



Financial Statements  
December 31, 2016

# Summit Combined Housing Authority

Summit Combined Housing Authority

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December 31, 2016

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## Independent Auditor's Report

To the Board of Directors of  
Summit Combined Housing Authority  
Breckenridge, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Summit Combined 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 Summit Combined Housing Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Summit Combined Housing Authority as of December 31, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Correction of Error**

As discussed in Note 9, it was discovered that the Authority was not accounting for the interest in Breckenridge Terrace LLC correctly in the government-wide governmental activities financial statements. As such, the current year financial statements have been updated to properly present activity related to Breckenridge Terrace LLC. There was no required restatement to beginning net position. Our opinions are not modified with respect to this matter.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 (GASB) who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The proprietary fund budgetary comparison schedule is presented for the purpose of additional analysis and is not a required part of the financial statements.

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



Fort Collins, Colorado  
October 27, 2017

## **Summit Combined Housing Authority Management's Discussion and Analysis**

### **Introduction:**

Management's Discussion and Analysis is intended to provide the reader and user of our financial statements with a narrative overview of the Authority's financial activities. Management's Discussion and Analysis (MD&A) should be read in conjunction with the Authority's financial statements and notes to the financial statements, beginning on page 7.

### **Overview of the Financial Statements of the Authority:**

The audited financial statements of the Authority are:

- Statement of Net Position
- Statement of Activities
- Balance Sheet – Governmental Fund
- Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
- Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
- Statement of Net Position – Proprietary Fund
- Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
- Statement of Cash Flows – Proprietary Fund
- Notes to the Financial Statements

The financial statements of the Authority are presented as a special purpose government engaged in business and government type activities. These financial statements distinguish between the functions of the Authority that will be principally supported by taxes. The functions of the Authority include providing down payment assistance loans to eligible borrowers, providing community education, and monitoring the restrictions of deed restricted properties.

The **Statement of Net Position** prepared using the full accrual basis of accounting, provides information about what is owned (assets) by the Authority, what is owed (liabilities) by the Authority, and what is the Authority's equity in its assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the Authority is improving, deteriorating, or maintaining a status quo.

The **Statement of Activities** provides information about the components – Program Expenses, Program Revenue, General Revenue – of the Authority's annual operating activities and how those activities affected net position.

The **Balance Sheet** – The Governmental Fund presents the financial position of the Authority's fund using the traditional government modified accrual method of accounting, which does not reflect capital assets and debt obligations.

The **Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund** presents the activities of the Authority's fund using the modified accrual method of accounting which includes expenditures for capital assets and debt service obligations. Additionally, under the modified accrual basis of accounting revenues are recognized to the extent they are considered available.

The two reconciliations, which accompany these governmental fund statements, provide explanations of the specific differences in these statements as compared to the Statement of Net position and the Statement of Activities.

**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund** provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When amended, this will include a comparison of the originally approved budget with the final amended budget.

The **Notes to Financial Statements** provide additional, required disclosures about the Authority, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

**Condensed Comparative Financial Information:**

**Table A-1**  
**Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities	
	2016	(Restated) 2015	2016	2015
<b>Current Assets</b>				
Cash and cash equivalents	\$ 389,012	\$ 495,881	\$ -	\$ 901,531
Other current assets	399,594	309,391	982,595	241,430
	<u>788,606</u>	<u>805,272</u>	<u>982,595</u>	<u>1,142,961</u>
<b>Non Current Assets</b>				
Capital assets - net	8,010	10,680	-	-
Notes receivable - long term	-	-	1,342,667	1,118,567
Total assets	<u>796,616</u>	<u>815,952</u>	<u>1,342,667</u>	<u>2,261,528</u>
<b>Current Liabilities</b>				
Current Liabilities	318,086	287,566	-	-
Non current liabilities	13,810	-	-	-
Total liabilities	<u>331,896</u>	<u>287,566</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	8,010	10,680	-	-
Restricted	89,401	82,383	2,325,262	2,261,528
Unrestricted	367,309	435,323	-	-
Total net position	<u>\$ 464,720</u>	<u>\$ 528,386</u>	<u>\$ 2,325,262</u>	<u>\$ 2,261,528</u>

