



Financial Statements
December 31, 2018

Summit Combined Housing Authority

Summit Combined Housing Authority

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Summit Combined Housing Authority (the "Authority") 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 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Authority as of December 31, 2018, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Denver, Colorado
August 12, 2019

Summit Combined Housing Authority Management's Discussion and Analysis

Introduction:

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

Overview of the Financial Statements of the Authority:

The audited financial statements of the Authority are:

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

The financial statements of the Authority are presented as a special purpose government engaged in business and government type activities. These financial statements distinguish between the functions of the Authority that will be principally supported by taxes. The functions of the Authority include providing down payment assistance loans to eligible borrowers, selling deed restricted properties, assisting the jurisdictions and developers with affordable housing developments, managing jurisdiction-owned rental properties, providing community education programs, and monitoring the restrictions of deed restricted properties.

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

The **Statement of Activities** provides information about the components – program expenses, program revenue, and general revenue – of the Authority's annual operating activities and how those activities affected net position.

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

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

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

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

The **Statement of Net Position - Proprietary Fund, Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund, and Statement of Cash Flows - Proprietary Fund** present the financial position and activities of the Loan Program Fund using the accrual method of accounting.

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

Condensed Comparative Financial Information:

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

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Current Assets				
Cash and cash equivalents	\$ 350,285	\$ 425,058	\$ -	\$ -
Other current assets	2,045,582	1,855,674	1,257,578	1,232,993
	<u>2,395,867</u>	<u>2,280,732</u>	<u>1,257,578</u>	<u>1,232,993</u>
Non Current Assets				
Capital assets - net	2,670	5,340	-	-
Notes receivable - long term	-	-	1,195,828	1,149,792
Total assets	<u>2,398,537</u>	<u>2,286,072</u>	<u>2,453,406</u>	<u>2,382,785</u>
Current Liabilities	1,967,805	1,815,555	90,865	-
Non current liabilities	5,739	12,483	-	-
Total liabilities	<u>1,973,544</u>	<u>1,828,038</u>	<u>90,865</u>	<u>-</u>
Net Position				
Net investment in capital assets	2,670	5,340	-	-
Restricted	88,958	56,419	2,362,541	2,382,785
Unrestricted	333,365	396,275	-	-
Total net position	<u>\$ 424,993</u>	<u>\$ 458,034</u>	<u>\$ 2,362,541</u>	<u>\$ 2,382,785</u>

Table A-2
Condensed Statement of Activities

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Program expenses	\$ 10,444,406	\$ 9,582,059	\$ 96,877	\$ 1,870
Program revenues	217,791	192,938	76,476	55,335
Net program expense	<u>10,226,615</u>	<u>9,389,121</u>	<u>20,401</u>	<u>(53,465)</u>
General revenues	10,193,574	9,382,435	157	4,058
Change in net position	<u>(33,041)</u>	<u>(6,686)</u>	<u>(20,244)</u>	<u>57,523</u>
Net position - beginning	458,034	464,720	2,382,785	2,325,262
Net position - ending	<u>\$ 424,993</u>	<u>\$ 458,034</u>	<u>\$ 2,362,541</u>	<u>\$ 2,382,785</u>

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

Discussion of Financial Position and Operating Activities

Net position at the end of December 2018 was \$424,993 for the governmental activities, \$2,362,541 for the business-type activities and \$2,787,534 for the primary government. In total for the primary government, the change in net position was (\$53,285).

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

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

In 2018, program expense exceeded program revenues by \$10,226,615 for the governmental activities. This was offset by net general revenues of \$10,193,574, which resulted in a decrease in net position. See page 8 of the accompanying Financial Statements for details of these revenues and expenses.

