BOULDER COUNTY HOUSING AUTHORITY
Boulder, Colorado

FINANCIAL STATEMENTS
December 31, 2011

Table of Contents

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

Board of Directors
Boulder County Housing Authority
Boulder County, Colorado

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of Boulder County Housing Authority (the Authority), a component unit of Boulder County, Colorado, as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Boulder County Housing Authority as of December 31, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through xii 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. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
July 20, 2012

BOULDER COUNTY HOUSING AUTHORITY
(A Component Unit of Boulder County, Colorado)

Management's Discussion and Analysis

December 31, 2011

As management of the Boulder County Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our notes to the financial statements.

Financial Highlights

The Authority's financial highlights for the year ended December 31, 2011 is as follows:

As a result of this year's operations, fund equity of the Authority increased to $19,061,300, or 34% from 2010. Detail of these changes is shown under the Financial Analysis of the Authority section, which is summarized below:

- In 2011 the Authority purchased an additional four unit property located at 509 W. Geneseo in Lafayette, one of the four units will be designated as a HOME Assisted unit.

- In August 2011, Josephine Commons Development, Phase I, broke ground and construction continued through the remainder of the year. The 74-Unit Senior Housing project is due to open in August of 2012 and is forecasted to be fully leased in early 2013.

- The Authority incurred a capital contribution of $1,846,368 for the Josephine Commons Development, located in Lafayette. This is in conjunction with other funding sources that include a tax credit partnership.

Overview of the Financial Statements

The annual financial report consists of three primary parts:

- Management's Discussion and Analysis
- Financial Statements
- Notes to the Financial Statements

The Authority, a blended component unit of Boulder County, Colorado, is a public purpose financial enterprise and, therefore follows enterprise fund accounting. The financial statements are produced on the accrual basis of accounting. The statements include two blended component units of which the Authority is the sole owner. MFPH Acquisitions LLC and SFPH Acquisitions LLC were created to hold, manage and at a future date, sell the affordable housing units. These entities have separately issued financial statements.

Additionally, the statements include a third component unit, Josephine Commons, LLC. Josephine Commons, LLC (the Corporation) is a Colorado limited liability company formed in 2011 and a legally separate entity from the Authority, and the County of Boulder, Colorado, a political subdivision organized in 1861 under the statutes of the State of Colorado. The majority interest of the Corporation is owned and controlled by private investors. While the Authority, through a separate LLC, is the manager of the Corporation, its powers are limited to those specifically authorized in the Corporation's Operating Agreement. Most significant transactions require approval of the investors. Accordingly, Josephine Commons, LLC, is a discretely presented component unit within the Authority's financial reporting entity.

The financial statements report information for all Authority and component unit programs and operations. The balance sheet includes all of the Authority's assets and liabilities. All of the revenues and expenses of the Authority are recorded in the statement of revenues, expenses and changes in fund equity.

In addition to reporting this supplementary information in the audit report, the Authority is required to submit financial information annually for most of its projects to related parties, such as federal, state and local grantors, bond insurers and individual banks for which the Authority holds notes and mortgages.

Summary of Assets and Liabilities

(a) Boulder County Housing Authority

The $2,926,409 increase in current assets is primarily due to a total increase in cash of $1,661,186 and an increase in Due from Other Governments of $784,071. In addition to the increase in cash, noncurrent assets increased $2,227,770 which is related to $2,487,928 of new notes receivable related to Josephine Commons, LLC. Total Assets increased $ 5,154,179 in 2011.

Current liabilities increased $569,047, which is related to an increase in deferred revenues of $343,648 and an increase in Due to Primary Government of $397,383. Noncurrent liabilities decreased $246,443 as annual bond payments were made. Fund Equity increased $4,831,573 in 2011.

Boulder County Housing Authority

Summary of Assets and Liabilities

Assets	**2011**	**2010**	**Change**
Total current assets	$ 9,821,133	$ 6,894,724	$ 2,926,409
Noncurrent assets			
Capital assets, net of accumulated depreciation	22,697,955	23,064,685	(366,730)
Deferred debt financing costs, net of amortization	693,502	729,470	(35,968)
Investment in Josephine Commons	86,400	-	86,400
Notes receivable	4,514,924	2,042,778	2,472,146
Accrued interest receivable	349,505	277,583	71,922
Agreements receivable	195,152	195,152	-
Total noncurrent assets	28,537,438	26,309,668	2,227,770
Total assets	$ 38,358,571	$ 33,204,392	$ 5,154,179
Liabilities and Fund Equity			
Total current liabilities	$ 3,182,199	$ 2,613,152	$ 569,047
Noncurrent assets			
Mortgages and notes payable	3,417,091	3,325,915	91,176
Bonds payable	12,530,000	12,880,000	(350,000)
Compensated absences	167,981	155,598	12,383
Total noncurrent liabilities	16,115,072	16,361,513	(246,441)
Total liabilities	19,297,271	18,974,665	322,606
Fund equity:			
Invested in capital assets, net of related debt	6,241,881	6,434,780	(192,899)
Restricted	3,970,358	4,281,330	(310,972)
Unrestricted	8,849,061	3,513,617	5,335,444
Total fund equity	19,061,300	14,229,727	4,831,573
Total liabilities and fund equity	$ 38,358,571	$ 33,204,392	$ 5,154,179

(b) Josephine Commons

Josephine Commons, a 74-unit Senior Housing Project, broke ground in August of 2011. The $5,761,676 increase in total assets stems from $965,831 in current cash assets, and $4,795,845 in noncurrent capital assets, the value of construction in progress as of December 31, 2011.

Current liabilities of $1,145,805 are composed of $710,515 of accounts payable and amounts due to BCHA. Noncurrent liabilities of $2,769,503 is the value of the new Notes Payable and the developer fee payable. Total fund equity is $1,846,368 as of December 31, 2011. Details of the notes payable can be found in the footnotes to the Financial Statements.

