



Financial Statements
December 31, 2016

Adams County Housing Authority



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Independent Auditor's Report

The Board of Commissioners
Adams County Housing Authority
Commerce City, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of Adams 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 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 the discretely presented component units 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.

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 Adams 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 schedules of the Authority's proportionate share of the net pension liability and of the Authority'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 Adams County Housing Authority's financial statements. The accompanying combining statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 combining statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, the financial data schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2017, on our consideration of Adams County Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adams County Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eric Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
May 19, 2017

Management's Discussion and Analysis

This section of Adams County Housing Authority's (the "Authority" or "ACHA") annual financial report presents management's discussion and analysis of the Authority's financial performance during the 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 the Authority's financial activity and position, and to identify financial trends and concerns.

This section is designed to focus on the current year's activities, resulting changes, and currently known facts; please read it in conjunction with the Authority's financial statements.

Financial Highlights

- As of December 31, 2016, the Authority's assets and deferred outflows exceeded liabilities and deferred inflows by \$33.2 million.
- As of December 31, 2016, current assets exceeded current liabilities by \$15.6 million and the current ratio was 5.8.
- ACHA's total revenue for 2016 was \$30.2 million, compared to \$40.6 million in 2015. The decrease in revenue was due to the sale of Aztec Villa in 2015.
- The Authority's rental income decreased \$741,000 due to the removal of Aztec Villa from the financials.
- ACHA's total expenses were \$25.8 million for 2016 and \$25.0 million for 2015.
- Change in net position was \$4.4 million for 2016 and \$15.6 million for 2015, respectively. This was mostly due to Home Funds received and Development income recognized for the new Alto partnership.

Agency Overview

The Adams County Housing Authority contracts with the United States Department of Housing and Urban Development (HUD) for the Housing Choice Voucher (HCV) Program and Public Housing. The Authority administers the HCV Program in order to provide decent, safe, and affordable housing to low-income households and special needs populations. The HCV Program provides rental assistance to approximately 1,400 eligible households, while the Public Housing program is comprised of a 42-unit apartment complex for low income seniors and those with disabilities. The Authority uses the enterprise fund method for financial reporting. This presentation is designed to be corporate-like in that all business-type activities are consolidated into one agency-wide total. Separate accounts are maintained for each activity or grant to control and manage money earmarked for particular purposes or to demonstrate that the Authority is properly using specific appropriations and grants.

Housing Choice Voucher Program

The HCV Program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe and affordable housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to select their own housing, including single-family homes, townhouses and apartments.

A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. A housing subsidy is paid to the landlord directly by the Authority on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

The primary eligibility criterion for a housing voucher is determined based on the family's total annual income and is limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status. In general, the family's income may not initially exceed 50% of the median income for the county or metropolitan area in which the family chooses to live. By law, the Authority must provide 75% of its vouchers to applicants whose incomes do not exceed 30% of the area median income (AMI).

The Authority administers the HCV Program with federal funds received from HUD. Volatility and uncertainty regarding regulatory changes and erratic funding authorizations continue to impact this program.

Public Housing Funds

Public Housing was established to provide affordable rental housing for eligible low-income families, the elderly and persons with disabilities. The Authority owns and operates 42 units of Public Housing. The units consist of 42 one-bedroom apartment homes for the elderly and persons with disabilities in a multi-family rental community known as Casa Redonda de Vigil. HUD provides federal aid to the Authority for a percentage of the operation, maintenance, and capital improvements of the property. A subsidy is also provided to tenants, enabling participating households to limit their rent to 30% of their adjusted gross income. The primary eligibility criterion for public housing is the family's household total annual income and is limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status.

Real Estate Portfolio

The Authority owns and manages 9 apartment communities throughout Adams County, Colorado. These communities encompass 727 units that include 42 Public Housing units. These communities are mortgaged through various means of financing including Authority issued bonds, bank financing products and federal funds. Rent structures at these communities are established for lower income households. The Authority also manages four additional properties encompassing 733 units financed through tax credit partnerships of which it is the Managing General Partner. In addition, the Authority has partnered with other firms to provide 1,194 additional affordable housing units. The Authority has also entered into partnerships for the ownership of certain communities that fall under IRS Code Section 42. The properties and associated unit count are listed below.

Property	# of units	City
Aztec Villa Apartments – LIHTC	165	Westminster, CO
Casa Redonda de Vigil - Public Housing	42	Denver, CO
Creekside Place - LIHTC	208	Thornton, CO
Orchard Crossing East	73	Westminster, CO
Orchard Crossing West	16	Westminster, CO
Overlook at Thornton – LIHTC	160	Thornton, CO
Susan Kay	16	Westminster, CO
Terrace Gardens	180	Westminster, CO
Village of Yorkshire – LIHTC	200	Thornton, CO
Village of Greenbriar	232	Westminster, CO
Waterview on the Parkway	84	Thornton, CO
Zuni Plaza	84	Westminster, CO

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Adams County Housing Authority's basic financial statements. The first report is the Independent Auditors' Report. The second part of the financial statement analysis is Management's Discussion and Analysis. This discussion gives the reader an overview of the Authority's financial activities based upon currently known facts, decisions, or conditions. The Authority's basic financial statements consist of several components: 1) Statement of Net Position which gives the reader information on the Authority's assets and liabilities, and deferred inflows and outflows of resources, and 2) Statement of Revenue, Expenses and Changes in Net Position which details the revenue and expenses of the Authority for the current fiscal year, and 3) Statement of Cash Flows which presents financial statements on a cash basis. This statement informs the reader of the cash position of the Authority and identifies sources and uses of cash. The final part of the Basic Financial Statements is the Notes to Financial Statements.

- Long-term assets were \$1.5 million for 2016 and \$710,000 for 2015, the increase was due to accrued interest on notes for the LIHTC partnerships.
- Notes receivable increased \$6 million from 2015 to 2016 primarily for developer fee for Aztec Villa Apartments and for the Alto LIHTC partnership.
- Capital assets decreased \$1.6 million from 2015 to 2016 due to the sale of the land at 71st and Federal to the Alto LIHTC.
- Deferred outflows of resources increased \$1.1 million from 2015 to 2016.
- Current liabilities increased \$1 million due to January 2017 HCV program payments received from HUD in December 2016.
- HUD and other grants revenue was \$17.5 million for 2016 and \$15.4 million for 2015. The increase was due to increased spending in the HCV program and HOME funds received for the Alto partnership.
- ACHA had a loss on the sale of capital assets of \$414,000 for 2016 due to the sale of the vacant land to Alto. During 2015, ACHA had a \$13.6 million gain due to the sale of Aztec Villa to LIHTC partnership.
- Housing assistance payment expenses increased \$1.1 million due to increase in HAP costs on the HCV program.
- Maintenance, operating, utilities, and depreciation expenses decreased due to the removal of Aztec Villa apartments.
- Interest expense decreased due to the removal of Aztec Villa from the consolidated financials and refinancing of Creekside Place, Zuni Plaza, and Waterview on the Parkway during 2015.

In addition to the reporting of the financial statements, the Authority is also required to file these financial statements electronically to HUD through the Real Estate Assessment Center (REAC). On September 1, 1998, HUD published in the Federal Register the Uniform Financial Reporting Standards (UFRS) Rule implementing requirements of 24 CFR, Part 5, Subpart H, for the electronic filing of financial information to REAC by entities receiving HUD financial assistance. REAC developed the Financial Assessment Subsystem (FASS) specifically to facilitate the financial health portion of the overall assessment. Financial and other information must be submitted to REAC electronically by the Authority through FASS using templates specifically designed for public housing authorities. REAC utilizes the information filed electronically to conduct a multi-tiered assessment in order to foster transparency and enhance public trust by creating a comprehensive management tool that effectively and fairly measures the Authority's performance based on standards that are objective, uniform, and verifiable. The electronic filing of these reports must be completed and approved by HUD within nine months of the Authority's calendar year-end. These reports will not be approved by HUD until they are certified that they agree to the audited financial statements conducted by an accredited independent certified public accountant.

These financial statements are a matter of public record and may be viewed by the public if so requested.

