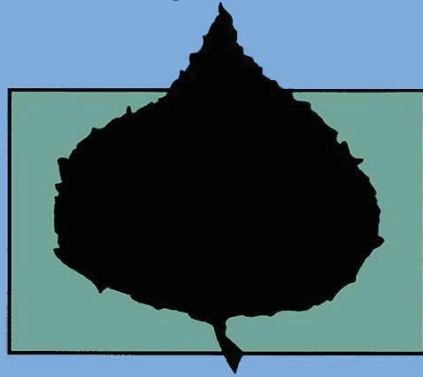


City of Aspen, Colorado

2016 Aspen / Pitkin County Housing Authority Financial Report

For Year Ending December 31, 2016



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**Aspen/Pitkin County Housing Authority
Aspen, Colorado
Financial Report**

December 31, 2016

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Aspen/Pitkin County Housing Authority, Colorado
Financial Report
December 31, 2016

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FINANCIAL SECTION

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Aspen / Pitkin County Housing Authority
Aspen, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Aspen / Pitkin County Housing Authority, in Aspen, Colorado, (the "Authority"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and related notes to the financial statements.

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 general 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or errors. In making those risk assessments, the auditor considered 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.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

Auditor's Responsibility (continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimated made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Aspen / Pitkin County Housing Authority, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles

Other Matters

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

The budgetary fund information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. The budgetary fund information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Matters (continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual fund budgetary comparisons found in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary comparisons found in Section F are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
July 26, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

December 31, 2016

As management of the Aspen/Pitkin County Housing Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information and supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected rents).

The government-wide financial statements presented on pages C1 and C2 distinguish functions of the Authority that are principally supported by intergovernmental revenues (governmental activities) and business-type activities. All business-type activities of the Authority represent operations that are intended to be self supporting, and thereby requiring no subsidy from intergovernmental revenues. The governmental activities of the Authority represent the Authority's general operations, which consist largely of administration and compliance enforcement. The business-type activities of the Authority include specific property management relating to the Smuggler Mountain Apartments, Aspen Country Inn, L.P., and Truscott Place Phase II, L.L.L.P. projects.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The Authority's governmental funds include the General Fund which provides for the housing authority's general operations and the APCHA Development Fund, a special revenue fund, that accounts for resources dedicated to capital costs of future housing projects.

Proprietary funds: The Authority maintains proprietary funds commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type properties that the Authority operates. The Authority uses enterprise funds to account for the operations of its Smuggler Mountain Apartments, Aspen Country Inn, L.P., and Truscott Place Phase II, L.L.L.P. projects.

The proprietary fund financial statements can be found on pages C5, C6, and C7.

Overview of the Financial Statements (continued)

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages D1 through D15 of this report.

Other Information: The Authority adopts annual appropriated budgets for all its funds in accordance with the Colorado State Statutes. The budgetary comparison schedules have been provided for its funds to demonstrate compliance with the budget law (Colorado Revised Statutes 29-1) and are found in sections E and F.

Government-wide Financial Analysis

Aspen/Pitkin County Housing Authority's Net Position:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$3,404,991	\$3,376,248	\$ 2,245,872	\$ 2,211,495	\$5,650,863	\$5,587,743
Capital assets, net	10,395	25,053	7,096,857	10,344,188	7,107,252	10,369,241
Total Assets	3,415,386	3,401,301	9,342,729	12,555,683	12,758,115	15,956,984
Liabilities:						
Long-term liabilities	118,538	98,520	2,742,419	3,828,093	2,860,957	3,926,613
Other liabilities	38,860	85,736	6,984,200	9,977,015	7,023,060	10,062,751
Total Liabilities	157,398	184,256	9,726,619	13,805,108	9,884,017	13,989,364
Net Position:						
Net investment in capital assets	10,395	25,053	112,657	367,173	123,052	392,226
Unrestricted	3,247,593	3,191,992	(496,547)	(1,616,598)	2,751,046	1,575,394
Total Net Position	\$3,257,988	\$3,217,045	\$ (383,890)	\$(1,249,425)	\$2,874,098	\$1,967,620

Items of interest relating to the Authority's government-wide Statement of Net Position are:

At the end of 2016, the Authority had a total of \$2,874,098 in net position between governmental and business-type activities. This represents a 46.07% increase, or \$906,478 in total net position. The increase in net position can be attributed to the sale of Aspen Country Inn, L.P. to ACI Affordable 1, L.L.L.P.

Governmental Activities:

- The Authority's General Fund utilizes the Authority's share of the pooled cash fund managed by the City of Aspen (the "City") to provide operating resources until budgeted operating subsidies are collected from the City and Pitkin County, Colorado (the "County") in order to fund annual operating expenses.
- Both the General Fund and APCHA Development Fund report housing units held for sale as inventory to reduce fund balance fluctuation from one year to the next.

Business-type Activities:

- The authority maintains three business type activity funds that provide for the operation of its three rental housing projects. These funds are the Smuggler Mountain Apartments Fund, the Aspen Country Inn, L.P. Fund, and the Truscott Place Phase II, L.L.L.P. Fund.
- The Smuggler Mountain Apartments Fund had 2016 operating income in excess of operating expenses of \$1,058 and ended 2016 with available cash of \$327,642. No major repairs or maintenance were required in 2016.

Government-wide Financial Analysis (continued)

Business-type Activities (continued):

- The Aspen Country Inn, L.P., which accounts for the financial activity associated with operating and maintaining the Aspen County Inn senior affordable rental housing project, ended 2016 with net operating income of \$12,330 and an end of year unrestricted cash balance of \$473,558. Rental rates are increased annually to cover increasing operating costs.
- Truscott Place Phase II, L.L.L.P., which accounts for the financial activity associated with operating and maintaining the Truscott Place II affordable rental housing project – a tax credit financed property, ended 2016 with net operating income of \$265,352 and an end of year unrestricted cash balance of \$538,328. Rent rates are increased annually to cover increasing operating costs.