Josephine Commons

Summary of Assets and Liabilities

Assets	**2011**	**2010**	**Change**
Current assets:			
Total current assets	$ 965,831	$ -	$ 965,831
Noncurrent assets			
Capital assets, net of accumulated depreciation	4,533,509	-	4,533,509
Deferred debt financing costs, net of amortization	262,336	-	262,336
Total noncurrent assets	4,795,845	-	4,795,845
Total assets	$ 5,761,676	$ -	$ 5,761,676
Liabilities and Fund Equity			
Total current liabilities	$ 1,145,805	$ -	$ 1,145,805
Noncurrent assets			
Mortgages and notes payable	2,487,928	-	2,487,928
Developer fee payable	281,575	-	281,575
Total noncurrent liabilities	2,769,503	-	2,769,503
Total liabilities	3,915,308	-	3,915,308
Fund equity:			
Invested in capital assets, net of related debt	1,764,006	-	1,764,006
Restricted	82,362	-	82,362
Total fund equity	1,846,368	-	1,846,368
Total liabilities and fund equity	$ 5,761,676	$ -	$ 5,761,676

Summary of Revenues, Expenses and Changes in Fund Equity

(a) Boulder County Housing Authority

Total net operating income increased $379,555, due to an increase in other revenues of $302,121 which consisted primarily of utility refunds as part of the weatherization program. Tenant rental income had a slight increase of $86,237 due to improved utilization, with an average occupancy rate of 97.8% compared to 97% in 2010. There were no rent increases initiated in 2011.

Total operating expenses increased 2.5% to $9,808,289, with the largest increase in direct client expenses of $200,160.

Nonoperating revenues and expenses were $(226,022) a decrease of $352,206 or 53%. This significant change is due to a decrease in HUD housing assistance of $(147,530) and a decrease of $(108,949) in management fee income combined with an increase in housing assistance payments of $72,617.

There was a decrease in change in fund equity before capital contributions and transfers of $(352,206). However, the ending fund equity of $19,061,300 is a result of transfers in from primary government of $4,042,500.

Boulder County Housing Authority
Summary of Revenues, Expenses and Changes in Fund Equity

	2011	2010	Change
Operating revenues			
Tenant rental income	$ 1,501,248	$ 1,415,011	$ 86,237
Rental subsidies	1,434,886	1,427,917	6,969
Federal operating grants	6,416,210	6,225,362	190,848
Other operating grants	14,625	221,245	(206,620)
Other	853,915	551,794	302,121
Total operating revenues	10,220,884	9,841,329	379,555
Administrative	2,426,236	2,478,235	(51,999)
Direct client expenses	908,568	708,408	200,160
Utilities	246,527	235,110	11,417
Maintenance and weatherization	5,056,473	5,030,040	26,433
General operating	438,495	401,270	37,225
Depreciation	731,990	719,329	12,661
Total operating expenses	9,808,289	9,572,392	235,897
Operating income (loss)	412,595	268,937	143,658
Nonoperating revenues (expenses)			
HUD housing assistance payment income	6,270,825	6,418,355	(147,530)
Management and maintenance fees	339,792	448,741	(108,949)
Interest income	13,243	13,978	(735)
Deferred interest Eagle Place	71,923	85,008	(13,085)
Housing assistance payments	(6,102,564)	(6,029,947)	(72,617)
Interest expense, bonds and notes	(796,397)	(777,984)	(18,413)
Amortization of deferred debt financing costs	(35,968)	(35,966)	(2)
Gain on equipment disposal	13,124	3,999	9,125
Total nonoperating revenue, net	(226,022)	126,184	(352,206)
Change in fund equity before capital contributions and transfers	186,573	395,121	(208,548)
Federal capital grants	602,500	325,189	277,311
Capital contribution from primary	-	115,026	(115,026)
Transfers in from primary governent	4,042,500	292,087	3,750,413
Transfers from component units	-	152,433	(152,433)
Transfers to primary government	-	(383,410)	383,410
Change in fund equity	4,831,573	896,446	3,935,127
Fund equity, beginning of year	14,229,727	13,333,281	896,446
Fund equity, end of year	$ 19,061,300	$ 14,229,727	$ 4,831,573

(b) Josephine Commons

In 2011, all Josephine Commons financial activity is related to the construction phase of the project. The $1,846,368 capital contributions were to support the construction activities in 2011.

Capital Assets

(a) Boulder County Housing Authority

The Authority's Capital Assets (net of accumulated depreciation) equal $22,697,955 and $23,064,685 at December 31, 2011 and 2010, respectively. The change of $88,600 in land and $194,834 in Buildings and Improvements are due to the purchase of 509 W. Geneseo in Lafayette. Overall there was a decrease of $366,730 in capital assets in 2011.

	Balance December 31, 2011	Balance December 31, 2010	Change
Nondepreciable assets:			
Land	$ 4,682,017	$ 4,593,417	$ 88,600
Construction in process	1,029,365	1,009,262	20,103
Computer equipment/software	47,819	47,819	-
Furniture and fixtures	105,414	105,414	-
Buildings and improvements	24,876,461	24,681,627	194,834
Vehicles	860,939	862,557	(1,618)
Accumulated depreciation	(8,904,060)	(8,235,411)	(668,649)
Capital assets, net	$ 22,697,955	$ 23,064,685	$ (366,730)

(b) Josephine Commons

The Josephine Commons' capital assets (net of accumulated depreciation) equal $4,533,509 and $0 at December 31, 2011 and 2010, respectively. This change is due to the construction of Josephine Commons.

	Balance December 31, 2011	Balance December 31, 2010	Change
Nondepreciable assets:			
Land	$ 86,400	$ -	$ 86,400
Construction in process	4,447,109	-	4,447,109
Capital assets, net	$ 4,533,509	$ -	$ 4,533,509

Long-Term Debt Administration

(a) Boulder County Housing Authority

The Authority's long-term debt equals $16,456,074 and $16,629,905 at December 31, 2011 and 2010, respectively. During 2011, there were only regular principal payments of $426,107 and annual forgivable debt of $3,124 which reduced total debt by $429,231.