Condensed Financial Information

	2016	2015
Current assets	\$ 18,854,403	\$ 18,957,286
Long-term assets	1,518,850	709,080
Notes receivable	24,272,919	18,280,579
Capital assets	32,648,627	34,212,988
Deferred outflows - pensions	2,087,327	1,025,756
Total assets and deferred outflows	\$ 79,382,126	\$ 73,185,689
Current liabilities	\$ 3,269,821	\$ 2,202,305
Long-term liabilities	42,739,144	42,105,106
Deferred inflows - pensions	139,640	1,242
Total liabilities and deferred inflows	46,148,605	44,308,653
Net Position		
Net investment in capital assets	3,660,635	5,293
Restricted	4,011	457,704
Unrestricted	29,568,875	28,414,039
Total net position	33,233,521	28,877,036
Total liabilities, deferred inflows and net position	\$ 79,382,126	\$ 73,185,689
Revenues		
HUD and other grants	\$ 17,544,055	\$ 15,400,606
Rental income	7,795,089	8,535,797
Gain on sale (loss on disposal) of capital assets	(413,935)	13,189,855
Interest income	835,066	404,895
Other	4,010,240	3,102,298
Total revenues	29,770,515	40,633,451
Expenses		
Housing assistance payments	13,116,759	11,973,342
Administrative expenses	5,258,081	4,851,838
Maintenance and operating	3,288,757	3,532,592
Utilities	767,099	873,377
Depreciation and amortization	1,506,616	1,655,517
Interest	1,476,718	2,143,996
Total expenses	25,414,030	25,030,662
Change in Net Position	4,356,485	15,602,789
Net Position, Beginning of Year	28,877,036	18,192,823
Adjustment for Adoption of New Standard	-	(4,918,576)
Net Position, Beginning of Year, as Restated	28,877,036	13,274,247
Net Position, End of Year	\$ 33,233,521	\$ 28,877,036

Significant Capital Asset Activity

ACHA sold vacant land at 71st and Federal Blvd to Alto LIHTC partnership in June 2016. ACHA is the managing member of Alto LIHTC which intends to develop 70 units of affordable housing and approximately 19,000 square feet of commercial space.

The proceeds from the 2015 refinance of Waterview on the Parkway and Zuni Plaza apartments have been partially used to fund the structural improvements that took place at Zuni. These improvements included removing the current stairs and landings that had been deteriorating over the years due to the elements and replace them with new reinforced structures that will last for another 20 plus years. The project began in the summer of 2016 and ended in the fourth quarter of the same year.

The refinance of Creekside helped fund the new maintenance shop for the property. This project began in late 2015 and finished during the second quarter of 2016. We also began a re-paint of the community that included replacement of siding and helped protect current siding for another seven years.

Other proceeds are being used to make major improvements to the interiors of the homes located at these properties. Improvements include new cabinetry, flooring, and appliances all that support our green initiatives. Other large scale projects include new rain sensing irrigation technology, much needed roofing repairs and improvements to common area amenities that will be finished at the end of year 2017.

Significant Capital Long-Term Debt Activity

During 2016, ACHA initiated the process to refinance Terrace Gardens Apartments and Orchard Crossing East to take advantage of lower interest rates and available equity. The refinances will be completed in 2017.

Upcoming Plans and Projects

During 2016, ACHA enjoyed high occupancy and a booming real estate market, but is committed to continuing to keep rents affordable for low-income families and individuals. Affordable housing stock in the county is rapidly decreasing. Many of ACHA's Housing Choice Voucher holders are finding it difficult to lease up within the parameters of the program due to rapidly rising rental prices.

The Aztec Villa LIHTC partnership closed in September 2015. A major rehabilitation of this asset was completed in October 2016. The loan is expected to convert to permanent financing in May 2017.

The Alto LIHTC partnership closed in June 2016. Phase I will include construction of a new building with 70 units of affordable housing and 19,000 square feet of commercial space of which ACHA intends to relocate a major portion of its operations. This project is adjacent to a major TOD site and one of ACHA's existing properties, Terrace Gardens.

Crossing Pointe is in the initial planning stages. The affordable housing development will be two phases of new construction of approximately 206 units on the vacant land that was purchased in December 2014.

ACHA is working on the next phase of redevelopment at Terrace Gardens to replace the existing buildings. This project is in its initial stages. Actual construction is anticipated to commence in 2018/2019.

Request for Information

This report is designed to provide an overview of the Authority's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Controller of Adams County Housing Authority.

Respectively Submitted,

The Management of
Adams County Housing Authority

Adams County Housing Authority
Statement of Net Position
December 31, 2016

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,164,517	\$ 2,206,526
Restricted cash and cash equivalents	8,132,295	1,788,805
Accounts receivable		
Tenants	238,065	33,820
Other	85,011	124,000
Developer fees	3,037,275	-
Due from other agencies	92,973	-
Prepaid expenses	104,267	52,830
Total Current Assets	<u>18,854,403</u>	<u>4,205,981</u>
Accrued Interest Receivable - Long-Term	<u>1,518,850</u>	<u>-</u>
Notes Receivable	<u>24,272,919</u>	<u>-</u>
Other Assets, Net of Accumulated Amortization	<u>-</u>	<u>230,119</u>
Capital Assets		
Non-depreciable	7,504,369	14,636,232
Depreciable, net	<u>25,144,258</u>	<u>58,757,361</u>
Total Capital Assets	<u>32,648,627</u>	<u>73,393,593</u>
Total Assets	77,294,799	77,829,693
Deferred Outflows - Pensions	<u>2,087,327</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 79,382,126</u>	<u>\$ 77,829,693</u>

Adams County Housing Authority
Statement of Net Position
December 31, 2016

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
Liabilities, Deferred Inflows and Net Position		
Current Liabilities		
Checks issued in excess of bank balance	\$ -	\$ 42,345
Accounts payable	418,797	98,019
Accounts payable - construction	-	1,287,548
Developer fee payable	-	3,037,275
Accrued liabilities	104,374	1,494,828
Accrued compensated absences	258,585	31,779
Accrued interest payable	121,381	1,614,558
Advanced revenues	1,316,137	35,390
Due to other agencies	-	-
Tenant security deposits payable	235,360	158,343
Notes, mortgages and bonds payable - current portion	815,187	18,518,122
Total Current Liabilities	<u>3,269,821</u>	<u>26,318,207</u>
Long-Term Liabilities		
Tenants FSS escrow	122,861	-
Notes, mortgages and bonds payable - net of current portion	35,006,868	40,960,914
Net pension liability	7,609,415	-
Total Long-Term Liabilities	<u>42,739,144</u>	<u>40,960,914</u>
Total Liabilities	<u>46,008,965</u>	<u>67,279,121</u>
Deferred Inflows - Pensions	<u>139,640</u>	<u>-</u>
Net Position		
Net investment in capital assets	3,660,635	14,774,172
Restricted	4,011	-
Unrestricted	29,568,875	(4,223,600)
Total Net Position	<u>33,233,521</u>	<u>10,550,572</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 79,382,126</u>	<u>\$ 77,829,693</u>

Adams 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	\$ 1,631,649	\$ -
HAP income	14,088,987	-
Other grants	1,811,424	-
Rental income	7,795,089	5,170,222
Management fees	294,697	-
Developer fee income	3,206,664	-
Other	508,879	280,917
Total operating revenues	<u>29,337,389</u>	<u>5,451,139</u>
Operating Expenses		
Housing assistance payments	13,116,759	-
Administrative salaries and benefits	4,621,087	617,809
Maintenance salaries and benefits	608,795	318,306
Regular and extraordinary maintenance	1,417,439	439,295
Other administrative	347,710	274,987
Depreciation and amortization	1,506,616	1,851,353
Utilities	767,099	366,254
Insurance	289,284	165,459
Other expenses	1,262,523	525,799
Total operating expenses	<u>23,937,312</u>	<u>4,559,262</u>
Operating Income	<u>5,400,077</u>	<u>891,877</u>
Non-Operating Revenues (Expenses)		
Interest income	835,066	1,058
Loss on disposal of capital assets	(413,935)	-
Interest expense	(1,476,718)	(1,671,013)
Total Non-Operating Revenues (Expenses)	<u>(1,055,587)</u>	<u>(1,669,955)</u>
Income (Loss) Before HUD Capital Grant Income	4,344,490	(778,078)
HUD Capital Grant Income	<u>11,995</u>	<u>-</u>
Change in Net Position	<u>4,356,485</u>	<u>(778,078)</u>
Net Position - Beginning of Year	28,877,036	8,715,222
Equity Contributions	<u>-</u>	<u>2,613,428</u>
Net Position - End of Year	<u>\$ 33,233,521</u>	<u>\$ 10,550,572</u>

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

	Primary Government
Operating Activities	
HUD PHA grants	\$ 2,820,535
HAP income	14,088,987
Other grants	1,811,424
Receipts from tenants	7,713,347
Management fee income	294,697
Developer fee income	169,389
Other income	1,221,574
Housing assistance payments	(13,116,759)
Payments to employees	(4,725,390)
Payments to suppliers	(4,264,992)
	6,012,812
Net Cash from Operating Activities	
Capital and Related Financing Activities	
Proceeds from capital grants	11,995
Principal payments on long-term debt	(795,913)
Interest paid on long-term debt	(1,452,629)
Acquisition of capital assets	(2,560,157)
Proceeds from sale of capital assets	2,203,967
	(2,592,737)
Net Cash used for Capital and Related Financing Activities	
Investing Activities	
Issuance of notes receivable	(6,227,340)
Payments received on notes receivable	235,000
Interest income	25,296
	(5,967,044)
Net Cash used for Investing Activities	
Net Change in Cash and Cash Equivalents	(2,546,969)
Cash and Cash Equivalents, Beginning of Year	17,843,781
Cash and Cash Equivalents, End of Year	\$ 15,296,812

