,916</b>	<b>35,770,196</b>	<b>44,055,899</b>	<b>93,438,011</b>
<b>Total Assets</b>	<b>\$14,920,618</b>	<b>\$37,765,497</b>	<b>\$44,117,737</b>	<b>\$96,803,852</b>

Boulder County Housing Authority  
Combining Balance Sheet – Component Units  
December 31, 2016

	Josephine Commons, LLC	Aspinwall, LLC	Kestrel I, LLC	Total
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 9,098	\$ 11,640	\$ -	\$ 20,738
Accounts payable - construction	-	-	4,967,254	4,967,254
Construction loan payable	-	-	20,562,701	20,562,701
Accrued liabilities	5,796	5,464	6,250	17,510
Accrued interest payable	263,927	582,173	229,082	1,075,182
Unearned revenues	2,925	4,735	20,000	27,660
Due to Boulder County Housing Authority	12,208	43,558	40,833	96,599
Tenant security deposits payable	21,250	54,336	-	75,586
Developer fee payable	136,476	418,575	-	555,051
Notes, mortgages and bonds payable - current portion	25,599	273,655	-	299,254
<b>Total Current Liabilities</b>	<b>477,279</b>	<b>1,394,136</b>	<b>25,826,120</b>	<b>27,697,535</b>
<b>Long-Term Liabilities</b>				
Developer fee payable	34,507	545,139	-	579,646
Accrued interest payable	-	605,358	-	605,358
Notes, mortgages and bonds payable - net of current portion	4,483,142	27,090,649	13,151,609	44,725,400
<b>Total Long-Term Liabilities</b>	<b>4,517,649</b>	<b>28,241,146</b>	<b>13,151,609</b>	<b>45,910,404</b>
<b>Total Liabilities</b>	<b>4,994,928</b>	<b>29,635,282</b>	<b>38,977,729</b>	<b>73,607,939</b>
<b>Net Position</b>				
Net investment in capital assets	9,103,175	8,405,892	5,374,335	22,883,402
Restricted	-	-	-	-
Unrestricted	822,515	(275,677)	(234,327)	312,511
<b>Total Net Position</b>	<b>9,925,690</b>	<b>8,130,215</b>	<b>5,140,008</b>	<b>23,195,913</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 14,920,618</b>	<b>\$ 37,765,497</b>	<b>\$ 44,117,737</b>	<b>\$ 96,803,852</b>



Boulder County Housing Authority  
Combining Statement of Revenues, Expenses and Changes in Net Position – Component Units  
Year Ended December 31, 2016

	Josephine Commons, LLC	Aspinwall, LLC	Kestrel I, LLC	Total
Operating Revenues				
Rental income	\$ 717,233	\$ 2,067,247	\$ -	\$ 2,784,480
Other	1,478	32,470	-	33,948
Total operating revenues	<u>718,711</u>	<u>2,099,717</u>	<u>-</u>	<u>2,818,428</u>
Operating Expenses				
Administrative salaries and benefits	30,813	93,754	-	124,567
Maintenance salaries and benefits	94,271	108,099	-	202,370
Regular and extraordinary maintenance	103,513	183,239	-	286,752
Other administrative	51,210	152,554	-	203,764
Depreciation and amortization	467,376	1,329,356	-	1,796,732
Utilities	64,758	275,773	-	340,531
Insurance	38,567	82,224	-	120,791
Other expenses	5,811	10,564	-	16,375
Total operating expenses	<u>856,319</u>	<u>2,235,563</u>	<u>-</u>	<u>3,091,882</u>
Operating Loss	<u>(137,608)</u>	<u>(135,846)</u>	<u>-</u>	<u>(273,454)</u>
Non-Operating Revenues (Expenses)				
Interest income	61	1,012	-	1,073
Interest expense	(271,707)	(968,339)	-	(1,240,046)
Total Non-Operating Revenues (Expenses)	<u>(271,646)</u>	<u>(967,327)</u>	<u>-</u>	<u>(1,238,973)</u>
Loss Before Other				
Contributions (Distributions)	<u>(409,254)</u>	<u>(1,103,173)</u>	<u>-</u>	<u>(1,512,427)</u>
Other Contributions (Distributions)				
Member contributions, net of syndication costs	-	-	5,140,008	5,140,008
Member distributions	-	(12,002)	-	(12,002)
Total Other Contributions (Distributions)	<u>-</u>	<u>(12,002)</u>	<u>5,140,008</u>	<u>5,128,006</u>
Change in Net Position	(409,254)	(1,115,175)	5,140,008	3,615,579
Net Position - Beginning of Year	<u>10,334,944</u>	<u>9,245,390</u>	<u>-</u>	<u>19,580,334</u>
Net Position - End of Year	<u>\$ 9,925,690</u>	<u>\$ 8,130,215</u>	<u>\$ 5,140,008</u>	<u>\$ 23,195,913</u>

Boulder County Housing Authority  
Combining Statement of Cash Flows – Component Units  
Year Ended December 31, 2016

	Josephine Commons, LLC	Aspinwall, LLC	Kestrel I, LLC	Total
<b>Operating Activities</b>				
Receipts from tenants	\$ 709,278	\$ 2,102,228	\$ -	\$ 2,811,506
Other income	1,478	32,470	-	33,948
Payments to employees	(125,084)	(201,853)	-	(326,937)
Payments to suppliers	(239,008)	(671,899)	-	(910,907)
<b>Net Cash from Operating Activities</b>	<b>346,664</b>	<b>1,260,946</b>	<b>-</b>	<b>1,607,610</b>
<b>Noncapital Financing Activity</b>				
Advances from related party	4,620	-	-	4,620
<b>Capital and Related Financing Activities</b>				
Proceeds from construction note payable	-	-	20,562,701	20,562,701
Payments to related party	-	(92,485)	-	(92,485)
Principal payments on long-term debt	(23,735)	(229,102)	-	(252,837)
Proceeds from issuance of long-term debt	-	1,000	13,151,609	13,152,609
Interest paid on long-term debt	(206,253)	(598,220)	-	(804,473)
Payment on developer fee payable	(51,601)	(735,073)	-	(786,674)
Equity contributions	-	-	5,190,008	5,190,008
Equity distributions	-	(12,002)	-	(12,002)
Payment of syndication costs	-	-	(50,000)	(50,000)
Reimbursement of predevelopment and construction costs	-	-	(5,837,441)	(5,837,441)
Acquisition of capital assets	-	(7,150)	(32,955,039)	(32,962,189)
Acquisition of other assets	-	-	-	-
<b>Net Cash from (used for) Capital and Related Financing Activities</b>	<b>(281,589)</b>	<b>(1,673,032)</b>	<b>61,838</b>	<b>(1,892,783)</b>
<b>Investing Activity</b>				
Interest income	61	1,012	-	1,073
<b>Net Change in Cash and Cash Equivalents</b>	<b>69,756</b>	<b>(411,074)</b>	<b>61,838</b>	<b>(279,480)</b>
Cash and Cash Equivalents, Beginning of Year	1,163,885	2,308,406	-	3,472,291
Cash and Cash Equivalents, End of Year	<u>\$ 1,233,641</u>	<u>\$ 1,897,332</u>	<u>\$ 61,838</u>	<u>\$ 3,192,811</u>

Boulder County Housing Authority  
Combining Statement of Cash Flows – Component Units  
Year Ended December 31, 2016

	Josephine Commons, LLC	Aspinwall, LLC	Kestrel I, LLC	Total
<b>Reconciliation of Cash and Cash Equivalents</b>				
Cash	\$ 655,345	\$ 917,500	\$ 61,838	\$ 1,634,683
Restricted Cash	578,296	979,832	-	1,558,128
<b>Total Cash and Cash Equivalents</b>	<b>\$ 1,233,641</b>	<b>\$ 1,897,332</b>	<b>\$ 61,838</b>	<b>\$ 3,192,811</b>
<b>Reconciliation of operating loss to net cash from operating activities</b>				
Operating loss	\$ (137,608)	\$ (135,846)	\$ -	\$ (273,454)
Adjustments to reconcile operating loss to net cash from operating activities				
Depreciation and amortization	467,376	1,329,356	-	1,796,732
Changes in assets and liabilities				
Change in receivables	(5,075)	30,196	-	25,121
Change in prepaid expenses	30,506	75,197	-	105,703
Change in accounts payable	(5,826)	(42,902)	-	(48,728)
Change in accrued expenses	171	160	-	331
Change in unearned revenues	(2,830)	4,735	-	1,905
Change in security deposits payable	(50)	50	-	-
<b>Net Cash from Operating Activities</b>	<b>\$ 346,664</b>	<b>\$ 1,260,946</b>	<b>\$ -</b>	<b>\$ 1,607,610</b>

## **Note 1 - Nature of Operations and Significant Accounting Policies**

### **General**

The Boulder County Housing Authority is a corporate body created in 1975 and uses available federal, state and local resources to serve the residents of Boulder County, Colorado, by upgrading and maintaining the existing housing stock, encouraging the construction of new housing affordable to low and moderate income households, and providing low and moderate income families and senior households with decent, safe, and affordable rental housing opportunities. The Authority owns and operates 609 units of affordable housing in Boulder County and administers 590 Section 8 housing choice vouchers, 47 family unification program (FUP) vouchers, 56 Section 8 VASH vouchers, and 35 non-elderly disabled (NED) vouchers.

The Authority is governed by a three-member Board of Commissioners.

### **Reporting Entity**

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separated (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization's board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority

The Authority is included in Boulder County's reporting entity because of the significance of its operational and financial relationship with the County.