**Table A-2**  
**Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Program expenses	\$ 1,782,038	\$ 1,679,920	\$ 3,764	\$ 17,564
Program revenues	192,179	303,970	67,378	139,774
Net program expense	1,589,859	1,375,950	(63,614)	(122,210)
General revenues	1,526,193	1,421,067	120	120
Change in net position	(63,666)	45,117	63,734	122,330
Net position - beginning	528,386	483,269	2,261,528	2,139,198
Net position - ending	\$ 464,720	\$ 528,386	\$ 2,325,262	\$ 2,261,528

This foregoing information is a summary of the financial information contained in the Authority's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

#### **Discussion of Financial Position and Operating Activities**

Net position at the end of December 2016 was \$464,720 for the governmental activities, \$2,325,262 for the business-type activities and \$2,789,982 for the primary government. In total for the primary government, the change in net position was \$68.

In accordance with TABOR requirements, three percent (3%) of the general revenues are restricted for emergencies.

The Authority's total assets are comprised primarily of cash and equivalents, sales taxes receivable, and loans receivable. The Authority's total liabilities are comprised primarily of sales taxes payable to other governments.

In 2016, program expense exceeded program revenues by \$1,589,859 for the governmental activities. This was offset by net general revenues of \$1,526,193, which resulted in a decrease in net position. See page 9 of the accompanying Financial Statements for details of these revenues and expenses.

#### **Fund Discussion**

The Governmental Fund – General Fund balance decreased from \$536,108 to \$470,520. The fund balance includes \$53,000 for emergencies in accordance with TABOR requirements, \$36,401 restricted for Ophir Mountain, and \$2,246 that is nonspendable. The remaining assets and liabilities are comprised of intergovernmental receivables and sales tax revenues to be collected and disbursed in 2017. There is also accounts receivable in the amount of \$75,775 as reimbursements for services performed.

#### **General Fund Budgetary Discussion**

Actual revenues for 2016 were \$174,678 more than the final budget. Actual expenditures for 2016 were \$168,663 more than the final budget primarily because sales taxes received and therefore payable to other governments were higher than anticipated. See page 12 of the accompanying financial statements for more detail.

## **Capital Assets and Long-term Obligations**

**Capital Assets.** The Authority's capital assets consist of a vehicle and software. There were no additions in 2016. See Note 3 of the Notes to the Financial Statements on page 22.

**Long-term Debt.** The Authority has a contingent liability in the amount of \$250,000 to the Town of Breckenridge relating to the financing of Breckenridge Terrace, LLC in which the Authority borrowed the money from the Town and immediately used those funds to acquire a fifty-percent equity interest in Breckenridge Terrace, LLC. This is payable to the Town of Breckenridge, plus 5% simple interest, only to the extent they are repaid by Breckenridge Terrace, LLC. This is discussed in detail in the notes to the financial statements. For additional information on the Authority's long-term debt see Note 5 of the Notes to the Financial Statements on page 23.

## **Economic Factors and Next Year's Budget**

Pursuant to an election held in November 2016, for ten years commencing in 2017, the Authority will collect an additional 0.6% sales tax to be used for affordable housing purposes. The Authority will collect and retain a portion of the sales tax and distribute the remainder to the County and the Towns.

As a result of this additional sales tax, the Authority anticipates increased development beginning in 2017 and expects to incur administrative, legal efforts, and management service costs to assist the jurisdictions and developers with these new developments.

**Requests for Information.** This financial report is designed to provide a general overview of Summit Combined Housing Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Authority at PO Box 188, Breckenridge, CO 80424.