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

	Primary Government
Reconciliation of Cash and Cash Equivalents	
Cash	\$ 7,164,517
Restricted Cash	8,132,295
Total Cash and Cash Equivalents	\$ 15,296,812
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 5,400,077
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization	1,506,616
Change in net pension liability	502,573
Changes in assets and liabilities	
Receivables	(2,440,220)
Prepaid expenses	63,104
Accounts payable	(211,615)
Accrued expenses	59,942
Advanced revenues	1,209,653
Due to other agencies	(66,970)
Security deposits payable	(10,348)
Net Cash from Operating Activities	\$ 6,012,812

Adams County Housing Authority
Combining Statement of Net Position – Component Units
December 31, 2016

	Towne Centre, LLP	ACHA Yorkshire, LLP	Aztec Ownership LLP	Alto Partners LLP	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 293,238	\$ 262,732	\$ 1,051,903	\$ 598,653	\$ 2,206,526
Restricted cash and cash equivalents	692,926	1,044,495	51,384	-	1,788,805
Accounts receivable					
Tenants	14,956	12,412	6,452	-	33,820
Other	-	-	124,000	-	124,000
Prepaid expenses	46,535	2,372	3,923	-	52,830
Total Current Assets	1,047,655	1,322,011	1,237,662	598,653	4,205,981
Other Assets, net of accumulated amortization	12,000	86,666	131,453	-	230,119
Capital Assets					
Non-depreciable	1,300,000	2,522,283	1,830,000	8,983,949	14,636,232
Depreciable, net	7,756,293	21,833,623	29,167,445	-	58,757,361
Total Capital Assets	9,056,293	24,355,906	30,997,445	8,983,949	73,393,593
Total Assets	\$ 10,115,948	\$ 25,764,583	\$ 32,366,560	\$ 9,582,602	\$ 77,829,693

Adams County Housing Authority
Combining Statement of Net Position – Component Units
December 31, 2016

	Towne Centre, LLLP	ACHA Yorkshire, LLLP	Aztec Ownership LLLP	Alto Partners LLLP	Total
Liabilities and Net Position					
Current Liabilities					
Checks issued in excess of bank balance	\$ -	\$ -	\$ 42,345	\$ -	\$ 42,345
Accounts payable	31,605	44,694	21,720	-	98,019
Accounts payable - construction	-	-	233,202	1,054,346	1,287,548
Developer fee payable	-	5,182	3,032,093	-	3,037,275
Accrued liabilities	1,479,580	10,851	4,397	-	1,494,828
Accrued compensated absences	9,788	6,240	15,751	-	31,779
Accrued interest payable	80,093	770,458	674,618	89,389	1,614,558
Advanced revenues	17,423	-	17,967	-	35,390
Tenant security deposits payable	46,945	59,864	51,534	-	158,343
Notes, mortgages and bonds payable - current portion	182,694	212,405	18,123,023	-	18,518,122
Total Current Liabilities	1,848,128	1,109,694	22,216,650	1,143,735	26,318,207
Long-Term Liabilities					
Notes, mortgages and bonds payable - net of current portion	7,477,397	18,554,041	8,702,136	6,227,340	40,960,914
Total Long-Term Liabilities	7,477,397	18,554,041	8,702,136	6,227,340	40,960,914
Total Liabilities	9,325,525	19,663,735	30,918,786	7,371,075	67,279,121
Net Position					
Net investment in capital assets	2,255,817	5,589,460	4,172,286	2,756,609	14,774,172
Restricted	-	-	-	-	-
Unrestricted	(1,465,394)	511,388	(2,724,512)	(545,082)	(4,223,600)
Total Net Position	790,423	6,100,848	1,447,774	2,211,527	10,550,572
Total Liabilities and Net Position	\$ 10,115,948	\$ 25,764,583	\$ 32,366,560	\$ 9,582,602	\$ 77,829,693

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

	Towne Centre, LLLP	ACHA Yorkshire, LLLP	Aztec Ownership LLLP	Alto Partners LLLP	Total
Operating Revenues					
Rental income	\$ 1,644,412	\$ 1,983,217	\$ 1,542,593	\$ -	\$ 5,170,222
Other	175,165	45,760	59,992	-	280,917
Total operating revenues	<u>1,819,577</u>	<u>2,028,977</u>	<u>1,602,585</u>	<u>-</u>	<u>5,451,139</u>
Operating Expenses					
Administrative salaries and benefits	164,252	220,394	233,163	-	617,809
Maintenance salaries and benefits	111,766	113,020	93,520	-	318,306
Regular and extraordinary maintenance	173,134	160,358	105,803	-	439,295
Other administrative	72,075	70,909	131,030	973	274,987
Depreciation and amortization	293,770	1,094,073	463,510	-	1,851,353
Utilities	136,324	142,265	87,665	-	366,254
Insurance	49,472	47,097	68,890	-	165,459
Other expenses	302,960	118,474	104,365	-	525,799
Total operating expenses	<u>1,303,753</u>	<u>1,966,590</u>	<u>1,287,946</u>	<u>973</u>	<u>4,559,262</u>
Operating Income (Loss)	<u>515,824</u>	<u>62,387</u>	<u>314,639</u>	<u>(973)</u>	<u>891,877</u>
Non-Operating Revenues (Expenses)					
Interest income	69	989	-	-	1,058
Interest expense	(365,797)	(756,339)	(548,877)	-	(1,671,013)
Total Non-Operating Revenues (Expenses)	<u>(365,728)</u>	<u>(755,350)</u>	<u>(548,877)</u>	<u>-</u>	<u>(1,669,955)</u>
Change in Net Position	150,096	(692,963)	(234,238)	(973)	(778,078)
Net Position - Beginning of Year	640,327	6,392,883	1,682,012	-	8,715,222
Equity Contributions	-	400,928	-	2,212,500	2,613,428
Net Position - End of Year	<u>\$ 790,423</u>	<u>\$ 6,100,848</u>	<u>\$ 1,447,774</u>	<u>\$ 2,211,527</u>	<u>\$ 10,550,572</u>

Note 1 - Nature of Operations and Significant Accounting Policies

General

Adams County Housing Authority (the Authority) is a corporate body politic created in 1974 and uses available federal, state and local resources to serve the residents of Adams 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 1,460 units of affordable housing in Adams County and administers 1,498 housing choice vouchers including 63 VASH vouchers.

The Authority is governed by a seven-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

Blended Component Unit

Creekside Operating LLC (Creekside) is included in the financial reporting entity of the Authority as a blended component unit. Creekside was created in September 2010 for the purpose of owning and operating a 208-unit multi-family housing project in Thornton, Colorado, under Section 8 of the National Housing Act. The sole member of Creekside is the Authority which is able to impose its will on the organization. Accordingly, the activities and ending balances of Creekside are reported within the proprietary funds of the Authority. Separate financial statements have been issued for Creekside.

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.

Towne Centre, LLLP (Towne Centre) was formed for the purpose of owning and operating a 160-unit multifamily housing apartment complex in Thornton, Colorado. The managing general partner of Towne Centre, ACHA Towne Centre LLC, is wholly owned by the Authority. ACHA Towne Centre LLC has an ownership percentage of .009%.

ACHA Yorkshire, LLLP (Yorkshire) was formed for the purpose of owning and operating a 200-unit multifamily housing apartment complex in Thornton, Colorado. The managing general partner of Yorkshire, ACHA Yorkshire LLC, is wholly owned by the Authority. ACHA Yorkshire LLC has an ownership percentage of .01%.

Aztec Ownership, LLLP (Aztec) was formed for the purpose of owning and operating a 164-unit multifamily housing apartment complex in Thornton, Colorado. The managing general partner of Aztec, Aztec GP, LLC is wholly owned by the Authority. Aztec GP, LLC has an ownership percentage of .009%.

Alto Partners, LLLP (Alto) was formed for the purpose of owning and operating a 70-unit multifamily housing apartment complex in Westminster, Colorado. The new building will also include 19,000 square feet of commercial space. ACHA's home office will occupy approximately half of the commercial space. The managing general partner of Alto, Alto GP LLC, is wholly owned by Adams County Housing Authority. Alto GP, LLC has an ownership percentage of .01%.

As the general partner, the Authority has the day to day management responsibilities of Towne Centre, Yorkshire, Aztec and Alto.

The financial activity of the discretely presented component units is presented in the Authority's basic financial statements. Complete financial statements of Towne Centre, LLLP, ACHA Yorkshire, LLC and Aztec Ownership, LLLP have been issued separately and can be obtained from the Controller, Adams County Housing Authority, 7190 Colorado Boulevard, Floor 6, Commerce City, CO 80022.