### **Blended Component Units**

Four additional organizations are included in the financial reporting entity of the Authority as blended component units. MFPH Acquisitions LLC (MFPH) was created in April 2008 for the purpose of receiving certain affordable housing units from the Authority and will hold, manage and, at a future time determined by MFPH, sell the units at fair market value. Josephine Commons Manager, LLC is wholly owned by the Authority and is the managing member of Josephine Commons, LLC. Aspinwall Manager, LLC is wholly owned by the Authority and is the managing member of Aspinwall, LLC. Kestrel Manager, LLC is wholly owned by the Authority and is the managing member of Kestrel I, LLC. The sole member of all four companies is the Boulder County Housing Authority which is able to impose its will on the organizations. Accordingly, the activities and the ending balances of MFPH, Josephine Commons Manager, LLC, Aspinwall Manager, LLC, and Kestrel Manager, LLC are reported within the proprietary funds of the Authority. Josephine Commons Manager, LLC, Aspinwall Manager, LLC, and Kestrel Manager, LLC have little or no activity. Separate financial statements for the blended component units are not issued. Condensed component unit information for MFPH Acquisitions LLC is disclosed in Note 15.

### Discretely Presented Component Units

The component unit column of the combined financial statements includes the financial data of the Authority's discretely presented component units as of December 31, 2016. These units are reported in a separate column to emphasize that they are legally separate from the Authority.

Josephine Commons, LLC (Josephine Commons) was formed to acquire, own, develop, construct and lease, manage and operate a low income housing tax credit project with 74 units for low-income and elderly residents in Lafayette, Colorado. The managing member of the Company, Josephine Commons Manager, LLC, is wholly owned by the Boulder County Housing Authority. Josephine Commons Manager, LLC has an ownership percentage of .009%. As the managing member, the Authority has the day to day management responsibilities of the Company.

Aspinwall, LLC (Aspinwall) was formed to develop, construct, rehabilitate, own, maintain, and operate a 167-unit multi-family complex for low-income and elderly residents. The project is to include 95 scattered site rehabilitated units and 72 new construction units in Lafayette, Colorado. The managing member of the Company, Aspinwall Manager, LLC, is wholly owned by the Boulder County Housing Authority. Aspinwall Manager, LLC has an ownership percentage of .009%. As the managing member, the Authority has the day to day management responsibilities of the Company.

Kestrel I, LLC (Kestrel) was formed to develop, construct, rehabilitate, own, maintain, and operate a 200-unit multi-family complex for low-income and elderly residents in Louisville, Colorado. The managing member of the Company, Kestrel Manager, LLC, is wholly owned by the Boulder County Housing Authority. Kestrel Manager, LLC has an ownership percentage of .009%. As the managing member, the Authority has the day to day management responsibilities of the Company.

The financial statements of the discretely presented component units are presented in the Authority's basic financial statements. Complete financial statements of the individual component units can be obtained from the Finance Director, Boulder County Housing Authority, PO Box 471, Boulder CO 80306.

### **Program Accounting**

The accounts of the Authority are organized on the basis of programs, each of which is considered a separate accounting entity. The operations of each program are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The Authority classifies its programs as proprietary.

### **Basis of Accounting and Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

### **Cash and Cash Equivalents**

The Authority's cash deposits can only be invested in HUD approved investments: direct obligations of the Federal Government backed by the full faith and credit of the United States, obligations of government agencies, securities of government sponsored agencies, demand and savings deposits, time deposits, repurchase agreements, and other securities approved by HUD.

For the purposes of the statement of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### **Accounts Receivable**

Revenues are recorded when earned and are reported as accounts receivable until collected. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. Management has established an allowance for doubtful accounts for amounts that may not be collectible in the future. Receivables are reported net of the related allowance of \$0.

### **Notes and Interest Receivable**

Notes and interest receivable are carried at amounts advanced, net of reserve for uncollectable accounts, if any. As of December 31, 2016, the Authority considered all notes and interest receivables to be fully collectable.

### **Inventory**

Inventories are valued at the lower of cost or market using the first-in/first-out method.

### **Capital Assets**

Land, buildings and improvements, and equipment are recorded at cost, including indirect development costs. The Organization uses a capitalization threshold of \$5,000. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Depreciation is computed using the straight line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10-45 years
Furniture and fixtures	3-15 years
Vehicles	5 years

Long-lived assets held and used by an entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment loss has been recognized for the year ended December 31, 2016.

### **Deferred Outflows and 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 and so will not be recognized as an outflow of resources (expenses/ expenditure) until then. The Authority has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal yearend, and changes in the net pension liability (asset) not included in pension expense (revenue) reported in the statement of net position.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category. The Authority reports changes in the net pension liability (asset) not included in pension expense (revenue) reported in the statement of net position.

### **Fraud Recovery**

HUD requires the Authority to account for monies recovered from tenants who committed fraud or misrepresentation in the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

### **Operating Revenues and Expenses**

The Authority considers all revenues and expenses (including HUD intergovernmental revenues and expenses) as operating items with the exception of interest income, interest expense, gain on sale of capital assets, donations of real property, transfers from primary government, HUD capital grant income, member contributions, and member distributions which are considered non-operating for financial reporting purposes.

### **Restricted and Unrestricted Resources**

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### **Accumulated Unpaid Vacation and Sick Leave**

The Authority follows Boulder County's policy on unpaid vacation and sick leave. The policy allows employees to accumulate unused vacation and medical leave benefits up to certain maximum hours. Upon termination, all unused vacation leave benefits are paid to the employee. Medical leave benefits may be paid to the employee depending on hire date or length of service. Employees hired as full-time employees prior to June 1, 1987, except Social Security Department employees, who have worked for the County for 20 years or who are eligible for retirement at age 62 are paid all unused medical leave benefits. Employees hired as full-time employees prior to June 1, 1987, except Social Security Department employees, and have not worked for the County for 20 years nor are they eligible for retirement at age 62, are paid 50% of their unused medical leave. All other employees not listed in the above two categories, are not paid for unused medical leave.

### **Unearned Revenues**

As of December 31, 2016, the Authority's unearned revenues consisted of prepaid rents of \$8,276, unearned grant revenues of \$4,936, and funds received in advance from HUD from the Housing Choice Voucher program of \$715,724. At December 31, 2016, the discretely presented component units' advanced revenue consisted of prepaid rents of \$7,660 and unearned grant revenue of \$20,000.

### **Components of Net Position**

Components of net position include the following:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
- Restricted Net Position – Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the balance sheet that are subject to restraints on their use by HUD.
- Unrestricted Net Position – Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the balance sheet that are not subject to restraints on their use.

### **Business and Credit Risk**

The Authority provides housing on account to clients which are located in Boulder County, Colorado.

### **Budgetary**

The Authority's annual budgets are the annual contracts, which are with, and approved by, HUD. No budget to actual statements are presented in this report, as housing authorities are not legally required to adopt a budget under the Local Government Budget Law of Colorado.

### **Accounting Estimates**

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

### **Pensions**

The Authority participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



## **Note 2 - Deposits and Investments**

### **Primary Government**

#### **Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The general depository agreement required by annual contract with HUD has additional collateral requirements, which the Authority met in 2016.

#### **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2016, the Organization's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with PDPA.

At December 31, 2016, the Authority's carrying amount of deposits was \$11,466,617 and bank balances totaled \$11,621,475. Of the bank balances, \$1,004,516 was covered by Federal Depository Insurance. Of the remaining balances for 2016, \$10,939,002 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of certificates of deposit will adversely affect the fair value of investments. All certificates of deposit held by the Authority as of December 31, 2016 mature within 3 months.

#### **Investments**

##### **Authorized Investments**

Boulder County Housing Authority does not have an investment policy, but is subject to the general provisions of the Colorado Revised Statutes (C.R.S. 24-75-601).

The Colorado Revised Statutes limit investment maturities to three years or five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of December 31, 2016, investments held by the Authority are held in a local government investment pool totaling \$605,716. These funds are classified as cash and cash equivalents on the balance sheet.

### **Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market mutual fund and the local government investment pool investment owned by the Authority are rated AAA by Standard & Poor's.

At December 31, 2016, the Authority had \$605,716 invested in Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00.

### **Discretely Presented Component Units**

#### **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, Josephine Commons, LLC's; Aspinwall, LLC's; and Kestrel I, LLC's deposits may not be returned to them.

At December 31, 2016, Josephine Commons' carrying amount of deposits was \$1,233,641 and the bank balances totaled \$1,240,235. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$990,235 was not insured and is exposed to custodial credit risk. Management does not believe that the deposits are exposed to a significant level of risk.

At December 31, 2016, Aspinwall’s carrying amount of deposits was \$1,897,332 and the bank balances totaled \$1,919,676. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,669,676 was not insured and is exposed to custodial credit risk. Management does not believe that the deposits are exposed to a significant level of risk.

At December 31, 2016, Kestrel’s carrying amount of deposits was \$61,838 and the bank balances totaled \$3,594,573. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$3,344,573 was not insured and is exposed to custodial credit risk. Management does not believe that the deposits are exposed to a significant level of risk.

**Note 3 - Restricted Cash**

Restricted cash consists of cash and cash equivalents balances restricted for use in the Housing Choice Voucher program; held in escrow to comply with the requirements of HUD programs, Rural Development programs, and the Community Development Financial Institutions program; held to comply with bond requirements; and held for tenant security deposits.