Summit Combined Housing Authority  
Statement of Net Position  
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 389,012	\$ -	\$ 389,012
Cash and cash equivalents - restricted	36,401	847,211	883,612
Accounts receivable	75,775	250	76,025
Taxes receivable	285,172	-	285,172
Prepaid expenses	2,246	-	2,246
Interest receivable	-	23,465	23,465
Notes receivable, current portion	-	111,669	111,669
Total assets	<u>788,606</u>	<u>982,595</u>	<u>1,771,201</u>
<b>Non current Assets</b>			
Notes receivable, long-term portion (net)	-	1,342,667	1,342,667
<b>Capital assets</b>			
Depreciable	30,500	-	30,500
Less: Accumulated depreciation	<u>(22,490)</u>	<u>-</u>	<u>(22,490)</u>
Net capital assets	<u>8,010</u>	<u>-</u>	<u>8,010</u>
Total noncurrent assets	<u>8,010</u>	<u>1,342,667</u>	<u>1,350,677</u>
Total assets	<u>\$ 796,616</u>	<u>\$ 2,325,262</u>	<u>\$ 3,121,878</u>

Summit Combined Housing Authority  
Statement of Net Position  
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 318,086	\$ -	\$ 318,086
Total current liabilities	<u>318,086</u>	<u>-</u>	<u>318,086</u>
Noncurrent liabilities			
Accrued vacation	13,810	-	13,810
Total noncurrent liabilities	<u>13,810</u>	<u>-</u>	<u>13,810</u>
Total liabilities	<u>331,896</u>	<u>-</u>	<u>331,896</u>
Net position			
Net investment in capital assets	8,010	-	8,010
Restricted for Ophir Mountain	36,401	-	36,401
Restricted for loan programs	-	2,325,262	2,325,262
Restricted for emergencies	53,000	-	53,000
Unrestricted	367,309	-	367,309
Total net position	<u>\$ 464,720</u>	<u>\$ 2,325,262</u>	<u>\$ 2,789,982</u>

Summit Combined Housing Authority  
Statement of Activities  
Year Ended December 31, 2016

Functions / Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities:						
Housing	\$ 1,782,038	\$ 145,570	\$ 46,609	\$ (1,589,859)	\$ -	\$ (1,589,859)
Total governmental activities	<u>1,782,038</u>	<u>145,570</u>	<u>46,609</u>	<u>(1,589,859)</u>	<u>-</u>	<u>(1,589,859)</u>
Business-Type Activities:						
Loan program	3,764	41,610	25,768	-	63,614	63,614
Total business-type activities	<u>3,764</u>	<u>41,610</u>	<u>25,768</u>	<u>-</u>	<u>63,614</u>	<u>63,614</u>
Total primary government	<u>\$ 1,785,802</u>	<u>\$ 187,180</u>	<u>\$ 72,377</u>	<u>(1,589,859)</u>	<u>63,614</u>	<u>(1,526,245)</u>
General revenues:						
Sales taxes				1,525,773	-	1,525,773
Interest income				420	120	540
Total general revenues and transfers				<u>1,526,193</u>	<u>120</u>	<u>1,526,313</u>
Changes in net position				(63,666)	63,734	68
Net position - beginning				<u>528,386</u>	<u>2,261,528</u>	<u>2,789,914</u>
Net position - ending				<u>\$ 464,720</u>	<u>\$ 2,325,262</u>	<u>\$ 2,789,982</u>

Summit Combined Housing Authority  
Balance Sheet – Governmental Fund  
December 31, 2016

	General
Assets	
Current Assets	
Cash and cash equivalents	\$ 389,012
Cash and cash equivalents - restricted	36,401
Accounts receivable	75,775
Taxes receivable	285,172
Prepaid expenses	2,246
Total assets	788,606
Liabilities	
Current Liabilities	
Accounts payable	318,086
Total liabilities	318,086
Equity	
Fund Balance	
Nonspendable fund balance	2,246
Restricted - Ophir Mountain	36,401
Restricted - Emergencies	53,000
Unassigned	378,873
Total fund balance	470,520
Total liabilities and fund balance	\$ 788,606

Amounts reported to governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 470,520
Capital assets in government activities are not current financial resources and, therefore, are not reported in the funds.	8,010
Long-term liabilities including compensated absences are not due and payable in the current year and, therefore, are not reported in the funds.	(13,810)
Net position of governmental activities	\$ 464,720

Summit Combined Housing Authority  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
Year Ended December 31, 2016