Basis of Accounting and Measurement Focus

The Department of Housing and Urban Development Real Estate Assessment Center (REAC) assesses the financial condition of Public Housing Authorities (PHAs). To uniformly and consistently assess the PHAs, REAC requires that PHA's financial statements conform to Generally Accepted Accounting Principles (GAAP).

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 statement of net position. Net position is segregated into net investment in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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

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.

Capital Assets

Land, buildings and improvements, and equipment are recorded at cost, including indirect development costs. The Authority 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	5-40 years
Equipment	3-7 years
Vehicles	3-7 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.

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 expense, interest revenue, and gain/loss on disposal of capital assets 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 position is available.

Accumulated Unpaid Leave

The Authority provides paid leave for its eligible employees in the form of Paid Time Off (PTO). PTO is available to full-time employees and part-time employees who work at least 24 hours per week. PTO for eligible part-time employees accrues at a prorated rate depending on the number of hours worked. Once employees enter an eligible employment classification, they begin to earn PTO each payroll. However, employees must complete 90 calendar days of service before they are allowed to use any accrued PTO. Employees may accrue hours up to the annual maximum for their classification.

PTO accrual rates based on full-time hours are as follows:

Years of Service	Annual Days Accrued	Annual Hours Accrued	Maximum Accrued Hours
0-2	15	120	240
3-5	20	160	320
6-10	25	200	380
11-15	30	240	420
16 and over	35	280	480

Any accrued PTO is paid out to employees upon termination of employment.

The amount of accumulated unpaid leave at December 31, 2016, was \$258,585 for the Authority and \$31,779 for the discretely presented component units.

Advertising Costs

Costs incurred for advertising are expensed as incurred.

Advanced Revenues

As of December 31, 2016, advanced revenues consisted of the following:

	Authority	Discretely Presented Component Units
Prepaid rents from tenants	\$ 34,679	\$ -
Grant revenues	92,572	-
Housing Choice Vouchers funds paid in advance	1,188,886	-
Service agreement - other	-	35,390
Total	\$ 1,316,137	\$ 35,390

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 Adams 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 the annual contract with HUD has additional 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 Authority'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 \$15,296,812 and bank balances totaled \$15,543,543. Of the bank balances, \$949,716 was covered by Federal Depository Insurance. Of the remaining balances for 2016, \$12,431,533 was collateralized with securities held by the pledging financial institution's agent in the government's name and \$2,162,294 was insured by HUD.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Authority held no certificates of deposit at December 31, 2016.

Investments

Authorized Investments

The Authority's investment policy follows the general provisions of the Colorado Revised Statutes (C.R.S. 24-75-601) and HUD regulations, whichever is more restrictive.

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 \$3,864,573. These funds are classified as cash and cash equivalents on the statement of net position.

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 \$3,864,573 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.

Note 3 - Restricted Cash

Primary Government

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 and the Community Development Financial Institutions program; held to comply with bond requirements; and held for tenant security deposits.

Discretely Presented Component Units

Restricted cash consists of cash and cash equivalents balances held for tenant security deposits and held in escrow to comply with partnership requirements.

Note 4 - Notes Receivable

Primary Government

	Principal	Accrued Interest	Total
<u>Notes Receivable from Discretely Presented Component Units:</u>			
Non-interest bearing note receivable from Towne Centre to finance excess construction costs, payments due to the extent Towne Centre generates cash flow, remaining principal balance due December 2027, secured by a subordinate lien on the property	\$ 337,771	\$ -	\$ 337,771
Non-interest bearing note receivable from Towne Centre for earned developer fees, payments due to the extent Towne Centre generates cash flow, remaining principal balance due December 2018, secured by a subordinate lien on the property	207,400	-	207,400
Non-interest bearing note receivable from Towne Centre to fund an operating deficit, payments due to the extent Towne Centre generates cash flow, remaining principal balance due December 2028, secured by a subordinate lien on the property	75,114	-	75,114
3.14% note receivable from Towne Centre to finance weatherization enhancements at the project, payments due to the extent Towne Centre generates cash flow, entire principal balance and accrued interest due June 2024, unsecured	652,215	52,906	705,121
3.50% note receivable from Yorkshire to finance the acquisition of the project, payments due to the extent Yorkshire generates cash flow, entire principal balance and accrued interest due December 2053, secured by a subordinate lien on the property	6,100,000	699,805	6,799,805

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

	Principal	Accrued Interest	Total
1.0% note receivable from Yorkshire to finance the acquisition of the project, payments due to the extent Yorkshire generates cash flow, entire principal balance and accrued interest due December 2063, secured by a subordinate lien on the property	750,000	21,794	771,794
1.0% note receivable from Yorkshire to finance the acquisition of the project, payments due to the extent Yorkshire generates cash flow, entire principal balance and accrued interest due December 2063, secured by a subordinate lien on the property	346,000	8,832	354,832
1.0% note receivable from Yorkshire to finance the acquisition of the project, payments due to the extent Yorkshire generates cash flow, entire principal balance and accrued interest due December 2063, secured by a subordinate lien on the property	450,000	12,525	462,525
5% note receivable from Aztec to finance the acquisition and rehabilitation of the project, payments due annually to the extent Aztec generates cash flow, entire principal balance and accrued interest due December 2047, secured by a mortgage on the property and an assignment of rents	8,411,363	570,103	8,981,466
5% note receivable from Aztec to finance the acquisition and rehabilitation of the project, payments due annually to the extent Aztec generates cash flow, entire principal balance and accrued interest due December 2047, secured by a mortgage on the property and an assignment of rents	679,000	46,116	725,116
3.0% note receivable from Alto to finance the construction of the project, payments due to the extent Alto generates cash flow, entire principal balance and accrued interest due June 2056, secured by a subordinate lien on the property	4,209,916	70,165	4,280,081
3.0% note receivable from Alto to finance the construction of the project, payments due to the extent Alto generates cash flow, entire principal balance and accrued interest due June 2056, secured by a subordinate lien on the property	457,424	7,624	465,048
3.0% note receivable from Alto to finance the construction of the project, payments due to the extent Alto generates cash flow, entire principal balance and accrued interest due June 2056, secured by a subordinate lien on the property	800,000	9,067	809,067
3.0% note receivable from Alto to finance the construction of the project, payments due to the extent Alto generates cash flow, entire principal balance and accrued interest due June 2056, secured by a subordinate lien on the property, note may be drawn to a maximum of \$800,000	760,000	2,533	762,533
Total Notes Receivable from Discretely Presented Component Units:	24,236,203	1,501,470	25,737,673

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

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
<u>Notes Receivable - Other:</u>			
3% note receivable from Low Income Family Empowerment, Inc. payments due to the extent Low Income Family Empowerment, Inc. generates cash flow, entire principal balance and accrued interest due December 2017	36,716	17,380	54,096
Total Notes Receivable	<u>\$ 24,272,919</u>	<u>\$ 1,518,850</u>	<u>\$ 25,791,769</u>

Note 5 - Capital Assets

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

Primary Government

	<u>Balance January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance December 31</u>
Nondepreciable assets					
Land	\$ 8,040,117	\$ -	\$ (1,666,135)	\$ -	\$ 6,373,982
Construction in progress	1,335,115	2,420,752	(930,362)	(1,695,118)	1,130,387
Total capital assets not being depreciated	<u>9,375,232</u>	<u>2,420,752</u>	<u>(2,596,497)</u>	<u>(1,695,118)</u>	<u>7,504,369</u>
Depreciable assets					
Buildings and improvements	46,838,657	118,000	-	1,695,118	48,651,775
Computer and office equipment	457,333	-	-	-	457,333
Furniture and fixtures	1,245,390	-	-	-	1,245,390
Vehicles	102,959	-	-	-	102,959
Total buildings and improvements	<u>48,644,339</u>	<u>118,000</u>	<u>-</u>	<u>1,695,118</u>	<u>50,457,457</u>
Accumulated depreciation	<u>(23,806,583)</u>	<u>(1,506,616)</u>	<u>-</u>	<u>-</u>	<u>(25,313,199)</u>
Total capital assets being depreciated	<u>24,837,756</u>	<u>(1,388,616)</u>	<u>-</u>	<u>1,695,118</u>	<u>25,144,258</u>
Total capital assets, net	<u>\$ 34,212,988</u>	<u>\$ 1,032,136</u>	<u>\$ (2,596,497)</u>	<u>\$ -</u>	<u>\$ 32,648,627</u>