New debt issued in 2011 included a $255,400 Line of Credit payable to Wells Fargo for the purchase of 509 West Geneseo.

	2011	2010	Change
Bonds payable	$ 12,880,000	$ 13,220,000	$ (340,000)
Notes and mortgages payable	3,576,074	3,409,905	166,169
Total long-term debt	$ 16,456,074	$ 16,629,905	$ (173,831)

(b) Josephine Commons

Long-term debt for Josephine Commons, LLC equals $2,487,928 at December 31, 2011 and was all new debt related to the construction of the project. Details can be found on the long-term debt schedule included in the notes to the financial statements.

	2011	2010	Change
Notes and mortgages payable	$ 2,487,928	$ -	$ 2,487,928
Total long-term debt	$ 2,487,928	$ -	$ 2,487,928

Economic Factors and Next Year's Budget

Significant economic factors affecting the Authority are as follows:

- Federal funding of the U.S. Department of Housing and Urban Development, which affect the Authority's Housing Counseling and Housing Choice Voucher programs
- Federal funding of the U.S. Department of Energy, which affect the Weatherization Program
- Inflationary pressure on utility rates, supplies and other costs
- Affordable Housing market vacancy rates
- Decreased interest rates

These factors were taken into account when developing the budget for 2012.

Requests 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 Authority's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Boulder County Housing Authority, Finance Department, PO Box 471, Boulder, CO 80306.

BOULDER COUNTY HOUSING AUTHORITY

(A Component Unit of Boulder County, Colorado)

Balance Sheet
December 31, 2011

Assets	Boulder County Housing Authority	Component Unit Josephine Commons	Total
Current assets:			
Cash and cash equivalents	$ 3,463,190	$ -	$ 3,463,190
Restricted cash – tenant security deposits	114,524	-	114,524
Restricted cash and cash equivalents – other	4,272,815	965,831	5,238,646
Accounts receivable – tenants, net	11,242	-	11,242
Accounts receivable – other	16,281	-	16,281
Prepaid expenses	304	-	304
Inventory	142,452	-	142,452
Notes receivable	19,857	-	19,857
Due from other governments	1,241,288	-	1,241,288
Due from primary government	224,797	-	224,797
Due from component units	314,383	-	314,383
Total current assets	9,821,133	965,831	10,786,964
Noncurrent assets:			
Capital assets, net of accumulated depreciation	22,697,955	4,533,509	27,231,464
Deferred debt financing costs, net of amortization of $385,524	693,502	262,336	955,838
Investment in Josephine Commons	86,400	-	86,400
Notes receivable	4,514,924	-	4,514,924
Accrued interest receivable	349,505	-	349,505
Agreements receivable	195,152	-	195,152
Total noncurrent assets	28,537,438	4,795,845	33,333,283
Total assets	$ 38,358,571	$ 5,761,676	$ 44,120,247
Liabilities and Fund Equity			
Current liabilities:			
Accounts payable	$ 751,432	$ 710,515	$ 1,461,947
Tenant prepaid rents	14,412	-	14,412
Notes and mortgages payable, current portion	158,983	-	158,983
Bonds payable, current portion	350,000	-	350,000
Compensated absences	13,872	-	13,872
Other accrued liabilities	143,290	120,907	264,197
Tenant security deposits	114,524	-	114,524
Deferred revenue	723,410	-	723,410
FSS escrow	74,120	-	74,120
Due to primary government	838,156	314,383	1,152,539
Total current liabilities	3,182,199	1,145,805	4,328,004
Noncurrent liabilities:			
Mortgages and notes payable	3,417,091	2,487,928	5,905,019
Bonds payable	12,530,000	-	12,530,000
Developer fee payable	-	281,575	281,575
Compensated absences	167,981	-	167,981
Total noncurrent liabilities	16,115,072	2,769,503	18,884,575
Total liabilities	19,297,271	3,915,308	23,212,579
Fund Equity:			
Invested in capital assets, net of related debt	6,241,881	1,764,006	8,005,887
Restricted	3,970,358	82,362	4,052,720
Unrestricted	8,849,061	-	8,849,061
Total fund equity	19,061,300	1,846,368	20,907,668
Total liabilities and fund equity	$ 38,358,571	$ 5,761,676	$ 44,120,247

See accompanying notes to basic financial statements.

BOULDER COUNTY HOUSING AUTHORITY

(A Component Unit of Boulder County, Colorado)

Statement of Revenues, Expenses and Changes in Fund Equity
Year Ended December 31, 2011

	Boulder County Housing Authority	Component Unit Josephine Commons	Total
Operating revenues			
Tenant rental income	$ 1,501,248	$ -	$ 1,501,248
Rental subsidies	1,434,886	-	1,434,886
Federal operating grants	6,416,210	-	6,416,210
Other operating grants	14,625	-	14,625
Other	853,915	-	853,915
Total operating revenues	10,220,884	-	10,220,884
Administrative	2,426,236	-	2,426,236
Direct client expenses	908,568	-	908,568
Utilities	246,527	-	246,527
Maintenance and weatherization	5,056,473	-	5,056,473
General operating	438,495	-	438,495
Depreciation	731,990	-	731,990
Total operating expenses	9,808,289	-	9,808,289
Operating income	412,595	-	412,595
Nonoperating revenues (expenses)			
HUD housing assistance payment income	6,270,825	-	6,270,825
Management and maintenance fees	339,792	-	339,792
Interest income	13,243	-	13,243
Housing assistance payments	(6,102,564)	-	(6,102,564)
Interest expense, bonds and notes	(796,397)	-	(796,397)
Deferred interest Eagle Place	71,923	-	71,923
Amortization of deferred debt financing costs	(35,968)	-	(35,968)
Gain/loss on equipment disposal	13,124	-	13,124
Total nonoperating revenues (expenses)	(226,022)	-	(226,022)
Change in net assets before capital contributions and transfers	186,573	-	186,573
Federal capital grants	602,500	-	602,500
Capital contributions	-	1,846,368	1,846,368
Transfers from primary government	4,042,500	-	4,042,500
Change in fund equity	4,831,573	1,846,368	6,677,941
Fund equity, beginning of year	14,229,727	-	14,229,727
Fund equity, end of year	$ 19,061,300	$ 1,846,368	$ 20,907,668

See accompanying notes to basic financial statements.

