



**Yampa Valley Housing Authority**  
Steamboat Springs, Colorado

**Financial Statements**

**For the Year Ended December 31, 2018**

**Yampa Valley Housing Authority  
Financial Statements  
December 31, 2018**

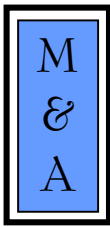
**Table of Contents**

	<b><u>Page(s)</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	A1 – A3
<b>MANAGEMENT'S DISCUSSION and ANALYSIS</b>	B1 – B6
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	C1
Statement of Activities	C2
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	C3
Reconciliation of the Balance Sheet of Governmental Funds to the Governmental Statement of Net Position	C4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	C5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Governmental Statement of Activities	C6
Statement of Net Position – Proprietary Funds	C7
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	C8
Statement of Cash Flows – Proprietary Funds	C9
<b>NOTES to the FINANCIAL STATEMENTS</b>	D1 – D20
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Major Governmental Funds:	
General Fund	E1
Development Fund	E2
Down Payment Loan Fund	E3

**Yampa Valley Housing Authority  
Financial Statements  
December 31, 2018**

**Table of Contents  
(Continued)**

	<b><u>Page(s)</u></b>
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedules of Revenues, Expenses and Changes in Net Position – Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis – Major Proprietary Funds:	
Hillside Village Apartments	F1
Fish Creek Mobile Home Park	F2
<b>FEDERAL AWARDS COMPLIANCE:</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	G1 – G2
Independent Auditor's Report on Compliance for Each Major Program; and on Internal Control Over Compliance Required by the Uniform Guidance	G3 – G4
Schedule of Findings and Questioned Costs	G5
Schedule of Prior Year Audit Findings and Questioned Costs	G6
Schedule of Expenditures of Federal Awards	G7
<i>Multi-Family Housing Borrower Balance Sheet</i> – Form RD 3560-10	G8 – G9
<i>Multiple Family Housing Project Budget</i> – Form RD 3560-7	G10 – G12



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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Yampa Valley Housing Authority  
Steamboat Springs, Colorado**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yampa Valley 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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 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 Authority'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 financial statement presentation.

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

*Member: American Institute of Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Yampa Valley Housing Authority  
Steamboat Springs, Colorado**

### ***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, each major fund, and the aggregate remaining fund information of the Yampa Valley Housing Authority as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

The budgetary comparison information in section E, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the 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 statement or to the 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 to the financial statements as a whole.

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Yampa Valley Housing Authority  
Steamboat Springs, Colorado**

***Other Matters (continued)***

Additionally, the Schedule of Expenditures of Federal Awards included in the Federal Awards Compliance in section G, as listed in the Table of Contents, is presented for the purpose of additional analysis, as required by Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not a required part of the Authority's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
March 14, 2019**



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **Yampa Valley Housing Authority Management's Discussion and Analysis December 31, 2018**

As management of the Yampa Valley Housing Authority, (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's 2018 financial statements.

## **FINANCIAL HIGHLIGHTS**

- The Authority's assets exceeded its liabilities and deferred inflows of resources at December 31, 2018 by \$6,333,169.
- The Authority's net position increased by \$1,132,644 in 2018.
- As a result of a voter-approved ballot measure in November 2017, the Authority collected property taxes in 2018 for the first time, with such revenues totaling \$821,391 for the year.
- The Authority's aggregate governmental fund balances increased by \$1,101,763, which includes a decrease in the General Administrative Fund balance of \$83,472.
- The Authority's total business-type activities net position increased by \$108,247.

## **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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These components are discussed below.

**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 of 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 Authority'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 the statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and other general revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Authority include administrative services related to housing in Routt County, Colorado (the "County"), as well as development and down payment assistance. The Authority's business-type activities include the operation of Fish Creek Mobile Home Park (a 68-lot mobile home park in Steamboat Springs, Colorado which provides rental housing for low-income residents), and Hillside Village Apartments (a 55-unit apartment project in Steamboat Springs, Colorado which provides rental housing for low-income residents).

The Authority's government-wide financial statements can be found on pages C1 and C2 of this report.

## **OVERVIEW of the FINANCIAL STATEMENTS (continued)**

**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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations for both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances facilitate this comparison between governmental funds and governmental activities.

As required by Colorado statutes, the Authority is required to adopt an annual appropriated budget for all of its funds. Budgetary comparison schedules have been provided for all funds to demonstrate compliance.

The basic governmental fund financial statements can be found on pages C3 through C6.

*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. The Authority uses enterprise funds to account the operations of its housing projects.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type services provided by the Authority, each of which is considered to be a major fund of the Authority.

The basic proprietary fund financial statements can be found on pages C7 through C9 of this report.

**Notes to the Financial Statements:** The notes provide additional information (e.g., background of the entity, accounting policies used by the Authority, etc.) 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 in Section D of this report.

**Other Information:** As previously discussed, the Authority adopts annual appropriated budgets for all its funds in accordance with Colorado statutes. The budgetary comparison schedules have been provided for all its funds to demonstrate compliance with the state budget law and are found on pages E1 through E3 for the Authority's governmental funds and on pages F1 through F2 for the Authority's proprietary funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table summarizes the Authority's net position for 2018 and 2017:

	Governmental Activities		Business-Type Activities		Total	
	2018	(Restated) 2017	2018	(Restated) 2017	2018	2017
<b>Assets:</b>						
Current	\$ 2,754,502	1,656,392	685,344	672,588	3,439,846	2,328,980
Other assets	1,530,457	1,609,341	-	-	1,530,457	1,609,341
Capital assets, net	127,000	127,000	6,627,680	6,647,790	6,754,680	6,774,790
<b>Total Assets</b>	<b>4,411,959</b>	<b>3,392,733</b>	<b>7,313,024</b>	<b>7,320,378</b>	<b>11,724,983</b>	<b>10,713,111</b>
<b>Liabilities:</b>						
Other liabilities	32,280	32,153	48,940	31,825	81,220	63,978
Long-term liabilities	50,601	58,088	4,430,755	4,563,471	4,481,356	4,621,559
Deferred inflows	829,238	827,049	-	-	829,238	827,049
<b>Total Liabilities</b>	<b>912,119</b>	<b>917,290</b>	<b>4,479,695</b>	<b>4,595,296</b>	<b>5,391,814</b>	<b>5,512,586</b>
<b>Net Position:</b>						
Net investment in capital assets	76,399	68,912	2,196,925	2,084,319	2,273,324	2,153,231
Restricted	566,696	54,187	29,191	32,260	595,887	86,447
Unrestricted	2,856,745	2,352,344	607,213	608,503	3,463,958	2,960,847
<b>Total Net Position</b>	<b>\$ 3,499,840</b>	<b>2,475,443</b>	<b>2,833,329</b>	<b>2,725,082</b>	<b>6,333,169</b>	<b>5,200,525</b>

The largest portion of the Authority's assets is reflected in capital assets, which includes land, buildings, land improvements, and equipment, net of accumulated depreciation. These assets are used in the operation of the Authority's housing projects. During 2018, the Authority's net capital assets decreased by a total of \$20,110; as depreciation expense exceeded capital asset additions for the year.

The Authority's long-term debt obligations relate to its acquisition and improvement of buildings and assets for affordable housing. The Authority long-term liabilities attributable to its governmental activities relate to the purchase of land held for development. During 2018, the Authority's long-term debt decreased by a total of \$140,203 due to scheduled principal repayments.

The Authority's net position – the extent to which assets exceeded liabilities – was \$6,333,169 at December 31, 2018. This comprises the Authority's net investment in capital assets (\$2,273,324), restricted net position (\$595,887 – which represents resources that are subject to external restrictions on how they may be used), and unrestricted net position (\$3,463,958), which may be used to meet the Authority's ongoing obligations. The Authority reports positive balances in both governmental and business-type activities components of net position at December 31, 2018.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following table summarizes the changes in the Authority's net position for 2018 and 2017:

	Governmental Activities		Business-Type Activities		Total	
	2018	(Restated) 2017	2018	(Restated) 2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 66,200	66,414	654,784	784,536	720,984	850,950
Operating grants / contributions	249,367	140,000	188,084	-	437,451	140,000
Capital grants / contributions	-	120,000	-	-	-	120,000
General revenues:						
Taxes, interest and other revenue	969,853	55,015	4,081	1,906	973,934	56,921
<b>Total Revenues</b>	<b>1,285,420</b>	<b>381,429</b>	<b>846,949</b>	<b>786,442</b>	<b>2,132,369</b>	<b>1,167,871</b>
<b>Expenses:</b>						
Housing	261,023	232,361	738,702	683,779	999,725	916,140
<b>Total Expenses</b>	<b>261,023</b>	<b>232,361</b>	<b>738,702</b>	<b>683,779</b>	<b>999,725</b>	<b>916,140</b>
<b>Change in Net Position</b>	<b>1,024,397</b>	<b>149,068</b>	<b>108,247</b>	<b>102,663</b>	<b>1,132,644</b>	<b>251,731</b>
<b>Net Position - Beginning (restated)</b>	<b>2,475,443</b>	<b>2,326,375</b>	<b>2,725,082</b>	<b>2,622,419</b>	<b>5,200,525</b>	<b>4,948,794</b>
<b>Net Position - Ending</b>	<b>\$ 3,499,840</b>	<b>2,475,443</b>	<b>2,833,329</b>	<b>2,725,082</b>	<b>6,333,169</b>	<b>5,200,525</b>

Governmental activities increased the Authority's net position by \$1,024,397 during 2018, accounting for 90% of the total change in net position for the year. The Authority's total 2018 governmental activities revenues increased \$903,991 from the prior year; primarily due to property tax collections during the year. Aggregate expenses for governmental activities increased \$28,662 from 2017 levels.

The Authority's net position was increased \$108,247 during 2018 through business-type activities. Total 2018 business-type revenues increased by \$60,507 from 2017, while total business-type expenses increased \$54,923 in comparison to the prior year.

### FINANCIAL ANALYSIS of the AUTHORITY'S FUNDS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental funds:

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2018, the Authority's governmental funds reported combined ending fund balances of \$1,898,951; an increase of \$1,101,763 in comparison with the prior year. Approximately 3% of this total is available for spending at the Authority's discretion; the remainder is not available for new spending because it has been restricted to provide an emergency reserve as required by the Colorado Taxpayers Bill of Rights ("TABOR") amendment (\$33,000), or has been restricted for other purposes (\$1,811,523). Additionally, certain items are considered non-spendable, such as long-term receivables and prepaid and other assets (\$4,403).