Discretely Presented Component Units

	Balance January 1	Additions	Disposals	Transfers	Balance December 31
Nondepreciable assets					
Land	\$ 5,630,000	\$ 1,250,000	\$ -	\$ -	\$ 6,880,000
Construction in process	4,466,141	19,957,735	-	(16,667,644)	7,756,232
Total capital assets not being depreciated	10,096,141	21,207,735	-	(16,667,644)	14,636,232
Depreciable assets					
Buildings and improvements	46,873,569	57,825	(34,301)	15,614,213	62,511,306
Equipment	1,343,477	9,200	-	1,053,431	2,406,108
Total buildings and improvements	48,217,046	67,025	(34,301)	16,667,644	64,917,414
Accumulated depreciation	(4,320,325)	(1,840,009)	281	-	(6,160,053)
Total capital assets being depreciated	43,896,721	(1,772,984)	(34,020)	16,667,644	58,757,361
Total capital assets, net	\$ 53,992,862	\$ 19,434,751	\$ (34,020)	\$ -	\$ 73,393,593

Note 6 - 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	\$ 36,617,968	\$ -	\$ (795,913)	\$ 35,822,055	\$ 815,187

Discretely Presented Component Units

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	\$ 25,635,176	\$ 16,959,050	\$ (623,227)	\$ 41,970,999	\$ 18,123,023
Bonds Payable	17,921,807	-	(413,770)	17,508,037	395,099
Total long-term debt	\$ 43,556,983	\$ 16,959,050	\$ (1,036,997)	\$ 59,479,036	\$ 18,518,122

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

Primary Government

Notes and Mortgages Payable

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
5.53% mortgage note payable, due in monthly installments of \$17,100, including interest, with a maturity date of March 2032, secured by a deed of trust on the Orchard Crossing East property	\$ 2,100,467	\$ 10,002	\$ 2,110,469
3.75% mortgage note payable, due in monthly installments of \$1,876 including interest, with a maturity date of January 2034, secured by a deed of trust on the Orchard Crossing West property	283,599	886	284,485
3.80% mortgage note payable, due in monthly installments of \$55,356, including interest, with a maturity date of August 2023, secured by a deed of trust on the Village of Greenbriar property and the balances of all deposit accounts at any subsidiary bank of First Bank Holding Company	11,057,260	36,182	11,093,442
3.80% mortgage note payable, due in monthly installments of \$7,295, including interest, with a maturity date of August 2023, secured by a deed of trust on the Terrace Gardens property and the balances of all deposit accounts at any subsidiary bank of First Bank Holding Company	1,457,123	4,768	1,461,891
4.74% mortgage note payable, due in monthly installments of \$20,195, including interest, with a maturity date of August 2023, secured by a deed of trust on the Terrace Gardens property and the balances of all deposit accounts at any subsidiary bank of First Bank Holding Company	3,638,076	14,849	3,652,925
4.14% mortgage note payable to Red Capital Group, due in monthly installments of \$40,365, including interest, to August 2041, prepayment premiums ranging from 1% to 10% of the principal balance apply if note is prepaid prior to September 30, 2025, secured by a deed of trust on the Creekside Place property	7,478,764	25,802	7,504,566
2.00% note payable to the Colorado Housing Finance Authority, due in semiannual installments of \$9,687 including interest, to July 2026, unsecured	175,084	1,751	176,835
3.55% mortgage note payable, due in monthly installments of \$40,844, including interest, with a maturity date of December 2030, secured by a deed of trust on the Zuni Plaza property and the balances of all deposit accounts at any subsidiary bank of First Bank Holding Company	8,812,682	27,141	8,839,823
4.06% mortgage note payable, entire principal and accrued interest balance due upon the earlier of March 31, 2020, closing of permanent financing for the property, or transfer of property title, secured by a deed of trust on vacant land located at 104th & Colorado in Thornton, Colorado	819,000	-	819,000
Total Notes and Mortgages Payable	<u>\$ 35,822,055</u>	<u>\$ 121,381</u>	<u>\$ 35,943,436</u>

Discretely Presented Component Units

Notes and Mortgages Payable

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
<u>Notes Payable to Primary Government:</u>			
Non-interest bearing note payable to Adams County Housing Authority to finance excess construction costs, payments due to the extent Towne Centre generates cash flow, remaining principal balance due December 2027, secured by a subordinate lien on the property	\$ 337,771	\$ -	\$ 337,771
Non-interest bearing note payable to Adams County Housing Authority for earned developer fees, payments due to the extent Towne Centre generates cash flow, remaining principal balance due December 2018, secured by a subordinate lien on the property	207,400	-	207,400
Non-interest bearing note payable to Adams County Housing Authority to fund an operating deficit, payments due to the extent Towne Centre generates cash flow, remaining principal balance due December 2028, secured by a subordinate lien on the property	75,114	-	75,114
3.14% note payable to Adams County Housing Authority to finance weatherization enhancements at the project, payments due to the extent Towne Centre generates cash flow, remaining principal balance due June 2024, unsecured	652,215	52,906	705,121
3.50% note payable to Adams County Housing Authority to finance the acquisition and rehabilitation of the project, payments due to the extent Yorkshire generates cash flow, entire principal balance and accrued interest due December 2053, secured by a subordinate lien on the property	6,100,000	699,805	6,799,805
5% note payable to Adams County Housing Authority to finance the acquisition and rehabilitation of the project, payments due annually to the extent Aztec generates cash flow, entire principal balance and accrued interest due December 2047, secured by a mortgage on the property and an assignment of rents	8,411,363	570,103	8,981,466
5% note payable to Adams County Housing Authority to finance the acquisition and rehabilitation of the project, payments due annually to the extent Aztec generates cash flow, entire principal balance and accrued interest due December 2047, secured by a mortgage on the property and an assignment of rents	679,000	46,116	725,116
1.0% note payable to Adams County Housing Authority to finance the acquisition of the project, payments due to the extent Yorkshire generates cash flow, entire principal balance and accrued interest due December 2063, secured by a subordinate lien on the property	750,000	21,794	771,794

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

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
1.0% note payable to Adams County Housing Authority to finance the acquisition of the project, payments due to the extent Yorkshire generates cash flow, entire principal balance and accrued interest due December 2063, secured by a subordinate lien on the property	\$ 346,000	\$ 8,832	\$ 354,832
1.0% note payable to Adams County Housing Authority to finance the acquisition of the project, payments due to the extent Yorkshire generates cash flow, entire principal balance and accrued interest due December 2063, secured by a subordinate lien on the property	450,000	12,525	462,525
3% note payable to Adams County Housing Authority to finance the construction of the project, payments due to the extent Alto generates cash flow, entire principal balance and accrued interest due June 2056, secured by a subordinate lien on the property	4,209,916	70,165	4,280,081
3% note payable to Adams County Housing Authority to finance the construction of the project, payments due to the extent Alto generates cash flow, entire principal balance and accrued interest due June 2056, secured by a subordinate lien on the property	457,424	7,624	465,048
3% note payable to Adams County Housing Authority to finance the construction of the project, payments due to the extent Alto generates cash flow, entire principal balance and accrued interest due June 2056, secured by a subordinate lien on the property	800,000	9,067	809,067
3% note payable to Adams County Housing Authority to finance the construction of the project, payments due to the extent Alto generates cash flow, entire principal balance and accrued interest due June 2056, secured by a subordinate lien on the property	<u>760,000</u>	<u>2,533</u>	<u>762,533</u>
Total Notes Payable to Primary Government	<u>24,236,203</u>	<u>1,501,470</u>	<u>25,737,673</u>
<u>Other Notes Payable:</u>			
3.85% construction loan payable - see (A) below	18,123,023	58,399	18,181,422
Less unamortized debt issuance costs for debt not yet advanced	<u>(388,227)</u>	<u>-</u>	<u>(388,227)</u>
Total Other Notes Payable	<u>17,734,796</u>	<u>58,399</u>	<u>17,793,195</u>
Total Mortgages and Notes Payable	<u>41,970,999</u>	<u>1,559,869</u>	<u>43,530,868</u>

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

	Principal	Accrued Interest	Total
Bonds Payable			
4.15% Multifamily Housing Revenue Bonds, Series 2014, due in monthly payments of \$57,837, including principal and interest, due February 2031, secured by the property and equipment and an assignment of rents, net of unamortized debt issuance costs of \$423,272, based upon an effective interest rate of \$4.76% - see (B) below	11,120,446	27,502	11,147,948
5.04% Multifamily Housing Revenue Bonds, Series 2005, due in monthly payments of \$42,063, including principal and interest, due September 2022, secured by the property and equipment and an assignment of rents, net of unamortized debt issuance costs of \$85,499, based upon an effective interest rate of \$5.49% - see (C) below	6,387,591	27,187	6,414,778
Total Bonds Payable	17,508,037	54,689	17,562,726
Total Long-Term Debt	\$ 59,479,036	\$ 1,614,558	\$ 61,093,594

(A) Aztec financed the construction of the project in part with 3.85% Multi-Family Housing Revenue bonds, Series 2015, in an amount up to \$19,098,741. Monthly payments of interest are being made through September 10, 2017, the initial maturity date. The note is secured by a first deed of trust, security agreement, and an assignment of rents. Conversion of the debt is expected in 2017. As of December 31, 2016, the balance of the construction note payable was \$18,123,023.