The following chart provides summary information regarding the Authority's changes in net position:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services:						
Sales and other fees	\$ 915,831	\$ 955,576	\$ -	\$ -	\$ 915,831	\$ 955,576
Rental income	-	-	1,332,695	1,446,753	1,332,695	1,446,753
Contributions (distributions):						
Partners'	-	-	(475,908)	-	(475,908)	-
Intergovernmental	428,600	393,000	-	-	428,600	393,000
General revenues:						
Interest	21,003	20,928	2,584	2,878	23,587	23,806
Miscellaneous	211,075	336,383	1,697,728	35,490	1,908,803	371,873
Total Revenues	1,576,509	1,705,887	2,557,099	1,485,121	4,133,608	3,191,008
Expenses:						
Housing operations	925,737	847,399	-	-	925,737	847,399
Sales department	312,490	280,702	-	-	312,490	280,702
Housing qualifications	181,057	219,997	-	-	181,057	219,997
Maintenance	116,282	125,427	-	-	116,282	125,427
Smuggler Mountain Apartments	-	-	69,471	97,886	69,471	97,886
Aspen Country Inn, L.P.	-	-	450,131	598,933	450,131	598,933
Truscott Place Phase II, L.L.L.P.	-	-	1,171,962	1,221,295	1,171,962	1,221,295
Total Expenses	1,535,566	1,473,525	1,691,564	1,918,114	3,227,130	3,391,639
Change in Net Position	40,943	232,362	865,535	(432,993)	906,478	(200,631)
Net Position - Beginning of Year	3,217,045	2,984,683	(1,249,425)	(816,432)	1,967,620	2,168,251
Net Position - End of Year	\$3,257,988	\$3,217,045	\$ (383,890)	\$ (1,249,425)	\$2,874,098	\$1,967,620

The miscellaneous revenue in business-type noted above includes proceeds from the sale of Aspen Country Inn, L.P. to ACI Affordable 1, L.L.L.P.

Budget Variances in the General Fund (Housing Administration): The Authority presents a budget to actual comparison for the General Fund on page E1. In 2016, actual revenues were \$227,729 less than budgeted. This variance can be attributed primarily to the sale of housing units revenue being under budget. Actual expenditures came in \$372,460 under budget primarily due to a variance in budgeted housing units sold and related expenses of \$300,740 and a variance of \$64,669 in housing operations driven from items such as lower insurance costs, rent, training, etc.

Capital Assets: The Authority's net capital assets decreased government-wide from \$10,369,241 to \$7,107,252, a 31.5% decrease due to approximately \$2,872,000 from the sale of Aspen Country Inn, L.P. and \$410,000 in depreciation of capital assets. Additional information, as well as a detailed classification of the Authority's net capital assets can be found in the Notes to the Financial Statements on pages D9 and D10 of this report.

Government-wide Financial Analysis: (continued)

Long-term Liabilities: As of the end of the current fiscal year, the Authority's long-term liabilities decreased by \$3,015,646 from 2015, due to principal pay downs of \$3,035,663, \$17,978 of additional compensated absences liability, and \$2,039 of additional retirement liability, due to increases in salaries in 2016. Additional information as well as a detailed classification of the Authority's total long-term liabilities can be found in the Notes to the Financial Statements on pages D10 through D13.

Next Year's Budget and Rates: The Authority's 2017 General Fund budget anticipates covering all costs relating to operations through the joint City and County subsidy, tax credits, sales revenue, and other miscellaneous revenue sources.

The properties Smuggler Mountain Apartments, Aspen Country Inn, L.P., and Truscott Place Phase II, L.L.L.P. anticipate covering all costs relating to operations with rental payments and other miscellaneous revenues.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Aspen/Pitkin County Housing Authority, Executive Director, 130 South Galena Street, Aspen, CO 81611, or email alice.hackney@cityofaspen.com.



BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Aspen/Pitkin County Housing Authority, Colorado
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Totals
Assets:			
Cash unrestricted	\$ 3,025,910	\$ 1,339,528	\$ 4,365,438
Cash restricted	-	801,224	801,224
Accounts receivable	89,184	15,018	104,202
Inventories	289,897	-	289,897
Other assets	-	90,102	90,102
Capital assets, not being depreciated	-	500,000	500,000
Capital assets, net of accumulated depreciation	10,395	6,596,857	6,607,252
Total Assets	<u>3,415,386</u>	<u>9,342,729</u>	<u>12,758,115</u>
Liabilities:			
Accounts payable	4,716	565,779	570,495
Accrued liabilities	9,144	1,930,593	1,939,737
Deposits	25,000	168,018	193,018
Prepaid rent	-	7,896	7,896
Due to partners	-	70,133	70,133
Non-current liabilities:			
Due within one year	47,415	73,506	120,921
Due in more than one year	71,123	6,910,694	6,981,817
Total Liabilities	<u>157,398</u>	<u>9,726,619</u>	<u>9,884,017</u>
Net Position:			
Net investment in capital assets	10,395	112,657	123,052
Unrestricted	3,247,593	(496,547)	2,751,046
Total Net Position	<u>\$ 3,257,988</u>	<u>\$ (383,890)</u>	<u>\$ 2,874,098</u>

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

Aspen/Pitkin County Housing Authority, Colorado
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues		Net Revenue (Expenses) and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Functions/Programs:					
Governmental Activities:					
Affordable housing	\$ 1,535,566	\$ 428,600	\$ 19,940	\$ -	\$ 19,940
Total Governmental Activities	1,535,566	428,600	19,940	-	19,940
Business-type Activities:					
Smuggler Mountain Apartments	69,471	-	-	1,023	1,023
Aspen Country Inn, L.P.	450,131	-	-	(167,615)	(167,615)
Truscott Place Phase II, L.L.P.	1,171,962	-	-	(192,277)	(192,277)
Total Business-type Activities	1,691,564	-	-	(358,869)	(358,869)
Total	\$ 3,227,130	\$ 428,600	19,940	(358,869)	(338,929)
General Revenues:					
Investment earnings			21,003	2,584	23,587
Miscellaneous			-	32,222	32,222
Gain on sale of assets			-	1,665,506	1,665,506
Capital distributions			-	(475,908)	(475,908)
Total			21,003	1,224,404	1,245,407
Change in Net Position			40,943	865,535	906,478
Net Position - Beginning of Year			3,217,045	(1,249,425)	1,967,620
Net Position - End of Year			\$ 3,257,988	\$ (383,890)	\$ 2,874,098

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

FUND FINANCIAL STATEMENTS

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Aspen/Pitkin County Housing Authority, Colorado
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	APCHA Development Fund	Total
Assets:			
Cash unrestricted	\$ 1,936,261	\$ 1,089,649	\$ 3,025,910
Accounts receivable	89,184	-	89,184
Inventories	-	289,897	289,897
	2,025,445	1,379,546	3,404,991
Total Assets			
Liabilities and Fund Balance:			
Liabilities:			
Accounts payable	4,716	-	4,716
Accrued liabilities	9,144	-	9,144
Deposits	25,000	-	25,000
	38,860	-	38,860
Total Liabilities			
Fund Balance:			
Nonspendable	-	289,897	289,897
Committed	233,294	-	233,294
Assigned	-	1,089,649	1,089,649
Unassigned	1,753,291	-	1,753,291
	1,986,585	1,379,546	3,366,131
Total Fund Balance			
	\$ 2,025,445	\$ 1,379,546	\$ 3,404,991
Total Liabilities and Fund Balance			