BOULDER COUNTY HOUSING AUTHORITY

(A Component Unit of Boulder County, Colorado)

Statement of Cash Flows
Year Ended December 31, 2011

	Boulder County Housing Authority	Component Unit Josephine Commons	Total
Cash flows from operating activities			
Cash received from tenants and others	$ 9,303,343	$ -	$ 9,303,343
Cash payments to employees	(4,400,306)	-	(4,400,306)
Cash payments to suppliers	(4,532,330)	-	(4,532,330)
Net cash provided by operating activities	370,707	-	370,707
Cash flows from noncapital financing activities			
Transfers in from primary government	4,042,500	-	4,042,500
Notes receivable issued	(2,543,011)	-	(2,543,011)
Principal payments on notes receivable	70,114	-	70,114
HUD housing assistance payment income	6,270,825	-	6,270,825
Management and maintenance fees	339,792	-	339,792
Housing assistance payments	(6,102,564)	-	(6,102,564)
Net cash provided by noncapital financing activities	2,077,656	-	2,077,656
Cash flows from capital and related financing activities			
Purchases of capital assets	(451,660)	(3,019,729)	(3,471,389)
Capital contributions	602,500	1,759,968	2,362,468
Mortgage issued	255,400	2,487,928	2,743,328
Deferred debt financing cost	-	(262,336)	(262,336)
Principal payments on notes, bonds and mortgages	(426,107)	-	(426,107)
Interest payments on notes, bonds and mortgages	(793,677)	-	(793,677)
Proceeds from sale of capital assets	13,124	-	13,124
Net cash provided by (used in) capital and related financing activities	(800,420)	965,831	165,411
Cash flows from investing activities			
Interest received	13,243	-	13,243
Net cash provided by investing activities	13,243	-	13,243
Net increase in cash and cash equivalents	1,661,186	965,831	2,627,017
Cash and cash equivalents, beginning of year	6,189,343	-	6,189,343
Cash and cash equivalents, end of year	$ 7,850,529	$ 965,831	$ 8,816,360
Reconciliation of operating income to net cash provided by operating activities			
Net Income from operations	$ 412,595	$ -	$ 412,595
Adjustments to reconcile net income from operations to net cash provided by in operating activities:			-
Depreciation	731,990	-	731,990
Loans forgiven	(3,124)		(3,124)
Decrease in accounts receivable	5,527	-	5,527
Increase in inventory	(5,359)	-	(5,359)
Decrease in prepaid expenses	2,755	-	2,755
Increase in due from other governments	(784,071)	-	(784,071)
Increase in due from primary government	(174,917)	-	(174,917)
Increase in due from component units	(307,229)	-	(307,229)
Decrease in accounts payable	(235,114)	-	(235,114)
Increase in tenant prepaid rents	2,778	-	2,778
Increase in compensated absences	18,161	-	18,161
Decrease in other accrued liabilities	(7,932)	-	(7,932)
Decrease in tenant security deposits	(153)	-	(153)
Increase in deferred revenue	343,648	-	343,648
Decrease in Family Self-Sufficiency escrow	(25,054)	-	(25,054)
Increase in due to primary government	396,206	-	396,206
Net cash provided by operating activities	$ 370,707	$ -	$ 370,707

Noncash capital and related financing activity:

In 2011, Boulder County Housing Authority contributed land valued at $86,400 to Josephine Commons

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies of the Boulder County Housing Authority (the Authority) applied in the preparation of these financial statements follows.

(a) *Reporting Entity*

The Authority is a component unit of Boulder County (the County), a political subdivision organized in 1861 under the statutes of the State of Colorado. The governing body of the Authority is its Board of Directors (the Board). The Board is comprised of the three-member Board of County Commissioners for Boulder County. Each commissioner is elected at-large by the voters of the County and must reside in the district for which he or she is elected.

Operations of the Authority commenced in 1975. The Authority was created for the purpose of promoting and providing quality, affordable housing for lower-income families, older adults and individuals with disabilities. As such the County provides support to the Authority in the interest of providing affordable housing within the County.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the definition of the financial reporting entity consists of:

(a) the primary government

(b) organizations for which the primary government is financially accountable, and

(c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority is included in the County's reporting entity because of the significance of its operational and financial relationship with the County in accordance with GASB Statement No. 14.

As the Authority's Board of Directors, the three Boulder County Commissioners are able to impose their will on the Authority. In addition, the County appropriates significant funds for the Authority's operations, which are accounted for in the County's general fund. Accordingly, Boulder County is financially accountable for the Authority and the Authority is fiscally dependent on Boulder County.

The Authority has considered the possibility of inclusion of additional entities in its financial statements. Financial accountability exists if the Authority appoints a voting majority of the organization's governing body and is able to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Financial accountability may also exist if an organization is fiscally dependent on the Authority regardless of whether the organization has a separately elected governing board. Based on the application of these criteria, the Authority has three additional organizations within its reporting entity. MFPH Acquisitions LLC (MFPH) was created in April 2008 for the purpose of receiving certain affordable housing units from the Authority and will hold, manage and, at a future time determined by MFPH, sell the units through negotiated sale at fair market value. SFPH Acquisitions LLC (SFPH) was created in May 2008 for the purpose of receiving certain affordable housing units from the Authority and will hold, manage and at a future time determined by SFPH, sell the units at fair market value. The sole member of both corporations is the Boulder County Housing Authority, thus both SFPH Acquisitions LLC and MFPH Acquisitions LLC are blended component units within the Authority's financial reporting entity. Josephine Commons, LLC (the Corporation) was created in 2011 to hold and manage affordable senior housing units through a tax-credit partnership agreement with RSEP Holdings, LLC, a Delaware limited liability company. The Authority serves as the general partner in the Corporation with a .009% interest. Accordingly, the Corporation is a discretely presented component unit within the Authority's financial reporting entity.