**Note 4 - Notes Receivable**

	<b>Principal</b>	<b>Accrued Interest</b>
<u>Notes Receivable from Discretely Presented Component Units</u>		
4.3% mortgage note receivable from Josephine Commons under the HOME funds, up to an amount of \$550,000, payments due from cash flow, remaining principal and interest due August 2061, secured by a second mortgage	\$ 550,000	\$ 109,741
4.3% mortgage note receivable from Josephine Commons under the AHP fund, payments due from cash flow, remaining principal and interest due August 2061, secured by a third mortgage	250,000	50,094
4.3% mortgage note receivable from Josephine Commons under the Worth Cause Funds I program, entire principal balance will be forgiven after a term of 99 years unless canceled earlier, secured by a fourth mortgage	200,000	38,647
4.3% mortgage note receivable from Josephine Commons under the Worthy Cause Funds II program, entire principal balance will be forgiven after a term of 99 years unless canceled earlier, secured by a fifth mortgage	200,000	38,647
0.5% note receivable from Josephine Commons, due from cash flow, remaining principal and interest due August 2061, unsecured	443,293	9,686

Boulder County Housing Authority  
Notes to Financial Statements  
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	<u>Principal</u>	<u>Accrued Interest</u>
1.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	270,000	18,443
2.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	442,035	43,630
2.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	430,000	42,443
1.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	623,023	34,890
1.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	464,754	31,293
2.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	5,289,998	522,140
2.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	3,020,000	298,083
1.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	2,762,296	147,662
2.0% note receivable from Kestrel, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	2,600,000	46,301
2.0% note receivable from Kestrel, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	1,000,000	17,808
2.0% note receivable from Kestrel, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	350,000	6,233
2.0% note receivable from Kestrel, payments are to be made from available cash flow, unpaid principal and interest due March 2066, note may be drawn to a maximum of \$1,045,002, secured by a deed of trust on the property	558,881	7,870

Boulder County Housing Authority  
Notes to Financial Statements  
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	<b>Principal</b>	<b>Accrued Interest</b>
2.0% note receivable from Kestrel, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	580,297	10,334
4.0% note receivable from Kestrel, payments are to be made from available cash flow, unpaid principal and interest due March 2066, note may be drawn to a maximum of \$4,200,000, secured by a deed of trust on the property	2,900,000	94,071
1.0% note receivable from Kestrel - see (C) below	1,450,000	11,045
Total Notes Receivable from Discretely Presented Component Units	24,384,577	1,579,061
<u>Notes Receivable - Other</u>		
Notes receivable on two homes built through the Youthbuild program, interest calculated at below-market rate, principal and accrued interest payable upon sale of the properties by the owners, secured by second mortgages on the properties	99,679	-
5% note receivable from Eagle Place Partners, LLLP, payment of annual principal and interest subject to cash flow distributions in the partnership agreement through the maturity date of April, 2047, secured by a deed of trust on the property - See (A) below	970,000	586,190
3% note receivable from Eagle Place Partners, LLLP, payment of annual principal and interest subject to cash flow distributions in the partnership agreement through the maturity date of April, 2047, secured by a deed of trust on the property - See (A) below	475,905	37,257
Forty-two notes receivable for the Boulder County Rehabilitation Program, interest calculated at varying interest rates from 1% to 5%, payments due monthly on twenty-nine notes, payments deferred until maturity on fourteen notes - See (B) below	270,194	-
Eight non-interest-bearing notes receivable for the CDBG-DR Rehab Program, payments deferred for ten years, payments to begin in 2025 in varying monthly increments through maturity	198,890	-
Total Notes Receivable - Other	2,014,668	623,447
Total Notes Receivable	\$ 26,399,245	\$ 2,202,508

(A) The covenants of these notes require Eagle Partners, LLC to provide affordable housing units to households whose income is equal to or less than 60% of the listed area median income (AMI). No accrued interest was paid on these notes in 2016.

- (B) These notes are issued to low-income residents of Boulder County who receive rehabilitation services on their home.
- (C) No payments of principal and interest are due through December 31, 2017. Thereafter, interest is to be paid in ten annual installments of \$14,779 beginning June 1, 2019 and continuing the first day of June each subsequent year through June 1, 2028. Annual installments of principal and interest of \$304,511 are to begin June 1, 2029 and continue on the first day of June each subsequent year through June 1, 2033. If principal has been prepaid on the note, the annual installments are to be recalculated to amortize the balance over a five-year period. If not paid earlier, the entire principal and interest balance is due April 1, 2034.

### Note 5 - Capital Assets

The following is a summary of property, structures and equipment for the year ended December 31, 2016:

#### Primary Government

	Balance January 1	Additions	Disposals	Balance December 31
Nondepreciable assets:				
Land	\$ 7,554,228	\$ -	\$ (2,110,421)	\$ 5,443,807
Construction in progress	3,500,988	2,710,714	(5,832,640)	379,062
Total capital assets not being depreciated	<u>11,055,216</u>	<u>2,710,714</u>	<u>(7,943,061)</u>	<u>5,822,869</u>
Depreciable assets:				
Computer equipment/software	47,819	-	-	47,819
Furniture and fixtures	150,539	89,556	-	240,095
Buildings and improvements	27,874,876	74,304	-	27,949,180
Land improvements	-	27,996	-	27,996
Vehicles	851,789	5,097	-	856,886
Total buildings and improvements	<u>28,925,023</u>	<u>196,953</u>	<u>-</u>	<u>29,121,976</u>
Accumulated depreciation:				
Computer equipment/software	(47,819)	-	-	(47,819)
Furniture and fixtures	(72,436)	(9,005)	-	(81,441)
Buildings and improvements	(12,572,360)	(747,764)	-	(13,320,124)
Vehicles	(744,495)	(26,352)	-	(770,847)
Total accumulated depreciation	<u>(13,437,110)</u>	<u>(783,121)</u>	<u>-</u>	<u>(14,220,231)</u>
Total capital assets being depreciated	<u>15,487,913</u>	<u>(586,168)</u>	<u>-</u>	<u>14,901,745</u>
Total capital assets, net	<u>\$ 26,543,129</u>	<u>\$ 2,124,546</u>	<u>\$ (7,943,061)</u>	<u>\$ 20,724,614</u>

**Discretely Presented Component Units**

*Josephine Commons*

	Balance January 1	Additions	Disposals	Balance December 31
Nondepreciable assets:				
Land	\$ 86,500	\$ -	\$ -	\$ 86,500
Depreciable assets:				
Land improvements	1,534,359	-	-	1,534,359
Furniture and fixtures	465,050	-	-	465,050
Buildings and improvements	13,525,204	-	-	13,525,204
Total buildings and improvements	15,524,613	-	-	15,524,613
Accumulated depreciation:				
Land improvements	(255,726)	(76,718)	-	(332,444)
Furniture and fixtures	(155,017)	(46,505)	-	(201,522)
Buildings and improvements	(1,127,100)	(338,131)	-	(1,465,231)
Total accumulated depreciation	(1,537,843)	(461,354)	-	(1,999,197)
Total capital assets being depreciated	13,986,770	(461,354)	-	13,525,416
Total capital assets, net	\$ 14,073,270	\$ (461,354)	\$ -	\$ 13,611,916

Boulder County Housing Authority  
Notes to Financial Statements  
December 31, 2016

*Aspinwall*

	Balance January 1	Additions	Disposals	Balance December 31
Nondepreciable assets:				
Land	\$ 3,387,965	\$ -	\$ -	\$ 3,387,965
Depreciable assets:				
Land improvements	2,737,976	-	-	2,737,976
Geothermal	1,856,997	-	-	1,856,997
Appliances	162,967	-	-	162,967
Furniture and fixtures	333,360	7,150	-	340,510
Buildings and improvements	30,515,110	-	-	30,515,110
Total buildings and improvements	35,606,410	7,150	-	35,613,560
Accumulated depreciation:				
Land improvements	(182,532)	(136,899)	-	(319,431)
Geothermal	(495,199)	(371,399)	-	(866,598)
Appliances	(21,729)	(16,297)	-	(38,026)
Furniture and fixtures	(44,448)	(34,409)	-	(78,857)
Buildings and improvements	(1,165,540)	(762,877)	-	(1,928,417)
Total accumulated depreciation	(1,909,448)	(1,321,881)	-	(3,231,329)
Total capital assets being depreciated	33,696,962	(1,314,731)	-	32,382,231
Total capital assets, net	\$ 37,084,927	\$ (1,314,731)	\$ -	\$ 35,770,196

*Kestrel*

	Balance January 1	Additions	Disposals	Balance December 31
Nondepreciable assets:				
Land	\$ -	\$ 2,900,000	\$ -	\$ 2,900,000
Construction in progress	-	41,155,899	-	41,155,899
	\$ -	\$ 44,055,899	\$ -	\$ 44,055,899



**Note 6 - Construction Note Payable**

**Discretely Presented Component Units**

*Kestrel*

Kestrel I LLC is financing the construction of the Kestrel project in part with a variable rate note payable to CityBank, N.A. The construction note is expected to be converted to permanent financing upon the earlier of the completion of the conditions specified in the note agreement or September 1, 2018, the outside conversion date. Kestrel has the option to extend the outside conversion date to March 1, 2019, if certain conditions are met. Interest prior to the conversion date is calculated at the current LIBOR rate plus 1.85% (2.47% at December 31, 2016) with a maximum rate of 12%. The interest rate is reset on a monthly basis. Monthly payments of interest are to be made through the date the loan is converted to permanent financing. Upon conversion, the interest rate is to be set at a fixed rate of 3.96% through the maturity date of March 1, 2049. The note may be drawn to a maximum of \$53,500,000. As of December 31, 2016, Kestrel owed principal of \$20,562,701 on this note. Capital contributions received by Kestrel may be applied to the principal balance of the note prior to the conversion date. The note is secured by a deed of trust and an assignment of rents on the Kestrel property.