	General
<b>Revenues</b>	
Sales taxes	\$ 1,525,773
Intergovernmental	46,609
Charges for services	145,570
Interest income	420
Total revenues	1,718,372
<b>Expenditures</b>	
Sales tax distributions	1,263,105
Sales tax collections fees	71,321
Salaries and benefits	358,540
Operations	90,994
Total expenditures	1,783,960
Net change in fund balance	(65,588)
Fund balance - beginning	536,108
Fund balance - ending	\$ 470,520

Amounts reported for governmental activities in the statement of activities are different because:

Net change in Fund Balances - total government funds	\$ (65,588)
Governmental funds report capital outlays as expenditure; however in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This amount by which depreciation expense exceeded capital outlay in the current period.	(2,670)
The expense associated with accrued vacation are not payable from current financial resources and therefore; is not recorded in the governmental funds.	4,592
Change in net position - governmental funds	\$ (63,666)

Summit Combined Housing Authority  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Governmental Fund  
Year Ended December 31, 2016

	Original and Final Budget	Actual Amount	Variances - Over (Under)
Revenue			
Sales taxes	\$ 1,302,969	\$ 1,525,773	\$ 222,804
Intergovernmental	54,000	46,609	(7,391)
Charges for services	184,325	145,570	(38,755)
Grants and donation	2,100	-	(2,100)
Interest income	300	420	120
Total revenue	<u>1,543,694</u>	<u>1,718,372</u>	<u>174,678</u>
Expenditures			
Sales tax distributions	1,046,855	1,263,105	(216,250)
Sales tax collection fees	71,687	71,321	366
Salaries and benefits	378,434	358,540	19,894
Operations	118,321	90,994	27,327
Total expenditures	<u>1,615,297</u>	<u>1,783,960</u>	<u>(168,663)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (71,603)</u>	<u>\$ (65,588)</u>	<u>\$ 6,015</u>
Fund balance - beginning		<u>536,108</u>	
Fund balance - ending		<u>\$ 470,520</u>	

Summit Combined Housing Authority  
Statement of Net Position  
Proprietary Fund  
December 31, 2016

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	<u>Loan Program</u>
Assets	
Current Assets	
Cash and cash equivalents - restricted	\$ 847,211
Accounts receivable	250
Interest receivable	23,465
Notes receivable, current portion	111,669
Total current assets	<u>982,595</u>
Noncurrent assets	
Notes receivable, long term portion (net of allowance)	1,342,667
Total noncurrent assets	<u>1,342,667</u>
Total assets	<u>\$ 2,325,262</u>
Liabilities	
Current Liabilities	
Total current liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
Net position	
Restricted for loan programs	<u>2,325,262</u>
Total liabilities and net position	<u><u>\$ 2,325,262</u></u>

Summit Combined Housing Authority  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
Year Ended December 31, 2016

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	<u>Loan Program</u>
Operating Revenues	
Loan interest and fees	\$ 41,610
Grants	25,768
Total operating revenues	<u>67,378</u>
 Operating Expenses	
Bad debt	2,483
Operating expenses	1,281
Total operating expenses	<u>3,764</u>
Operating income	<u>63,614</u>
 Nonoperating Revenues	
Interest income	120
Total nonoperating revenues	<u>120</u>
Change in net position	63,734
Net position, beginning	<u>2,261,528</u>
Net position, ending	<u><u>\$ 2,325,262</u></u>



Summit Combined Housing Authority  
Statement of Cash Flows  
Proprietary Fund  
Year Ended December 31, 2016

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	<u>Loan Program</u>
Cash Flows From Operating Activities:	
Receipts from borrowers	\$ 208,421
Loans made to borrowers	(287,348)
Receipts from grantors	25,768
Payments made to suppliers	(1,281)
Net cash provided by operating activities	<u>(54,440)</u>
 Cash Flows From Investing Activities	
Interest income	<u>120</u>
Net cash (used) in noncapital financing activities	<u>120</u>
 Net change in cash	 (54,320)
 Cash and cash equivalents, beginning	 <u>901,531</u>
 Cash and cash equivalents, ending	 <u><u>\$ 847,211</u></u>
 Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:	
Net operating income	\$ 63,734
 Adjustments to reconcile net operating income to net cash provided by operating activities:	
(Increase) in notes receivable	(116,219)
(Increase) in accounts receivable	<u>(1,835)</u>
Net cash provided by operating activities	<u><u>\$ (54,320)</u></u>