The financial activities of the Authority are recorded in business units established in connection with the administration of the Authority's programs. Fund accounting is used internally to demonstrate legal compliance to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. These funds are combined into a single fund for financial reporting purposes.

Separately issued financial statements for the blended component units are available by request to Boulder County Housing Authority, Finance Department, PO Box 471, Boulder, CO 80306. The Corporation did not prepare separately issued financial statements for 2011.

(b) Measurement Focus, Basis of Accounting, and Basis of Presentation

The financial statements of the Authority are presented on the basis of the proprietary fund accounting concept.

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Revenue and expenses are recognized on an accrual basis. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are from rental operations, which include tenant rental income and rent subsidies. The Authority earns operating grants from federal government and other local agencies. These grants are used to fund specific staff positions in the Authority or are direct subsidies to a program or project. The Authority recognized other operating revenues, which include tenant charges such as laundry facility revenues, work order charges and late fees. Operating expenses consist of: administrative expenses, including administrative salaries, benefits and other administrative costs; direct client expenses; utilities; maintenance and weatherization, including maintenance and weatherization staff salaries and benefits, maintenance and

weatherization contracts, related materials and non-capital equipment, and non-routine maintenance charges; general operating, including insurance, mileage, and vehicle maintenance; and depreciation.

All revenues and expenses not meeting the operational criteria are reported as non-operating revenues and expenses. Nonoperating revenues consist of: HUD housing assistance payment income for the Section 8 Housing Choice Voucher Program, management and maintenance fees from Louisville and Erie Housing Authorities and component units and interest revenue. Nonoperating expenses include: housing assistance payments for the Section 8 Housing Choice Voucher program; interest expense on notes and bonds, amortization of deferred debt financing costs and gains or losses on the disposal of property.

The Authority reports its financial statements following all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Proprietary funds are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989. The Authority has elected not to apply any applicable FASB pronouncements subsequent to November 30, 1989 in accounting and reporting for this enterprise fund.

(c) Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

(d) Restricted Cash

Restricted cash is comprised of amounts restricted for future replacements of capital assets or to be used for specific purposes. Specific purposes include amounts held for tenant security deposits, cash received for use in a specific federal program or cash held in the bond trust account for future debt service payments, insurance or taxes or operations of specified housing projects.

(e) Accounts Receivable

Revenues are recorded when earned and are reported as accounts receivable until collected. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. Management has established an allowance for doubtful accounts for accounts that may not be collectible in the future. Receivables are reported net of the related allowance, which was $1,834 as of December 31, 2011.

(f) Prepaid Expenses

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

(g) Due from other Governments

The Authority provides property management, maintenance and accounting services for other governmental entities, including the Louisville Housing Authority and the Housing Authority for the Town of Erie. Management and maintenance fees are charged to these entities for the related services. The Authority also records reimbursable grants from other governments.

(h) Due from Primary Government

Due from primary government represents amounts receivable from Boulder County for federal grants to be reimbursed by the County.

(i) Capital Assets

Capital assets are recorded at historical cost or at estimated cost if actual historical cost is not available. Contributed assets are valued at estimated fair market value at the date of donation. The Authority defines capital assets as those with an initial, individual cost of $5,000 or greater and a useful life of more than one year.

Depreciation of assets is computed using the straight-line method. Estimated useful lives for asset types are as follows:

Computer equipment and software	3 years
Furniture and fixtures	5 - 15 years
Buildings and improvements	10 - 45 years
Vehicles	5 years

(j) Deferred Debt Financing Costs

Costs of debt issuance are deferred and amortized over the life of the bond issue using the straight-line method over the term of the debt.

(k) Inventory

Inventory includes inventories on hand for maintenance performed at the Authority's rental properties and for the weatherization program. The Authority uses the LIFO (Last-In, First-Out) method for costing the inventory. The inventory is based on actual costs or estimated cost where actual cost was not readily available, of items on hand as of December 31, 2011.

(l) Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the balance sheet. Bond and other debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method, which approximates the effective interest method. Deferred refunding gains (losses), if any, are amortized using the shorter of the term of either the new or old debt. Bonds and other debt premiums and discounts are presented separately; issuance costs are recorded as deferred charges.

(m) Compensated Absences

The Authority follows Boulder County policy. The County allows employees to accumulate unused vacation and medical leave benefits up to certain maximum hours. Upon termination, all unused vacation leave benefits are paid to the employee. Medical leave benefits may be paid to the employee depending on hire date or length of service. Employees hired as full-time employees prior to June 1, 1987, except Social Service Department employees, who have worked for the County for 20 years or who are eligible for retirement at age 62 are paid all unused medical leave benefits. Employees hired as full-time employees prior to June 1, 1987, except Social Services Department employees, and have not worked for the County for 20 years nor are they eligible for retirement at age 62, are paid 50% of their unused medical leave. All other employees not listed in the above two categories, are not paid for unused medical leave.

(n) Due to Primary Government

Due to primary government represents amounts payable to Boulder County for operating expenses to be reimbursed by the Authority or amounts payable to the Authority to be reimbursed by Josephine Commons.

(o) Restricted and Unrestricted Resources

Application of restricted and unrestricted resources is made on a case-by-case basis by management, depending on the overall program resources. Generally, management applies restricted resources then unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

(p) Risk Management

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of loss. Insurance settlements have not exceeded insurance coverage for the past three years.