**Amounts reported for governmental activities in the Statement
of Net Position are different because:**

Fund Balance - Total Governmental Funds	\$ 3,366,131
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,395
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This represents accrued compensated absences and retirement.	(118,538)
Net Position of Governmental Activities	\$ 3,257,988

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

Aspen/Pitkin County Housing Authority, Colorado
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016

	General Fund	APCHA Development Fund	Total
Revenues:			
Intergovernmental	\$ 428,600	\$ -	\$ 428,600
Sales and development fees	578,920	-	578,920
Sale of housing units	336,911	-	336,911
Refund of expenditures	196,976	-	196,976
Other revenues	24,164	10,938	35,102
Total Revenues	1,565,571	10,938	1,576,509
Expenditures:			
Housing operations department	884,061	7,000	891,061
Sales department	103,449	-	103,449
Housing qualification department	181,057	-	181,057
Maintenance department	116,282	-	116,282
Cost of units sold	209,041	-	209,041
Total Expenditures	1,493,890	7,000	1,500,890
Excess (Deficiency) of Revenues Over Expenditures	71,681	3,938	75,619
Fund Balance - Beginning of Year	1,914,904	1,375,608	3,290,512
Fund Balance - End of Year	\$ 1,986,585	\$ 1,379,546	\$ 3,366,131

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

Net Change in Fund Balance of Governmental Funds	\$ 75,619
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(14,658)
Changes in the employees' accrued compensated absences and retirement are considered changes in long-term liabilities. This is the amount that accrued compensated absences and retirement increased.	(20,018)
Change in Net Position of Governmental Activities	\$ 40,943

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

Aspen/Pitkin County Housing Authority, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2016

	Smuggler Mountain Apartments	Aspen Country Inn, L.P.	Truscott Place Phase II, L.L.L.P.	Total
Assets:				
Cash unrestricted	\$ 327,642	\$ 473,558	\$ 538,328	\$ 1,339,528
Cash restricted	-	-	801,224	801,224
Accounts receivable, net of allowance for uncollectibles	81	12,051	2,886	15,018
Other assets	-	-	90,102	90,102
Capital assets, net	15,683	-	7,081,174	7,096,857
Total Assets	343,406	485,609	8,513,714	9,342,729
Liabilities:				
Accounts payable	467	485,609	79,703	565,779
Accrued liabilities	1,443	-	1,929,150	1,930,593
Tenant security deposit	9,464	-	158,554	168,018
Prepaid rent	-	-	7,896	7,896
Due to partners	-	-	70,133	70,133
Notes payable	-	-	6,984,200	6,984,200
Total Liabilities	11,374	485,609	9,229,636	9,726,619
Net Position:				
Net invested in capital assets	15,683	-	96,974	112,657
Restricted - partners' capital (deficit)	-	-	(812,896)	(812,896)
Unrestricted	316,349	-	-	316,349
Total Net Position	\$ 332,032	\$ -	\$ (715,922)	\$ (383,890)

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

Aspen/Pitkin County Housing Authority, Colorado
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Smuggler Mountain Apartments	Aspen Country Inn, L.P.	Truscott Place Phase II, L.L.L.P.	Total
Operating Revenues:				
Rents and royalties	\$ 70,494	\$ 282,516	\$ 979,685	\$ 1,332,695
Other revenue and reimbursements	35	10,901	16,985	27,921
Total Operating Revenues	<u>70,529</u>	<u>293,417</u>	<u>996,670</u>	<u>1,360,616</u>
Operating Expenses:				
General and administrative	17,278	86,850	364,458	468,586
Repairs and maintenance	14,192	41,482	23,215	78,889
Utilities	12,821	30,272	71,745	114,838
Depreciation and amortization	25,180	122,483	271,900	419,563
Total Operating Expenses	<u>69,471</u>	<u>281,087</u>	<u>731,318</u>	<u>1,081,876</u>
Operating Income (Loss)	<u>1,058</u>	<u>12,330</u>	<u>265,352</u>	<u>278,740</u>
Non-Operating Revenues (Expenses):				
Refund of expenditures	-	365,848	-	365,848
Interest expense and financing fees	-	(168,604)	(440,644)	(609,248)
Interest income	2,164	28	392	2,584
Debt issuance costs	-	(440)	-	(440)
Gain on disposition of assets	-	1,665,506	-	1,665,506
Reimbursable expenses	-	(361,547)	-	(361,547)
Total Non-Operating Revenues (Expenses)	<u>2,164</u>	<u>1,500,791</u>	<u>(440,252)</u>	<u>1,062,703</u>
Capital Distributions	<u>-</u>	<u>(475,908)</u>	<u>-</u>	<u>(475,908)</u>
Change in Net Position	3,222	1,037,213	(174,900)	865,535
Net Position - Beginning of Year	<u>328,810</u>	<u>(1,037,213)</u>	<u>(541,022)</u>	<u>(1,249,425)</u>
Net Position - End of Year	<u>\$ 332,032</u>	<u>\$ -</u>	<u>\$ (715,922)</u>	<u>\$ (383,890)</u>

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

Aspen/Pitkin County Housing Authority, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Smuggler Mountain Apartments	Aspen Country Inn, L.P.	Truscott Place Phase II, L.L.L.P.	Total
Cash Flows From Operating Activities:				
Cash received from customers and others	\$ 69,201	\$ 245,929	\$ 1,006,560	\$ 1,321,690
Cash paid for goods and services	(28,800)	259,711	(459,856)	(228,945)
Cash paid to employees	(14,539)	-	-	(14,539)
Net Cash Provided (Used) by Operating Activities	<u>25,862</u>	<u>505,640</u>	<u>546,704</u>	<u>1,078,206</u>
Cash Flows From Capital Financing Activities:				
Principal payment on debt	-	(32,534)	(68,892)	(101,426)
Interest payment and financing fees	-	(75,304)	(328,048)	(403,352)
Reimbursements	-	4,741	(35,613)	(30,872)
Debt issuance costs	-	(440)	-	(440)
Restricted cash, net	-	318,039	5,327	323,366
Cash distributions to partners	-	(475,908)	-	(475,908)
Net Cash Used by Capital Financing Activities	<u>-</u>	<u>(261,406)</u>	<u>(427,226)</u>	<u>(688,632)</u>
Cash Received From Investing Activities:				
Interest received	2,164	28	392	2,584
Net Cash Provided by Investing Activities	<u>2,164</u>	<u>28</u>	<u>392</u>	<u>2,584</u>
Increase (Decrease) in Cash and Cash Equivalents	28,026	244,262	119,870	392,158
Cash and Cash Equivalents - Beginning of Year	<u>299,616</u>	<u>229,296</u>	<u>418,458</u>	<u>947,370</u>
Cash and Cash Equivalents - End of Year	<u><u>327,642</u></u>	<u><u>473,558</u></u>	<u><u>538,328</u></u>	<u><u>1,339,528</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	<u>1,058</u>	<u>12,330</u>	<u>265,352</u>	<u>278,740</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and amortization	25,180	122,483	271,900	419,563
(Increase) decrease in accounts receivable	(81)	(11,239)	1,078	(10,242)
Increase (decrease) in due to related parties	-	(3,000)	10,000	7,000
Increase (decrease) in prepaid rent	(1,247)	(2,910)	2,246	(1,911)
Increase in prepaid expenses	-	-	(1,249)	(1,249)
Decrease in security deposits	-	(30,339)	(3,434)	(33,773)
Increase in accounts payable and accrued liabilities	952	418,315	811	420,078
Total Adjustments	<u>24,804</u>	<u>493,310</u>	<u>281,352</u>	<u>799,466</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 25,862</u></u>	<u><u>\$ 505,640</u></u>	<u><u>\$ 546,704</u></u>	<u><u>\$ 1,078,206</u></u>
Non-cash disposal of capital assets used in operations	<u>-</u>	<u>1,665,505</u>	<u>-</u>	<u>1,665,505</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016