**Note 7 - Long-Term Debt**

During the year ended December 31, 2016, the following changes occurred in long-term debt:

**Primary Government**

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	\$ 5,494,380	\$ 1,450,000	\$ (131,078)	\$ 6,813,302	\$ 277,709
Bonds Payable	15,414,715	-	(343,298)	15,071,417	372,772
Total long-term debt	<u>\$ 20,909,095</u>	<u>\$ 1,450,000</u>	<u>\$ (474,376)</u>	<u>\$ 21,884,719</u>	<u>\$ 650,481</u>

**Discretely Presented Component Units**

*Josephine Commons*

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	\$ 4,527,174	-	\$ (18,433)	\$ 4,508,741	\$ 25,599

*Aspinwall*

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	\$ 27,573,996	\$ 1,000	\$ (210,692)	\$ 27,364,304	\$ 273,655

*Kestrel*

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	\$ -	\$ 15,414,040	\$ (2,262,431)	\$ 13,151,609	\$ -

Long-term debt as of December 31, 2016, consisted of the following:

**Primary Government**

**Notes and Mortgages Payable**

9% mortgage note payable, due in monthly principal and interest installments of \$1,789 with a maturity date of June 2038, secured by a deed of trust on the property and an assignment of rents	\$ 204,195
6.75% mortgage note payable, due in monthly principal and interest installments of \$1,907 with a maturity date of June 2036, secured by a deed of trust on the property and an assignment of rents	866,916
5.38% mortgage note payable, due in monthly principal and interest installments of \$318 with a maturity date of June 2036, secured by a deed of trust on the property and an assignment of rents	141,665
2% mortgage note payable, due in monthly principal and interest installments of \$2,120 with a maturity date of June 2046, secured by a deed of trust on the property and an assignment of rents	566,490
1% mortgage note payable, due in monthly principal and interest installments of \$1,357 with a maturity date of October 2026, secured by a deed of trust on the property and an assignment of rents	152,445
1% mortgage note payable, due in monthly principal and interest installments of \$297 with a maturity date of October 2026, secured by a deed of trust on the property and an assignment of rents	33,393
1% mortgage note payable, due in monthly principal and interest installments of \$297 with a maturity date of May 2041, secured by a deed of trust on the property and an assignment of rents	77,257
0% note payable to Boulder County, entire principal balance due April 2024, unsecured	2,581,500
0% note payable to Boulder County, entire principal balance due September 2025, unsecured	470,000
2% mortgage note payable, due in monthly principal and interest installments of \$1,182 with a maturity date of August 2020, secured by a deed of trust on the property and an assignment of rents	49,010

3.5% mortgage note payable, due in monthly principal and interest installments of \$1,794 with a maturity date of September 2017, secured by a deed of trust on the property and an assignment of rents	220,431
1% mortgage note payable - see (A) below	1,450,000
Total notes and mortgages payable	6,813,302

**Bonds Payable**

Series 2012 Housing Revenue Bonds - See (B) below	7,063,036
Series 2013 Housing Revenue Bonds - See (C) below	1,134,521
Series 2013 Housing Revenue Bonds - See (D) below	6,873,860
Total Bonds Payable	15,071,417

**Total Long-Term Debt** \$ 21,884,719

- (A) – No payments of principal or interest are due through December 31, 2017. Interest accrued through December 31, 2017, will be capitalized and added to the principal balance as of January 1, 2018. Annual interest payments of \$14,779 are to begin June 1, 2019 and continue annually on the first day of June through June 1, 2028. Annual payments of principal and interest of \$304,511 are to begin June 1, 2029 and continue annually on the first day of June through the maturity date of March 1, 2033 at which time all remaining unpaid principal and accrued interest are due. The mortgage note payable is secured by a deed of trust on the Kestrel property.
- (B) – Housing Revenue Bonds, Series 2012 in the amount of \$8,200,000 were authorized for issuance during 2012. Bond proceeds received from the issuance of these bonds totaled \$7,616,499 as of December 31, 2016. The Authority has the ability to issue the remaining bonds of \$583,501 at a future date but has no current plans to issue the remaining bonds. The bonds bear interest at 3.19%. The Authority is required to make monthly payments of \$30,974, including interest, on the bonds through the final maturity date of November 2027.
- (C) – The Authority issued \$1,240,000 in Housing Revenue Bonds, Series 2013. The bonds bear interest at 3.36%. The Authority is required to make monthly payments of \$6,117, including interest, on the bonds through the final maturity date of October 2023.
- (D) – The Authority issued \$7,450,000 in Housing Revenue Bonds, Series 2013. The bonds bear interest at 3.16%. The Authority is required to make monthly payments of \$32,067, including interest, on the bonds through the final maturity date of January 2020.

Several of the Authority’s notes carried provisions which allowed the principal balance to be forgiven after all conditions have been met. During 2016, the entire principal balances of two notes totaling \$61,725 were forgiven of which \$60,000 was issued under the Affordable Housing Program and monitored by the Federal Home Loan Bank of Topeka and \$1,725 was issued and monitored by the City of Longmont.

**Discretely Presented Component Units**

*Josephine Commons*

7.0% mortgage note payable to Berkadia Commercial Mortgage, Inc., due in monthly principal and interest payments of \$19,166 through November 2029, secured by a deed of trust and assignment of rents, net of unamortized debt issuance costs of \$68,041, based upon an effective rate of 7.35%	\$ 2,865,448
4.3% mortgage note payable to Boulder County Housing Authority (BCHA) under the HOME funds, payments due from cash flow, remaining principal and interest due August 2061, secured by a second mortgage	550,000
4.3% mortgage note payable to BCHA under the AHP funds, payments due from cash flow, remaining principal and interest due August 2061, secured by a third mortgage	250,000
4.3% mortgage note payable to BCHA under the Worthy Cause Funds I program, entire principal balance will be forgiven after a term of 99 years unless canceled earlier, secured by a fourth mortgage	200,000
4.3% mortgage note payable to BCHA under the Worthy Cause Funds II program, entire principal balance will be forgiven after a term of 99 years unless canceled earlier, secured by a fifth mortgage	200,000
0.5% note payable to BCHA, due from cash flow, remaining principal and interest due August 2061, unsecured	443,293
	\$ 4,508,741

*Aspinwall*

1.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	\$ 270,000
2.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	442,035

2.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	430,000
1.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	623,023
1.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	464,754
2.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	5,289,998
2.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	3,020,000
1.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	2,762,296
4.2% note payable to FirstBank, monthly payments of \$65,348, including interest through maturity date of August 2031, secured by a deed of trust, net of unamortized debt issuance costs of \$268,473, based upon an effective interest rate of 4.47% - see (A) below	12,679,403
6.75% note payable to Mile High Community Loan Fund, Inc., monthly payments of principal and interest are to be made through maturity in 2033, secured by a deed of trust on the property	645,276
0% note payable to the State of Colorado, due in annual installments from available cash flow beginning April 2016 in the amount of \$24,584, including interest, through maturity date of August 2045, secured by a deed of trust	737,519
	<u>\$ 27,364,304</u>

*Kestrel*

2.0% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	\$ 2,600,000
2.0% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	1,000,000
2.0% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	350,000
2.0% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, note may be drawn to a maximum of \$1,045,002, secured by a deed of trust on the property	558,881
2.0% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	580,297
4.0% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, note may be drawn to a maximum of \$4,200,000, secured by a deed of trust on the property	2,900,000
1.0% note payable to BCHA - see (B) below	1,450,000
0.0% note payable to the State of Colorado - see (C) below	3,712,431
	\$ 13,151,609

(A) The Company has covenants related to, among other matters, the maintenance of debt coverage ratios and invested in cash balance requirements.

(B) No payments of principal and interest are due through December 31, 2017. Thereafter, interest is to be paid in ten annual installments of \$14,779 beginning June 1, 2019 and continuing the first day of June each subsequent year through June 1, 2028. Annual installments of principal and interest of \$304,511 are to begin June 1, 2029 and continue on the first day of June each subsequent year through June 1, 2033. If principal has been prepaid on the note, the annual installments are to be recalculated to amortize the balance over a five-year period. If not paid earlier, the entire principal and interest balance is due April 1, 2034. The note is secured by a deed of trust on the property.

(C) No payments of principal and interest are due through December 31, 2018. Thereafter, principal and interest are to be paid in thirty-three annual installments of \$112,497 beginning June 1, 2019 and continuing the first day of June each subsequent year until the maturity date of March 1, 2051 at which time all remaining principal is due. Annual payments are to be made from 50% of available cash flow as defined by the Amended and Restated Operating Agreement of the Borrower. The note is secured by a deed of trust on the property.

The estimated debt requirements to maturity for the year ending December 31, 2016 are as follows:

**Primary Government**

	Principal	Interest	Total
2017	\$ 650,481	\$ 565,463	\$ 1,215,944
2018	438,904	545,918	984,822
2019	452,823	546,771	999,594
2020	460,517	532,377	992,894
2021	472,320	425,869	898,189
2022-2026	6,346,345	2,339,553	8,685,898
2027-2031	11,135,075	831,517	11,966,592
2032-2036	1,662,905	342,325	2,005,230
2037-2041	156,028	19,188	175,216
2042-2046	109,321	5,247	114,568
Total	<u>\$ 21,884,719</u>	<u>\$ 6,154,228</u>	<u>\$ 28,038,947</u>

**Discretely Presented Component Units**

*Josephine Commons*

	Principal	Interest	Total
2017	\$ 25,599	\$ 204,389	\$ 229,988
2018	27,449	202,539	229,988
2019	29,434	200,554	229,988
2020	31,561	198,427	229,988
2021	33,843	196,145	229,988
2022-2026	209,647	940,293	1,149,940
2027-2031	2,575,956	510,129	3,086,085
2032-2060	-	-	-
2061	1,243,293	665,308	1,908,601
2112	400,000	1,702,800	2,102,800
Unamortized debt issuance costs	(68,041)	-	(68,041)
Total	<u>\$ 4,508,741</u>	<u>\$ 4,820,584</u>	<u>\$ 9,329,325</u>

Boulder County Housing Authority  
Notes to Financial Statements  
December 31, 2016