## FINANCIAL ANALYSIS of the AUTHORITY'S FUNDS (continued)

### Governmental funds (continued):

The General Administrative Fund is the Authority's primary operating fund. At December 31, 2018, unassigned fund balance of the General Administrative Fund was \$50,025 while total fund balance was \$87,428. The fund balance of the Authority's General Administrative Fund decreased by \$83,472 during 2018, primarily as a result of the budgeted transfers to other funds.

The Development Fund ended 2018 with a total fund balance of \$1,477,827; an increase of \$1,074,356 from 2017 as a result of property tax revenues collected during the year.

The fund balance of the Down Payment Loan Fund increased \$110,879 during 2018, ending the year at \$333,696; as revenues from loan and mortgages exceeded related expenses.

### Proprietary funds:

The Authority's proprietary funds provide the same type of information found in the government-wide business-type financial statements, but in more detail.

As of December 31, 2018, the Authority's proprietary funds reported an aggregate net position of \$2,833,329; an increase of \$108,247 for the year. The majority (78%) of proprietary fund net position is represented by the net investment in capital assets, while \$607,213 is unrestricted and available for spending at the Authority's discretion.

The operations of Fish Creek Mobile Home Park Fund generated net income of \$134,825 for 2018.

A loss (decrease in net position) of \$26,578 was incurred by the Authority's Hillside Village Apartments Fund for 2018. Hillside Village Apartments had 0 units available at December 31, 2018.

Both proprietary funds realized net income from operations for 2018.

The Authority is committed to serving the needs of low-income individuals, while balancing the financial goal of keeping the private / pay ratio sufficiently high so as to be able to maintain the facilities.

### Budget Variances in the General Administrative Fund:

The Authority noted the following significant variances from budget in the General Administrative Fund during 2018:

	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Reason</u>
<b>Revenues:</b>				
Mortgage income	19,300	14,315	(4,985)	Budgeted scheduled payments on all mortgages
<b>Expenditures:</b>				
Wages and benefits	163,570	157,307	6,263	Anticipated increased hours throughout the year
General and administrative	19,250	28,507	(9,257)	Training / Board expenses exceeded expectations

### CAPITAL ASSETS

In 2018, the Authority acquired capital asset additions totaling \$125,139 and had no dispositions. Additional information about the Authority's capital assets can be found in the Notes to the Financial Statements in section D.

## **LONG-TERM DEBT**

The Authority's long-term debt obligations relate to the purchase, construction and maintenance of the buildings used in its proprietary funds for housing. During 2018, the Authority's aggregate long-term debt obligations decreased \$140,203 as a result of scheduled principal repayments. Additional information regarding long-term debt can be found in the Notes to the Financial Statements in section D.

## **FUTURE EVENTS**

During 2018, the Authority executed a Memorandum of Understanding (the "MOU") to participate in the development, ownership, and operation of a mixed income apartment project (the "Project") in Steamboat Springs. Under the terms of the MOU, YVHA is to secure subordinated financing which will, in turn, be loaned to the Project. YVHA also commits to contribute \$525,000 to the Project for a 40% limited partner equity stake in the Project. The Project is expected to break ground in 2019.

## **REQUEST for INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Yampa Valley Housing Authority, P.O. Box 77452, Steamboat Springs, Colorado 80477.



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Yampa Valley Housing Authority**  
**Statement of Net Position**  
**December 31, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments - Unrestricted	1,914,631	354,180	2,268,811
Restricted cash and investments	-	315,510	315,510
Tenant receivables, net	-	12,178	12,178
Property tax receivables	835,468	-	835,468
Prepaid expenses	4,403	3,476	7,879
Program loans receivable:			
Receivable within one year	16,475	-	16,475
Receivable in more than one year	164,153	-	164,153
Notes receivable:			
Receivable within one year	8,000	-	8,000
Receivable in more than one year	900,087	-	900,087
Mortgages receivable:			
Receivable within one year	28,185	-	28,185
Receivable in more than one year	413,427	-	413,427
Investment in LLC	130	-	130
Capital assets not being depreciated	127,000	4,007,078	4,134,078
Capital assets, net of accumulated depreciation	-	2,620,602	2,620,602
<b>Total Assets</b>	<b>4,411,959</b>	<b>7,313,024</b>	<b>11,724,983</b>
<b>Liabilities:</b>			
Accounts payable	25,543	-	25,543
Accrued interest	-	6,580	6,580
Unearned revenue	-	12,695	12,695
Compensated absences	5,967	6,570	12,537
Tenant security deposits	770	23,095	23,865
Long-term debt payable:			
Due within one year	50,601	126,038	176,639
Due in more than one year	-	4,304,717	4,304,717
<b>Total Liabilities</b>	<b>82,881</b>	<b>4,479,695</b>	<b>4,562,576</b>
<b>Deferred Inflows of Resources:</b>			
Property taxes	829,238	-	829,238
<b>Total Deferred Inflows of Resources</b>	<b>829,238</b>	<b>-</b>	<b>829,238</b>
<b>Net Position:</b>			
Net investment in capital assets	76,399	2,196,925	2,273,324
Restricted:			
Emergencies	33,000	-	33,000
Operations and maintenance reserve	200,000	29,191	229,191
Revolving loan fund	333,696	-	333,696
Unrestricted	2,856,745	607,213	3,463,958
<b>Total Net Position</b>	<b>3,499,840</b>	<b>2,833,329</b>	<b>6,333,169</b>

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

**Yampa Valley Housing Authority**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Governmental activities:</b>							
General government	227,036	66,200	130,000	-	(30,836)	-	(30,836)
Development	33,987	-	119,367	-	85,380	-	85,380
<b>Total - Governmental activities</b>	<u>261,023</u>	<u>66,200</u>	<u>249,367</u>	<u>-</u>	<u>54,544</u>	<u>-</u>	<u>54,544</u>
<b>Business-type activities:</b>							
Housing	738,702	654,784	188,084	-	-	104,166	104,166
<b>Total - Business-type activities</b>	<u>738,702</u>	<u>654,784</u>	<u>188,084</u>	<u>-</u>	<u>-</u>	<u>104,166</u>	<u>104,166</u>
<b>Total</b>	<u>999,725</u>	<u>720,984</u>	<u>437,451</u>	<u>-</u>	<u>54,544</u>	<u>104,166</u>	<u>158,710</u>
		General revenues:					
					821,391	-	821,391
					72,332	-	72,332
					75,584	4,081	79,665
					546	-	546
					<u>969,853</u>	<u>4,081</u>	<u>973,934</u>
					1,024,397	108,247	1,132,644
					2,475,443	2,725,082	5,200,525
					<u>3,499,840</u>	<u>2,833,329</u>	<u>6,333,169</u>

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



**YAMPA VALLEY  
HOUSING AUTHORITY**

**FUND FINANCIAL STATEMENTS**

**Yampa Valley Housing Authority**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2018**

	<b>General Administrative Fund</b>	<b>Development Fund</b>	<b>Down Payment Loan Fund</b>	<b>Total</b>
<b>Assets:</b>				
Cash and investments - Unrestricted	109,338	1,471,597	333,696	1,914,631
Property taxes receivable	-	835,468	-	835,468
Prepaid expenses	4,403	-	-	4,403
<b>Total Assets</b>	<u>113,741</u>	<u>2,307,065</u>	<u>333,696</u>	<u>2,754,502</u>
<b>Liabilities:</b>				
Accounts payable	25,543	-	-	25,543
Tenant security deposits	770	-	-	770
<b>Total Liabilities</b>	<u>26,313</u>	<u>-</u>	<u>-</u>	<u>26,313</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes	-	829,238	-	829,238
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>829,238</u>	<u>-</u>	<u>829,238</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepays	4,403	-	-	4,403
Restricted for down payment assistance	-	-	333,696	333,696
Restricted for future development	-	1,477,827	-	1,477,827
Restricted for emergencies	33,000	-	-	33,000
Unassigned	50,025	-	-	50,025
<b>Total Fund Balances</b>	<u>87,428</u>	<u>1,477,827</u>	<u>333,696</u>	<u>1,898,951</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>113,741</u>	<u>2,307,065</u>	<u>333,696</u>	<u>2,754,502</u>

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

**Yampa Valley Housing Authority  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Governmental Statement of Net Position  
December 31, 2018**

<b>Total Fund Balances - Governmental funds</b>		1,898,951
<p>Long-term receivables related to governmental activities are not currently available financial resources and, therefore, are not reported in the funds.  The following long-term receivables are held at year end:</p>		
Program receivables	180,628	
Notes receivable	908,087	
Mortgages receivable	<u>441,612</u>	
		1,530,327
<p>Capital assets used in governmental activities are not currently available financial resources and, therefore, are not reported in governmental funds.</p>		
		127,000
<p>Investments related to governmental activities are not currently available financial resources and, therefore, are not reported in governmental funds.</p>		
		130
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities include the following:</p>		
Compensated absences	(5,967)	
Long term debt	<u>(50,601)</u>	
		<u>(56,568)</u>
<b>Total net position - Governmental activities</b>		<u><u>3,499,840</u></u>

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

**Yampa Valley Housing Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2018**

	<b>General Administrative Fund</b>	<b>Development Fund</b>	<b>Down Payment Loan Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Property taxes	-	821,391	-	821,391
Specific ownership tax	-	72,332	-	72,332
Contributions	130,000	1,000	-	131,000
Management fees	66,200	-	-	66,200
Mortgage income	14,315	-	-	14,315
Investment earnings	33	22,740	22,540	45,313
Down payment loan principal repayments	-	-	94,842	94,842
Distribution from The Reserves project	-	118,367	-	118,367
Other	546	-	-	546
<b>Total Revenues</b>	<b>211,094</b>	<b>1,035,830</b>	<b>117,382</b>	<b>1,364,306</b>
<b>Expenditures:</b>				
General government:				
Wages and benefits	157,307	-	-	157,307
Office expenses	3,876	-	-	3,876
Professional fees	8,159	-	-	8,159
General and administrative	28,507	-	2,503	31,010
Contract labor	18,378	-	-	18,378
Utilities	1,762	-	-	1,762
Other	577	-	-	577
Development:				
Professional fees	-	5,908	-	5,908
Treasurer fees	-	25,006	-	25,006
Other	-	560	-	560
Debt service:				
Principal	-	7,487	-	7,487
Interest	-	2,513	-	2,513
<b>Total Expenditures</b>	<b>218,566</b>	<b>41,474</b>	<b>2,503</b>	<b>262,543</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,472)</b>	<b>994,356</b>	<b>114,879</b>	<b>1,101,763</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	4,000	80,000	-	84,000
Transfers (out)	(80,000)	-	(4,000)	(84,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(76,000)</b>	<b>80,000</b>	<b>(4,000)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(83,472)</b>	<b>1,074,356</b>	<b>110,879</b>	<b>1,101,763</b>
<b>Fund Balances - Beginning (as restated)</b>	<b>170,900</b>	<b>403,471</b>	<b>222,817</b>	<b>797,188</b>
<b>Fund Balances - Ending</b>	<b>87,428</b>	<b>1,477,827</b>	<b>333,696</b>	<b>1,898,951</b>