(B) Adams County Housing Authority issued \$15,395,857 multifamily housing revenue bonds, which Yorkshire used to acquire and rehabilitate the project.

(C) Adams County Housing Authority issued \$7,800,000 multifamily housing revenue bonds, which Towne Centre used to acquire and rehabilitate the project.

The estimated debt requirements to maturity are as follows:

Primary Government

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 815,187	\$ 1,396,016	\$ 2,211,203
2018	853,839	1,361,896	2,215,735
2019	889,422	1,326,311	2,215,733
2020	1,743,515	1,449,162	3,192,677
2021	965,145	1,250,590	2,215,735
2022-2026	17,473,849	3,869,923	21,343,772
2027-2031	9,130,719	1,995,764	11,126,483
2032-2036	1,898,075	623,121	2,521,196
2037-2041	2,052,304	208,160	2,260,464
	<u>\$ 35,822,055</u>	<u>\$ 13,480,943</u>	<u>\$ 49,302,998</u>

Discretely Presented Component Units

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 18,518,122	\$ 1,268,856	\$ 19,786,978
2018	621,034	785,162	1,406,196
2019	433,045	765,751	1,198,796
2020	452,087	746,709	1,198,796
2021	474,614	724,182	1,198,796
2022-2026	7,538,580	2,554,911	10,093,491
2027-2031	9,374,849	1,453,173	10,828,022
2032-2036	-	-	-
2037-2041	-	-	-
2042-2046	-	-	-
2047-2051	9,090,363	14,544,581	23,634,944
2052-2056	11,939,113	15,546,936	27,486,049
2057-2061	-	-	-
2062-2063	1,546,000	773,000	2,319,000
Unamortized debt issuance costs	(508,771)	-	(508,771)
	<u>\$ 59,479,036</u>	<u>\$ 39,163,260</u>	<u>\$ 98,642,296</u>

Note 7 - Restricted Net Position

As of December 31, 2016, restricted net position consisted of \$4,011 in housing choice vouchers received but not yet paid to eligible individuals.

Note 8 - Annual Contributions Contract

The Authority has an annual contributions contract for housing choice vouchers and adjustments vary based on requirements. The maximum contract was \$14,033,120 for the year ended December 31, 2016.

Note 9 - 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.

Benefits provided

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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%
Total Employer Contribution Rate to the LGDTF*	12.68%

*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 \$521,323 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 \$7,609,415 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 .691 percent, which was an increase of .001 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Authority recognized pension expense of \$970,255. 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	\$ 57,093	\$ 263
Changes of assumptions or other inputs	-	139,377
Net difference between projected and actual earnings on pension plan investments	1,464,865	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	44,046	-
Contributions subsequent to the measurement date	521,323	-
Total	\$ 2,087,327	\$ 139,640

\$521,323 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:

Year ended December 31,	
2017	\$ 362,656
2018	\$ 373,253
2019	\$ 387,199
2020	\$ 303,256
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	\$ 11,666,009	\$ 7,609,415	\$ 4,244,871

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.

Payables to the Pension Fund

At December 31, 2016, the Authority reported a payable to the pension fund of \$22,821 for legally required employer contributions.

Note 10 - Post Employment Health Care Benefits

Plan Description

The Authority contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Authority is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016, 2015 and 2014, the Authority's contributions to the HCTF were \$36,772, \$42,077 and \$38,560, respectively, equal to their required contributions for each year.

Note 11 - Commitments

The Authority has a revocable agreement with Low Income Family Empowerment, Inc. (LIFE), a charitable organization which provides supportive services to the very low and low-income families in Adams County. The revocable agreement requires the Authority to advance certain amounts to the Organization to fund operating deficits. At December 31, 2016, the Authority had advanced and was owed \$36,716 from LIFE under this agreement (Note 4). The Authority may advance additional amounts to LIFE in the future, up to a maximum of \$220,000 as specified in the agreement. Interest was calculated at an annual rate of 12% on the outstanding principal balance through December 31, 2016. This agreement has been extended for three additional years with a revised interest rate of 3%. All outstanding principal and accrued interest on this note receivable is due on or before December 31, 2017.

Note 12 - Related Party Transactions

Management Fees

The Authority has entered into management agreements with Towne Centre, Yorkshire and Aztec to provide management services for their respective projects. Under the agreements, the Authority is to be paid management fees totaling 5% of net revenue from Towne Centre and Yorkshire and 5.25% of net revenue from Aztec. During 2016, Towne Centre, Yorkshire and Aztec incurred management fees of \$89,514, \$101,498 and \$83,657, respectively, to the Authority.

Reimbursement of Expenses

The Authority is periodically reimbursed for various office expenses, property manager payroll and benefits, and other maintenance costs incidental to the operations of the project. During 2016, the Authority was reimbursed approximately \$192,700, \$257,200 and \$484,000 from Towne Centre, Yorkshire and Aztec, respectively, for these expenses.

Developer Fees

As of December 31, 2016, Towne Centre owed \$207,400 to the Authority for developer fees (Note 4).

Yorkshire has entered into a development agreement with the Authority in the amount of \$2,602,070. As of December 31, 2016, Yorkshire had paid developer fees of \$2,596,888 to the Authority. The remaining developer fees of \$5,182 will be received by the Authority in 2017.

Aztec has entered into a development agreement with the Authority in the amount of \$3,232,093. As of December 31, 2016, Aztec had paid developer fees of \$200,000 to the Authority. The remaining balance of \$3,032,093 was earned in 2016 and will be paid in accordance with the development agreement. Any amount not paid and deferred will earn interest at 8% per year.

Alto has entered into a development agreement with the Authority in the amount of \$2,390,000. In connection with the development of the Alto project, the Authority has contracted with Gorman & Company, Inc. (Gorman), an unrelated company, to assist with various aspects of development. Under the agreement, Gorman is to be paid fifty percent of the overall developer fee in an amount not less than \$500,000 but not to exceed \$750,000. As of December 31, 2016, Alto had paid developer fees of \$174,571 to the Authority and \$324,204 to Gorman. The remaining balance of \$1,891,225 will be earned and paid in accordance with the development agreement.

Guarantees / Notes Receivable

The partnership agreements with Towne Centre, Yorkshire and Aztec require the Authority to advance certain amounts to these partnerships for excess construction costs and operating deficits. As of December 31, 2016, the Authority had advanced \$412,885 to Towne Centre, LLLP, under this agreement (Note 4). The Authority may be required to advance additional amounts to these partnerships in the future; however, these amounts are not currently predictable.

Notes Receivable

Towne Centre has entered into a note agreement with the Authority (Note 4). Proceeds of the note were used for weatherization enhancements at the Towne Centre project. During 2016, Towne Centre incurred interest expense of \$20,480 to the Authority. As of December 31, 2016, the Authority was owed accrued interest of \$52,906 from Towne Centre on this note.

The Authority holds several notes receivable from Yorkshire (Note 4). Proceeds of these notes were used for the acquisition and rehabilitation of the Yorkshire project. During 2016, Yorkshire incurred interest of \$232,445 to the Authority. As of December 31, 2016, the Authority was owed accrued interest of \$742,956 from Yorkshire on these notes.

The Authority holds two notes receivable from Aztec (Note 4). Proceeds from these notes were used for the acquisition and rehabilitation of the Aztec project. During 2016, Aztec incurred interest of \$454,518 on the notes, of which \$92,176 was capitalized and \$362,342 was expensed. As of December 31, 2016, Aztec owed \$616,219 to the Authority for accrued interest.

The Authority holds four notes receivable from Alto (Note 4). Proceeds from these notes were used for the acquisition of land, reimbursement of predevelopment costs incurred by the Authority, and construction costs of the Alto project. During the period from June 14, 2016 to December 31, 2016, Alto incurred interest of \$89,389 on the notes which was capitalized as part of construction in progress. As of December 31, 2016, Alto owed \$89,389 to the Authority for accrued interest.

Purchase of Land and Predevelopment Costs

Alto purchased land from the Authority for \$1,250,000 and reimbursed the Authority for predevelopment costs of \$953,967 incurred by the Authority for the Alto project. The Authority has recognized a loss on the sale of land to Alto of \$413,935.

Note 13 - Contingencies

The Authority is in the process of closing out the Neighborhood Stabilization Program with the funding agency and currently there are amounts in dispute. It is possible that funds may be required to be returned to the funding agency. The Authority has accrued for the amount which is anticipated to be returned to the funding agency.