*Aspinwall*

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 273,655	\$ 582,173	\$ 855,828
2018	284,416	571,412	855,828
2019	295,645	560,183	855,828
2020	307,363	548,465	855,828
2021	319,589	536,239	855,828
2022-2026	1,798,100	2,481,040	4,279,140
2027-2031	10,128,479	1,973,065	12,101,544
2032-2036	677,584	63,697	741,281
2037-2041	122,920	-	122,920
2042-2046	122,920	-	122,920
2047-2062	-	-	-
2063	13,302,106	34,993,669	48,295,775
Unamortized debt issuance costs	<u>(268,473)</u>	<u>-</u>	<u>(268,473)</u>
<b>Total</b>	<b><u>\$ 27,364,304</u></b>	<b><u>\$ 42,309,943</u></b>	<b><u>\$ 69,674,247</u></b>

*Kestrel*

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	14,779	14,779
2020	-	14,779	14,779
2021	-	14,779	14,779
2022-2026	-	73,896	73,896
2027-2031	849,991	93,100	943,091
2032-2036	600,009	9,015	609,024
2037-2050	-	-	-
2051	3,712,431	-	3,712,431
2052-2065	-	-	-
2066	7,989,178	26,315,339	34,304,517
Unamortized debt issuance costs	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 13,151,609</u></b>	<b><u>\$ 26,535,687</u></b>	<b><u>\$ 39,687,296</u></b>

No principal payments are due on the forgivable loans. Payments on the remaining notes are due from available cash flow with all remaining principal and accrued interest due August 2061 for Josephine Commons, July 2063 for Aspinwall, and March 2066 for Kestrel. At December 31, 2016 accrued interest on these notes totaled \$246,815 for Josephine Commons, \$1,138,584 for Aspinwall, and \$193,662 for Kestrel.



**Note 8 - Conduit Debt**

Trinity Commons

The Authority is authorized by state statutes to issue private activity bonds to private parties for projects that serve certain specified public purposes, such as affordable housing. In 2016, the Authority issued Multifamily Housing Revenue Bonds to finance the acquisition and rehabilitation of a 16-unit multifamily housing project known as Trinity Commons in Boulder, Colorado. Repayment of the bonds is secured by the revenues from the Trinity Commons project. The Authority, as the conduit issuer of the bonds, is not financially obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The original bond issuance was \$2,600,000. At December 31, 2016, the outstanding principal balance of the bonds was \$2,600,000.

Kestrel

The Authority is authorized by state statutes to issue private activity bonds to private parties for projects that serve certain specified public purposes, such as affordable housing. In 2016, the Authority issued Multifamily Housing Revenue Bonds to finance the acquisition and rehabilitation of a 200-unit multifamily housing project known as Kestrel in Louisville, Colorado. Repayment of the bonds is secured by the revenues from the Kestrel project. The Authority, as the conduit issuer of the bonds, is not financially obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The original bond issuance was \$53,500,000. At December 31, 2016, the outstanding principal balance of the bonds was \$20,562,701.

**Note 9 - Compensated Absences**

A summary of the activity in the Authority's compensated absences for the year ended December 31, 2016 is as follows:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated absences	\$ 177,127	\$ 234,844	\$ (241,897)	\$ 170,074	\$ 13,993

**Note 10 - Annual Contributions Contract**

The Authority has an annual contributions contract for Section 8 HAP and adjustments vary based on requirements. The Authority received \$7,899,956 on this contract during the year ended December 31, 2016.

## Note 11 - Defined Benefit Pension Plan

### Plan Description

Eligible employees of the Authority are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### Benefits provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

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

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

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

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

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

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

**Contributions**

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

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

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were \$405,002 for the year ended December 31, 2016.

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

At December 31, 2016, the Authority reported a liability of \$5,842,785 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Authority's proportion of the net pension liability was based on the Authority's contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the Authority's proportion was .530 percent, which was a decrease of .039 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Authority recognized pension expense of \$665,920. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	43,837	201
Changes of assumptions or other inputs	-	107,019
Net difference between projected and actual earnings on pension plan investments	1,124,777	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	6,360	-
Contributions subsequent to the measurement date	405,002	-
<b>Total</b>	<b>1,579,976</b>	<b>107,220</b>

\$405,002 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31,</b>	
2017	\$ 251,907
2018	\$ 285,691
2019	\$ 297,305
2020	\$ 232,851
2021	\$ -
Thereafter	\$ -

**Actuarial assumptions**

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

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

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

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

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

### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

### Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.5%)
Proportionate share of the net pension liability	\$ 8,957,585	\$ 5,842,785	\$ 3,259,366

### **Pension plan fiduciary net position**

Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### **Note 12 - Defined Contribution Pension Plan**

Employees of the Authority who are members of the Local Government Division Trust Fund (LGDTF), may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available annual financial report for the 401(k) Plan. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The 401(k) Plan is funded by voluntary employee contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar year 2016, \$18,000 for the calendar year 2015, and \$17,500 for the calendar year 2014). Catch-up contributions up to \$6,000 each year for the calendar years 2016 and 2015 and \$5,500 for the calendar year 2014 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC Section 414(v). The contribution requirements for the Authority are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ended December 31, 2016, 2015, and 2014, the 401(k) Plan employee contributions from the Authority were \$24,241, \$20,453, and \$14,359, respectively.

### **Note 13 - Related Party Transactions**

#### **Developer Fees**

##### *Josephine Commons*

Josephine Commons, LLC (Josephine Commons) has entered into a development agreement with the Authority in which the Authority is to provide services in connection with the development and construction of the project owned by Josephine Commons. Developer fees of \$1,351,067 incurred by Josephine Commons to the Authority have been capitalized as part of the building. During 2016, Josephine Commons paid developer fees of \$51,601 to the Authority. As of December 31, 2016, Josephine Commons owed the Authority \$170,983 for developer fees. The remaining developer fees are expected to be paid from net cash flow.

##### *Aspinwall*

Aspinwall, LLC (Aspinwall) has entered into a development agreement with the Authority in which the Authority is to provide services in connection with the development and construction of the project owned by Aspinwall. Developer fees of \$3,400,442 have been incurred and capitalized as part of the building. During 2016, Aspinwall paid developer fees of \$735,073 to the Authority. As of December 31, 2016, Aspinwall owed the Authority \$963,714 for developer fees. The remaining developer fees are expected to be paid from net cash flow.

*Kestrel*

Kestrel I, LLC (Kestrel) has entered into a development agreement with the Authority in which the Authority is to provide services in connection with the development and construction of the project owned by Kestrel. Total developer fees of \$6,091,976 are expected to be earned by the Authority under this agreement. During 2016, developer fees of \$650,000 were paid to the Authority by Kestrel and have been capitalized as part of construction in progress. The remaining balance of \$5,441,976 will be earned and paid in accordance with the developer agreement.

**Mortgage Notes and Accrued Interest**

*Josephine Commons*

Josephine Commons has entered into multiple loan agreements with the Authority – see Note 7. During 2016, Josephine Commons incurred interest expense of \$60,289 in relation to these mortgage notes payable. As of December 31, 2016, Josephine Commons owes the Authority \$246,815 for accrued interest.

*Aspinwall*

Aspinwall has entered into multiple loan agreements with the Authority – see Note 7. During 2016, Aspinwall incurred interest expense of \$351,672 in relation to these mortgage notes payable. As of December 31, 2016, Aspinwall owes the Authority \$1,138,584 for accrued interest.

*Kestrel*

Kestrel has entered into multiple loan agreements with the Authority – see Note 7. During 2016, Kestrel incurred interest expense of \$193,662 in relation to these mortgage notes payable. As of December 31, 2016, Kestrel owes the Authority \$193,662 for accrued interest. Interest incurred on these loans has been capitalized as part of construction in progress.

**Due from Related Party**

*Josephine Commons*

As of December 31, 2016, Josephine Commons owed the Authority \$12,208 for costs related to operations.

*Aspinwall*

As of December 31, 2016, Aspinwall owed the Authority \$43,558 for costs paid on behalf of the project by the Authority, including construction costs, accrued wages and benefits.

*Kestrel*

As part of the construction process for the Kestrel project, the Authority periodically pays monthly interest payments on the Kestrel construction loan and smaller vendor invoices prior to Kestrel's construction draws. The Authority is then reimbursed for these payments by Kestrel from the subsequent construction draw, typically within 30 days. As of December 31, 2016, Kestrel owed the Authority \$40,833 for these costs.



## **Management Fees**

### *Josephine Commons*

Josephine Commons has entered into a management agreement with the Authority under which the Authority is to provide management services for the project. Under the terms of the agreement, Josephine Commons is to pay management fees equal to the lesser of \$466 per unit or 5.5% of effective gross income. During 2016, Josephine Commons incurred management fees of \$34,486 to the Authority.

### *Aspinwall*

Aspinwall has entered into a management agreement with the Authority under which the Authority is to provide management services for the project. Under the terms of the agreement, Aspinwall is to pay management fees equal to the lesser of \$480 per unit or 5.5% of effective gross income. During 2016, Aspinwall incurred management fees of \$80,160 to the Authority.

## **Reimbursement of Expenses**

### *Josephine Commons*

During 2016, Josephine Commons reimbursed the Authority approximately \$142,300 for payroll and other expenses.

### *Aspinwall*

During 2016, Aspinwall reimbursed the Authority approximately \$215,700 for payroll and other expenses.

## **Incentive Management Fee**

Pursuant to the operating agreement, Josephine Commons is to pay the Authority for their services in managing the business of Josephine Commons, a non-cumulative fee equal to 80% of cash flow remaining after other required payments. At no time is the fee to exceed 10% of gross revenues in any year. There were no incentive management fees paid by Josephine Commons to the Authority during 2016.

## **Operating Deficit Guaranty**

### *Josephine Commons*

Pursuant to the operating agreement, the Authority is required to fund operating deficits during the period beginning upon the date that stabilized operations is achieved and for five years thereafter as defined in the agreement. The Authority shall be obligated to provide funds in the form of a loan, not to exceed \$350,000, shall bear no interest and shall be repayable solely from net cash flow as allowed in the operating agreement.