Fund Discussion

The Governmental Fund – General Fund balance decreased from \$465,177 to \$428,062. The fund balance includes \$20,000 for emergencies in accordance with TABOR requirements, \$36,437 restricted for Ophir Mountain, \$31,758 restricted for the Town of Breckenridge, \$763 restricted by donors, and \$3,304 that is nonspendable. The remaining assets and liabilities are comprised of intergovernmental receivables and sales tax revenues to be collected and disbursed in 2019. There is also accounts receivable in the amount of \$11,036 as reimbursements for services performed.

General Fund Budgetary Discussion

Actual revenues for 2018 were \$87,945 less than the final budget. Actual expenditures for 2018 were \$54,286 less than the final budget. See page 11 of the accompanying financial statements for more detail.

Capital Assets and Long-Term Obligations

Capital Assets. The Authority's capital assets consist solely of software. There were no additions or sales in 2018. See Note 3 of the Notes to the Financial Statements on page 21.

Long-term Debt. The Authority has a contingent liability in the amount of \$250,000 to the Town of Breckenridge relating to the financing of Breckenridge Terrace, LLC in which the Authority borrowed the money from the Town and immediately used those funds to acquire a fifty-percent equity interest in Breckenridge Terrace, LLC. This is payable to the Town of Breckenridge, plus 5% simple interest, only to the extent they are repaid by Breckenridge Terrace, LLC. For additional information see Note 5 of the Notes to the Financial Statements on page 22.

Economic Factors and Next Year's Budget

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

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

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

Summit Combined Housing Authority

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 350,285	\$ -	\$ 350,285
Cash and cash equivalents - restricted	70,579	1,173,987	1,244,566
Accounts receivable	11,036	-	11,036
Taxes receivable	1,958,248	-	1,958,248
Internal balances	2,415	(2,415)	-
Prepaid expenses	3,304	-	3,304
Interest receivable	-	7,471	7,471
Notes receivable, current portion	-	78,535	78,535
Total assets	2,395,867	1,257,578	3,653,445
Noncurrent Assets			
Notes receivable, long-term portion (net)	-	1,195,828	1,195,828
Capital assets			
Depreciable	13,350	-	13,350
Less: Accumulated depreciation	(10,680)	-	(10,680)
Total noncurrent assets	2,670	1,195,828	1,198,498
Total assets	2,398,537	2,453,406	4,851,943
Liabilities			
Current liabilities			
Accounts payable	1,966,305	90,865	2,057,170
Deposits	1,500	-	1,500
Total current liabilities	1,967,805	90,865	2,058,670
Noncurrent liabilities			
Accrued vacation	5,739	-	5,739
Total noncurrent liabilities	5,739	-	5,739
Total liabilities	1,973,544	90,865	2,064,409
Net position			
Net investment in capital assets	2,670	-	2,670
Restricted for Ophir Mountain	36,437	-	36,437
Restricted for loan programs	-	2,362,541	2,362,541
Restricted for grants	763	-	763
Restricted for Town of Breckenridge	31,758	-	31,758
Restricted for emergencies	20,000	-	20,000
Unrestricted	333,365	-	333,365
Total net position	\$ 424,993	\$ 2,362,541	\$ 2,787,534

Summit Combined Housing Authority
Statement of Activities
Year Ended December 31, 2018

Functions / Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	Total
Primary government						
Governmental Activities:						
Housing	\$ 10,444,406	\$ 196,791	\$ 21,000	\$ (10,226,615)	\$ -	\$ (10,226,615)
Total governmental activities	<u>10,444,406</u>	<u>196,791</u>	<u>21,000</u>	<u>(10,226,615)</u>	<u>-</u>	<u>(10,226,615)</u>
Business-Type Activities:						
Loan program	96,877	33,512	42,964	-	(20,401)	(20,401)
Total business-type activities	<u>96,877</u>	<u>33,512</u>	<u>42,964</u>	<u>-</u>	<u>(20,401)</u>	<u>(20,401)</u>
Total primary government	<u>\$ 10,541,283</u>	<u>\$ 230,303</u>	<u>\$ 63,964</u>	<u>(10,226,615)</u>	<u>(20,401)</u>	<u>(10,247,016)</u>
General revenues:						
Sales taxes				10,193,131	-	10,193,131
Interest income				443	157	600
Total general revenues and transfers				<u>10,193,574</u>	<u>157</u>	<u>10,193,731</u>
Changes in net position				(33,041)	(20,244)	(53,285)
Net position - beginning				458,034	2,382,785	2,840,819
Net position - ending				<u>\$ 424,993</u>	<u>\$ 2,362,541</u>	<u>\$ 2,787,534</u>

