

Huron Landing Authority

**Financial Statements, Supplementary Information
and Independent Auditor's Report**

Year Ended December 31, 2018

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Independent Auditor's Report

Board of Directors
Huron Landing Authority
Breckenridge, Colorado

We have audited the accompanying financial statements of Huron Landing Authority, a component unit of the Town of Breckenridge, Colorado, as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huron Landing Authority as of December 31, 2018, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

The budgetary comparison schedule listed as supplementary information in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such formation 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 information is fairly stated, in all material respects, in relation the basic financial statements as a whole.



Littleton, Colorado
July 31, 2019

Huron Landing Authority
Statement of Net Position
December 31, 2018

ASSETS	2018
Current assets:	
Operating cash	\$ 303,155
Reserve for Replacement	9,357
Prepaid expense	69
Security deposits	38,722
	351,303
 Capital assets:	
Land	270,000
Building	8,170,180
Capital Other	5,455
	8,445,635
Less accumulated depreciation	-
	8,445,635
	\$ 8,796,938

(Continued)

Huron Landing Authority
Statement of Net Position (continued)
December 31, 2018

LIABILITIES AND NET POSITION

	2018
Current liabilities:	
Accounts payable	\$ 12,721
Prepaid Rent	939
Due to Town of Breckenridge	12,560
Security deposits payable	38,700
	64,920
 Long term liabilities	 -
 Net position:	
Net investment in capital assets	8,445,635
Restricted for distribution under IGA	276,935
Restricted for emergency reserve - 3% TABOR	15,293
Unrestricted	(5,845)
	8,732,018
	\$ 8,796,938

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

Huron Landing Authority
Statement of Revenue, Expenses and Changes in Net Position
Year Ended December 31, 2018

	2018
Revenues:	
Rental	\$ 497,412
Other tenant charges	12,364
Total operating revenues	509,776
 Costs and expenses:	
Personnel	57,038
Utilities	46,566
Administrative	40,918
Landscape and grounds	21,617
Property insurance	15,212
Repairs and maintenance	11,095
Janitorial	8,144
Total operating expenses	200,590
 Net operating income	309,186
 Nonoperating income (expense):	
Interest income	834
Contribution from local governments	8,170,180
Distributions to local governments	(125,141)
Appliance replacement expense	(4,215)
Total nonoperating income (expenses)	8,041,658
 Change in net position	8,350,844
Net position-beginning of year	381,174
Net position-end of year	\$ 8,732,018

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

Huron Landing Authority
Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:	
Cash received from customers	\$ 510,440
Cash paid to suppliers and contractors	(171,724)
Cash paid to personnel for services	(20,033)
Net cash provided by operating activities	318,683
 Cash flows from investing activities:	
Interest received	834
Reserve account - funding	(6,607)
Appliance replacement expense	(4,215)
Security deposits	1,680
Net cash provided by (used in) noncapital financing activities	(8,308)
 Cash flows from capital and related financing activities:	
Purchase of capital asset- other	(5,455)
Security liabilities	(1,700)
Distribution of Net Revenues to Town	(125,141)
Net cash used in capital and related financing activities	(132,296)
Change in cash	178,079
Cash at beginning of period	125,076
Cash at the end of the period	\$ 303,155
 Reconciliation of net operating income to net cash provided by operating activities:	
Net operating income	\$ 309,186
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Prepaid expenses	4,674
Accounts payable and accrued expenses	4,823
	\$ 318,683
 Non cash capital and financing activities:	
Contribution of capital asset	\$ 8,170,180

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

Huron Landing Authority

Notes to Financial Statements (continued)

December 31, 2018

1. Definition of reporting entity

History and business activity

Huron Landing Authority was formed on April 11, 2017 as a public corporation (Authority). The Authority was created by an Intergovernmental Agreement between the Town of Breckenridge (“Town”), a Colorado municipal corporation and Summit County, Colorado, acting by and through the Board of County Commissioners of Summit County, Colorado (“County”). The Authority is a political subdivision and a public corporation, separate and apart from the Town and County.

It was formed to acquire, construct and operate 26 units of workforce housing units known as Huron Landing (the Project). The Project’s principal business is located in Breckenridge, Colorado and its principal business activities consists of owning, holding and operating the property located at on Huron Road in Breckenridge, Colorado. The Project was established through an intergovernmental agreement by the Town of Breckenridge and Summit Count, Colorado to jointly develop affordable workforce housing units. The Project is 51% owned by the Town of Breckenridge (the Town) and 49% owned by Summit County, Colorado (the County).

The Authority will continue in existence in perpetuity unless terminated earlier, provided, however that the intergovernmental agreement shall not be terminated so long as the Authority has any bonds, notes or other obligations (including but not limited to, the project debt service for the Town’s certification of participation issued to finance the Project) outstanding, unless provision for full payment by escrow or otherwise has been made.