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

**Yampa Valley Housing Authority**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Governmental Statement of Activities**  
**For the Year Ended December 31, 2018**

<b>Net Change in Fund Balances - Total governmental funds</b>		<b>1,101,763</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Repayment of long-term receivables are revenues in governmental funds, but they reduce long-term receivables in the Statement of Net Position and do not affect the Statement of Activities. The following repayments were made during the year:		
Program receivables	(94,842)	
Mortgages receivable	<u>(14,315)</u>	
		(109,157)
Repayments of long-term debt are expenditures in governmental funds, but they reduce long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.		
		7,487
Some revenues reported in the Statement of Activities are not from the receipt of current financial resources and therefore are not reported as revenues in the governmental funds:		
Accrued interest on notes receivable	<u>30,271</u>	
		30,271
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Change in accrued compensated absences	<u>(5,967)</u>	
		<u>(5,967)</u>
<b>Change in Net Position of Governmental Activities</b>		<b><u><u>1,024,397</u></u></b>

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

**Yampa Valley Housing Authority**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2018**

	<b>Hillside Village Apartments</b>	<b>Fish Creek Mobile Home Park</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and investments - Unrestricted	88,207	265,973	354,180
Restricted cash and investments	135,510	180,000	315,510
Tenant receivables, net	11,337	841	12,178
Prepaid expenses	-	3,476	3,476
Total - Current assets	<u>235,054</u>	<u>450,290</u>	<u>685,344</u>
Capital assets not being depreciated	450,000	3,557,078	4,007,078
Capital assets, net of accumulated depreciation	<u>1,329,802</u>	<u>1,290,800</u>	<u>2,620,602</u>
<b>Total Assets</b>	<u>2,014,856</u>	<u>5,298,168</u>	<u>7,313,024</u>
<b>Liabilities:</b>			
Current liabilities:			
Accrued interest	-	6,580	6,580
Deferred revenue	-	12,695	12,695
Compensated absences	6,214	356	6,570
Tenant security deposits	23,095	-	23,095
Long-term debt due within one year	7,333	118,705	126,038
Total - Current liabilities	<u>36,642</u>	<u>138,336</u>	<u>174,978</u>
Long-term liabilities:			
Long term debt due in more than one year	1,111,914	3,192,803	4,304,717
Total - Long-term liabilities	<u>1,111,914</u>	<u>3,192,803</u>	<u>4,304,717</u>
<b>Total Liabilities</b>	<u>1,148,556</u>	<u>3,331,139</u>	<u>4,479,695</u>
<b>Net Position:</b>			
Net investment in capital assets	660,555	1,536,370	2,196,925
Operations and maintenance reserves	-	29,191	29,191
Unrestricted	<u>205,745</u>	<u>401,468</u>	<u>607,213</u>
<b>Total Net Position</b>	<u>866,300</u>	<u>1,967,029</u>	<u>2,833,329</u>

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

**Yampa Valley Housing Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2018**

	<b>Hillside Village Apartments</b>	<b>Fish Creek Mobile Home Park</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Rents	268,438	371,940	640,378
Rent subsidy	142,365	-	142,365
Interest subsidy	45,719	-	45,719
Application fees	900	-	900
Laundry and vending	5,182	-	5,182
Other tenant charges	7,464	30	7,494
Other revenue	584	246	830
<b>Total Operating Revenues</b>	<u>470,652</u>	<u>372,216</u>	<u>842,868</u>
<b>Operating Expenses:</b>			
Wages and benefits	130,736	13,396	144,132
Professional fees	6,376	4,491	10,867
Management fees	33,600	32,600	66,200
Utilities	68,639	47,061	115,700
Repairs and maintenance	21,482	8,480	29,962
Snow removal	13,043	2,756	15,799
Railroad licenses	-	6,218	6,218
Manager unit rent	8,268	-	8,268
Insurance	13,000	-	13,000
Depreciation	109,095	36,154	145,249
Other expenses	24,290	1,762	26,052
<b>Total Operating Expenses</b>	<u>428,529</u>	<u>152,918</u>	<u>581,447</u>
<b>Income (Loss) From Operations</b>	42,123	219,298	261,421
<b>Non-operating Revenues (Expenses):</b>			
Investment earnings	84	3,997	4,081
Interest expense	(68,785)	(88,470)	(157,255)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(68,701)</u>	<u>(84,473)</u>	<u>(153,174)</u>
<b>Change in Net Position</b>	(26,578)	134,825	108,247
<b>Net Position - Beginning (as restated)</b>	<u>892,878</u>	<u>1,832,204</u>	<u>2,725,082</u>
<b>Net Position - Ending</b>	<u>866,300</u>	<u>1,967,029</u>	<u>2,833,329</u>

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

**Yampa Valley Housing Authority**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2018**

	<b>Hillside Village Apartments</b>	<b>Fish Creek Mobile Home Park</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Cash received from tenants and others	415,277	375,470	790,747
Cash paid for goods and services	(313,219)	(120,879)	(434,098)
Other cash receipts	45,719	7,073	52,792
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>147,777</u>	<u>261,664</u>	<u>409,441</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(74,138)	(51,000)	(125,138)
Principal paid on capital debt	(6,899)	(125,818)	(132,717)
Interest paid on capital debt	(68,785)	(81,888)	(150,673)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(149,822)</u>	<u>(258,706)</u>	<u>(408,528)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest on investments	84	3,997	4,081
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>84</u>	<u>3,997</u>	<u>4,081</u>
<b>Net Change in Cash and Cash Equivalents</b>	(1,961)	6,955	4,994
<b>Cash and Cash Equivalents - Beginning</b>	<u>225,678</u>	<u>439,018</u>	<u>664,696</u>
<b>Cash and Cash Equivalents - Ending</b>	<u><u>223,717</u></u>	<u><u>445,973</u></u>	<u><u>669,690</u></u>
<b>Ending cash and cash equivalents consists of:</b>			
Cash and cash equivalents - Unrestricted	88,207	265,973	354,180
Restricted cash and cash equivalents	135,510	180,000	315,510
<b>Cash and Cash Equivalents - Ending</b>	<u><u>223,717</u></u>	<u><u>445,973</u></u>	<u><u>669,690</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
<b>Operating income (loss)</b>	<u>42,123</u>	<u>219,298</u>	<u>261,421</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	109,095	36,154	145,249
(Increase) decrease in tenant receivables	(10,819)	3,255	(7,564)
(Increase) decrease in prepaid expenses	-	(200)	(200)
Increase (decrease) in other accrued expenses	-	(4,272)	(4,272)
Increase (decrease) in tenant security deposits	1,164	-	1,164
Increase (decrease) in compensated absences	6,214	356	6,570
Increase (decrease) in deferred revenue	-	7,073	7,073
Total - Adjustments	<u>105,654</u>	<u>42,366</u>	<u>148,020</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>147,777</u></u>	<u><u>261,664</u></u>	<u><u>409,441</u></u>

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



**NOTES TO THE FINANCIAL STATEMENTS**

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**

**I. Summary of Significant Accounting Policies**

Yampa Valley Housing Authority (the "Authority") was established on November 18, 2003 by an intergovernmental agreement between the City of Steamboat Springs, Colorado (the "City") and Routt County, Colorado (the "County"), as a separate governmental entity – known as a multi-jurisdictional housing authority – under section 29-1-204.5 of the Colorado Revised Statutes ("CRS"). The Authority oversees projects and programs to provide housing for families of low or moderate incomes in Routt County, including down payment assistance and housing counseling services.

The Authority is governed by a Board of Directors (the "Board") consisting of 7 – 15 members, including one member each from the City Council and the County Board of County Commissioners. The City Council and the County Board of County Commissioners jointly appoint all other Board members to 3-year terms.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for the establishment of GAAP for governmental entities. The following summary of the more significant accounting policies of the Authority is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

**A. 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 to be financially accountable for a legally separate organization if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority. Consideration is also given to other organizations that are fiscally dependent, i.e., unable to adopt a budget, levy tax, 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.

The accompanying financial statements present the primary government (the Authority) and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations. Discretely presented component units, if any, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Authority.

The Authority has one component unit, YVHA Elk River Enterprises, LLC ("Elk River"). Separate financial statements are not prepared for Elk River as it is reported within the Development Fund as a blended component unit of the Authority.

Elk River was organized in April 2016 as a Colorado limited liability company to assist and participate in the development of a project known as The Reserves at Steamboat Springs ("The Reserves"), consisting of 48 apartment units and a clubhouse. The Authority is the sole member of Elk River.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. 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 individual major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Authority's governmental function reports the general government (administration), down-payment assistance, and development activities of the Authority, while the operations of the Authority's three housing projects are classified as business-type activities.

**1. Government-wide Financial Statements**

Government-wide financial statements report information on all the activities of the County and its component units.

The government-wide Statement of Activities reports both the gross and net cost of each of the Authority's governmental functions and business-type activities. The governmental functions are primarily supported by general government revenues (property taxes, specific ownership taxes, investment earnings, etc.), while business-type activities rely to a significant extent on fees and charges for support. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the governmental function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

**2. 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 is comprised of 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 major governmental funds:

*General Administrative Fund* – Accounts for all financial resources of the Authority, except those required to be accounted for in the enterprise funds or other governmental funds. This fund accounts for the administrative activities of the Authority. The major sources of revenue are from contributions from the City and the County.

*Development Fund* – Accounts for developer fees and property tax revenues levied for acquisition and construction of affordable housing projects and subsequent sale to qualified families. This fund also accounts for potential project feasibility activities.