(q) Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents

(a) Book Value of Cash and Cash Equivalents

As of December 31, 2011, the carrying amount of the Authority's cash and cash equivalents were $8,816,360 as follows**:**

	Authority	Josephine Commons	Total
Unrestricted cash and cash equivalents	$ 3,463,190	$ -	$ 3,463,190
Restricted cash - tenant security deposits	114,524	-	114,524
Restricted cash and cash equivalents - other	4,272,815	965,831	5,238,646
Total	$ 7,850,529	$ 965,831	$ 8,816,360

(b) Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, with eligibility determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral 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 uninsured public deposits as a group. The fair market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. At December 31, 2011, the Authority's deposits had a carrying value of $2,074,469, while Josephine Common's deposits had a carrying value of $965,831.

(3) Investments

Authorized Investments

Boulder County Housing Authority does not have an investment policy, but is subject to the general provisions of the Colorado Revised Statutes (C.R.S. 24-75-601).

The Colorado Revised Statutes limit investment maturities to three years or five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain corporate bonds

- Written repurchase agreements collateralized by certain authorized securities
- Certain reverse repurchase agreements
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of December 31, 2011, investments held by the Authority are held in a money market mutual fund, local government investment pool, and a repurchase agreement totaling $2,350,801, $2,039,994 and $1,385,265 respectively. The weighted average maturities are less than one year.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market mutual fund and the local government investment pool investment owned by the Authority are rated AAAm by Standard & Poor's.

At December 31, 2011, the Authority had $2,039,994 invested in Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pools surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at $1.00.

(4) Restricted Cash and Cash Equivalents

The following amounts are restricted for future replacements or specific purposes as indicated:

1998 Revenue Bond Reserves	$	782,198
2004 Revenue Bond Reserves		1,462,474
FSS Escrow		74,120
Housing Choice Vouchers		687,520
Prime Haven		35,493
Casa Esperanza		245,589
Walter Self		89,123
Weatherization		281,178
Component Unit Escrow		145,000
Revolving Loan Fund		124,090
Financial Education Course Reserve		346,030
The Authority	$	4,272,815

Josephine Commons Construction	$	965,831

Cash held for tenant security deposits is restricted in the amount of $114,524 with an offsetting liability for tenant security deposits in the same amount. Of the $4,272,815 restricted cash and cash equivalents above, $3,970,358 has also been reported as restricted fund equity for that portion that has not been offset by related liabilities.

Cash for the Josephine Commons construction project is restricted, in the amount of $965,831, and is to be used for future construction cost associated with this project.

(5) Notes Receivable and Tenant Accounts Receivable

The Authority holds a second mortgage on four houses built through the Youthbuild program which accrues interest at a below-market interest rate and are payable upon sale by the owners. The balance on the four notes at December 31, 2011 totals $165,996 including capitalized interest receivable of $64,596.

The Authority holds a note to the Eagle Place Partners, LLLP in the amount of $1,000,000. Interest accrues at 5% per annum on the outstanding principal. The covenants of the note require Eagle Place Partners, LLLP to provide affordable units to households whose income is equal to or less than 60% of the listed area median income (AMI). Accrued interest receivable at December 31, 2011 equals $290,233. Accrued interest and principal payments are subject to cash flow distributions in the partnership agreement. No accrued interest payments were made during the year.

The Authority holds a second note to the Eagle Place Partners, LLLP in the amount of $559,000. Interest accrues at 3% per annum on the outstanding principal. The covenants of the note require Eagle Place Partners, LLLP to provide affordable units to households whose income is equal to or less than 60% of the listed area median income (AMI). Accrued interest receivable at December 31, 2011 equals $59,273. Accrued interest and principal payments are subject to cash flow distributions in the partnership agreement. No accrued interest payments were made during the year.

The Authority holds 36 notes for the Boulder County Rehabilitation Program. The amount of these notes receivable totals $321,857 at December 31, 2011. These are notes issued to low-income residents of Boulder County who receive rehabilitation services on their home. Interest rates vary from 1 – 5%. Thirteen of the 36 notes are deferred and interest is capitalized annually.

The Authority holds $2,487,928 notes receivable for the Josephine Commons project. See Note (7) (b) for detailed information on these notes.

(6) Change in Capital Assets

(a) The Authority

Detailed information on property and equipment and the related accumulated depreciation for the Authority is displayed on the following table:

	Balance December 31, 2010	Additions	Transfers	Disposals	Balance December 31, 2011
The Authority:					
Nondepreciable assets:					
Land	$ 4,593,417	$ 175,000	$ -	$ (86,400)	$ 4,682,017
Construction in process	1,009,262	20,103	-	-	1,029,365
Total capital assets, not being depreciated	5,602,679	195,103	-	(86,400)	5,711,382
Depreciable assets:					
Computer equipment/software	47,819	-	-	-	47,819
Furniture and fixtures	105,414	-	-	-	105,414
Buildings and improvements	24,681,627	194,834	-	-	24,876,461
Vehicles	862,557	61,723	-	(63,341)	860,939
Total buildings and equipment	25,697,417	256,557	-	(63,341)	25,890,633
Accumulated depreciation:					
Computer equipment/software	(47,819)	-	-	-	(47,819)
Furniture and fixtures	(51,187)	(514)	-	-	(51,701)
Buildings and improvements	(7,537,424)	(604,759)	-	-	(8,142,183)
Vehicles	(598,981)	(126,717)	-	63,341	(662,357)
Total accumulated depreciation	(8,235,411)	(731,990)	-	63,341	(8,904,060)
Total capital assets being depreciated	17,462,006	(475,434)	-	-	16,986,573
Total capital assets, net	$ 23,064,685	$ (280,330)	$ -	$ (86,400)	$ 22,697,955

On December 31, 2011, the Authority owned a total of 353 rental units.