I. Summary of Significant Accounting Policies

A. Formation

The Aspen/Pitkin County Housing Authority, (“Authority”), was formed in 1984 by an intergovernmental agreement among the City of Aspen (the “City”), Pitkin County (the “County”), Pitkin County Housing Authority, and the Housing Authority of Aspen to establish a multi-jurisdictional housing authority. The original intergovernmental agreement has been amended by the City and the County. The Authority is governed by a seven member Board of Directors and one alternate director. The Board of County Commissioners and Aspen City Council each appoint three directors and two jointly (one a full voting member and one an alternate). The City and County provide equally the net operating subsidy for the Authority’s General Fund. Because the City provides management and accounting services, the Authority’s employees are subject to the City’s personnel policies and guidelines.

The Authority provides a program and a system to assist with a supply of desirable and affordable housing for permanent residents, persons employed in the City or the County, senior citizens, disabled persons, and other population segments residing or needing to reside in the Roaring Fork Valley.

The Authority is a political subdivision and a public corporation of the State of Colorado, separate from the City and the County.

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

B. Reporting Entity

The reporting entity consists of: (a) the primary government (i.e., the Authority), and (b) organizations for which the Authority is financially accountable. The Authority is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Authority. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Authority. Organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

1. Blended Component Units

The Aspen Country Inn, L.P. and Truscott Place Phase II, L.L.L.P. are entities legally separate from the Authority, and are presented as if they were part of the Authority’s operations because the Authority is the general managing partner of the entities and therefore, is financially responsible for their operations. The audited financial statements of these entities are available at the City of Aspen Finance Department.

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Authority's operation of the sale and resale of the units to qualified purchasers and the administration of the Authority are classified as governmental funds. The Authority's rental operations and its interests in the limited partnerships are classified as business-type activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Authority's functions and business-type activities. The functions are also supported by general government revenues (investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary operating grants.

The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

D. Fund Financial Statements

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

The fund focus is on current available resources and budget compliance.

The Authority reports the following governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority used for its administrative and regulatory operations.

The *APCHA Development Fund* accounts for resources dedicated to the capital costs of future housing projects.

The Authority reports the following proprietary or business-type funds:

The *Smuggler Mountain Apartment Fund* accounts for the rental and maintenance of the rental units in this facility.

Aspen Country Inn, L.P. accounts for the operations of the rental project for which the Authority is the general partner.

Truscott Place Phase II, L.L.L.P. accounts for the operations of the tax credit rental project for which the Authority is the general partner.

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

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

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

1. Long-term Economic Focus and Accrual Basis

Both governmental and business-type activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenditures/expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

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

3. Financial Statement Presentation

Amounts reported as program revenues include: 1) charges to customers and applicants for rentals, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges for rentals and services. Operating expenses for these funds include the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. Financial Statement Accounts

1. Cash and Cash Equivalents

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

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

F. Financial Statement Accounts (continued)

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. At December 31, 2016, Aspen Country Inn, L.P. had an allowance of \$0 and Truscott Place Phase II, L.L.L.P. had an allowance of \$4,876.

3. Inventory

Inventory in the APCHA Development Fund consists of housing units held for resale, valued at cost.

4. Other Assets

Other assets include tax credit and permanent loan fees. Tax credit fees are amortized using the straight-line method over the 15 year compliance period. Permanent loan fees are amortized using the straight-line method over the life of the mortgage.

5. Capital Assets

Capital assets, which include land, land improvements, buildings, and equipment, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Such assets are recorded at historical cost.

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

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment	3 - 10

6. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance classifications including nonspendable resources, committed amounts, and assigned amounts. Only the General Fund reports unassigned amounts that have not been assigned to specific purposes within the General Fund. Since the City manages the Authority's governmental funds, the City Manager has the authority to establish, modify, or rescind assigned fund balance to a specific department or project within a fund, as stated in the City's adopted financial policies.

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

F. Financial Statement Accounts (continued)

6. Fund Balance Classifications (continued)

Fund balance classifications with the highest level of constraint are spent first; such that restricted fund balance is spent before unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted balances are available. Likewise, committed and assigned fund balances are spent before unassigned fund balance when an expenditure is incurred for which any such unrestricted fund balances are available.

The Authority has adopted a minimum fund balance policy, which establishes a required reserve in the General Fund of no less than twelve and a half percent (12.5%) of annual appropriated expenditures, including recurring transfers.

Fund balance classifications are reported in the aggregate on the face of the balance sheet. The components of each classification are displayed below:

	General Fund	APCHA Development Fund
Nonspendable:		
Inventory	-	289,897
Total Nonspendable	-	289,897
Committed:		
Operating reserve	233,294	-
Total Committed	233,294	-
Assigned:		
Affordable housing	-	1,089,649
Total Assigned	-	1,089,649

G. Estimates

The preparation of financial statements in conformity with GAAP requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses. Actual results could differ from those estimates. The Authority believes that the techniques and assumptions used in establishing these estimates are appropriate.

H. Legal Provisions and Authorization for Deposits

The Authority is governed by State Statutes as to the type of institutions and investments with which it may deposit funds and transact business in the governmental and business-type activities.