*Aspinwall*

Pursuant to the operating agreement, the Authority is required to fund operating deficits during the period beginning upon the date that stabilized operations is achieved and for five years thereafter as defined in the agreement. The Authority shall be obligated to provide funds in the form of a loan, not to exceed \$910,000, shall bear no interest and shall be repayable solely from net cash flow as allowed in the operating agreement.

**Purchase of Land, Predevelopment Costs and Construction Costs**

During 2016, Kestrel purchased land from the Authority for \$2,900,000, the appraised value. The land sold to Kestrel had a carrying value of \$1,607,964 resulting in a gain on sale of \$1,292,036. At closing, Kestrel reimbursed the Authority for predevelopment costs of \$1,050,000 which included an application deposit of \$25,000 made by the Authority. Funds from the application deposit were retained by Kestrel to pay project costs. During 2016, the Authority paid construction costs of \$4,787,441 which were also reimbursed to the Authority by Kestrel.

Kestrel financed the purchase of the land and reimbursement of predevelopment costs with notes payable to the Authority totaling \$3,950,000 – Note 7.

**Due from Boulder County**

At December 31, 2016, the Authority was owed \$2,078,511 from Boulder County for rental assistance, costs of rehabilitation, and operating expenses.

**Note Payable to Boulder County**

Boulder County transferred property to the Authority in exchange for a long-term promissory note totaling \$2,581,500. Terms of this note are included in Note 7 to the financial statements.

**Due to Boulder County**

At December 31, 2016, the Authority owed Boulder County \$1,115,933 for payroll and other operating expenses paid by the County.

**Transfers to/from Primary Government**

During 2016, the Authority received transfers of \$3,073,348 from Boulder County consisting of \$214,000 for Operating Subsidy; \$2,650,000 for Housing Stabilization; \$174,348 for LPEC Allocation; and \$35,000 for the Housing and Community Education Program. During 2016, the Authority returned unspent funds of \$172,351 from post disaster financial counseling to Boulder County resulting in total net transfers of \$2,900,997.

**Note 14 - Donation of Land**

During 2016, the Authority donated land with a carrying value of \$497,657 to the City of Louisville, Colorado.

**Note 15 - Condensed Component Unit Information**

Condensed component unit information for MFPH Acquisitions LLC, the Authority's blended component unit, for the year ended December 31, 2016, is as follows:

**Condensed Balance Sheet**

Assets	
Current Assets	\$ 317,065
Notes Receivable	3,020,000
Accrued Interest	298,083
Capital Assets	<u>1,900,454</u>
Total Assets	<u><u>\$ 5,535,602</u></u>
Liabilities	
Current Liabilities	\$ 30,672
Net Position	<u>5,504,930</u>
Total Liabilities and Net Position	<u><u>\$ 5,535,602</u></u>

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

Operating Revenues	
Tenant rent	\$ 212,203
Rental assistance	109,539
Other	12,279
Total Operating Revenues	334,021
Operating Expenses	
Maintenance salaries and benefits	43,648
Regular and extraordinary maintenance	78,775
Other administrative	43,867
Depreciation and amortization	51,978
Utilities	27,207
Insurance	14,763
Other	1,043
Total Operating Expenses	261,281
Operating Income	72,740
Nonoperating Income (Expense)	
Interest income	90,402
Interest expense	(46,751)
Total Nonoperating Income (Expense)	43,651
Contributions	
Transfers from Boulder County Housing Authority	835,492
HUD capital grant income	-
Total Contributions	835,492
Change in net position	951,883
Net Position, Beginning of year	4,553,047
Net Position, End of year	\$ 5,504,930

**Condensed Statement of Cash Flows**

Net Cash from Operating Activities	\$ 57,015
Net Cash used for Noncapital Financing Activities	(32,920)
Net Cash Used for Capital and Related Financing Activities	(720,129)
Net Cash from Investing Activities	26
Transfers from Boulder County Housing Authority	<u>835,492</u>
Net Change in Cash and Cash Equivalents	139,484
Cash and Cash Equivalents, Beginning of year	<u>107,766</u>
Cash and Cash Equivalents, End of year	<u><u>\$ 247,250</u></u>



Required Supplementary Information  
December 31, 2016

# Boulder County Housing Authority

**Boulder County Housing Authority**  
 Schedule of the Authority's Proportionate Share of the Net Pension Liability  
 Local Government Division Trust Fund of Colorado Public Employees' Retirement Association  
 December 31, 2016

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	Last 10 Fiscal Years*	
	2015	2014
Authority's proportion of the net pension liability	0.5303999056%	0.5692100296%
Authority's proportionate share of the net pension liability	\$ 5,842,785	\$ 5,072,729
Authority's covered-employee payroll	\$ 2,778,550	\$ 2,673,518
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	210.28%	189.74%
Plan fiduciary net position as a percentage of the total pension liability	76.87%	80.72%

\* The amounts presented for each year were determined as of the measurement date

\* Fiscal year 2015 was the first year of implementation, therefore only two years are shown

Boulder County Housing Authority  
Schedule of the Authority's Contributions  
Local Government Division Trust Fund of Colorado Public Employees' Retirement Association  
December 31, 2016

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	Last 10 Fiscal Years*	
	2016	2015
Contractually required contribution	\$ 405,002	\$ 381,694
Contributions in relation to the contractually required contribution	(405,002)	(381,694)
Contribution deficiency (excess)	\$ -	\$ -
Authority's covered-employee payroll	\$ 3,193,175	\$ 2,778,550
Contributions as a percentage of covered-employee payroll	12.68%	13.74%

\* Fiscal year 2015 was the first year of implementation,  
therefore only two years are shown





Supplementary Information  
December 31, 2016

# Boulder County Housing Authority

**Boulder County Housing Authority**  
**Combining Balance Sheet**  
**December 31, 2016**

	Public Housing 14,850	Community Development Block Grant Disaster Recovery Grants 14,269	Section 8 Housing Assistance 14,195	Housing Counseling Assistance 14,169	Rural Rental Housing Loans 10,415	Community Development Block Grants/State's Program 14,228	Rural Rental Assistance Payments 10,427	Community Development Block Grants 14,218	Weatherization Assistance 81,042
<b>Assets and Deferred Outflows</b>									
Cash and cash equivalents	\$ -	\$ -	\$ 131,524	\$ -	\$ -	\$ -	\$ 120,361	\$ -	\$ -
Restricted cash and cash equivalents	-	-	6,264	-	-	234,255	287,345	-	-
Accounts receivable									
Tenants	-	-	11	-	-	-	207	-	-
Developer fees	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Due from other agencies	-	-	-	36,626	-	31,103	-	11,962	163,082
Due from component units	-	-	-	-	-	-	-	-	-
Due from Boulder County	-	277,500	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Total current assets	-	277,500	137,799	36,626	-	265,358	407,913	11,962	163,082
Developer fees	-	-	-	-	-	-	-	-	-
Notes receivable	-	198,890	-	-	-	270,194	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Non-depreciable capital assets	-	-	67,617	-	56,316	-	-	-	-
Depreciable capital assets, net	-	-	119,288	-	1,471,611	-	-	-	-
Total assets	-	476,390	324,704	36,626	1,527,927	535,552	407,913	11,962	163,082
Deferred Outflows - Pensions	-	-	-	-	-	-	-	-	-
Total assets and deferred outflows	\$ -	\$ 476,390	\$ 324,704	\$ 36,626	\$ 1,527,927	\$ 535,552	\$ 407,913	\$ 11,962	\$ 163,082
<b>Liabilities, Deferred Inflows and Net Position</b>									
<b>Liabilities</b>									
Accounts payable	\$ -	\$ 198,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-	-	-	-
Accrued compensated absences	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	2,109	-	-	-	-
Unearned revenues	-	-	270	-	-	-	104	-	-
Due to discretely presented component units	-	-	-	-	-	-	-	-	-
Due to Boulder County	-	-	-	-	-	-	-	-	-
Tenant security deposits payable	-	-	6,264	-	-	-	15,842	-	-
Notes, mortgages and bonds payable - current	-	-	-	-	23,112	-	-	-	-
Total current liabilities	-	198,890	6,534	-	25,221	-	15,946	-	-
<b>Noncurrent Liabilities</b>									
Accrued compensated absences	-	-	-	-	-	-	-	-	-
Notes, mortgages and bonds payable - net of current portion	-	-	-	-	1,756,154	-	-	-	-
Net pension liability	-	-	-	-	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	1,756,154	-	-	-	-
Total liabilities	-	198,890	6,534	-	1,781,375	-	15,946	-	-
Deferred Inflows - Pension	-	-	-	-	-	-	-	-	-
<b>Net Position</b>									
Net investment in capital assets	-	-	186,905	-	(251,339)	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	-	277,500	131,265	36,626	(2,109)	535,552	391,967	11,962	163,082
Total net position	-	277,500	318,170	36,626	(253,448)	535,552	391,967	11,962	163,082
Total liabilities, deferred outflows and net position	\$ -	\$ 476,390	\$ 324,704	\$ 36,626	\$ 1,527,927	\$ 535,552	\$ 407,913	\$ 11,962	\$ 163,082