The Authority follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Authority has no employees. Personnel are employees of the management company and are billed to the Authority based on time spent. Certain managerial functions are contracted.

The Authority is not financially accountable for any other organization. The Authority is a special purpose government engaged in a business type activity and is a component unit of the Town. If the Authority suffers losses from the Project, it is agreed that the Town shall pay 51% and the County shall pay the remaining 49% of any such losses, subject to appropriation restrictions described in note 4.

Huron Landing Authority

Notes to Financial Statements (continued)

December 31, 2018

2. Summary of Significant Accounting Policies

The following summary of accounting policies of Huron Landing Authority is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, which is responsible for their integrity and objectivity. These policies conform to accounting principles generally accepted in the United States of America.

Basic financial statements

The Authority is a single purpose entity with one proprietary fund. The statement of net position reports all financial and capital resources of the Authority. There are no deferred inflows or outflows. The statement of revenues, expenses and changes in net position demonstrate the degree to which direct expenses offset single program revenue. Program revenue includes charges to tenants or applicants who use or directly benefit from the Project.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority consists of a one proprietary fund reported using the *economic resource measurement focus* and the accrual basis of accounting. The budget was prepared on the modified accrual basis of accounting which did not consider prepaid expenses and certain liabilities which are included in the accrual basis presentation.

Capital assets

Capital assets include property and equipment. Conveyed capital assets are recorded at acquisition value as of the date received based on the donor's recent acquisition cost, constructions costs, professional fees, interim costs, soft costs and the developer fee. These assets were placed into service July 13, 2017 and conveyed to the Authority on December 12, 2018. The depreciable life of the building is 40 years. The cost of improvements is capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of revenue, expenses and change in net position.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles held and used by an entity are to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Through December 31, 2018, no impairment of these assets has been recognized in the financial statements.

Huron Landing Authority
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Revenue recognition, accounts receivable and bad debt

Revenue and expenses are recorded on the accrual basis. The Project records leases with tenants using the operating method. There are no leases with non-cancelable terms in excess of one year. Rental income is recognized as rents become due. Revenue received for future rent is deferred until the applicable period. Tenant receivables are stated at unpaid balances. Management writes off accounts receivable based on their judgments in evaluating the aging of the related receivable and the current status of the tenant.

Estimates

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

Statement of cash flows

Amounts classified as cash represent demand deposits and short-term investments with a maturity of three months or less.

3. Budgetary information

Formal budgetary integration is employed as a management control device during the year for the fund. Formal budgetary integration is also employed to comply with the State of Colorado Budget Law. The Board of Directors adopted the Authority budget in accordance with Colorado Revised Statutes.

The budget is adopted on a basis which differs from GAAP in that capital expenditures are included in the budget and contributions from and distributions to local governments are not included in the budget. Total fund expenses cannot exceed appropriations.

The Board of Directors may amend the budget subsequent to adoption, in accordance with provisions of Colorado Revised State Statutes. The Authority's 2018 expenses exceeded budgeted appropriations, which may be a violation of State statutes.

Huron Landing Authority
Notes to Financial Statements (continued)
December 31, 2018

4. Related Party Transactions

Intergovernmental Agreements

In an Intergovernmental Agreement (IGA), dated January 15, 2016, prior to the formation of the Authority, the Owners agreed, among other matters:

- The land, previously solely owned by the County would be conveyed to the Owners as tenants in common.
- The Owners agreed to jointly develop the Project by executing a guaranteed maximum price construction contract with a general contractor approved by both Owners
- The Town issued its certificates of participation that included the amount of \$8,629,480 to finance the costs of developing and constructing the Project
- The Town waived water plant investment fees, certain development permits, annexation costs, Town attorney fees and snow removal costs. The County provided contribution of the property, building permit fees, fees for inclusion in the sanitation district, sewer tap fees and cost of County staff and attorneys required for the IGA.
- Except for the in-kind services waived, the Owners agreed to each pay one-half of the total cost of developing, managing and maintaining the Project.

In an IGA dated April 11, 2017, which gave recognition to the IGA above, the Owners also agreed to form the Authority in a separate legal entity to own, operate, manage, control and rent the Project. The Project was then to be contributed to the Authority, with certain restrictions on the distribution of Net of Operating Revenues described in note 5. Contributions of land and building of \$270,000 and \$8,170,180 were recorded at the Owners' cost, on July 14, 2017 and December 12, 2018, respectively, most of which was paid to the contractor under a guaranteed maximum price construction project.