Summit Combined Housing Authority

Balance Sheet – Governmental Fund

December 31, 2018

	General
Assets	
Cash and cash equivalents	\$ 350,285
Cash and cash equivalents - restricted	70,579
Accounts receivable	11,036
Taxes receivable	1,958,248
Due from loan fund	2,415
Prepaid expenses	3,304
Total assets	<u>\$ 2,395,867</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 1,966,305
Deposits	1,500
Total liabilities	<u>1,967,805</u>
Fund Balance	
Nonspendable fund balance - prepaid expenses	3,304
Restricted - Ophir Mountain	36,437
Restricted - Town of Breckenridge	31,758
Restricted - Grants	763
Restricted - Emergencies	20,000
Unassigned	335,800
Total fund balance	<u>428,062</u>
Total liabilities and fund balance	<u>\$ 2,395,867</u>

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

Total fund balances - governmental funds	\$ 428,062
Capital assets in government activities are not current financial resources and, therefore, are not reported in the funds.	2,670
Long-term liabilities including compensated absences are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(5,739)</u>
Net position of governmental activities	<u>\$ 424,993</u>

Summit Combined Housing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended December 31, 2018

	<u>General</u>
Revenues	
Sales taxes	\$ 10,193,131
Intergovernmental	21,000
Charges for services	196,791
Interest income	443
Total revenues	<u>10,411,365</u>
Expenditures	
Sales tax distributions	9,872,564
Sales tax collections fees	68,065
Salaries and benefits	388,180
Operations	119,671
Total expenditures	<u>10,448,480</u>
Net change in fund balance	(37,115)
Fund balance - beginning	465,177
Fund balance - ending	<u>\$ 428,062</u>

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

Net change in fund balances - total government funds	\$ (37,115)
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(2,670)
The expense associated with accrued vacation is not payable from current financial resources and, therefore, is not recorded in the governmental funds.	<u>6,744</u>
Change in net position - governmental funds	<u>\$ (33,041)</u>

Summit Combined Housing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Governmental Fund
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amount	Variances - Over (Under)
Revenues				
Sales taxes	\$ 9,489,195	\$ 10,193,131	\$ 10,193,131	\$ -
Intergovernmental	38,500	38,500	21,000	(17,500)
Charges for services	267,241	267,241	196,791	(70,450)
Interest income	438	438	443	5
Total revenues	<u>9,795,374</u>	<u>10,499,310</u>	<u>10,411,365</u>	<u>(87,945)</u>
Expenditures				
Sales tax distributions	9,202,332	9,872,564	9,872,564	-
Sales tax collection fees	67,863	68,065	68,065	-
Salaries and benefits	413,047	413,047	388,180	(24,867)
Operations	149,090	149,090	119,671	(29,419)
Total expenditures	<u>9,832,332</u>	<u>10,502,766</u>	<u>10,448,480</u>	<u>(54,286)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (36,958)</u>	<u>\$ (3,456)</u>	<u>(37,115)</u>	<u>\$ (33,659)</u>
Fund balance - beginning			<u>465,177</u>	
Fund balance - ending			<u>\$ 428,062</u>	