(b) Josephine Commons

	Balance December 31, 2010	Additions	Transfers	Disposals	Balance December 31, 2011
Josephine Commons					
Nondepreciable assets:					
Land	$ -	$ 86,400	$ -	$ -	$ 86,400
Construction in process	-	4,447,109	-	-	4,447,109
Total capital assets, net	$ -	$ 4,533,509	$ -	$ -	$ 4,533,509

Josephine Commons was exclusively a construction project in 2011 and had no tenant rental experience during the year.

(7) Long-Term Obligations

(a) The Authority

A summary of the Authority's long-term debt is displayed on the following table:

Project	Description	Maturity Date	Interest Rate	Balance December 31, 2010	Principal Payments	Forgiveable	Additions	Balance December 31, 2011	Due within one year
Primehaven	Rural Development	6/9/2038	9.00%	$ 218,656	$ 1,903	$ -	$ -	$ 216,753	$ 2,082
Walter Self	Rural Development	6/1/2036	6.75%	888,607	3,034	-	-	885,573	3,247
	Rural Development	6/1/2036	5.38%	146,990	772	-	-	146,218	816
	CHFA	6/1/2046	2.00%	646,191	12,628	-	-	633,563	12,983
Casa Vista	CHFA	8/1/2017	1.00%	25,257	3,860	-	-	21,397	3,877
Casa Esperanza	Rural Development	10/1/2026	1.00%	238,363	13,964	-	-	224,399	14,104
	Rural Development	10/1/2026	1.00%	52,213	3,058	-	-	49,155	3,090
	Rural Development	5/1/2041	1.00%	93,525	2,643	-	-	90,882	2,671
Longmont Affordable	FHLB Forgivable	10/26/2014	0.00%	20,000	-	-	-	20,000	-
Mariposa	FHLB Forgivable	4/11/2015	0.00%	50,000	-	-	-	50,000	-
Lafayette Affordable	FHLB Forgivable	10/26/2014	0.00%	20,000	-	-	-	20,000	-
Sumner	Heritage	1/10/2016	5.20%	406,484	19,348	-	-	387,136	20,205
Eagle Place	FHLB Forgivable	12/20/2012	0.00%	60,000	-	-	-	60,000	60,000
Cottonwood	City of Longmont Forgiveable	7/31/2016	0.00%	8,399	-	1,399	-	7,000	1,400
Wedgewood	City of Longmont	8/1/2020	2.00%	123,607	11,819	-	-	111,788	11,180
	City of Longmont Forgivable	1/31/2016	0.00%	2,598	-	433	-	2,165	433
	City of Longmont Forgivable	1/31/2016	0.00%	7,752	-	1,292	-	6,460	1,292
Regal Ct I	FHLB Forgivable	12/31/2013	0.00%	150,000	-	-	-	150,000	-
507 W. Geneseo	Wells Fargo LOC	4/28/2013	5.00%	251,263	8,101	-	-	243,162	7,499
509 W. Geneseo	Wells Fargo LOC	3/28/2014	5.00%	-	4,977	-	255,400	250,423	14,104
	Total Notes and Mortgages Payable			3,409,905	86,107	3,124	255,400	3,576,074	158,983
	Housing Revenue Bonds - Series 1998	12/31/2028	variable, 4.30% current	3,935,000	145,000	-	-	3,790,000	$ 150,000
	Housing Revenue Bonds - Series 2004	12/1/2034	variable, 3.25% current	9,285,000	195,000	-	-	9,090,000	$ 200,000
	Total bonds payable			13,220,000	340,000	-	-	12,880,000	350,000
	Total long-term debt			$ 16,629,905	$ 426,107	$ 3,124	$ 255,400	$ 16,456,074	$ 508,983

Forgivable Loans

(a) The Authority

Forgivable loans issued and monitored by the Federal Home Loan Bank of Topeka are loans that are issued under the Affordable Housing Program. These loans require the Authority to rent these project units to households with incomes at or below 50% of the area median income. Yearly compliance monitoring is done by FHLB to ensure these projects meet these requirements. The retention periods of the loans are 15 years and the total amount will be forgiven upon completion.

Forgivable loans issued and monitored by the City of Longmont require the Authority to rent these project units to households with incomes at or below 50% of the area median income. Yearly compliance monitoring is done by the City of Longmont to ensure these projects meet these requirements. The yearly principal due will be excused if the requirements are met.

Future principal and interest payments and maturities for the Authority's notes subsequent to December 31, 2011 are as follows:

	Notes Payable Principal	Interest
2012	$ 158,983	$ 139,457
2013	479,437	128,785
2014	344,868	120,836
2015	135,298	117,848
2016	362,682	115,225
2017-2021	284,995	479,294
2022-2026	265,735	441,657
2027-2031	215,929	394,513
2032-2036	1,062,897	333,310
2037-2041	156,028	19,188
2042-2046	109,222	5,247
	$ 3,576,074	$ 2,295,360

The Authority has issued $5,280,000 in Mortgage Revenue Bonds, series 1998. The proceeds of the bonds were used to refinance 125 housing units located throughout Boulder County. The bonds are payable from operating revenues generated by the 125 housing units. The bonds mature annually, beginning in 1999 with final payment in 2028. Interest at rates from 3.4% to 4.75% is payable semiannually.

The Authority has issued $10,410,000 in Housing Revenue Bonds, series 2004. The proceeds are to be used to refinance and rehabilitate 106 housing units located throughout Boulder County. The bonds are payable from operating revenues generated by the 106 housing units. The bonds mature annually beginning in 2004 with final payment in 2034. Interest at rates from 1.50% to 5.25% is payable semiannually.

The 2004 Housing Revenue bond covenants dictate that the Authority will promptly pay debt service solely from the project revenues of the 106 housing units refinanced in the bond. Further, the Authority will maintain each dwelling unit in decent, safe and sanitary condition. The Authority will operate the projects exclusively for eligible tenants and compliance with all federal rules and regulations which are or which may become applicable to the projects.