5. Capital assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance			Balance
	1/1/2018	Additions	Deletions	12/31/2018
Capital assets, not being depreciated:				
Land	\$ 270,000	\$ -	\$ -	\$ 270,000
Building	-	8,170,180	-	8,170,180
Capital, other	-	5,455	-	5,455
Total capital assets, not being depreciated	<u>\$ 270,000</u>	<u>\$ 8,175,635</u>	<u>\$ -</u>	<u>\$ 8,445,635</u>

No depreciation has been recognized in the financials for 2018 as depreciable property was conveyed to the Authority on December 12, 2018 and is not material for the year.

Huron Landing Authority
Notes to Financial Statements (continued)
December 31, 2018

6. Commitments and Contingencies

Management agreement

The Town is responsible by agreement with the Board of County Commissioners of Summit County, Colorado for managing the project and has retained Corum Real Estate Group to provide property management services for the Project. The fee is the greater of 5% of monthly gross collected rents or \$2,500 per month. During the years ended December 31, 2018, fees of \$30,000 were earned.

Restrictions on Project Use

Certain qualifications and restrictions apply to tenants of the Project. Per the IGA, the Owners agreed that at initial lease-up 50% of the units in the Project would be offered for lease to persons who work in the Upper Blue River Basin and 50% to persons who work in Summit County. Subsequent to initial lease-up, units are to be leased to persons who work in Summit County.

Appropriations

The Town's and County's financial obligations after 2018 under the IGA are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available by the Town Council for the Town and the Board of County Commissioners of Summit County, Colorado for the County.

Distribution of Net Operating Revenues

In January 2016, the Town issued its certificates of participation that included the amount of \$8,628,000 to finance the costs of developing and constructing the Project. In return for this debt service, all Net Operating Revenue of the Project is to be paid to the Town until the debt has been fully paid. Net Operating Revenue per the IGA is defined as all income less all expenses incurred in connection with the operations of the Project. Under the IGA, the Owners agree to share 51% by the Town and 49% by the County in the payment of that portion of the debt service that is not covered by the net operating revenue. After full repayment of the debt, distributions of Net Operating Revenue shall be made to the Town and County in the same percentages. As of December 31, 2018, \$125,141 had been applied towards the debt repayment. The Net Position Restricted for Distribution under the IGA represent amounts to be distributed in 2019.

7. Concentration of Credit Risk

The Authority maintains cash balances at banks that are insured by the Federal Deposit Insurance Corporation. Certain accounts are insured up to \$250,000. At certain times of the year, cash balances may exceed this coverage. At December 31, 2018, cash balances at the institution exceeded FDIC coverage by approximately \$101,000. The Authority has not formally adopted a deposit policy that limit the government's allowable deposits and address specific types of risk to such exposure.

Huron Landing Authority
Notes to Financial Statements (continued)
December 31, 2018

8. Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the state of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Authority's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise, will require judicial interpretation.

Huron Landing Authority

Supplementary Information

Huron Landing Authority
Budgetary Comparison Schedule
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Rental income	\$ 489,900	\$ 497,412	\$ 7,512
Other income	11,648	12,364	716
Total Income	<u>501,548</u>	<u>509,776</u>	<u>8,228</u>
Administrative	39,978	40,918	(940)
Personnel	37,704	57,038	(19,334)
Repair & Maintenance:			
HVAC/Plumbing	300	1,235	(935)
General R&M	5,139	9,860	(4,721)
Total Repair & Maintenance	<u>5,439</u>	<u>11,095</u>	<u>(5,656)</u>
Grounds	25,850	21,617	4,233
Utilities	32,214	46,566	(14,352)
Janitorial	2,604	8,144	(5,540)
Insurance	11,456	15,212	(3,756)
Total Expenses	<u>155,245</u>	<u>200,590</u>	<u>(45,345)</u>
Total Net Operating Income	346,303	309,186	(37,117)
Nonoperating Revenues(expenses):			
Interest income	-	834	834
Replacement Reserve	(11,160)	(4,215)	6,945
Replacement Reserve Deposits	(6,600)	(6,607)	(7)
Contribution from local governments	-	8,170,180	8,170,180
Distributions to local governments	-	(125,141)	(125,141)
Total Nonoperating Revenues(Expenses)	<u>(17,760)</u>	<u>8,035,051</u>	<u>8,052,811</u>
Net Income, Non-GAAP Basis	328,543	8,344,237	8,015,694
Net Position-Beginning of Year	-	381,174	-
Net Position-End of Year	<u>\$ 328,543</u>	<u>\$ 8,725,411</u>	<u>\$ 8,015,694</u>
Net Income, Non-GAAP Basis		<u>\$ 8,344,237</u>	
Adjustments:			
Replacement Reserve Deposits		<u>6,607</u>	
Total Adjustments		<u>6,607</u>	
Net Income, GAAP Basis		<u>\$ 8,350,844</u>	