Summit Combined Housing Authority

Statement of Net Position

Proprietary Fund

December 31, 2018

	Loan Program
Assets	
Current Assets	
Cash and cash equivalents - restricted	\$ 1,173,987
Interest receivable	7,471
Notes receivable, current portion	78,535
Total current assets	<u>1,259,993</u>
Noncurrent assets	
Notes receivable, long term portion (net of allowance)	1,195,828
Total noncurrent assets	<u>1,195,828</u>
Total assets	<u>2,455,821</u>
Liabilities	
Current Liabilities	
Accounts payable	90,865
Due to general fund	2,415
Total current liabilities	<u>93,280</u>
Total liabilities	<u>93,280</u>
Net position	
Restricted for loan programs	<u>2,362,541</u>
Total net position	<u>\$ 2,362,541</u>

Summit Combined Housing Authority
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended December 31, 2018

	Loan Program
Operating Revenues	
Loan interest and fees	\$ 33,512
Grants	42,964
Total operating revenues	<u>76,476</u>
Operating Expenses	
Loan closeout expense	90,865
Bad debt	4,152
Operating expenses	1,860
Total operating expenses	<u>96,877</u>
Operating loss	<u>(20,401)</u>
Nonoperating Revenues	
Interest income	157
Total nonoperating revenues	<u>157</u>
Change in net position	(20,244)
Net position, beginning	<u>2,382,785</u>
Net position, ending	<u><u>\$ 2,362,541</u></u>

Summit Combined Housing Authority

Statement of Cash Flows

Proprietary Fund

Year Ended December 31, 2018

	Loan Program
Cash Flows From Operating Activities:	
Receipts from borrowers	\$ 298,862
Loans made to borrowers	(310,274)
Receipts from grantors	42,964
Payments made to suppliers	(1,860)
Interfund	2,415
Net cash provided by operating activities	<u>32,107</u>
Cash Flows From Investing Activities	
Interest income	157
Net cash provided by noncapital financing activities	<u>157</u>
Net change in cash	32,264
Cash and cash equivalents, beginning	<u>1,141,723</u>
Cash and cash equivalents, ending	<u>\$ 1,173,987</u>
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities:	
Net operating loss	\$ (20,401)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Increase in notes receivable	(45,735)
Decrease in interest receivable	4,963
Increase in interfund payable	2,415
Increase in accounts payable	<u>90,865</u>
Net cash provided by operating activities	<u>\$ 32,107</u>

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

Reporting Entity

The Governmental Accounting Standards Board (GASB) is the authoritative body and the Authority follows all GASB accounting pronouncements, which provides guidance for determining which governmental activities, 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 is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

Management Agreement

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

Basis of Presentation

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

Government-wide and Fund Financial Statements

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

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

Fund Accounting

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation***Government-wide Financial Statements***

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

Fund Financial Statements

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

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

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

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

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

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

Revenue

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

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

Expenses/Expenditures

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

Assets and Liabilities

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

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

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

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

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

Accrued Liabilities and Long-Term Obligation

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

Net Position

Net position is classified and displayed in three components:

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

Fund Balance

Nonspendable – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$3,304 as of December 31, 2018 and is related to prepaid expenses.

Restricted – General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the Authority to establish emergency reserves (see Note 6). A restriction of \$20,000 of the General Fund balance has been made in compliance with this requirement. Additionally, \$36,437 has been restricted for use related to Ophir Mountain, \$763 has been restricted by donors, and \$31,758 has been restricted for use related to the Town of Breckenridge.

Committed – General Fund - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The Authority had no committed fund balance as of December 31, 2018.

Assigned – Includes all amounts that are constrained by the Authority's intent to be used for a specific purpose but are neither committed nor restricted. As of December 31, 2018, the assigned fund balance was \$0.

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

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is made, it is the Authority's policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and then unassigned.

Budgets and Budgetary Accounting

Budgets are adopted on an accrual basis. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

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

- Budgets are required by state law for all General and Special Revenue funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The Authority Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Authority Board or revised by the Authority Board.