*Down Payment Loan Fund* – Accounts for all resources of the Authority related to down payment assistance loan activity to assist local home buyers with the purchase of a home.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements (continued)**

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

*Hillside Village Apartments* – Accounts for the operation of the Authority's 55-unit multi-family housing project financed by the U.S. Department of Agriculture (the "USDA") under its Rural Rental Housing Program. The primary sources of revenue are tenant rentals and tenant assistance payments from the USDA.

*Fish Creek Mobile Home Park* – Accounts for the operation of the Authority's 68-lot mobile home park. The primary source of revenue is lot rentals.

**C. 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 expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

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

**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) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided; 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**3. Financial Statement Presentation (continued)**

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 to tenants for rentals and related assistance payments. Operating expenses for the enterprise funds include the operation, maintenance, and depreciation of capital assets, as well as administrative costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. 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 original maturities of three months or less.

The Authority follows Colorado state statutes as an investment policy, which permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Treasury obligations (maximum maturity of 60 months)
- Federal instrumentality securities (maximum maturity of 60 months)
- FDIC-insured certificates of deposit (maximum maturity of 18 months)
- Corporate bonds (maximum maturity of 36 months)
- Prime commercial paper (maximum maturity of 9 months)
- Eligible banker's acceptances
- Repurchase agreements
- General Obligations and Revenue Obligations
- Local government investment pools
- Money market mutual funds

**2. Deposits Held in Trust / Restricted Deposits and Reserves**

Certain of the Authority's deposits are classified as restricted because their use is restricted to specific purposes by legally binding commitments. The Authority's restricted deposits include balances related to tenant security deposits, reserves required by financing arrangements, and amounts to be used solely to fund down-payment assistance loans.

**Yampa Valley Housing Authority  
Notes to the Financial Statements  
December 31, 2018  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**3. Receivables**

Receivables are reported net of an allowance for uncollectible accounts.

Tenant receivables consist primarily of amounts due from tenants for rent and other charges. The Authority's management reviews such accounts receivable periodically to consider the collectability of the balances, and has recorded an allowance for uncollectible accounts of \$1,000 at December 31, 2018 for amounts which may not be collectible.

Program loans receivable are due from homeowners, secured by a subordinate deeds of trust, and were originally funded through down payment assistance grants and contributions. An allowance for loan losses is based upon management's periodic review of the collectability of program loans in light of historical experience with similar programs and the nature of the Authority's loan portfolio. At December 31, 2018, the Authority has established an allowance of \$22,800 to provide for program loans which may not be collectible.

Mortgage notes receivable consist of 30-year, non-interest-bearing mortgages which are collateralized by the underlying properties. The mortgages were originally held by Routt County Habitat for Humanity but were assigned to the Authority in 2015. The Authority has not established an allowance for uncollectible mortgage notes as of December 31, 2018, based on management's review of the outstanding notes.

**4. Capital Assets**

Capital assets include rental property, related improvements, water and sewer systems, roads, and equipment. Capital assets are defined by the Authority as assets with an initial cost of at least \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets, if any, are recorded at acquisition value.

The costs of normal maintenance and repairs 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 assets (excluding land) are depreciated, using the straight-line method, over the following estimated useful lives:

	<b>Estimated Lives</b>
Rental property buildings and improvements	<u>27.5 years</u>
Water and sewer systems	50 years
Roads	20 years
Land improvements	10 - 25 years
Furniture and equipment	5 - 7 years

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**5. Land Held for Development**

Real estate held for development is carried at the lower of cost or net realizable value. An impairment loss is recognized with respect to land held for development when the fair value of the property is less than the carrying amount of the property.

**6. Investments in Limited Liability Companies**

Elk River holds a 30% interest in OPG SS Managers, LLC ("Managers LLC") and a 0.01% interest as a special member in OPG Steamboat Springs Partners, LLC ("Partners LLC"). Managers LLC maintains a 0.01% interest as the managing member of Partners LLC. Elk River's investments in limited liability companies are accounted for using the equity method of accounting and are reported as of December 31, 2017 which is the date of the most recent available financial statements.

**7. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Authority does not have any deferred outflows of resources to report at December 31, 2018.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category; unavailable revenue from property taxes, reported in the governmental balance sheet and the Statement of Net Position. These amounts are deferred and recognized as an inflow from resources in the period that amounts become available.

**8. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Activities between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from other funds" or "due to other funds". Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as "internal balances".

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**9. Fund Equity**

Governmental accounting standards establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity as to the level of restriction; such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Administrative Fund, and should be the only fund that reports a positive unassigned balance. In all other funds, unassigned fund balance is limited to negative residual fund balance.

The Authority classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or its management designees.
- Unassigned – includes residual positive fund balance within the General Administrative Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Authority uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar-for-dollar spending. Additionally, the Authority first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Under the terms of grant agreements, the Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, they are both restricted and unrestricted in order to finance the Authority's programs. It is the Authority's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**10. Use of 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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**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 Authority's financial statements include a reconciliation between governmental funds total fund balance and net position of governmental activities as reported in the government-wide Statement of Net Position. The differences include long-term receivables for notes, loans, and mortgages, capital assets and accumulated depreciation, investment in LLCs, accrued compensated absences, and long-term debt.

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities**

The Authority's financial statements also include a reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide Statement of Activities. The differences include accounting for loan transactions (outlays and repayments), debt transactions (interest, issuances and repayments), and changes in accrued compensated absences.

**III. Stewardship, Compliance, and Accountability**

**A. Budgets and Budgetary Accounting**

Annual appropriations are adopted for all of the Authority's funds. Prior to the end of the fiscal year, the Authority's management submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. Budgets include proposed expenditures for all funds and the means of financing them. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at the end of each calendar year. Budgets are legally enacted upon approval by the Board.

The budget for the Authority's governmental fund is prepared on a basis consistent with GAAP, while the budgets for the Authority's proprietary funds are prepared using a non-GAAP basis. The supplementary budgetary comparison schedules for each of the proprietary funds in section F include a reconciliation between the budget-basis change in net position and the GAAP-basis change in net position.

**Yampa Valley Housing Authority  
Notes to the Financial Statements  
December 31, 2018  
(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**A. Budgets and Budgetary Accounting (continued)**

The Authority conforms to the following procedures, in compliance with CRS 29-1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the Executive Director submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board to obtain taxpayer comments.
- Prior to December 31, the Board adopts the budget by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board.

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer collects property taxes and remits collections to the Authority on a monthly basis.

Property taxes are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources are recorded as revenue in the year they are available or collected.

In November 2017, the Authority's voters approved a 1.0 mill levy increase in tax collection year 2018 for a ten-year period through the 2027 tax collection year for land acquisition, planning, design, financing, construction, and administration of housing developments serving seasonal, low-income, and entry-level households. The November 2017 ballot question approved by voters also exempts the Authority from revenue limits imposed by TABOR.

The Authority adopted the following supplemental budget appropriation for the year ended December 31, 2018:

<u>Fund</u>	<u>Original Budget Expenditures</u>	<u>Supplemental Appropriations</u>	<u>Amended Budget Expenditures</u>
General Administrative Fund	\$ 219,700	86,920	306,620
Development Fund	25,900	43,000	68,900

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future 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.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

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 has reserved \$33,000 of the December 31, 2018 fund balance in the General Administrative Fund for this purpose.

The Authority's management believes it is compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

**IV. Detailed Notes on all Funds**

**A. Deposits and Investments**

Colorado's 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 levels insured by the Federal Deposit Insurance Corporation (the "FDIC") must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The 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 be at least equal to the aggregate uninsured deposits. The FDIC insures the first \$250,000 of the Authority's interest-bearing deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by the PDPA. The Authority's deposits at December 31, 2018 are entirely covered by FDIC or by PDPA.

At December 31, 2018, the carrying value of the Authority's deposits was \$2,584,321 and the bank balance of these accounts was \$2,589,328. The difference between carrying and bank balances represents items that had not cleared the bank at year end.

The Authority held deposits and investments with the following ratings and maturities at December 31, 2018:

<u>Type</u>	<u>Standard &amp; Poors Rating</u>	<u>Carrying Amount</u>	<u>Investment Maturities</u>	
			<u>Less Than One Year</u>	<u>One to Five Years</u>
<b>Deposits:</b>				
Checking	Not Rated	\$ 492,698	492,698	-
Savings	Not Rated	180,023	180,023	-
<b>Investments:</b>				
Investment pools	AAAm	1,911,600	1,911,600	-
<b>Totals</b>		<u>\$ 2,584,321</u>	<u>2,584,321</u>	<u>-</u>

At December 31, 2018, unrealized gains or (losses) were \$0.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

The Authority's cash and investments are presented on the Statement of Net Position at December 31, 2018 as follows:

Cash and investments - Unrestricted	\$ 2,268,811
Restricted cash and investments	<u>315,510</u>
<b>Total</b>	<b><u>\$ 2,584,321</u></b>

The Authority maintains restricted cash reserves in accordance with USDA loan requirements related to Hillside Village Apartments and Alpine Bank loan requirements related to Fish Creek Mobile Home Park. The Authority's restricted cash balances are as follows at December 31, 2018:

Hillside Village:	
Tenant security deposits	\$ 24,177
Tax and insurance reserves	10,179
Reserve for replacement	<u>101,154</u>
	135,510
Fish Creek Mobile Home Park:	
Loan reserves	<u>180,000</u>
<b>Total</b>	<b><u>\$ 315,510</u></b>

All USDA restricted cash balances are maintained in separate bank accounts from other cash deposits. Additions to the reserve for replacement are approved annually by the USDA. Withdrawals from the reserve for replacement are approved on an individual basis by the USDA.

*Fair Value of Investments:*

The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets
- Level 2: Observable inputs other than quoted market prices
- Level 3: Unobservable inputs.

At December 31, 2018 the Authority had the following recurring fair value measurements:

<b>Investments Measured at Net Asset Value:</b>	
COLOTRUST	<u>\$ 1,911,600</u>

The Authority's holdings in government investment pools are comprised of balances with COLOTRUST, which is an investment vehicle established for local government entities in Colorado to pool surplus funds. It operates similarly to money market funds, whereby each share is equal in value to \$1. Investments of the trust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. The Authority has no regulatory oversight for the pools.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

**Interest Rate Risk:** As a means of limiting its exposure to interest rate risk, the Authority coordinates its investment maturities to closely match cash flow needs and restricts the maximum investments term to less than five years from the purchase date. As a result of the limited length of maturities, the Authority has limited its interest rate risk.