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund Balance Sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide Statement of Net Position. That reconciliation explains long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This difference relates to accumulated compensated absences and retirement of \$118,538 and net capital assets of \$10,395, which are not current financing sources or uses.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net change in fund balances of governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains, governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. As with depreciation, the acquisition of assets is not counted towards the change in net position of the funds. This \$14,658 difference is comprised of capital outlay of \$0 less depreciation expense of \$14,658. Another element of that reconciliation explains changes in the employees' accrued compensated absences and retirement are considered changes in long-term liabilities, which are not due and payable in the current period and, therefore, are not reported in the funds. Accrued compensated absences and retirement increased by \$20,018.

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with GAAP, except for the proprietary funds. In accordance with Colorado State Statutes, annual appropriations are adopted for all funds, except the limited partnership and limited liability limited partnership. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

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

- (1) Budgets are required by state law. The Authority's Board of Directors approves formal budget resolutions for all operations of the Authority. The City Council and Pitkin County Commissioners also approve the Authority's General Fund budget.
- (2) Supplementary budgets are approved by the Authority's Board of Directors.
- (3) The original 2016 budget was adopted in December of 2016, and was revised through (a) supplemental resolution(s).

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

III. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (4) The budget for the APCHA Development Fund and enterprise funds is adopted on a basis that is not consistent with GAAP, but instead adopts the spending measurement focus of a governmental fund.

The General Fund, APCHA Development Fund, and the proprietary fund budgets were adopted on a non-GAAP budgetary basis and are reconciled below:

	General Fund	APCHA Development Fund
Excess (Deficiency) of Revenues Over		
Expenses - (Budget Basis)	71,681	3,938
Housing units held for sale	-	-
	-	-
Change in Net Position		
- (GAAP basis)	\$ 71,681	\$ 3,938

	Smuggler Mountain Apartments	Aspen Country Inn, L.P.	Truscott Place Phase II, L.L.L.P.
Excess (Deficiency) of Revenues Over			
Expenses - (Budget Basis)	28,402	31,304	115,091
Capitalized expenses	-	-	35,613
Debt issuance costs	-	(440)	-
Debt principal payments	-	32,534	68,892
Debt accrued interest	-	(93,300)	(112,596)
Depreciation and amortization	(25,180)	(122,483)	(271,900)
Asset/partnership management fee	-	-	(10,000)
Disposal of capital assets	-	1,665,506	-
Capital distributions	-	(475,908)	-
	-	-	-
Change in Net Position			
- (GAAP basis)	\$ 3,222	\$ 1,037,213	\$ (174,900)

B. Housing Projects

1. Aspen Country Inn, L.P.

Aspen Country Inn, LP was formed pursuant to a Certificate of Limited Partnership filed on July 10, 1997 with the Colorado Secretary of State and has been operated pursuant to the Amended and Restated Limited Partnership Agreement dated as of July 1, 1999, among APCHA as the general partner, and Boston Capital Corporate Tax Credit Fund XII a Limited Partnership and BCCC, Inc. as limited partners. Subsequently, APCHA and the City of Aspen acquired the interests of the former limited partners, and pursuant to an Assignment and Assumption Agreement dated effective December 31, 2015, APCHA assigned to the City of Aspen its general partner interest and a portion of its limited partner interest in the Partnership. The City and APCHA agreed to operate the Partnership under the name Aspen Country Inn I, L.P.

On September 22nd, 2016 the assets of Aspen Country Inn I, LP were sold to ACI Affordable 1, LLLP and the debts liquidated or transferred to the new entity. This organization is now reflected as a component unit of the City of Aspen.

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

III. Stewardship, Compliance, and Accountability (continued)

B. Housing Projects (continued)

2. Truscott Place Phase II, L.L.L.P.

The Truscott Place Phase II, L.L.L.P. (the "Partnership") project is a sale of Buildings 200 and 300 and lot 3 of the Truscott rental unit project by the City of Aspen. The Truscott Place Phase II, L.L.L.P. acquired the property and has remodeled the project from proceeds of federal tax credits, a loan from the City of Aspen, and other loans. The Authority is a 0.01% partner in the Truscott Place Phase II, L.L.L.P. and is the general managing partner. The Authority has an option to purchase the assets of the Partnership at December 31, 2050, for a purchase price of the lesser of a price equal to the outstanding debt and taxes due or the fair market value of the property.

IV. Detailed Notes on all Funds

A. Cash and Investments

In order to facilitate the recording of cash transactions and maximize investment earnings, the Authority has combined cash and investments with the City of Aspen (the "City"), except for its component units, Aspen Country Inn, L.P. and Truscott Place Phase II, L.L.L.P., and maintains accountability for each fund's equity in the pooled cash and investments. Investment earnings are prorated among the contributing funds monthly, based on each fund's respective percentage of equity to the total amount of pooled cash and investments. All funds of the City of Aspen are eligible for investment and may be combined in an investment instrument to maximize earnings.

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The collateral pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal or exceed 102% of the uninsured deposits.

At December 31, 2016, the carry value of the City's and the Authority's pooled deposits was \$13,599,003. The bank balance of these accounts was \$15,508,970, of which \$250,000 was covered by Federal Deposit Insurance Corporation and \$15,508,970 was collateralized in institution pools as described above. The difference between carrying and bank balances represents items that had not cleared the bank at year end. The Authority also had cash on hand of \$300. The Authority has chosen not to show fair value disclosures due to its cash being pooled with the City.

B. Receivables

Receivables as of year-end for the Authority's funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Aspen Country Inn, L.P.</u>	<u>Truscott Place Phase II, L.L.L.P.</u>	<u>Total</u>
Trade accounts	\$ 89,184	\$ 12,051	\$ 7,762	\$ 108,997
Allowance for uncollectible accounts	-	-	(4,876)	(4,876)
Net Receivables	<u>\$ 89,184</u>	<u>\$ 12,051</u>	<u>\$ 2,886</u>	<u>\$ 104,121</u>

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

IV. Detailed Notes on all Funds (continued)

C. Other Assets

The following are the other asset balances at December 31, 2016:

	Aspen Country Inn, L.P.	Truscott Place Phase II, L.L.L.P.	Total
Deferred financing costs	\$ -	\$ 188,122	\$ 188,122
Less: accumulated amortization	-	(99,269)	(99,269)
	<u>\$ -</u>	<u>\$ 88,853</u>	<u>\$ 88,853</u>

D. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 57,772	\$ -	\$ -	\$ 57,772
Total capital assets being depreciated	57,772	-	-	57,772
Less: accumulated depreciation	(32,719)	(14,658)	-	(47,377)
Governmental Activities Capital Assets, Net	<u>\$ 25,053</u>	<u>\$ (14,658)</u>	<u>\$ -</u>	<u>\$ 10,395</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land, Aspen Country Inn, L.P.	\$ 1,185,551	\$ -	\$ (1,185,551)	\$ -
Land, Truscott Place Phase II, L.L.L.P.	500,000	-	-	500,000
Total capital assets, not being depreciated	1,685,551	-	(1,185,551)	500,000
Capital assets, being depreciated:				
Smuggler Mountain Apartments	130,035	-	-	130,035
Aspen Country Inn, L.P.	4,921,235	-	(4,921,235)	-
Truscott Place Phase II, L.L.L.P.	10,504,083	35,613	-	10,539,696
Total capital assets, being depreciated	15,555,353	35,613	(4,921,235)	10,669,731
Less accumulated depreciation for:				
Smuggler Mountain Apartments	(89,172)	(25,180)	-	(114,352)
Aspen Country Inn, L.P.	(3,113,697)	(120,459)	3,234,156	-
Truscott Place Phase II, L.L.L.P.	(3,693,847)	(264,675)	-	(3,958,522)
Total accumulated depreciation	(6,896,716)	(410,314)	3,234,156	(4,072,874)
Total capital assets, being depreciated, net	8,658,637	(374,701)	(1,687,079)	6,596,857
Business-Type Activities Capital Assets, Net	<u>\$ 10,344,188</u>	<u>\$ (374,701)</u>	<u>\$ (2,872,630)</u>	<u>\$ 7,096,857</u>

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

IV. Detailed Notes on all Funds (continued)

D. Capital Assets (continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

Housing operations	\$ 14,658
Total Depreciation Expense - Governmental Activities	\$ 14,658

Business-Type Activities:

Smuggler Mountain Apartments	\$ 25,180
Aspen Country Inn, L.P.	120,459
Truscott Place Phase II, L.L.L.P.	264,675
Total Depreciation Expense - Business-Type Activities	\$ 410,314

E. Long-term Liabilities – Governmental Activities

1. Compensated Absences

All regular employees are granted paid time off and extended sick leave. Employees accrue paid time off and extended sick leave according to the following schedule:

Years of Service	Paid Time Off	Extended Sick Leave
0 to 5 years	176 hours per year	40 hours per year
After 5 years	224 hours per year	40 hours per year
Maximum Accrual	328 hours	Unlimited

Upon termination, an employee is paid 100% of the accrued paid time off up to the maximum accrual from the fund that paid the employee's salary. Accrued extended sick leave is paid at the ratio of one hour paid for three hours accrued, with a maximum payout of 240 hours. In accordance with GAAP, the City's approximate liability for paid time off and extended sick leave earned by employees at December 31, 2016 has been reflected in the proprietary type fund financial statements and in the governmental activities column of the government-wide financial statements.

2. Retirement Bonus

An employee that meets the rule of 80, attaining any combination of age and years of service totaling 80, and reaches age 55, and completes at least 15 years of continuous service is eligible for retirement. Eligible employees are entitled to a certain number of months of pay, depending on the year in which they become eligible. The retirement bonus liability for all eligible employees is recorded in the government-wide financial statements under non-current liabilities.

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

IV. Detailed Notes on all Funds (continued)

F. Long-term Liabilities – Business-type Activities

1. Aspen Country Inn, L.P.

- (a) **Enterprise Mortgage Investments, Inc.** – The Partnership entered into a mortgage loan agreement with Enterprise Mortgage Investments, Inc. on April 21, 2000 in the amount of \$1,625,000. The loan is secured by the first deed of trust on the project. Pursuant to the note, interest shall accrue at a rate of 8.246% per annum. Commencing on June, 1, 2000, the Partnership is required to make monthly payments of principal and interest in the amount of \$12,204. Any remaining principal and interest shall be due and payable on May 1, 2030. As of December 31, 2016, the principal balance was \$0. The Mortgage Note was paid off during the sale of the Partnership's fixed assets, see Note V. D.
- (b) **City of Aspen, Colorado** – Pursuant to the Agreement of Limited Partnership, the General Partner made a capital contribution totaling \$1,150,000 through a contribution of land to the Partnership. Upon closing of the permanent loan, the Partnership entered into a subordination agreement with the City. Pursuant to this agreement, the capital contribution as well as various permanent loan closing costs was converted into a note in the amount of \$1,558,000. The note is secured by a second deed of trust on the project. Interest shall accrue at a rate of 5% per annum. Subsequent to this agreement, the City loaned additional amounts to the Partnership totaling \$145,670. As of December 31, 2016, the principal balance was \$0 and the accrued interest was \$0. The Note Payable was paid off during the sale of the Partnership's fixed assets, see Note V. D.

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Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

IV. Detailed Notes on all Funds (continued)

F. Long-term Liabilities – Business-type Activities (continued)

2. Truscott Place Phase II, L.L.L.P.

- (a) **Colorado Housing and Finance Authority (CHFA)** – The Partnership entered into a mortgage note agreement with CHFA on May 1, 2003 in the amount of \$5,650,000. The loan is secured by the first deed of trust on the project. Pursuant to the note, interest shall accrue at a rate of 6.5% per annum. Commencing on July 1, 2003, the Partnership is required to make monthly payments of principal and interest in the amount of \$33,078. Any remaining principal and interest shall be due and payable on June 1, 2043. As of December 31, 2016, the principal balance was \$5,009,200.
- (b) **City of Aspen, Colorado** – The Partnership entered into a loan agreement with the City of Aspen on September 6, 2001 in the amount of \$2,900,000. The note is secured by a deed of trust on the project. Interest shall accrue at a fixed rate of 5.72% per annum. As of December 31, 2016, the principal balance was \$1,975,000 and the accrued interest was \$1,902,017.

Principal and any unpaid accrued interest is payable on October 22, 2047.

(c) **Consolidated annual debt service requirements:**

<u>Year Ending December 31</u>	<u>Principal</u>
2017	\$ 73,506
2018	78,429
2019	83,681
2020	89,286
2021	95,265
2022-2026	581,014
2027-2031	803,436
2032-2036	1,111,005
2037-2041	1,536,317
2042-2046	557,261
2047	1,975,000
	<u>\$ 6,984,200</u>