Boulder County Housing Authority  
Combining Balance Sheet  
December 31, 2016

Housing Choice Vouchers/Family Unification Program 14.871 / 14.880	MFPH	Emergency Shelter Grant Program 14.231	Low-Income Home Energy Assistance 93.568	HOME Investment Partnership Program 14.239	Farm Labor Housing Loans and Grants 10.405	Other Federal Programs	Business Activities	14.896 PIH Family Self-Sufficiency Program	14.267 Continuum of Care Program	Total	Elimination of Intercompany Activity	Total
\$ 940,448	\$ 236,557	\$ -	\$ -	\$ 264,256	\$ -	\$ -	\$ 7,927,329	\$ -	\$ -	\$ 9,620,475	\$ -	\$ 9,620,475
390,364	10,693	-	-	-	-	-	917,221	-	-	1,846,142	-	1,846,142
96,514	4,728	-	-	-	-	-	8,114	-	-	109,574	-	109,574
-	-	-	-	-	-	-	555,051	-	-	555,051	-	555,051
-	32,167	-	-	5,282	-	-	4,618	-	-	42,067	-	42,067
-	32,920	6,691	110,334	40,593	-	2,862	109,533	-	58,818	604,524	(6,601)	597,923
-	-	-	-	-	-	-	96,599	-	-	96,599	-	96,599
-	-	-	-	-	-	-	1,801,011	-	-	2,078,511	-	2,078,511
-	-	-	-	-	-	-	153,969	-	-	153,969	-	153,969
-	-	-	-	-	-	-	119,105	-	-	119,105	-	119,105
1,427,326	317,065	6,691	110,334	310,131	-	2,862	11,692,550	-	58,818	15,226,017	(6,601)	15,219,416
-	-	-	-	-	-	-	579,646	-	-	579,646	-	579,646
-	3,020,000	-	-	-	-	-	22,910,161	-	-	26,399,245	-	26,399,245
-	298,083	-	-	-	-	-	1,904,425	-	-	2,202,508	-	2,202,508
-	-	-	-	-	-	-	86,400	-	-	86,400	-	86,400
-	561,321	-	-	-	274,563	-	4,863,052	-	-	5,822,869	-	5,822,869
-	1,339,133	-	-	-	1,307,637	-	10,664,076	-	-	14,901,745	-	14,901,745
-	5,218,537	-	-	-	1,582,200	-	41,007,760	-	-	49,992,413	-	49,992,413
1,427,326	5,535,602	6,691	110,334	310,131	1,582,200	2,862	52,700,310	-	58,818	65,218,430	(6,601)	65,211,829
-	-	-	-	-	-	-	1,579,976	-	-	1,579,976	-	1,579,976
\$ 1,427,326	\$ 5,535,602	\$ 6,691	\$ 110,334	\$ 310,131	\$ 1,582,200	\$ 2,862	\$ 54,280,286	\$ -	\$ 58,818	\$ 66,798,406	\$ (6,601)	\$ 66,791,805
\$ -	\$ 5,955	\$ -	\$ -	\$ 2,990	\$ -	\$ -	\$ 465,592	\$ -	\$ -	\$ 673,427	\$ -	\$ 673,427
254,009	13,815	-	-	-	-	-	79,744	-	-	347,568	(6,601)	340,967
-	-	-	-	-	-	-	13,993	-	-	13,993	-	13,993
-	-	-	-	-	749	-	38,854	-	-	41,712	-	41,712
715,724	209	-	-	-	-	-	12,629	-	-	728,936	-	728,936
-	-	-	-	-	-	-	7,707	-	-	7,707	-	7,707
-	-	-	-	-	-	-	1,115,933	-	-	1,115,933	-	1,115,933
-	10,693	-	-	-	-	-	77,394	-	-	110,193	-	110,193
-	-	-	-	-	13,241	-	614,128	-	-	650,481	-	650,481
969,733	30,672	-	-	2,990	13,990	-	2,425,974	-	-	3,689,950	(6,601)	3,683,349
-	-	-	-	-	-	-	156,081	-	-	156,081	-	156,081
-	-	-	-	-	251,583	-	19,226,501	-	-	21,234,238	-	21,234,238
-	-	-	-	-	-	-	5,842,785	-	-	5,842,785	-	5,842,785
-	-	-	-	-	251,583	-	25,225,367	-	-	27,233,104	-	27,233,104
969,733	30,672	-	-	2,990	265,573	-	27,651,341	-	-	30,923,054	(6,601)	30,916,453
-	-	-	-	-	-	-	107,220	-	-	107,220	-	107,220
-	1,900,454	-	-	-	1,317,376	-	(753,080)	-	-	2,400,316	-	2,400,316
136,355	-	-	-	-	-	-	-	-	-	136,355	-	136,355
321,238	3,604,476	6,691	110,334	307,141	(749)	2,862	27,274,805	-	58,818	33,231,461	-	33,231,461
457,593	5,504,930	6,691	110,334	307,141	1,316,627	2,862	26,521,725	-	58,818	35,768,132	-	35,768,132
\$ 1,427,326	\$ 5,535,602	\$ 6,691	\$ 110,334	\$ 310,131	\$ 1,582,200	\$ 2,862	\$ 54,280,286	\$ -	\$ 58,818	\$ 66,798,406	\$ (6,601)	\$ 66,791,805

**Boulder County Housing Authority**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2016**

	Public Housing 14,850	Community Development Block Grant Disaster Recovery Grants 14,269	Section 8 Housing Assistance 14,195	Housing Counseling Assistance 14,169	Rural Rental Housing Loans 10,415	Community Development Block Grants/State's Program 14,228	Rural Rental Assistance Payments 10,427	Community Development Block Grants 14,218	Weatherization Assistance 81,042
<b>Operating Revenues</b>									
HUD PHA grants	\$ 117,212	\$ -	\$ 180,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other grants	-	2,181,819	-	36,225	-	59,515	200,667	50,000	527,263
Rental income	17,682	-	63,862	-	-	-	279,798	-	-
Administrative fees	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	-
Developer fee income	-	-	-	-	-	-	-	-	-
Other	-	-	3,764	-	-	284	12,426	-	-
<b>Total Operating Revenues</b>	<b>134,894</b>	<b>2,181,819</b>	<b>247,966</b>	<b>36,225</b>	<b>-</b>	<b>59,799</b>	<b>492,891</b>	<b>50,000</b>	<b>527,263</b>
<b>Operating Expenses</b>									
Housing assistance payments	-	-	-	-	-	-	-	-	-
Administrative salaries and benefits	5,988	-	29,907	29,365	-	12,870	84,650	42,917	10,972
Maintenance salaries and benefits	5,066	-	31,174	-	-	-	70,831	-	256,583
Regular and extraordinary maintenance	6,271	-	48,682	-	-	42,263	103,397	-	161,219
Direct client expenses	-	2,161,196	-	-	-	-	-	-	-
Other administrative	5,302	18,846	29,055	2,471	-	1,784	42,904	371	28,794
Depreciation and amortization	8,247	-	16,485	-	47,321	-	-	-	-
Utilities	1,500	-	30,610	-	-	-	39,438	-	-
Insurance	526	-	2,770	-	-	-	10,798	-	17,227
Other	(412)	-	-	1,592	-	-	-	-	4
<b>Total Operating Expenses</b>	<b>32,488</b>	<b>2,180,042</b>	<b>188,683</b>	<b>33,428</b>	<b>47,321</b>	<b>56,917</b>	<b>352,018</b>	<b>43,288</b>	<b>474,799</b>
<b>Operating Income (Loss)</b>	<b>102,406</b>	<b>1,777</b>	<b>59,283</b>	<b>2,797</b>	<b>(47,321)</b>	<b>2,882</b>	<b>140,873</b>	<b>6,712</b>	<b>52,464</b>
<b>Non-Operating Revenues (Expenses)</b>									
Interest income	-	-	-	-	-	4,656	110	-	-
Interest expense	-	-	(35,683)	-	(96,683)	-	-	-	-
Donation of real property	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>(35,683)</b>	<b>-</b>	<b>(96,683)</b>	<b>4,656</b>	<b>110</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Transfers and</b>									
HUD Capital Grant Income	102,406	1,777	23,600	2,797	(144,004)	7,538	140,983	6,712	52,464
Transfers from (to) primary government	-	-	-	-	-	-	-	-	-
Interprogram transfers	(819,872)	(286,361)	19,986	23,035	118,880	528,014	(114,121)	(509,268)	(67,032)
HUD capital grant income	134,887	-	-	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>(582,579)</b>	<b>(284,584)</b>	<b>43,586</b>	<b>25,832</b>	<b>(25,124)</b>	<b>535,552</b>	<b>26,862</b>	<b>(502,556)</b>	<b>(14,568)</b>
<b>Net Position - Beginning of Year</b>	<b>582,579</b>	<b>562,084</b>	<b>274,584</b>	<b>10,794</b>	<b>(228,324)</b>	<b>-</b>	<b>365,105</b>	<b>514,518</b>	<b>177,650</b>
<b>Net Position - End of Year</b>	<b>\$ -</b>	<b>\$ 277,500</b>	<b>\$ 318,170</b>	<b>\$ 36,626</b>	<b>\$ (253,448)</b>	<b>\$ 535,552</b>	<b>\$ 391,967</b>	<b>\$ 11,962</b>	<b>\$ 163,082</b>