Note 14 - Condensed Component Unit Information

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

Condensed Statement of Net Position

ASSETS	
Current Assets	\$ 2,802,178
Capital Assets	<u>10,037,263</u>
Total Assets	<u>\$ 12,839,441</u>
LIABILITIES	
Current Liabilities	\$ 583,429
Due to the Authority	5,373,636
Noncurrent Liabilities	<u>7,459,777</u>
Total Liabilities	13,416,842
NET POSITION	<u>(577,401)</u>
Total Liabilities and Net Position	<u>\$ 12,839,441</u>

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

OPERATING REVENUES	
Tenant rent	\$ 1,805,571
Rental assistance	532,984
Other	45,689
	<u>2,384,244</u>
Total Operating Revenues	<u>2,384,244</u>
OPERATING EXPENSES	
Administrative	453,481
Maintenance	514,595
Depreciation	543,844
Utilities	244,030
Insurance	101,596
Other	143,188
	<u>2,000,734</u>
Total Operating Expenses	<u>2,000,734</u>
OPERATING INCOME	<u>383,510</u>
NONOPERATING INCOME (EXPENSES)	
Interest income	806
Interest expense	(398,665)
	<u>(397,859)</u>
Total Nonoperating Expense	<u>(397,859)</u>
TRANSFERS TO PRIMARY GOVERNMENT	<u>(47,970)</u>
Change in net position	(62,319)
NET POSITION, Beginning of year	<u>(515,082)</u>
NET POSITION, End of year	<u>\$ (577,401)</u>

Condensed Statement of Cash Flows

NET CASH PROVIDED BY:	
Operating activities	\$ 360,587
Capital and related financing activities	(761,590)
Investing activities	806
	<u>806</u>
Net increase in cash and cash equivalents	(400,197)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,075,769</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,675,572</u>



Required Supplementary Information
December 31, 2016

Adams County Housing Authority

Adams 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

Last 10 Fiscal Years*

	2015	2014
Authority's proportion of the net pension liability	0.6907721693%	0.6899036617%
Authority's proportionate share of the net pension liability	\$ 7,609,415	\$ 6,183,669
Authority's covered-employee payroll	\$ 4,125,174	\$ 3,780,364
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	184.46%	163.57%
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 December 31

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

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

Last 10 Fiscal Years*

	2016	2015
Contractually required contribution	\$ 497,443	\$ 479,350
Contributions in relation to the contractually required contribution	(497,443)	(479,350)
Contribution deficiency (excess)	\$ -	\$ -
Authority's covered-employee payroll	\$ 3,923,050	\$ 4,125,174
Contributions as a percentage of covered-employee payroll	12.68%	11.62%

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



Supplementary Information
December 31, 2016

Adams County Housing Authority

	Public and Indian Housing 14.850	Section 8 Housing Assistance 14.195	Housing Counseling Assistance 14.169	Community Development Block Grants 14.218	Housing Choice Vouchers 14.871
Assets					
Cash and cash equivalents	\$ 1,002,871	\$ -	\$ 450	\$ 219,356	\$ 349,929
Restricted cash and cash equivalents	10,261	-	-	-	1,238,475
Accounts receivable					
Tenants	-	-	-	-	61,071
Other	-	-	2,113	79,967	-
Developer fees	-	-	-	-	-
Due from other agencies	10,387	-	37,750	-	-
Interprogram receivable	-	-	-	-	-
Prepaid expenses	459	-	422	-	6,106
Total current assets	<u>1,023,978</u>	<u>-</u>	<u>40,735</u>	<u>299,323</u>	<u>1,655,581</u>
Accrued interest receivable - long-term	-	-	-	-	-
Notes receivable, net	-	-	-	-	-
Non-depreciable capital assets	21,249	-	-	-	-
Depreciable capital assets, net	147,734	-	8,975	-	16,383
	<u>168,983</u>	<u>-</u>	<u>8,975</u>	<u>-</u>	<u>16,383</u>
Total assets	<u>1,192,961</u>	<u>-</u>	<u>49,710</u>	<u>299,323</u>	<u>1,671,964</u>
Deferred outflows - pensions	-	-	-	-	-
	<u>\$ 1,192,961</u>	<u>\$ -</u>	<u>\$ 49,710</u>	<u>\$ 299,323</u>	<u>\$ 1,671,964</u>
Liabilities, Deferred Inflows and Net Position					
Liabilities					
Accounts payable	\$ 4,999	\$ -	\$ 14,494	\$ -	\$ 17,986
Interprogram payable	-	-	1,309,460	336,214	230,012
Accrued liabilities	1,730	-	8,167	-	34,280
Accrued compensated absences	13,635	-	25,408	-	67,241
Accrued interest payable	-	-	41	-	71
Advanced revenues	53	-	3,855	-	1,188,886
Tenant security deposits payable	10,261	-	-	-	-
Notes, mortgages and bonds payable - current	-	-	-	-	-
Total current liabilities	<u>30,678</u>	<u>-</u>	<u>1,361,425</u>	<u>336,214</u>	<u>1,538,476</u>
Noncurrent Liabilities					
Tenants FFS escrow	-	-	-	-	122,861
Notes, mortgages and bonds payable - net of current portion	-	-	-	-	-
Net pension liability	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,861</u>
Total liabilities	<u>30,678</u>	<u>-</u>	<u>1,361,425</u>	<u>336,214</u>	<u>1,661,337</u>
Deferred Inflows - Pensions	-	-	-	-	-
Net Position					
Net investment in capital assets	168,983	-	8,975	-	16,383
Restricted	-	-	-	-	4,011
Unrestricted	993,300	-	(1,320,690)	(36,891)	(9,767)
Total net position	<u>1,162,283</u>	<u>-</u>	<u>(1,311,715)</u>	<u>(36,891)</u>	<u>10,627</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,192,961</u>	<u>\$ -</u>	<u>\$ 49,710</u>	<u>\$ 299,323</u>	<u>\$ 1,671,964</u>

Adams County Housing Authority
Combining Statement of Net Position
December 31, 2016

HOME Investment Partnership Program 14.239	Component Unit	Family Self Sufficiency Program 14.896	National Foreclosure Mitigation Counseling 21.000	Business Activities	Total	Elimination of Intercompany Activity	Total
\$ 299,634	\$ 145,513	\$ -	\$ -	\$ 5,146,764	\$ 7,164,517	\$ -	\$ 7,164,517
-	2,530,059	-	-	4,353,500	8,132,295	-	8,132,295
-	85,552	-	-	91,442	238,065	-	238,065
-	-	-	-	105,392	187,472	(102,461)	85,011
-	-	-	-	3,037,275	3,037,275	-	3,037,275
24,986	-	-	17,851	1,999	92,973	-	92,973
-	-	-	-	1,893,537	1,893,537	(1,893,537)	-
4,873	41,054	-	-	51,353	104,267	-	104,267
<u>329,493</u>	<u>2,802,178</u>	<u>-</u>	<u>17,851</u>	<u>14,681,262</u>	<u>20,850,401</u>	<u>(1,995,998)</u>	<u>18,854,403</u>
-	-	-	-	1,518,850	1,518,850	-	1,518,850
-	-	-	-	29,646,555	29,646,555	(5,373,636)	24,272,919
-	752,289	-	-	6,730,831	7,504,369	-	7,504,369
76	9,284,974	-	-	15,686,116	25,144,258	-	25,144,258
<u>76</u>	<u>10,037,263</u>	<u>-</u>	<u>-</u>	<u>53,582,352</u>	<u>63,814,032</u>	<u>(5,373,636)</u>	<u>58,440,396</u>
329,569	12,839,441	-	17,851	68,263,614	84,664,433	(7,369,634)	77,294,799
-	-	-	-	2,087,327	2,087,327	-	2,087,327
<u>\$ 329,569</u>	<u>\$ 12,839,441</u>	<u>\$ -</u>	<u>\$ 17,851</u>	<u>\$ 70,350,941</u>	<u>\$ 86,751,760</u>	<u>\$ (7,369,634)</u>	<u>\$ 79,382,126</u>
\$ 182	\$ 119,655	\$ -	\$ -	\$ 261,481	\$ 418,797	\$ -	\$ 418,797
-	-	-	17,851	-	1,893,537	(1,893,537)	-
521	108,104	-	-	54,033	206,835	(102,461)	104,374
2,289	18,437	-	-	131,575	258,585	-	258,585
-	27,550	-	-	93,719	121,381	-	121,381
-	46,360	-	-	76,983	1,316,137	-	1,316,137
-	69,252	-	-	155,847	235,360	-	235,360
-	194,071	-	-	621,116	815,187	-	815,187
<u>2,992</u>	<u>583,429</u>	<u>-</u>	<u>17,851</u>	<u>1,394,754</u>	<u>5,265,819</u>	<u>(1,995,998)</u>	<u>3,269,821</u>
-	-	-	-	-	122,861	-	122,861
-	12,833,413	-	-	27,547,091	40,380,504	(5,373,636)	35,006,868
-	-	-	-	7,609,415	7,609,415	-	7,609,415
-	12,833,413	-	-	35,156,506	48,112,780	(5,373,636)	42,739,144
<u>2,992</u>	<u>13,416,842</u>	<u>-</u>	<u>17,851</u>	<u>36,551,260</u>	<u>53,378,599</u>	<u>(7,369,634)</u>	<u>46,008,965</u>
-	-	-	-	139,640	139,640	-	139,640
76	5,019,306	-	-	(1,553,088)	3,660,635	-	3,660,635
-	-	-	-	-	4,011	-	4,011
<u>326,501</u>	<u>(5,596,707)</u>	<u>-</u>	<u>-</u>	<u>35,213,129</u>	<u>29,568,875</u>	<u>-</u>	<u>29,568,875</u>
<u>326,577</u>	<u>(577,401)</u>	<u>-</u>	<u>-</u>	<u>33,660,041</u>	<u>33,233,521</u>	<u>-</u>	<u>33,233,521</u>
<u>\$ 329,569</u>	<u>\$ 12,839,441</u>	<u>\$ -</u>	<u>\$ 17,851</u>	<u>\$ 70,350,941</u>	<u>\$ 86,751,760</u>	<u>\$ (7,369,634)</u>	<u>\$ 79,382,126</u>