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

IV. Detailed Notes on all Funds (continued)

G. Long-term Liabilities – Activity

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 57,835	\$ 17,978	-	\$ 75,813	\$ 30,325
Retirement bonus	40,685	2,039	-	42,724	17,090
Total Governmental Activities					
Long-Term Liabilities	<u>98,520</u>	<u>20,017</u>	<u>-</u>	<u>118,537</u>	<u>47,415</u>
Business-Type Activities:					
Aspen Country Inn, L.P.:					
Enterprise Mortgage Investments, Inc.	1,275,641	-	(1,275,641)	-	-
City of Aspen	1,691,130	-	(1,691,130)	-	-
Truscott Place Phase II, L.L.L.P.:					
Colorado Housing and Finance Authority	5,078,092	(1,906,108)	-	3,171,984	73,506
City of Aspen	1,975,000	-	-	1,975,000	-
Total Business-Type Activities					
Long-Term Liabilities	<u>10,019,863</u>	<u>(1,906,108)</u>	<u>(2,966,771)</u>	<u>5,146,984</u>	<u>73,506</u>
Total Government-Wide					
Long-Term Liabilities	<u>\$10,118,383</u>	<u>\$ (1,886,091)</u>	<u>\$ (2,966,771)</u>	<u>\$ 5,265,521</u>	<u>\$ 120,921</u>

V. Other Information

A. Deferred Compensation Plans

The Authority participates in four deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Plan assets are invested with the Equitable Life Assurance Company of the United States (PEDC), Great West Life, International City Management Association Retirement Corporation (ICMARC), and Nationwide Retirement Services. The PEDC, Great West Life, and Nationwide plans have been closed to new employees.

The Authority also participates in two pension plans in accordance with Internal Revenue Code 401(a) plan. The plan assets are invested with Nationwide Retirement Services and ICMARC. The Nationwide plan has been closed to new employees.

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

V. Other Information (continued)

A. Deferred Compensation Plans (continued)

Contributions to these plans are accounted for in the respective fund where the employee's salary is recorded. The Authority has a mandatory contribution to the regular employee pension plan, irrespective of a regular employee's participation, equal to 5.5% of the regular employee's salary for the first five years of employment, 6.5% for the next five years and 7.5% per year thereafter. Vesting occurs at the rate of 20% per year of service. Upon an employee's separation of employment, all unvested Authority contributions and interest allocations are forfeited and are required to be used to reduce future Authority contributions to the plan. The total amount of forfeitures for the Authority for 2016 was \$0. Regular employees can elect to contribute their own deductions to the deferred compensation plan with a limit of \$18,000 for 2016. The assets of the plans are not available to general creditors of the Authority. The City of Aspen's City Council has the authority to change the contributions of the Authority.

The employees' funds in deferred compensation and pension plans are not available to employees until termination, retirement, death, or unforeseeable emergency. As of December 31, 2016, there were no unfunded deferred compensation or pension fund liabilities due to any deferred compensation or pension plans.

B. Contingent Liabilities

1. Legal

The Authority is a party to litigation under which it may suffer uninsured losses upon the decision of the courts. However, it is the opinion of the Authority's management and legal counsel that the results of this litigation will not have a material adverse effect on the Authority's financial position. No provision has been made in the financial statements for these contingent liabilities.

C. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and general liability. The Authority carries commercial coverage for these risks and does not expect claims to exceed their coverage.

1. Colorado Intergovernmental Risk Sharing Agency (CIRSA)

The Colorado Intergovernmental Risk Sharing Agency ("CIRSA") was formed by an intergovernmental agreement by member public entities pursuant to state statutes.

The purpose of CIRSA is to provide members defined liability and property coverages and to assist members in the prevention and reduction of losses and injuries to municipal property and employees, or to other persons or property, which might result in claims being made against members of CIRSA, their employees or officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability or loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The bylaws shall constitute the substance of the intergovernmental contract among the members.

Aspen/Pitkin County Housing Authority, Colorado
Notes to the Financial Statements
December 31, 2016
(continued)

V. Other Information (continued)

C. Risk Management (continued)

1. Colorado Intergovernmental Risk Sharing Agency (CIRSA) (continued)

CIRSA is governed by a Board of Directors, who are elected by the membership for two-year terms. All actions of the membership require a 2/3 majority vote of all the members present at a meeting. The scope, terms, conditions, and limitations of the coverages are governed by the applicable coverage policies and/or excess coverage policies, the CIRSA bylaws, and other applicable documents; the types and monetary limits of the coverages are generally described below.

The types of coverages include property, general liability, auto liability, law enforcement liability, public officials' errors and omissions liability, excess liability, crime coverage, and supplemental defense coverage. The 2016 CIRSA self-insured retentions are \$500,000 per claim for property, \$500,000 per claim for liability, and \$150,000 per claim for crime. There were no settled claims that exceeded insurance coverage in the year ended December 31, 2016.

CIRSA carries excess insurance with limits of \$500,500,000 per claim for property, \$10,000,000 per claim for liability (except auto liability which is \$5,000,000 per claim), and \$5,000,000 per claim for crime. The City's deductible for all coverages is \$10,000 per claim except auto liability which is \$5,000 per claim.

The City of Aspen's City Council approves the Authority's continued membership in CIRSA via their annual review of the City's budget for the various departments and funds.

D. Discontinued Operations

On September 20, 2016, Aspen Country Inn, L.P. entered into an agreement with ACI Affordable 1, L.L.L.P. for the sale of its fixed assets. The fixed asset proceeds were used to liquidate any related liabilities. As of year-end, Aspen Country Inn, L.P. distributed remaining equity to the partner(s) in amounts necessary to close their respective ownership interests.

Aspen Pitkin County Housing Authority



REQUIRED SUPPLEMENTARY INFORMATION

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Aspen/Pitkin County Housing Authority, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
General Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>			Final Budget Variance Positive (Negative)	<u>2015</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Intergovernmental	\$ 428,600	\$ 428,600	\$ 428,600	\$ -	\$ 393,000
Sales and development fees	536,200	536,200	578,920	42,720	653,034
Sale of housing units	500,000	500,000	336,911	(163,089)	-
Refund of expenditures	302,600	302,600	196,976	(105,624)	307,994
Earnings on investments	18,900	18,900	13,165	(5,735)	14,488
Other revenue	7,000	7,000	10,999	3,999	28,389
Total Revenues	<u>1,793,300</u>	<u>1,793,300</u>	<u>1,565,571</u>	<u>(227,729)</u>	<u>1,396,905</u>
Expenditures:					
Housing operations department	916,650	948,730	884,061	64,669	787,783
Sales department	613,230	613,230	103,449	509,781	375,043
Housing qualification department	180,730	180,730	181,057	(327)	219,997
Maintenance department	123,660	123,660	116,282	7,378	125,427
Cost of units sold	-	-	209,041	(209,041)	-
Total Expenditures	<u>1,834,270</u>	<u>1,866,350</u>	<u>1,493,890</u>	<u>372,460</u>	<u>1,508,250</u>
Changes in Fund Balance	<u>\$ (40,970)</u>	<u>\$ (73,050)</u>	71,681	<u>\$ 144,731</u>	(111,345)
Reconciliation to GAAP Basis:					
Housing units held for sale			-		228,341
Excess (Deficiency) of Revenues Over Expenditures			71,681		116,996
Fund Balance - Beginning			<u>1,914,904</u>		<u>1,797,908</u>
Fund Balance - Ending			<u>\$ 1,986,585</u>		<u>\$ 1,914,904</u>