Use of Estimates in the Preparation of Financial Statements

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

Note 2 - Cash and Investments

Cash Deposits

As of December 31, 2018, the Authority's cash deposits had a carrying balance of \$1,594,851 with corresponding bank balance of \$1,597,811 of which \$253,878 is federally insured. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Authority had \$1,343,933 collateralized under PDPA.

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2018, none of the Authority's bank deposits were exposed to custodial credit risk.

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

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

As of December 31, 2018, the Board had not adopted a formal investment policy and had no investments.

Note 3 - Capital Assets

A summary of changes to capital assets for 2018 is as follows:

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

Depreciation expense of \$2,670 was charged to the Housing Function.

Note 4 - Notes Receivable

Notes receivable at December 31, 2018 consisted of the following:

Loan Program Fund	
Down payment assistance and rehabilitation (interest rates of 2%-3%)	\$ 1,323,697
Less allowance for doubtful accounts	<u>(49,334)</u>
Net loan program receivables	<u>1,274,363</u>
Total	<u>\$ 1,274,363</u>

Loan Program Fund

The Authority has several loans outstanding for down payment assistance and rehabilitation. Loans have an interest rate of either 2% or 3%, depending on the specific loan program and origination date. Loans in default accrue interest at 6%. The balance of these loans is reported in the Loan Program Fund. Management has established an allowance for uncollectible accounts in the amount of \$49,334.

Note 5 - Interest in Breckenridge Terrace LLC

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

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

As part of the interest in Breckenridge Terrace LLC, the Authority has a contingent liability in the amount of \$250,000 to the Town of Breckenridge relating to the financing of the interest in Breckenridge Terrace. The Authority borrowed the money from the Town of Breckenridge and immediately used those funds to acquire a fifty-percent equity interest in Breckenridge Terrace LLC. The \$250,000 is payable to the Town of Breckenridge, plus 5% cumulative simple interest, in the event and to the extent they receive cash flows from Breckenridge Terrace LLC. A payable to the Town is only recorded to the extent of project cash flows that are expected. Based on the ongoing losses of Breckenridge Terrace LLC and the fact that no cash flows have been received, nor are they expected to be received, no liability has been recorded as of December 31, 2018.

Note 6 - Tax, Spending, and Debt Limitation

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

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

TABOR requires local governments to establish emergency reserves, which must be at least 3% of fiscal year spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. This Authority had an emergency reserve of \$20,000 as of December 31, 2018.

Note 7 - Risk Management

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

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

Note 8 - Commitments and Contingencies

The Authority participates in a number of Federal, State, and local programs that are fully or partially funded by grants received from other entities. Expenses financed by grants are subject to audit by the appropriate grantor. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor. At December 31, 2018 the Authority believes they are in compliance with provisions of the grant agreements.

On occasion the Authority could be subject to claims or litigation. Although the outcome of such claims or litigation cannot be predicted by the Authority with certainty, the Authority believes the final outcome of these matters will not materially affect the financial statements of the Authority.



Supplementary Information
December 31, 2018

Summit Combined Housing Authority

Summit Combined Housing Authority
 Budgetary Comparison Schedule – Non-GAAP Basis
 Proprietary Fund
 Year Ended December 31, 2018

	Original and Final Budget	Loan Program	Variance Over (Under)
Operating Revenues			
Loan interest and late fees	\$ 39,376	\$ 33,512	\$ (5,864)
Bank interest income	115	157	42
Total operating revenue	<u>39,491</u>	<u>33,669</u>	<u>(5,822)</u>
Operating Expenses			
Operating expenses	<u>1,860</u>	<u>1,860</u>	<u>-</u>
Total operating expense	<u>1,860</u>	<u>1,860</u>	<u>-</u>
Change in net position - budgetary basis	<u>\$ 37,631</u>	<u>\$ 31,809</u>	<u>\$ (5,822)</u>
Add: Grant revenue		42,964	
Less: Loan close out expense		(90,865)	
Less: Bad debt		<u>(4,152)</u>	
Change in net position - GAAP Basis		<u>\$ (20,244)</u>	