	Public and Indian Housing 14.850	Section 8 Housing Assistance 14.195	Housing Counseling Assistance 14.169	Community Development Block Grants 14.218	Housing Choice Vouchers 14.871	HOME Investment Partnership Program 14.239
Operating Revenues						
HUD PHA grants	\$ 103,160	\$ 772,412	\$ 41,142	\$ -	\$ -	\$ 132,467
HAP income	-	-	-	-	14,088,987	-
Other grants	-	-	81,335	-	-	-
Rental income	101,884	-	-	-	-	-
Management fees	-	-	-	-	-	-
Developer fee income	-	-	-	-	-	-
Other	2,089	-	32,305	-	82,499	60,895
Total Operating Revenues	207,133	772,412	154,782	-	14,171,486	193,362
Operating Expenses						
Housing assistance payments	-	-	-	-	13,116,759	-
Administrative salaries and benefits	84,888	101,803	455,832	-	773,625	92,024
Maintenance salaries and benefits	21,388	56,991	-	-	-	-
Regular and extraordinary maintenance	26,195	112,341	8,696	-	24,322	22,464
Other administrative	20,912	55,658	7,277	-	30,036	291
Depreciation	19,514	198,041	5,983	-	10,926	51
Utilities	30,523	100,954	-	-	-	-
Insurance	10,192	9,737	11,445	-	15,648	2,449
Other	5,398	16,599	85,076	43,566	121,374	103,941
Total Operating Expenses	219,010	652,124	574,309	43,566	14,092,690	221,220
Operating Income (Loss)	(11,877)	120,288	(419,527)	(43,566)	78,796	(27,858)
Non-Operating Revenues (Expenses)						
Interest income	86	-	-	-	87	-
Loss on disposal of capital assets	-	-	-	-	-	-
Interest expense	-	(120,288)	(3,448)	-	(6,130)	-
Total Non-Operating Revenues (Expenses)	86	(120,288)	(3,448)	-	(6,043)	-
Income (Loss) Before Transfers and						
HUD Capital Grant Income	(11,791)	-	(422,975)	(43,566)	72,753	(27,858)
Interprogram transfers	(9,684)	-	215,162	-	-	-
Capital Grant Income	11,995	-	-	-	-	-
Change in Net Position	(9,480)	-	(207,813)	(43,566)	72,753	(27,858)
Net Position - Beginning of Year	1,171,763	-	(1,103,902)	6,675	(62,126)	354,435
Net Position - End of Year	\$ 1,162,283	\$ -	\$ (1,311,715)	\$ (36,891)	\$ 10,627	\$ 326,577

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

Component Unit	Family Self Sufficiency Program 14.896	National Foreclosure Mitigation Counseling 21.000	Business Activities	Total	Elimination of Intercompany Activity	Total
\$ 532,984	\$ 49,484	\$ -	\$ -	\$ 1,631,649	\$ -	\$ 1,631,649
-	-	-	-	14,088,987	-	14,088,987
-	-	14,626	1,715,463	1,811,424	-	1,811,424
1,805,571	-	-	5,887,634	7,795,089	-	7,795,089
-	-	-	785,909	785,909	(491,212)	294,697
-	-	-	3,206,664	3,206,664	-	3,206,664
45,689	-	-	401,692	625,169	(116,290)	508,879
<u>2,384,244</u>	<u>49,484</u>	<u>14,626</u>	<u>11,997,362</u>	<u>29,944,891</u>	<u>(607,502)</u>	<u>29,337,389</u>
-	-	-	-	13,116,759	-	13,116,759
276,795	49,484	14,626	2,772,010	4,621,087	-	4,621,087
122,323	-	-	408,093	608,795	-	608,795
392,272	-	-	844,977	1,431,267	(13,828)	1,417,439
176,686	-	-	548,062	838,922	(491,212)	347,710
543,844	-	-	728,257	1,506,616	-	1,506,616
244,030	-	-	391,592	767,099	-	767,099
101,596	-	-	138,217	289,284	-	289,284
143,188	-	-	845,843	1,364,985	(102,462)	1,262,523
<u>2,000,734</u>	<u>49,484</u>	<u>14,626</u>	<u>6,677,051</u>	<u>24,544,814</u>	<u>(607,502)</u>	<u>23,937,312</u>
<u>383,510</u>	<u>-</u>	<u>-</u>	<u>5,320,311</u>	<u>5,400,077</u>	<u>-</u>	<u>5,400,077</u>
806	-	-	920,069	921,048	(85,982)	835,066
-	-	-	(413,935)	(413,935)	-	(413,935)
(398,665)	-	-	(1,034,169)	(1,562,700)	85,982	(1,476,718)
<u>(397,859)</u>	<u>-</u>	<u>-</u>	<u>(528,035)</u>	<u>(1,055,587)</u>	<u>-</u>	<u>(1,055,587)</u>
(14,349)	-	-	4,792,276	4,344,490	-	4,344,490
(47,970)	-	-	(157,508)	-	-	-
-	-	-	-	11,995	-	11,995
(62,319)	-	-	4,634,768	4,356,485	-	4,356,485
<u>(515,082)</u>	<u>-</u>	<u>-</u>	<u>29,025,273</u>	<u>28,877,036</u>	<u>-</u>	<u>28,877,036</u>
<u>\$ (577,401)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,660,041</u>	<u>\$ 33,233,521</u>	<u>\$ -</u>	<u>\$ 33,233,521</u>

Adams County Housing Authority
Schedule of Expenditures of Federal Awards
December 31, 2016

<u>Federal Agency/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Treasury <i>Passed Through Colorado Housing and Finance Authority</i> National Foreclosure Mitigation Counseling	21.000	Round 10 - 2016	\$ 27,732
U.S. Department of Housing and Urban Development <i>Direct Programs</i>			
Public and Indian Housing	14.850		103,160
Section 8 Housing Assistance Payments	14.195		772,412
Housing Choice Vouchers	14.871		14,857,388
Public Housing Capital Funds Program	14.872		11,995
Family Self Sufficiency Program	14.896		49,484
			<u>15,794,439</u>
<i>Passed Through Colorado Housing and Finance Authority</i> Comprehensive Housing Counseling	14.169	HUD-FY16	<u>41,142</u>
<i>Passed Through Adams County</i>			
Home Investment Partnerships Program	14.239	M-14-CD-08-0200	800,000
Home Investment Partnerships Program	14.239	M-15-DC-08-0200	11,873
Home Investment Partnerships Program	14.239	M-14-DC-08-0200	96,208
Home Investment Partnerships Program	14.239	M-15-DC-08-0200	24,386
			<u>932,467</u>
<i>Passed Through State of Colorado</i> Home Investment Partnerships Program	14.239	H7HOM16031	<u>760,000</u>
Total 14.239			<u>1,692,467</u>
Total U.S. Department of Housing and Urban Development			<u>17,528,048</u>
Total Federal Expenditures			<u>\$ 17,555,780</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Adams 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 the Uniform Guidance. Adams County Housing Authority received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 - 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. The Adams County Housing Authority's summary of significant accounting policies is presented in Note 1 in the Adams County Housing Authority's basic financial statements.

The Authority has elected to use the 10% de minimis cost rate.



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

To the Board of Commissioners
Adams County Housing Authority
Commerce City, 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 the discretely presented component units of Adams County Housing Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Adams County Housing Authority’s basic financial statements, and have issued our report thereon dated May 19, 2017. The financial statements of the discretely presented component units 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 Adams 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 Adams County Housing Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Adams County Housing Authority’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the printed name and date.

Boise, Idaho
May 19, 2017



Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Commissioners
Adams County Housing Authority
Commerce City, Colorado

Report on Compliance for Each Major Federal Program

We have audited Adams 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 Adams County Housing Authority’s major federal program for the year ended December 31, 2016. Adams County Housing Authority’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for Adams County Housing Authority’s major federal program 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 Adams County Housing Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

Management of Adams 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 Adams County Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Adams 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
May 19, 2017

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None