**Credit Risk:** State law limits investments to those authorized by State statutes, including U.S. agencies and 2a7-like pools. The Authority's general investment policy is to apply the prudent-investor rule: Investments are made as a prudent person would expect to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

**Concentration of Credit Risk:** The Authority diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured by the FDIC, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, congressionally-authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding Authority funds must provide the Authority with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

**B. Interfund Balances and Transfers**

The Authority had no interfund balances at December 31, 2018.

The Authority made the following interfund transfers – which represent allocations of resources based upon the Board's adopted budgetary policies – during 2018:

<b>Transfers From</b>	<b>Transfers To</b>	<b>Amount</b>
General Administrative Fund	Development Fund	\$ 80,000
Down Payment Loan Fund	General Administrative Fund	4,000

Transfers to the Development Fund were made to fund debt service expenditures, while transfers from the Down Payment Loan Fund were made to transfer a portion of the interest earned on program loans.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**C. Loans, Notes, and Mortgages Receivables**

	<u>12/31/17</u> <u>Balance</u>	<u>Interest</u> <u>Accrued</u>	<u>Repayments</u>	<u>12/31/18</u> <u>Balance</u>	<u>Amounts Due</u> <u>in One Year</u>
<b>Program loans receivable:</b>					
Down payment assistance loans	\$ 308,000	9,268	(113,840)	203,428	16,475
less: Allowance for doubtful accounts	(22,800)	-	-	(22,800)	-
<b>Total - Program loans</b>	<u>285,200</u>	<u>9,268</u>	<u>(113,840)</u>	<u>180,628</u>	<u>16,475</u>
<b>Notes receivable:</b>					
Promissory note - The Reserves	868,087	40,000	-	908,087	8,000
less: Allowance for doubtful accounts	-	-	-	-	-
<b>Total - Notes receivable</b>	<u>868,087</u>	<u>40,000</u>	<u>-</u>	<u>908,087</u>	<u>8,000</u>
<b>Mortgages receivable:</b>					
Mortgages outstanding	451,509	4,418	(14,315)	441,612	28,185
less: Allowance for doubtful accounts	-	-	-	-	-
<b>Total - Mortgages receivable</b>	<u>451,509</u>	<u>4,418</u>	<u>(14,315)</u>	<u>441,612</u>	<u>28,185</u>
<b>Totals</b>	<u>\$ 1,604,796</u>	<u>53,686</u>	<u>(128,155)</u>	<u>1,530,327</u>	<u>52,660</u>

**1. Program Loans Receivable**

The Authority's program loans receivable consist of subordinatedly-secured down payment assistance notes due from homeowners, bearing interest at 0 – 5% per annum, and maturing between 2018 to 2047.

**2. Notes Receivable**

During 2016, the Authority executed a promissory note in the principal amount of \$800,000 with OPG Steamboat Springs Partners, LLC to finance the development of The Reserves multi-family housing project. The note, which bears simple interest at 5% per annum, calls for annual payments of \$8,000 beginning 31 months after the issuance date, with the remaining principal and interest balance due in April 2046. The note is secured by a deed of trust on the project.

**3. Mortgages Receivable**

Mortgage notes receivable consist of 30-year, non-interest-bearing mortgages, maturing between 2019 and 2044, which are collateralized by the underlying properties.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**D. Capital Assets**

The following are the changes in the Authority's capital assets for the year ended December 31, 2018:

	<u>12/31/17 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/18 Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land held for development	\$ 127,000	-	-	127,000
Total capital assets not being depreciated	<u>127,000</u>	<u>-</u>	<u>-</u>	<u>127,000</u>
Capital assets being depreciated:				
Computer software	20,991	-	-	20,991
Total capital assets being depreciated	<u>20,991</u>	<u>-</u>	<u>-</u>	<u>20,991</u>
Less accumulated depreciation for:				
Computer software	(20,991)	-	-	(20,991)
Total accumulated depreciation	<u>(20,991)</u>	<u>-</u>	<u>-</u>	<u>(20,991)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Governmental Activities Capital Assets, net</b>	<u>\$ 127,000</u>	<u>-</u>	<u>-</u>	<u>127,000</u>
	<u>12/31/17 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/18 Balance</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,007,078	-	-	4,007,078
Total capital assets not being depreciated	<u>4,007,078</u>	<u>-</u>	<u>-</u>	<u>4,007,078</u>
Capital assets being depreciated:				
Buildings and improvements	2,836,452	65,230	-	2,901,682
Land improvements	182,570	12,141	-	194,711
Water and sewer systems	1,148,008	46,740	-	1,194,748
Roads	156,335	-	-	156,335
Furniture and equipment	12,871	1,028	-	13,899
Total capital assets, being depreciated	<u>4,336,236</u>	<u>125,139</u>	<u>-</u>	<u>4,461,375</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,488,275)	(107,170)	-	(1,595,445)
Land improvements	(130,450)	(6,161)	-	(136,611)
Water and sewer systems	(47,643)	(23,895)	-	(71,538)
Roads	(16,285)	(7,818)	-	(24,103)
Furniture and equipment	(12,871)	(205)	-	(13,076)
Total accumulated depreciation	<u>(1,695,524)</u>	<u>(145,249)</u>	<u>-</u>	<u>(1,840,773)</u>
Total capital assets being depreciated, net	<u>2,640,712</u>	<u>(20,110)</u>	<u>-</u>	<u>2,620,602</u>
<b>Business-type Activities Capital Assets, net</b>	<u>\$ 6,647,790</u>	<u>(20,110)</u>	<u>-</u>	<u>6,627,680</u>

**Yampa Valley Housing Authority  
Notes to the Financial Statements  
December 31, 2018  
(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**D. Capital Assets (continued)**

The Authority had capital outlay and depreciation expense during 2018 for the following functions:

	<u>Capital Outlay</u>	<u>Depreciation Expense</u>
Business-type activities:		
Housing	\$ 125,139	145,249
<b>Totals - Business-type Activities</b>	<u>\$ 125,139</u>	<u>145,249</u>

**E. Long-Term Debt – Governmental Activities**

Changes in the Authority's long-term debt for governmental activities during 2018 were as follows:

	<u>12/31/17 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18 Balance</u>	<u>Due Within One Year</u>
Citywide Banks	\$ 58,088	-	(7,487)	50,601	50,601
<b>Totals</b>	<u>\$ 58,088</u>	<u>-</u>	<u>(7,487)</u>	<u>50,601</u>	<u>50,601</u>

**1. Citywide Banks Secured Promissory Note**

The Authority entered into a secured promissory note agreement in December 2017 for \$58,088 to pay off existing debt from the purchase of land held for development. The note, which bears interest at 4.5% per annum, is payable in 11 blended monthly installments of \$909, with the remaining principal and accrued interest due upon maturity in December 2018. The note is secured by a deed of trust on certain land located in the Sierra View subdivision.

The Citywide Banks note was repaid in full in January 2019.

**F. Long-Term Debt – Business-Type Activities**

Changes in the Authority's long-term debt for business-type activities during 2018 were as follows:

	<u>12/31/17 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18 Balance</u>	<u>Due Within One Year</u>
USDA Rural Development	\$ 1,126,146	-	(6,899)	1,119,247	7,333
Alpine Bank	2,035,066	-	(58,623)	1,976,443	61,524
City of Steamboat Springs	698,447	-	(30,777)	667,670	20,762
CWRPDA - DWRF	182,862	-	(6,649)	176,213	6,650
CWRPDA - WPCRFB	520,950	-	(29,768)	491,182	29,769
<b>Totals</b>	<u>\$ 4,563,471</u>	<u>-</u>	<u>(132,716)</u>	<u>4,430,755</u>	<u>126,038</u>

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**F. Long-Term Debt – Business-Type Activities (continued)**

**1. USDA Rural Development Secured Promissory Note**

The Authority entered into a Multi-Family Housing Assumption Agreement with the USDA in August 2007 in the principal amount of \$1,177,107 to consolidate four existing USDA loans with Regional Affordable Living Foundation as the original borrower. The note, which bears interest at 6.125% per annum, is payable in blended monthly installments of \$6,307 (net of a \$3,810 monthly interest subsidy). The note, which is amortized over 50 years but matures in August 2037, is secured by a deed of trust on all rental property at Hillside Village Apartments.

**2. Alpine Bank Secured Promissory Note**

The Authority executed a secured promissory note in September 2014 in the principal amount of \$2,206,551 to pay off an existing loan obligation to Wells Fargo Bank, N.A. The note, which bears interest at 4% per annum, is payable in blended monthly installments of \$11,709 through maturity in October 2039. The note is secured by a deed of trust on land and improvements at the Fish Creek Mobile Home Park and a pledge of associated rental revenues. The note also requires the Authority to establish a \$100,000 reserve fund to be increased to \$180,000 by December 31, 2019.

**3. City of Steamboat Springs Secured Promissory Note**

In August 2007, the Authority entered into a secured promissory note agreement with the City for \$954,000 to acquire the Fish Creek Mobile Home Park. In January 2011, the principal balance was reduced by \$193,856 for remaining escrow funds paid to the City after completion of required railroad improvements. From January 2011 through December 2013, the note accrued interest at the lowest municipal bond rate then available plus one hundred basis points. Effective in September 2014, the note was amended with an outstanding principal and accrued interest balance of \$790,778. The note is non-interest-bearing through 2018, but bears interest at 1.5% per annum beginning in 2019. Terms of the amended note call for annual payments of \$30,777, and a final payment of \$44,155 at maturity in January 2044. The note is secured by a subordinated deed of trust on land and improvements at the Fish Creek Mobile Home Park.

**4. CWRPDA Drinking Water Revolving Fund (“DWRP”) Loan**

The Authority executed a \$729,891 loan agreement with Colorado Water Resources and Power Development Authority (“CWRPDA”) in June 2015. The loan agreement included principal forgiveness of \$486,750 by CWRPDA to a reduced principal amount of \$243,141 and a 0% interest rate. In March 2016, the principal balance was further reduced by the remaining unused project funds of \$42,928. Terms of the loan agreement require semi-annual payments of \$3,325 from May 2016 through maturity in May 2045. Proceeds were used to replace the water distribution system within the Fish Creek Mobile Home Park.