**Note 1 - Summary of Significant Accounting Policies**

The Authority formed in 2006 when Summit County and the towns of Breckenridge, Dillon, Frisco and Silverthorne executed an intergovernmental agreement providing for the establishment of the Summit Combined Housing Authority (the “Authority”), a multijurisdictional housing authority pursuant to Section 29-1-204.5 of the Colorado Revised Statutes, as amended.

The multijurisdictional plan of the Summit Combined Housing Authority provides for the succession of the Summit County Housing Authority, including all rights, privileges, assets, liabilities, obligations and operations of the existing Summit County Housing Authority.

Pursuant to an election held in November 2006, for ten years commencing in 2007, the Authority collects a 0.125% sales and use tax within Summit County and a development impact fee of up to \$2 per square foot of new construction within Summit County to be used for affordable housing. Then, pursuant to an election held in November 2015, the 0.125% sales tax was approved to commence January 1, 2017 and continue thereafter as a voter-approved revenue change. The Authority collects and retains a portion of the sales tax and distributes the remainder to the County and the Towns. The County and the Towns collect and retain the use tax and development impact fees.

Additionally, Pursuant to an election held in November 2016, for ten years commencing in 2017, the Authority will collect an additional 0.6% sales tax to be used for affordable housing purposes. The Authority will collect and retain a portion of the sales tax and distribute the remainder to the County and the Towns.

**Reporting Entity**

The Governmental Accounting Standards Board (GASB) is the authoritative body and the Authority follows all GASB accounting pronouncements, which provides guidance for determining which governmental activities, organization and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

**Management Agreement**

The Authority has a management agreement with Summit County for contracted services. Under the terms of the agreement, the Authority contracts for salaries and benefits. The contracted services have been classified as functional expenses in the financial statements.

## **Basis of Presentation**

The Authority's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of information.

## **Government-wide and Fund Financial Statements**

The statement of net position and the statement of activities display information about the Authority as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial position of the governmental and proprietary fund activities at the end of the year. The statement of activities presents a comparison between program expenses and the program revenue for each program or function of the primary government activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general revenue of the Authority, with certain limited exceptions. The comparison of program expenses with program revenue identifies the extent to which each function is self-financing or draws from the general revenue of the Authority.

## **Fund Accounting**

During the year the Authority segregates transactions related to certain Authority functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Authority at this more detailed level. The focus of governmental fund financial statements is on major funds.

The accounts of the Authority are organized on the basis of funds each of which is considered a separate accounting entity. Fund types used by the Authority are the General Fund which is the only governmental fund and the Loan Program Fund which is the only enterprise fund.

## **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

### ***Government-wide Financial Statement***

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Authority are included in the statement of net position.

### ***Fund Financial Statements***

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance.

The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

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

***Revenue***

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis, when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization. Program revenues consist of revenues that are associated with the issuance and maintenance of loans portfolios and the monitoring of deed restricted properties.

Non-exchange transactions, in which the Authority receives value without directly giving value in return, include sales taxes, grants, entitlements and donations. Revenue from sales tax is recognized in the fiscal year for which the taxes are collected by the vendor. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

***Assets and Liabilities***

Cash and cash equivalents – The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with maturities of 90 days or less at the date of their acquisition.

Restricted cash and cash equivalents – The Authority’s restricted cash and cash equivalents in the loan fund consists of cash is comprised of proceeds from grants and program income, the use of which is subject to specific guidelines outlined in the original grant or in the grant close out agreements and cannot be used for the Authority’s general operations. The Authority’s restricted cash and cash equivalents in the general fund is restricted for use related to Ophir Mountain.

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

Capital assets – All capital assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation of the estimated useful lives of the assets is computed using the straight-line method. Estimated useful lives range from 3-5 years for capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

General Capital Assets are those assets not specifically related to activities reported in other funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

### **Accrued Liabilities and long-Term Obligation**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

### **Net Position**

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

- a) Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Authority utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c) Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.” The net position is available for future operations or distributions.