Aspen/Pitkin County Housing Authority, Colorado
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Special Revenue Fund
APCHA Development Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>			<u>2015</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive</u>	<u>Actual</u>
Revenues:					
Sale of affordable housing units	\$ -	\$ -	\$ -	\$ -	\$ 302,542
Refund of expenditures	-	-	3,100	3,100	-
Earnings on investments	-	-	7,838	7,838	6,440
Total Revenues	<u>-</u>	<u>-</u>	<u>10,938</u>	<u>10,938</u>	<u>308,982</u>
Expenditures:	-	7,000	7,000	-	37,833
Changes in Fund Balance	<u>\$ -</u>	<u>\$ (7,000)</u>	3,938	<u>\$ 10,938</u>	271,149
Reconciliation to GAAP Basis:					
Housing units held for sale			<u>-</u>		<u>(134,000)</u>
Changes in Fund Balance - GAAP Basis			3,938		137,149
Fund Balance - Beginning			<u>1,375,608</u>		<u>1,238,459</u>
Fund Balance - Ending			<u>\$ 1,379,546</u>		<u>\$ 1,375,608</u>

Aspen Pitkin County Housing Authority



SUPPLEMENTARY INFORMATION

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Aspen/Pitkin County Housing Authority, Colorado
Schedule of Revenues, Expenses, and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Proprietary Funds
Smuggler Mountain Apartment Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>			Final Budget Variance Positive (Negative)	<u>2015</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:					
Rental income	\$ 70,540	\$ 70,540	\$ 70,494	\$ (46)	\$ 66,545
Earnings on investments	2,400	2,400	2,164	(236)	2,457
Other revenues	270	270	35	(235)	281
Total Revenues	<u>73,210</u>	<u>73,210</u>	<u>72,693</u>	<u>(517)</u>	<u>69,283</u>
Expenses:					
Operating expenses	96,350	96,350	44,291	52,059	72,771
Property, plant, and equipment	-	-	-	-	525
Total Expenses	<u>96,350</u>	<u>96,350</u>	<u>44,291</u>	<u>52,059</u>	<u>73,296</u>
Change in Net Position - Budget Basis	<u>\$ (23,140)</u>	<u>\$ (23,140)</u>	28,402	<u>\$ 51,542</u>	(4,013)
Reconciliation to GAAP Basis:					
Capitalized expenses			-		525
Depreciation			<u>(25,180)</u>		<u>(25,115)</u>
Change in Net Position - GAAP Basis			3,222		(28,603)
Net Position - Beginning			<u>328,810</u>		<u>357,413</u>
Net Position - Ending			<u>\$ 332,032</u>		<u>\$ 328,810</u>

Aspen/Pitkin County Housing Authority, Colorado
Schedule of Revenues, Expenses, and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Proprietary Funds
Aspen Country Inn, L.P.
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>		<u>2015</u>	
	<u>Original and Final Budget*</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Rents and royalties	\$ 416,770	\$ 282,516	\$ (134,254)	\$ 400,314
Other income	9,280	10,901	1,621	13,955
Refund of expenditures	1,720,000	365,848	(1,354,152)	-
Investment earnings	90	28	(62)	104
Contributions	535,000	-	(535,000)	-
Total Revenues	<u>2,681,140</u>	<u>659,293</u>	<u>(1,486,847)</u>	<u>414,373</u>
Expenses:				
Operating expenses	229,460	158,604	70,856	228,878
Reimbursable expenses	2,620,000	361,547	2,258,453	-
Debt service:				
Principal	46,510	32,534	13,976	42,848
Interest	99,930	75,304	24,626	103,594
Total Expenses	<u>2,995,900</u>	<u>627,989</u>	<u>2,367,911</u>	<u>375,320</u>
Change in Net Position - Budget Basis	<u>\$ (314,760)</u>	31,304	<u>\$ 881,064</u>	39,053
Reconciliation to GAAP Basis:				
Debt issuance costs		(440)		-
Debt principal payments		32,534		42,848
Debt accrued interest		(93,300)		(101,468)
Depreciation		(120,459)		(162,294)
Amortization		(2,024)		(2,699)
Disposal of capital assets		1,665,506		-
Capital distributions		(475,908)		-
Change in Net Position - GAAP Basis		1,037,213		(184,560)
Net Position - Beginning		<u>(1,037,213)</u>		<u>(852,653)</u>
Net Position - Ending		<u>\$ -</u>		<u>\$(1,037,213)</u>

* Legally adopted appropriations are not required for Aspen Country Inn, L.P. Planning budgets have been presented.

Aspen/Pitkin County Housing Authority, Colorado
Schedule of Revenues, Expenses, and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Proprietary Funds
Truscott Place Phase II, L.L.L.P.
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>		<u>2015</u>	
	<u>Original and Final Budget*</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Rents and royalties	\$ 980,660	\$ 979,685	\$ (975)	\$ 979,894
Other income	21,080	16,985	(4,095)	21,254
Investment earnings	330	392	62	317
Total Revenues	<u>1,002,070</u>	<u>997,062</u>	<u>(5,008)</u>	<u>1,001,465</u>
Expenses:				
Operating expenses	525,660	449,418	76,242	495,189
Property, plant, and equipment	777,610	35,613	741,997	84,967
Debt service:				
Principal	68,890	68,892	(2)	59,346
Interest	328,050	328,048	2	304,515
Total Expenses	<u>1,700,210</u>	<u>881,971</u>	<u>818,239</u>	<u>944,017</u>
Change in Net Position - Budget Basis	<u>\$ (698,140)</u>	115,091	<u>\$ 813,231</u>	57,448
Reconciliation to GAAP Basis:				
Capitalized expenses		35,613		84,967
Debt principal payments		68,892		59,346
Debt accrued interest		(112,596)		(140,477)
Depreciation		(264,675)		(263,785)
Amortization		(7,225)		(7,225)
Asset/partnership management fee		(10,000)		(10,104)
Change in Net Position - GAAP Basis		(174,900)		(219,830)
Net Position - Beginning		<u>(541,022)</u>		<u>(321,192)</u>
Net Position - Ending		<u>\$ (715,922)</u>		<u>\$ (541,022)</u>

* Legally adopted appropriations are not required for Truscott Place Phase II, L.L.L.P. Planning budgets have been presented.

City of Aspen, Colorado

2016 Aspen / Pitkin County

Housing Authority

Financial Report

Finance Department

130 South Galena Street

Aspen, CO 81611