**Yampa Valley Housing Authority  
Notes to the Financial Statements  
December 31, 2018  
(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**F. Long-Term Debt – Business-Type Activities (continued)**

**4. CWRPDA Drinking Water Revolving Fund (“DWRF”) Loan (continued)**

The loan agreement requires the Authority to maintain an operations and maintenance reserve fund equal to three months of operations and maintenance expenses. The Authority has reserved \$29,191 for this purpose as of December 31, 2018.

**5. CWRPDA Water Pollution Control Revolving Fund (“WPCRF”) Loan**

In June 2015, the Authority entered into a \$613,768 loan agreement with CWRPDA. In March 2016, the principal was reduced by the remaining unused project funds of \$17,937. Terms of the loan agreement include a 0% interest rate and semi-annual payments of \$14,884 from May 2016 through maturity in May 2035. Proceeds were used to replace the sewer collection system with new sewer mains under the drive aisle of the Fish Creek Mobile Home Park.

The loan agreement has the same requirement to maintain an operations and maintenance reserve fund as the CWRPDA - DWRF loan.

**6. CWRPDA Loans Rate Covenant**

The CWRPDA loan agreements include a rate covenant whereby the Authority's Fish Creek Mobile Home Park rents, after meeting operation and maintenance expenses, is required to be sufficient to cover 110% of the aggregate debt service coming due. The following is the Authority's calculation indicating compliance with the rate covenant for the year ended December 31, 2018:

Rents		\$	371,940
Operating expenses	\$		152,918
less: Depreciation	<u>(36,154)</u>		<u>116,764</u>
Net rents		<u>\$</u>	<u>255,176</u>
Aggregate debt service payments		<u>\$</u>	<u>207,706</u>
Net rents / aggregate debt service payments			123%

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**F. Long-Term Debt – Business-Type Activities (continued)**

**7. Annual Debt Service Requirements**

Aggregate debt service requirements to maturity at December 31, 2018 for the Authority's long-term business-type debt are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 126,038	157,352	283,390
2020	129,353	154,036	283,389
2021	132,807	150,582	283,389
2022	136,406	146,983	283,389
2023	140,157	143,232	283,389
2024 - 2028	762,854	654,092	1,416,946
2029 - 2033	883,715	533,230	1,416,945
2034 - 2038	1,770,268	331,607	2,101,875
2039 - 2043	295,679	12,071	307,750
2044 - 2048	53,478	653	54,131
	<u>\$ 4,430,755</u>	<u>2,283,838</u>	<u>6,714,593</u>

**V. Other Information**

**A. 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 disasters. These risks are funded through participation in the Colorado Intergovernmental Risk Sharing Agency (CIRSA).

CIRSA is a member-owned self-insurance pool whose general objectives are to provide member municipalities' affordable defined property and liability and/or workers' compensation coverage and risk management services. CIRSA is financed by its members' annual contributions and interest earnings on those contributions. The contributions are used, in part, to establish loss funds from which member claims and associated costs are paid. Excess reinsurance coverage is also purchased. Certain surplus funds are used to the benefit of members and may include reductions in future contributions. Although none have occurred to date, additional member contributions may be required if necessary. The Authority's contribution to CIRSA for insurance coverage is reported as an expense. The Authority is unaware of any excess losses which may have been incurred by CIRSA and there have been no settled claims which exceed insurance coverage in any of the last three years.

**B. Related Party Transactions**

The County contributed \$65,000 to the Authority during 2018. The City also contributed \$65,000 to the Authority during 2018. The City and County are not required to make annual contributions to the Authority.

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**V. Other Information**

**B. Related Party Transactions (continued)**

In 2010, the Authority entered into an intergovernmental agreement with the City with respect to down payment assistance funds. Under the terms of the agreement, the City is to provide up to \$100,000 for a down payment assistance revolving loan fund program. The City is required to pay 10% of all granted funds in the Authority's General Administrative Fund for administrative costs remitted on a transactional basis at the time loan funds are transmitted. The City's management has verbally increased the amount of available funds in the program to \$200,000.

**C. Retirement Plan**

The Authority's employees can participate in a section 457 deferred compensation plan administered by the ICMA Retirement Corporation. The Authority contributes 3% of employees' wages to the plan and the individual retirement accounts are self-directed and managed by the employees. All employees are fully vested immediately. The Authority's contributions to the plan were \$7,005 for the year ended December 31, 2018.

**D. Grant Funds**

The Authority participates in several grant arrangements. Expenses financed by grants are subject to audit and disallowance by granting authorities. Management of the Authority is unaware of any non-compliance issues and feels any potential questions or disallowed costs would not materially affect the presentation of the Authority's financial statements as of and for the year ended December 31, 2018.

**VI. Restatement**

Effective January 1, 2018, certain of the Authority's funds were reclassified from business-type funds to governmental funds, so as to present the activities of those funds in a manner consistent with the nature of their operations. Consequently, the opening 2018 fund balances for the General Administrative Fund, Development Fund, and Down Payment Loan Fund were restated as follows:

**General Administrative Fund:**

Ending Net Position - 12/31/17	\$ 626,826
less: Capital assets at 12/31/17, net of accumulated depreciation	-
less: Long-term mortgages receivable	<u>(455,926)</u>
Beginning Fund Balance, as restated - 1/1/18	<u><u>\$ 170,900</u></u>

**Development Fund:**

Ending Net Position - 12/31/17	\$ 1,340,601
less: Land for development	(127,000)
less: Investment in LLC	(130)
less: Long-term note receivable	(868,088)
less: Long-term note payable	<u>58,088</u>
Beginning Fund Balance, as restated - 1/1/18	<u><u>\$ 403,471</u></u>

**Yampa Valley Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Continued)**

**VI. Restatement (continued)**

**Down Payment Loan Fund:**

Ending Net Position - 12/31/17	\$ 508,016
less: Long-term program loans receivable, net of allowance	<u>(285,199)</u>
Beginning Fund Balance, as restated - 1/1/18	<u><u>\$ 222,817</u></u>

As a result of this reclassification, the Authority's opening 2018 government-wide net position for governmental activities was restated as follows:

Ending Net Position - Governmental Activities - 12/31/17	\$ -
add: Restated beginning fund balances for governmental funds at 1/1/18:	
General Administrative Fund	\$ 170,900
Development Fund	403,471
Down Payment Loan Fund	<u>222,817</u>
	797,188
add: Governmental capital assets, net of accumulated depreciation	127,000
add: Governmental long-term program loans receivable	285,199
add: Governmental long-term note receivable	868,088
add: Governmental long-term mortgages receivable	455,926
add: Governmental investment in LLC	130
less: Governmental long-term note payable	<u>(58,088)</u>
Beginning Net Position, as restated - Governmental Activities - 1/1/18	<u><u>\$ 2,475,443</u></u>

The beginning 2018 net position of the Fish Creek Mobile Home Park Fund was increased by \$11,710 (and long-term liabilities correspondingly reduced) to remove a debt payment erroneously accrued in 2015. At the government-wide level, the Authority's opening 2018 business-type net position was restated as follows:

Ending Net Position - Business-type Activities - 12/31/17	\$ 5,188,815
add: Reverse accrual of long-term debt payment	11,710
less: Restatement of beginning governmental activities net position	<u>(2,475,443)</u>
Beginning Net Position, as restated - Business-type Activities - 1/1/18	<u><u>\$ 2,725,082</u></u>

**VII. Subsequent Event**

In June 2018, the Authority executed a Memorandum of Understanding (the "MOU") with Overland Property Group, LLC ("Overland") in connection with the development, ownership, and operation of a mixed income apartment project (the "Project") in Steamboat Springs. Under the terms of the MOU, YVHA is to secure subordinated financing which will, in turn, be loaned to the Project. YVHA also commits to contribute \$525,000 to the Project for a 40% limited partner equity stake in the Project. The Project is expected to break ground in 2019.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Yampa Valley Housing Authority**  
**Governmental Fund - General Administrative Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Final Budget Variance: Positive (Negative)</b>
<b>Revenues:</b>				
Contributions	130,000	130,000	130,000	-
Management fees	66,200	66,200	66,200	-
Mortgage income	19,300	19,300	14,315	(4,985)
Investment earnings	200	200	33	(167)
Other	-	-	546	546
<b>Total Revenues</b>	<u>215,700</u>	<u>215,700</u>	<u>211,094</u>	<u>(4,606)</u>
<b>Expenditures:</b>				
General government:				
Wages and benefits	156,650	163,570	157,307	6,263
Office expenses	6,200	6,200	3,876	2,324
Professional fees	7,650	7,650	8,159	(509)
General and administrative	19,250	19,250	28,507	(9,257)
Contract labor	18,000	18,000	18,378	(378)
Utilities	1,100	1,100	1,762	(662)
Other	1,000	1,000	577	423
<b>Total Expenditures</b>	<u>209,850</u>	<u>216,770</u>	<u>218,566</u>	<u>(1,796)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	5,850	(1,070)	(7,472)	(6,402)
<b>Other Financing Sources (Uses):</b>				
Transfers in	4,000	4,000	4,000	-
Transfers (out)	(9,850)	(89,850)	(80,000)	9,850
<b>Total Other Financing Sources (Uses)</b>	<u>(5,850)</u>	<u>(85,850)</u>	<u>(76,000)</u>	<u>9,850</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(86,920)</u>	<u>(83,472)</u>	<u>3,448</u>
<b>Fund Balance - Beginning (as restated)</b>			<u>170,900</u>	
<b>Fund Balance - Ending</b>			<u>87,428</u>	

**Yampa Valley Housing Authority**  
**Governmental Fund - Development Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Final Budget Variance: Positive (Negative)</b>
<b>Revenues:</b>				
Property taxes	900,000	900,000	821,391	(78,609)
Specific ownership tax	-	-	72,332	72,332
Contributions	-	-	1,000	1,000
Developer fees	120,000	120,000	-	(120,000)
Investment earnings	12,000	12,000	22,740	10,740
Distribution from The Reserves project	-	-	118,367	118,367
<b>Total Revenues</b>	<u>1,032,000</u>	<u>1,032,000</u>	<u>1,035,830</u>	<u>3,830</u>
<b>Expenditures:</b>				
Development:				
Professional fees	15,000	15,000	5,908	9,092
Treasurer fees	-	43,000	25,006	17,994
Other	400	400	560	(160)
Debt service:				
Principal	7,000	7,000	7,487	(487)
Interest	3,500	3,500	2,513	987
<b>Total Expenditures</b>	<u>25,900</u>	<u>68,900</u>	<u>41,474</u>	<u>27,426</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	1,006,100	963,100	994,356	31,256
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	80,000	80,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>1,006,100</u>	<u>1,043,100</u>	1,074,356	<u>31,256</u>
<b>Fund Balance - Beginning (as restated)</b>			<u>403,471</u>	
<b>Fund Balance - Ending</b>			<u>1,477,827</u>	