### **Fund Balance**

*Nonspendable* – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$2,246 as of December 31, 2016.

*Restricted* – General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the Authority to establish Emergency reserves (see Note 4). A reservation of \$53,000 of the General Fund balance has been made in compliance with this requirement. Additionally \$36,401 has been restricted for Ophir Mountain.

*Committed- General Fund* - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The Authority had no committed fund balance as of December 31, 2016.

*Assigned* – Includes all amounts that are constrained by the Authority’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Directors. As of December 31, 2016 the assigned fund balance was \$0.

*Unassigned* – consists of the residual classification for the General Fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

It is the Authority’s policy to utilize the most restrictive fund balance first when both restricted and unrestricted resources are available for use, and then to utilize those with commitments, followed by assignments as needed.

In the fund financial statements, the Authority reports the following major funds:

**General Fund** – The General Fund is the general operating fund of the Authority. It is used to account for all financial activities except those required to be accounted for in another fund.

**Loan Program Fund** – The Authority utilizes grant funding to provide loans to qualified homeowners for down payment assistance. The Loan Program Fund is an enterprise fund.

### **Budgets and Budgetary Accounting**

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

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

- The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- The Authority Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Authority Board or revised by the Authority Board.

### **Use of Estimates in the Preparation of Financial Statements**

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

## **Note 2 - Cash and Investments**

### **Cash Deposits**

As of December 31, 2016, the Authority's cash deposits had a carrying balance of \$1,272,624 with corresponding bank balance of \$1,326,527 of which \$250,000 is federally insured. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Authority had \$1,076,527 collateralized under PDPA.

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

### **Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2016, none of the Authority's bank deposits were exposed to custodial credit risk.

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

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

As of December 31, 2016, the Board had not adopted a formal investment policy.

**Note 3 - Capital Assets**

A summary of changes to capital assets for 2016 is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable Capital Assets				
Vehicles	\$ 17,150	\$ -	\$ -	\$ 17,150
Software	13,350	-	-	13,350
Total depreciable capital assets	<u>30,500</u>	<u>-</u>	<u>-</u>	<u>30,500</u>
Less accumulated depreciation				
Vehicles	(17,150)	-	-	(17,150)
Software	(2,670)	(2,670)	-	(5,340)
	<u>(19,820)</u>	<u>(2,670)</u>	<u>-</u>	<u>(22,490)</u>
Net capital assets	<u>\$ 10,680</u>	<u>\$ (2,670)</u>	<u>\$ -</u>	<u>\$ 8,010</u>

**Note 4 - Notes Receivable**

Notes receivable at December 31, 2016 consisted of the following:

Loan Program Fund	
Down payment assistance and rehabilitation (interest rates of 2%-3%)	\$ 1,504,336
Less allowance for doubtful accounts	(50,000)
Net loan program receivables	<u>1,454,336</u>
Total	<u>\$ 1,454,336</u>

**Loan Program Fund**

The Authority has several loans outstanding for down payment assistance and rehabilitation. Loans have an interest rate of either 2% or 3%, depending on the specific loan program and origination date. Loans in default accrue interest at 6%. The balance of these loans is reported in the Loan Program Fund. Management has established an allowance for uncollectible accounts in the amount of \$50,000.



**Note 5 - Interest in Breckenridge Terrace LLC**

During 2001, the Authority acquired a 50% ownership interest in Breckenridge Terrace LLC to provide housing facilities for residents of Summit County. The term of Breckenridge Terrace LLC expires on December 31, 2040, unless it is earlier dissolved in accordance with provision of the Amended and Restated Operating Agreement. The Authority's ownership was acquired when they bought out two other private investor members for \$250,000. The terms of the Amended and Restated Operating Agreement state that the Authority is the Investor Member, and as an investor member, they shall receive a preferred return in an amount equal to the amount of the investment member's initial capital contribution of \$661,777 plus five percent (5%) cumulative simple interest per annum.