**Boulder County Housing Authority**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2016**

Housing Choice Vouchers/Family Unification Program 14.871/ 14.880	MPPH	Homelessnes Prevention and Emergency Shelter Grant Program 14.231	Low-Income Home Energy Assistance 93.568	HOME Investment Partnership Program 14.239	Fam Labor Housing Loans and Grants 10.405	Other Federal Programs	Business Activities	14.896 PIH Family Self- Sufficiency Program	14.267 Continuum of Care Program	Total	Elimination of Intercompany Activity	Total
\$ 7,899,956	\$ 109,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,184,785	\$ 193,740	\$ 110,924	\$ 9,796,496	\$ -	\$ 9,796,496
-	-	60,000	692,919	481,828	-	3,452	2,910,215	-	-	7,203,903	-	7,203,903
-	212,203	-	-	-	-	-	1,456,798	-	-	2,030,343	-	2,030,343
593,460	-	-	-	-	-	-	-	-	-	593,460	-	593,460
-	-	-	-	-	-	-	151,844	-	-	151,844	-	151,844
-	-	-	-	-	-	-	650,000	-	-	650,000	-	650,000
111,972	12,279	-	-	5,676	-	-	229,511	-	-	375,912	-	375,912
<u>8,605,388</u>	<u>334,021</u>	<u>60,000</u>	<u>692,919</u>	<u>487,504</u>	<u>-</u>	<u>3,452</u>	<u>6,583,153</u>	<u>193,740</u>	<u>110,924</u>	<u>20,801,958</u>	<u>-</u>	<u>20,801,958</u>
7,847,968	-	-	-	-	-	-	-	-	-	7,847,968	-	7,847,968
374,782	-	-	13,538	26,759	-	3,188	869,203	193,687	12,143	1,709,969	-	1,709,969
-	43,648	-	335,646	-	-	-	631,820	-	-	1,374,768	-	1,374,768
-	78,775	-	206,584	-	-	-	1,790,083	-	-	2,437,274	-	2,437,274
-	-	131,292	-	481,828	-	-	1,864,662	-	79,277	4,718,255	-	4,718,255
100,160	43,867	-	43,569	2,986	-	44	354,961	1,042	17,218	693,374	-	693,374
-	51,978	-	-	-	56,033	-	603,056	-	-	783,120	-	783,120
-	27,207	-	-	-	-	-	207,856	-	-	306,611	-	306,611
-	14,763	-	29,506	-	-	-	222,394	-	-	297,984	-	297,984
2,933	1,043	-	-	-	-	19	13,710	-	256	19,145	-	19,145
<u>8,325,843</u>	<u>261,281</u>	<u>131,292</u>	<u>628,843</u>	<u>511,573</u>	<u>56,033</u>	<u>3,251</u>	<u>6,557,745</u>	<u>194,729</u>	<u>108,894</u>	<u>20,188,468</u>	<u>-</u>	<u>20,188,468</u>
279,545	72,740	(71,292)	64,076	(24,069)	(56,033)	201	25,408	(989)	2,030	613,490	-	613,490
67	90,402	-	-	-	-	-	610,665	-	-	705,900	-	705,900
-	(46,751)	-	-	-	(2,521)	-	(407,369)	-	-	(589,007)	-	(589,007)
-	-	-	-	-	-	-	(497,657)	-	-	(497,657)	-	(497,657)
-	-	-	-	-	-	-	1,292,036	-	-	1,292,036	-	1,292,036
-	-	-	-	-	-	-	(34,293)	-	-	(34,293)	-	(34,293)
<u>67</u>	<u>43,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,521)</u>	<u>-</u>	<u>963,382</u>	<u>-</u>	<u>-</u>	<u>876,979</u>	<u>-</u>	<u>876,979</u>
279,612	116,391	(71,292)	64,076	(24,069)	(58,554)	201	988,790	(989)	2,030	1,490,469	-	1,490,469
-	-	-	-	-	-	-	2,900,997	-	-	2,900,997	-	2,900,997
(13,417)	835,492	65,968	46,258	80,560	21,468	(1,839)	14,472	989	56,788	-	-	-
-	-	-	-	-	-	-	-	-	-	134,887	-	134,887
266,195	951,883	(5,324)	110,334	56,491	(37,086)	(1,638)	3,904,259	-	58,818	4,526,353	-	4,526,353
191,398	4,553,047	12,015	-	250,650	1,353,713	4,500	22,617,466	-	-	31,241,779	-	31,241,779
<u>\$ 457,593</u>	<u>\$ 5,504,930</u>	<u>\$ 6,691</u>	<u>\$ 110,334</u>	<u>\$ 307,141</u>	<u>\$ 1,316,627</u>	<u>\$ 2,862</u>	<u>\$ 26,521,725</u>	<u>\$ -</u>	<u>\$ 58,818</u>	<u>\$ 35,768,132</u>	<u>\$ -</u>	<u>\$ 35,768,132</u>

Boulder County Housing Authority  
Schedule of Federal Expenditures  
Year Ended December 31, 2016

Federal Agency/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture (USDA)			
<i>Direct Programs</i>			
Rural Rental Assistance Payments - Casa Esperanza (Section 514)	10.427		\$ 29,833
Rural Rental Assistance Payments - Prime Haven (Section 515)	10.427		55,475
Rural Rental Assistance Payments - Walter Self (Section 515)	10.427		115,359
			<u>200,667</u>
Farm Labor Housing Loan and Grants	10.405		283,771
Rural Rental Housing Loans	10.415		1,221,017
			<u>1,705,455</u>
Total U.S. Department of Agriculture (USDA)			
U.S. Department of Health and Human Services			
<i>Direct Programs</i>			
Low Income Energy Assistance Program	93.568		628,843
U.S. Department of Energy			
<i>Passed Through Colorado Governor's Energy Office</i>			
Weatherization Assistance for Low- Income Persons	81.042	C900822	474,799
U.S. Department of Treasury			
<i>Passed Through Colorado Housing and Finance Authority</i>			
CHFA - NeighborWorks National Foreclosure Mitigation Counseling	21.000	NFMC R10	3,251
U.S. Department of Housing and Urban Development			
<i>Direct Programs</i>			
Housing - Choice Vouchers	14.871		8,325,843
Office of Public and Indian Housing	14.850		128,568
Office of Public and Indian Housing	14.872		146,101
Family Self-Sufficiency Coordinator	14.896		193,688
Continuum of Care Program	14.267		108,894
<i>Passed Through Colorado Housing and Finance Authority:</i>			
Comprehensive Housing Counseling	14.169	FR-5800-N-25 CO0990036010 /	33,428
Section 8 Housing Assistance Payments	14.195	CO99R000007	180,340

Boulder County Housing Authority  
Schedule of Federal Expenditures  
December 31, 2016

<hr/>			
<i>Passed Through Colorado Division of Housing</i>			
HOME Program - TBRA	14.239	Subgrantee	481,828
<i>Passed Through the City of Boulder</i>			
HOME Program - Kestrel	14.239	Subgrantee	580,297
			1,062,125
<i>Passed Through City of Longmont, Colorado</i>			
Community Development Block Grant/Entitlement Grants	14.218	B16MC080011	43,288
<i>Passed Through City of Boulder, Colorado</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Subgrantee	52,017
<i>Passed Through Boulder County, Colorado</i>			
Community Development Block Grant/Disaster Relief	14.269	Subgrantee	2,180,042
<i>Passed Through Colorado Coalition for the Homeless</i>			
ESG - Emergency Solutions Grant Program - Homelessness Prevention and Rapid Re-Housing	14.231	Subgrantee	60,000
Total U.S. Department of Housing and Urban Development			12,514,334
Total Federal Expenditures			\$ 15,326,682

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boulder County 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 Regulation (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Boulder County Housing Authority received federal awards both directly from federal agencies and indirectly through pass-through entities.

**Note B – 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 Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Boulder County Housing Authority’s summary of significant accounting policies is presented in Note 1 in Boulder County Housing Authority’s basic financial statements.

The Authority has not elected to use the 10% de minimis cost rate.

**Note C – Farm Labor Housing Loan Program**

The balances and transactions related to the Farm Labor Housing Loan Program, CFDA Number 10.405, are included in Boulder County Housing Authority's basic financial statements. The total balance of the loans outstanding as of December 31, 2016 is \$263,095.

**Note D – Rural Rental Housing Loan Program**

The balances and transactions related to the Rural Rental Housing Loan Program, CFDA Number 10.415, are included in Boulder County Housing Authority's basic financial statements. The total balance of the loans outstanding as of December 31, 2016 is \$1,212,776.





**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  
Boulder County Housing Authority  
Boulder, Colorado

We have audited, 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, the financial statements of the business-type activities and discretely presented component units of the Boulder County Housing Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Boulder County Housing Authority’s basic financial statements, and have issued our report thereon dated May 4, 2017. The financial statements of Josephine Commons, LLC, Aspinwall, LLC, and Kestrel 1, LLC were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-A to be a material weakness.

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.

**Compliance and Other Matters**

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

**Entity's Response to Finding**

Boulder County Housing Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Boulder County Housing Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bismarck, North Dakota  
May 4, 2017



## **Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

Board of Commissioners  
Boulder County Housing Authority  
Boulder, Colorado

### **Report on Compliance for Each Major Federal Program**

We have audited Boulder County Housing Authority’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boulder County Housing Authority’s major federal programs for the year ended December 31, 2016. Boulder County Housing Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

### **Management’s Responsibility**

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions to its federal programs.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the compliance for each of Boulder County Housing Authority’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the Boulder County Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended December 31, 2016.

### **Report on Internal Control over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Bismarck, North Dakota  
May 4, 2017

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
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 Uniform Guidance 2 CFR 200.516?	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Section 8 Housing Choice Vouchers	14.871
HOME Investment Partnership Program	14.239
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**2016-A - Adjusting Journal Entries**

**Material Weakness in Internal Control over Financial Reporting**

*Condition:* As part of our audit we proposed a material audit adjustment to the financial statements that was not detected by management.

*Criteria:* A complete system of internal control contemplates an adequate system for reconciling significant accounts and recording and processing journal entries prior to the audit.

*Effect:* The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Cause:* The Authority passed through HOME Investment Program funding to a discretely presented component unit. The loan was appropriately recorded on the discretely presented unit but the pass through grant revenue on the Authority and associated receivable was not. This lead to material misstatement of the financial statements and the Schedule of Federal Expenditures.

*Repeat Finding from Prior Year(s):* Yes, prior year finding 2015-A

*Recommendation:* We recommend that the Authority review all grant and loan agreements for both the primary government and the discretely component units.

*Views of Responsible Officials:* Management agrees with the finding.

**Section III – Federal Award Findings and Questioned Costs**

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None