**Yampa Valley Housing Authority**  
**Governmental Fund - Down Payment Loan Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Final Budget Variance: Positive (Negative)</b>
<b>Revenues:</b>				
Investment earnings	5,652	5,652	22,540	16,888
Down payment loan principal repayments	15,911	15,911	94,842	78,931
Other	100	100	-	(100)
<b>Total Revenues</b>	<u>21,663</u>	<u>21,663</u>	<u>117,382</u>	<u>95,719</u>
<b>Expenditures:</b>				
General government:				
General and administrative	2,500	2,500	2,503	(3)
Direct assistance	55,000	55,000	-	55,000
Other	100	100	-	100
<b>Total Expenditures</b>	<u>57,600</u>	<u>57,600</u>	<u>2,503</u>	<u>55,097</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(35,937)	(35,937)	114,879	150,816
<b>Other Financing Sources (Uses):</b>				
Transfers in	40,000	40,000	-	(40,000)
Transfers (out)	(4,000)	(4,000)	(4,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>36,000</u>	<u>36,000</u>	<u>(4,000)</u>	<u>(40,000)</u>
<b>Net Change in Fund Balance</b>	<u>63</u>	<u>63</u>	110,879	<u>110,816</u>
<b>Fund Balance - Beginning (as restated)</b>			<u>222,817</u>	
<b>Fund Balance - Ending</b>			<u>333,696</u>	



**SUPPLEMENTARY INFORMATION**

**Yampa Valley Housing Authority**  
**Proprietary Fund - Hillside Village Apartments**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis**  
**For the Year Ended December 31, 2018**

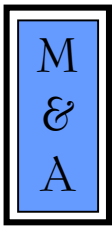
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Final Budget Variance: Positive (Negative)</b>
<b>Operating Revenues:</b>				
Tenant rents	383,892	383,892	268,438	(115,454)
Rent subsidy	-	-	142,365	142,365
Interest subsidy	-	-	45,719	45,719
Application fees	400	400	900	500
Laundry and vending	4,500	4,500	5,182	682
Other tenant charges	4,500	4,500	7,464	2,964
Other revenue	74,000	74,000	584	(73,416)
<b>Total Revenues</b>	<u>467,292</u>	<u>467,292</u>	<u>470,652</u>	<u>3,360</u>
<b>Operating Expenses:</b>				
Operating and maintenance:				
Wages and benefits	56,000	56,000	54,372	1,628
Repairs and maintenance	27,000	27,000	21,482	5,518
Snow removal	20,000	20,000	13,043	6,957
Capital outlay	74,000	74,000	74,139	(139)
Other expenses	35,281	35,281	10,815	24,466
Administrative:				
Wages and benefits	75,000	75,000	70,150	4,850
Professional fees	7,100	7,100	6,376	724
Management fees	33,600	33,600	33,600	-
Manager unit rent	8,268	8,268	8,268	-
Other expenses	16,500	16,500	13,475	3,025
Insurance	13,000	13,000	13,000	-
Utilities	66,100	66,100	68,639	(2,539)
<b>Total Expenses</b>	<u>431,849</u>	<u>431,849</u>	<u>387,359</u>	<u>44,490</u>
<b>Operating Income (Loss) - Budget Basis</b>	35,443	35,443	83,293	47,850
<b>Non-operating Revenues (Expenses):</b>				
Investment earnings	150	150	84	(66)
Principal repayment	-	-	(6,898)	(6,898)
Interest expense	(29,964)	(29,964)	(68,785)	(38,821)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(29,814)</u>	<u>(29,814)</u>	<u>(75,599)</u>	<u>(45,785)</u>
<b>Change in Net Position - Budget Basis</b>	<u>5,629</u>	<u>5,629</u>	7,694	<u>2,065</u>
<b>Reconciliation from Budget to GAAP Basis:</b>				
Loan principal repayment			6,898	
Capitalized assets			74,139	
Change in compensated absences			(6,214)	
Depreciation			(109,095)	
<b>Change in Net Position - GAAP Basis</b>			(26,578)	
<b>Net Position - Beginning</b>			<u>892,878</u>	
<b>Net Position - Ending</b>			<u>866,300</u>	

**Yampa Valley Housing Authority**  
**Proprietary Fund - Fish Creek Mobile Home Park**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis**  
**For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Final Budget Variance: Positive (Negative)</b>
<b>Operating Revenues:</b>				
Tenant rents	374,040	374,040	371,940	(2,100)
Other tenant charges	200	200	30	(170)
Other revenue	-	-	246	246
<b>Total Revenues</b>	<u>374,240</u>	<u>374,240</u>	<u>372,216</u>	<u>(2,024)</u>
<b>Operating Expenses:</b>				
Wages and benefits	14,200	14,200	13,040	1,160
Professional fees	5,500	5,500	4,491	1,009
Management fees	32,600	32,600	32,600	-
Utilities	42,500	42,500	47,061	(4,561)
Repairs and maintenance	8,000	8,000	8,480	(480)
Snow removal	13,000	13,000	2,756	10,244
Railroad licenses	6,300	6,300	6,218	82
Capital outlay	33,500	33,500	51,000	(17,500)
Other expenses	38,050	38,050	1,762	36,288
<b>Total Expenses</b>	<u>193,650</u>	<u>193,650</u>	<u>167,408</u>	<u>26,242</u>
<b>Operating Income (Loss) - Budget Basis</b>	180,590	180,590	204,808	24,218
<b>Non-operating Revenues (Expenses):</b>				
Investment earnings	400	400	3,997	3,597
Principal repayment	(124,000)	(124,000)	(125,818)	(1,818)
Interest expense	(83,800)	(83,800)	(88,470)	(4,670)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(207,400)</u>	<u>(207,400)</u>	<u>(210,291)</u>	<u>(2,891)</u>
<b>Change in Net Position - Budget Basis</b>	<u>(26,810)</u>	<u>(26,810)</u>	(5,483)	<u>21,327</u>
<b>Reconciliation from Budget to GAAP Basis:</b>				
Loan principal repayment			125,818	
Capitalized assets			51,000	
Change in compensated absences			(356)	
Depreciation			<u>(36,154)</u>	
<b>Change in Net Position - GAAP Basis</b>			134,825	
<b>Net Position - Beginning (as restated)</b>			<u>1,832,204</u>	
<b>Net Position - Ending</b>			<u>1,967,029</u>	



**FEDERAL AWARDS COMPLIANCE**



# MCMAHAN AND ASSOCIATES, L.L.C.

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors  
Yampa Valley Housing Authority  
Steamboat Springs, Colorado**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yampa Valley 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 and have issued our report thereon dated March 14, 2019.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit on the financial statements, we considered the Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Yampa Valley Housing Authority**  
**Steamboat Springs, Colorado**

***Compliance and Other Matters***

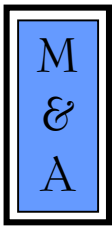
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

***Purpose of this Report***

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

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**March 14, 2019**



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
Yampa Valley Housing Authority  
Steamboat Springs, Colorado**

### ***Report on Compliance for Each Major Program***

We have audited the compliance of Yampa Valley Housing Authority (the "Authority") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2018. The Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Authority's compliance with those requirements.

### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

*Member: American Institute of Certified Public Accountants*

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

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ASPEN: (970) 544-3996  
FRISCO: (970) 668-3481

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Yampa Valley Housing Authority  
Steamboat Springs, Colorado**

***Report on Internal Control Over Compliance***

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**

**March 14, 2019**

**Yampa Valley Housing Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2018**

**Part I – Summary of Auditor’s Results**

*Financial Statements:*

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

*Federal Awards:*

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2, U.S. Code of Federal Regulations, Part 200	None noted

Major programs:

Rural Rental Housing Loan Program	CFDA #10.415
Dollar threshold used to identify Type A from Type B programs	\$750,000
Identified as low-risk auditee	Yes

**Part II – Findings Related to Financial Statements**

Findings related to financial statements as required by <i>Government Auditing Standards</i>	None noted
Auditor-assigned reference number	Not applicable

**Part III – Findings Related to Federal Awards**

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

**Yampa Valley Housing Authority**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2017**

The Authority had no findings for the year ended December 31, 2017.

**Yampa Valley Housing Authority**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture:</b>			
<i>Direct programs:</i>			
Rural Rental Housing Loans	10.415	N/A	\$ 1,171,865
Rural Rental Assistance Payments	10.427	N/A	142,365
<b>Total - U.S. Department of Agriculture</b>			<u>1,314,230</u>
<b>Total</b>			<u>\$ 1,314,230</u>

**Notes to the Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2018**

**Note 1. Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of Yampa Valley Housing Authority (the "Authority") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the general purpose financial statements.

**Note 2. Indirect Facilities and Administration Costs**

The Authority has elected not to use the 10% de minimis cost rate allowed in §200.414, *Indirect (F&A) Costs*, of the Uniform Guidance.

**Note 3. Loans Outstanding**

The Authority participates in the Rural Housing Service loan program. The balance of such loans at December 31, 2018 is as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Balance of Direct Loans</u>
Rural Rental Housing Loans	10.415	\$ 1,119,247

Position 3  
**MULTI-FAMILY HOUSING  
BORROWER BALANCE SHEET**  
PART I - BALANCE SHEET

PROJECT NAME	BORROWER NAME	BORROWER ID AND PROJECT NO.
--------------	---------------	-----------------------------

	CURRENT YEAR	PRIOR YEAR	COMMENTS
--	--------------	------------	----------

BEGINNING DATES>  
ENDING DATES>

( )	( )	
( )	( )	

**ASSETS**

**CURRENT ASSETS**

1. GENERAL OPERATING ACCOUNT .....			
2. R.E. TAX & INSURANCE ACCOUNT .....			
3. RESERVE ACCOUNT .....			
4. SECURITY DEPOSIT ACCOUNT .....			
5. OTHER CASH ( <i>identify</i> ) .....			
6. OTHER ( <i>identify</i> ) .....			
7. TOTAL ACCOUNTS RECEIVABLE ( <i>Attach list</i> ) .....			
..... ACCTS RCVBL 0-30 DAYS \$ .....			
ACCTS RCVBL 30-60 DAYS \$ .....			
ACCTS RCVBL 60-90 DAYS \$ .....			
ACCTS RCVBL OVER 90 DAYS \$ .....			
8. LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS .....			
9. INVENTORIES ( <i>supplies</i> ) .....	( )	( )	
10. PREPAYMENTS .....			
11. _____			
12. <b>TOTAL CURRENT ASSETS</b> ( <i>Add 1 thru 11</i> ) .....			