The Authority will receive their investor member preferred return to the extent that cash flows are available. Since the date of acquisition, the Authority has not been allocated any share of income or profits. Unaudited financial information for Breckenridge Terrace LLC indicates that the entity has an accumulated deficit and has experienced ongoing net losses. The Authority has no obligation to provide ongoing support or to finance the deficits of Breckenridge Terrace LLC. However, as a result of the continuing losses, the Authority has determined that its interest in Breckenridge Terrace LLC does not have any value.

As part of the interest in Breckenridge Terrace LLC, the Authority has a contingent liability in the amount of \$250,000 to the Town of Breckenridge relating to the financing of the interest in Breckenridge Terrace. The Authority borrowed the money from the Town of Breckenridge and immediately used those funds to acquire a fifty-percent equity interest in Breckenridge Terrace LLC. The \$250,000 is payable to the Town of Breckenridge, plus 5% cumulative simple interest, in the event to the extent they receive cash flows from Breckenridge Terrace LLC. A payable to the Town is only recorded to the extent of project cash flows are expected. Based on the ongoing losses of Breckenridge Terrace LLC and that no cash flows have been received, nor are they expected to be received, no liability has been recorded as of December 31, 2016.

**Note 6 - Tax, Spending, and Debt Limitation**

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of TABOR.

Spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves, which must be at least 3% of fiscal year spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. This Authority had an emergency reserve of \$53,000 as of December 31, 2016.

**Note 7 - Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a participant in the Housing Authority Risk Retention Group. The Group was formed by an agreement by member housing authorities of the Membership and is restricted to housing authorities around the country.

The purpose of the Group is to provide defined property, liability, workers' compensation and associated coverages, and claims and risk management services related thereto, for members through a self-insurance pool. The group has contracted with other third parties to operate, administer and manage the group. In the event aggregated losses incurred by the group exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the group, additional contributions may be required from the group members. Settled claims have not exceeded the Authority's commercial coverage in the last three years.

**Note 8 - Commitments and Contingencies**

The Authority participates in a number of Federal, State and local programs that are fully or partially funded by grants received from other entities. Expenses financed by grants are subject to audit by the appropriate grantor. If expenses are disallowed due to noncompliance with grant program regulations the Authority may be required to reimburse the grantor. At December 31, 2016 the Authority believes they are in compliance with provisions of the grant agreements.

**Note 9 - Correction of Error**

During the year ended December 31, 2016 it was discovered that the Authority was not accounting for the interest in Breckenridge Terrace LLC correctly. The Authority previously reported a Note Receivable in the amount of \$250,000, along with interest receivable of \$245,595, from Breckenridge Terrace LLC. Additionally, the Authority previously reported a corresponding Notes Payable and interest payable to the Town of Breckenridge. After review of the Amended and Restated Operating agreements it was determined that the Authority has an equity interest in Breckenridge Terrace LLC and amounts owed to the Town of Breckenridge are contingent based on available cash flows for distribution. As such the current year financial statements have been updated to eliminate the note receivable interest receivable and to eliminate the corresponding notes payable and interest payable. There was no required restatement to beginning net position. See Note 5 for further details.



Supplementary Information  
December 31, 2016

# Summit Combined Housing Authority

Summit Combined Housing Authority  
 Budgetary Comparison Schedule – Non GAAP Basis  
 Proprietary Fund  
 Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Loan Program</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating Revenues</b>			
Loan interest and late fees	\$ 41,330	\$ 41,610	\$ 280
Grants	310,000	25,768	(284,232)
Bank interest income	-	120	120
Total operating revenue	<u>351,330</u>	<u>67,498</u>	<u>(283,832)</u>
<b>Operating Expenses</b>			
Operating expenses	<u>42,500</u>	<u>1,281</u>	<u>(41,219)</u>
Total operating expense	<u>42,500</u>	<u>1,281</u>	<u>(41,219)</u>
 Change in net position - budgetary basis	 <u>\$ 308,830</u>	 <u>\$ 66,217</u>	 <u>\$ (325,051)</u>
 Less: Bad debt expense		 <u>(2,483)</u>	
 Change in net position - GAAP Basis		 <u>\$ 63,734</u>	