**FIXED ASSETS**

13. LAND .....			
14. BUILDINGS .....			
15. LESS: ACCUMULATED DEPRECIATION .....	( )	( )	
16. FURNITURE & EQUIPMENT .....			
17. LESS: ACCUMULATED DEPRECIATION .....	( )	( )	
18. _____			
19. <b>TOTAL FIXED ASSETS</b> ( <i>Add 13 thru 18</i> ) .....			

**OTHER ASSETS**

20. _____			
21. <b>TOTAL ASSETS</b> ( <i>Add 12, 19, and 20</i> ) .....			

**LIABILITIES AND OWNERS EQUITY**

**CURRENT LIABILITIES**

22. TOTAL ACCOUNTS PAYABLE ( <i>Attach list</i> ) .....			
..... ACCTS PAYABLE 0-30 DAYS \$ .....			
ACCTS PAYABLE 30-60 DAYS \$ .....			
ACCTS PAYABLE 60-90 DAYS \$ .....			
ACCTS PAYABLE OVER 90 DAYS \$ .....			
23. NOTES PAYABLE ( <i>Attach list</i> ) .....			
24. SECURITY DEPOSITS .....			
25. <b>TOTAL CURRENT LIABILITIES</b> ( <i>Add 22 thru 24</i> ) .....			

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

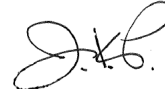
**LONG-TERM LIABILITIES**

26. NOTES PAYABLE RURAL DEVELOPMENT	\$1,119,247.00	\$1,126,146.00	
27. OTHER (Identify) <u>Accrued Compensated Absences</u>	6,214.00		
28. <b>TOTAL LONG-TERM LIABILITIES (Add 26 and 27)</b>	1,125,461.00	1,126,146.00	
29. <b>TOTAL LIABILITIES (Add 25 and 28)</b> .....	1,148,556.00	1,148,077.00	
30. OWNER'S EQUITY (Net Worth) (21 minus 29).....	( 866,300.00 )	( 892,878.00 )	
31. <b>TOTAL LIABILITIES AND OWNER'S EQUITY (Add 29 and 30)</b>	\$2,014,856.00	\$2,040,955.00	

**Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction any of department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."**

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

03-14-2019  
 \_\_\_\_\_  
 (Date)

  
 \_\_\_\_\_  
 (Signature of Borrower or Borrower' Representative)  
 Executive Director, YVHA  
 \_\_\_\_\_  
 (Title)

**PART II - VERIFICATION OF REVIEW**

I/We have reviewed the borrower's records. The accompanying balance sheet, and statement of actual budget and income on Form RD 1930-7, is a fair presentation of the borrower's records.

I/We certify that no identity of interest exists between me/us and any individual or organization doing business with the project or borrower.

\_\_\_\_\_  
 (Date)

\_\_\_\_\_  
 (Signature)  
 \_\_\_\_\_  
 (Name and Title)  
 \_\_\_\_\_  
 (Address)

In lieu of the above verification and signature, a review completed, dated and signed by a person or firm qualified by I license or certification is attached.

**MULTIPLE FAMILY HOUSING PROJECT BUDGET/  
UTILITY ALLOWANCE**

PROJECT NAME		BORROWER NAME		BORROWER ID AND PROJECT NO.	
Loan/Transfer Amount \$		Note Rate Payment \$		IC Payment \$	
Reporting Period <input type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing	Project Rental Type <input type="checkbox"/> Family <input type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH	Profit Type <input type="checkbox"/> Full Profit <input type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other _____	
				<input type="checkbox"/> I hereby request _____ units of RA. Current number of RA units _____. Borrower Accounting Method <input type="checkbox"/> Cash <input type="checkbox"/> Accrual	

**PART I-CASH FLOW STATEMENT**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES> ENDING DATES>				
<b>OPERATIONAL CASH SOURCES</b>				
1. RENTAL INCOME .....				
2. RHS RENTAL ASSISTANCE RECEIVED .....				
3. APPLICATION FEES RECEIVED .....				
4. LAUNDRY AND VENDING .....				
5. INTEREST INCOME .....				
6. TENANT CHARGES .....				
7. OTHER -PROJECT SOURCES .....				
8. LESS (Vacancy and Contingency Allowance) .....	( )		( )	
9. LESS (Agency Approved Incentive Allowance) .....	( )		( )	
10. SUB-TOTAL [(1 thru 7) - (8 & 9)] .....				
<b>NON-OPERATIONAL CASH SOURCES</b>				
11. CASH-NON PROJECT .....				
12. AUTHORIZED LOAN (Non-RHS) .....				
13. TRANSFER FROM RESERVE .....				
14. SUB-TOTAL (11 thru 13) .....				
<b>15. TOTAL CASH SOURCES (10+14) .....</b>				
<b>OPERATIONAL CASH USES</b>				
16. TOTAL O&M EXPENSES (From Part II) .....				
17. RHS DEBT PAYMENT .....				
18. RHS PAYMENT (Overage) .....				
19. RHS PAYMENT (Late Fee) .....				
20. REDUCTION IN PRIOR YEAR PAYABLES .....				
21. TENANT UTILITY PAYMENTS .....				
22. TRANSFER TO RESERVE .....				
23. RETURN TO OWNER/NP ASSET MANAGEMENT FEE....				
24. SUB-TOTAL (16 thru 23) .....				
<b>NON-OPERATIONAL CASH USES</b>				
25. AUTHORIZED DEBT PAYMENT (Non-RHS) .....				
26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6) .....				
27. MISCELLANEOUS .....				
28. SUB-TOTAL (25 thru 27) .....				
<b>29. TOTAL CASH USES (24+28) .....</b>				
<b>30. NET CASH (DEFICIT) (15- 29) .....</b>				
<b>CASH BALANCE</b>				
31. BEGINNING CASH BALANCE .....				
32. ACCRUAL TO CASH ADJUSTMENT .....				
33. ENDING CASH BALANCE (30+31+32) .....				

*According to the Paperwork Reduction Act of 1995, an agency may not conduct sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.*

**PART II-OPERATING AND MAINTENANCE EXPENSE SCHEDULE**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE AND REPAIRS PAYROLL .....				
2. MAINTENANCE AND REPAIRS SUPPLY .....				
3. MAINTENANCE AND REPAIRS CONTRACT .....				
4. PAINTING .....				
5. SNOW REMOVAL .....				
6. ELEVATOR MAINTENANCE/CONTRACT .....				
7. GROUNDS .....				
8. SERVICES .....				
9. ANNUAL CAPITAL BUDGET (From Part V- Operating) .....				
10. OTHER OPERATING EXPENSES (Itemize) .....				
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10) .....				
12. ELECTRICITY <input type="checkbox"/> If master metered .....				
13. WATER <input type="checkbox"/> check box on .....				
14. SEWER <input type="checkbox"/> front .....				
15. FUEL (Oil/Coal/Gas) .....				
16. GARBAGE & TRASH REMOVAL .....				
17. OTHER UTILITIES .....				
18. SUB-TOTAL UTILITIES (12 Thru 17) .....				
19. SITE MANAGEMENT PAYROLL .....				
20. MANAGEMENT FEE .....				
21. PROJECT AUDITING EXPENSE .....				
22. PROJECT BOOKKEEPING/ACCOUNTING .....				
23. LEGAL EXPENSES .....				
24. ADVERTISING .....				
25. TELEPHONE & ANSWERING SERVICE .....				
26. OFFICE SUPPLIES .....				
27. OFFICE FURNITURE & EQUIPMENT .....				
28. TRAINING EXPENSE .....				
29. HEALTH INS. & OTHER EMP. BENEFITS .....				
30. PAYROLL TAXES .....				
31. WORKMAN'S COMPENSATION .....				
32. OTHER ADMINISTRATIVE EXPENSES (Itemize) .....				
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32) .....				
34. REAL ESTATE TAXES .....				
35. SPECIAL ASSESSMENTS .....				
36. OTHER TAXES, LICENSES& PERMITS .....				
37. PROPERTY& LIABILITY INSURANCE .....				
38. FIDELITY COVERAGE INSURANCE .....				
39. OTHER INSURANCE .....				
40. SUB-TOTAL TAXES& INSURANCE (34 thru 39) .....				
41. TOTAL O&M EXPENSES (11 +18+33+40) .....				

**PART III-ACCOUNT BUDGETING/STATUS**

	CURRENT BUDGET	ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
<b>RESERVE ACCOUNT:</b>				
1. BEGINNING BALANCE .....				
2. TRANSFER TO RESERVE .....				
TRANSFER FROM RESERVE .....				
3. OPERATING DEFICIT .....				
4. ANNUAL CAPITAL BUDGET ( <i>Part V - Reserve</i> ) .....				
5. BUILDING & EQUIPMENT REPAIR .....				
6. OTHER NON-OPERATING EXPENSES .....				
7. TOTAL (3 thru 6) .....	( )	( )	( )	
8. ENDING BALANCE [(1 +2)-7] .....				

**GENERAL OPERATING ACCOUNT:\***

BEGINNING BALANCE .....

ENDING BALANCE .....



**REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:\***

BEGINNING BALANCE .....

ENDING BALANCE .....



**TENANT SECURITY DEPOSIT ACCOUNT:\***

BEGINNING BALANCE .....

ENDING BALANCE .....



(\*Complete upon submission of actual expenses.)

NUMBER OF APPLICANTS ON THE WAITING LIST .....	<input type="text"/>	RESERVE ACCT. REQ. BALANCE .....	<input type="text"/>
NUMBER OF APPLICANTS NEEDING RA .....	<input type="text"/>	AMOUNT AHEAD/BEHIND .....	<input type="text"/>