Future principal and interest payments and maturities for the Authority's bonds subsequent to December 31, 2011 are as follows:

	Principal	Interest
2012	$ 350,000	$ 629,786
2013	370,000	615,336
2014	385,000	599,656
2015	400,000	582,895
2016	420,000	565,143
2017-2021	2,445,000	2,512,768
2022-2026	3,120,000	1,866,980
2027-2031	2,965,000	1,061,638
2032-2034	2,425,000	293,738
	$ 12,880,000	$ 8,727,940

(b) Josephine Commons

A summary of Josephine Commons' long-term debt is displayed on the following table and a description follows:

LONG-TERM OBLIGATIONS

Notes Payable

Project	Description	Maturity Date	Interest Rate	Balance Dec 31, 2010	Principal Payments	Forgiveable	Additions	Balance December 31, 2011	Due within one year
Josephine Commons	BCHA	8/12/2061	4.30%	$ -	$ -	$ -	$ 1,172,600	$ 1,172,600	$ -
Josephine Commons	BCHA	8/16/2110	7.00%				872,035	872,035	
Josephine Commons	BCHA	8/12/2061	0.50%	-	-	-	443,293	443,293	-
	Total Notes and Mortgages Payable			$ -	$ -	$ -	$ 2,487,928	$ 2,487,928	$ -

On August 12, 2011, the Authority loaned $550,000 (less $27,400 in retainage) to the Corporation as evidenced by a loan agreement, promissory note, and deed of trust. The balance on this debt accrues interest at a rate of 4.3% per annum, and is payable from cash flow as provided by the Corporation's Operating Agreement. This loan is secured by the Corporation's real property known as the Josephine Commons development, and is subordinate to the construction loan from Citibank which is funding the development of that property. No payments have been made on this note in 2011.

On August 12, 2011, the Authority loaned $250,000 to the Corporation as evidenced by a loan agreement, promissory note, and deed of trust. The balance of this debt accrues interest at a rate of 4.3% per annum, and is payable from cash flow as provided by the Corporation's Operating Agreement. This loan is secured by the Corporation's real property known as the Josephine Commons development, and is subordinate to the construction loan from Citibank which is funding the development of that property. No payments have been made on this note in 2011.

On August 12, 2011, having applied for and received an award of $400,000 from Boulder County's Worthy Cause Program, the Authority loaned $400,000 to the Corporation as evidenced by loan agreements, promissory notes, and deeds of trust. The balance on this debt accrues interest at a rate of 4.3% per annum, and is payable from cash flow as provided by the Corporation's Operating Agreement. These loans are secured by the Corporation's real property known as the Josephine Commons development, and are subordinate to the construction loan from Citibank which is funding the development of that property. No payments have been made on this note in 2011.

On August 16, 2011, having applied for and received an award of $872,035 from Boulder County's Worthy Cause Program, the Authority loaned $872,035 to the Corporation as evidenced by loan agreements, promissory notes, and deeds of trust. The balance on this debt accrues interest at a rate of 7% per annum, and is payable from cash flow as provided by the Corporation's Operating Agreement. These loans are secured by the Corporation's real property known as the Josephine Commons development, and are subordinate to the construction loan from Citibank which is funding the development of that property. No payments have been made on this note in 2011.

On August 12, 2011, the Authority loaned $443,293 to the Corporation as evidenced by a promissory note. The balance on this debt accrues interest at a rate of 0.5% per annum beginning when the units are fully occupied which is anticipated to be March of 2013, and is payable from cash flow as provided by the Corporation's Operating Agreement. No payments have been made on this note in 2011.

Future principal and interest payments and maturities for Josephine Commons' notes subsequent to December 31, 2011 are as follows:

	Notes Payable Principal	Interest
2061	$ 1,615,893	$ 2,692,739
2110	872,035	6,047,216
	$ 2,487,928	$ 8,739,955

(c) Changes in Compensated Absences

A summary of the Authority's compensated absences activity for the year ended December 31, 2011 is presented below:

	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due in One Year
Compensated absences	$ 163,692	$ 242,688	$ 224,527	$ 181,853	$ 13,872

(8) Transactions with Component Units

The Operating agreements of MFPH Acquisitions LLC and SFPH Acquisitions LLC allow for distributions of net cash flow to be distributed to the Authority at manager's discretion. During the year, the Authority received $372,666 and $80,816 from MFPH and SFPH respectively as a result of net cash flow. Amounts due from MFPH and SFPH at December 31, 2011 equal $5,977.

The Management agreement of Josephine Commons, LLC allows for the payment of management fees out of the operating account. Because the Development is under construction and not yet occupied, the Corporation did not pay fees under this agreement. As of December 31, 2011, the Corporation owed $314,383 to the Authority.

Under the Development agreement of Josephine Commons, LLC, entered into with the Authority on or around August 1, 2011, the Corporation appointed the Authority as the developer responsible for the supervision and oversight of the Josephine Commons development. Under the terms of this development Agreement, the Corporation is obligated to pay the Authority a development fee in the aggregate amount of $1,351,067, with $709,619 being due during the course of development and the remaining $641,448 being payable from net cash flow as provided in the Corporation's Operating Agreement. Fees in the amount of $281,575 were accrued to the Authority under the Development Agreement in 2011.

(9) Pension Plan

(a) Defined Benefit Pension Plan

The Authority contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Authority are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The Authority is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the Authority it is 10.00 percent of covered salary. A portion of the Authority's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (See Note below). The Authority is also required to pay an amortization equalization disbursement (AED) equal to 2.20 percent of the total payroll for the calendar year 2011 (2.20 percent of total payroll for the calendar year 2010, and 1.80 percent of total payroll for the calendar year 2009). Additionally, the Authority is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.50 percent of the total payroll for the calendar year 2011 (1.50 percent of total payroll for the calendar year 2010 and 1.00 percent of total payroll for calendar year 2009). If the Authority rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree; however no member contributions are required. For the years ending December 31, 2009, 2010, and 2011, the Authority's employer contributions to the LGDTF were $284,028, $443,770, and $482,473 respectively, equal to their required contributions for each year. Plan member contributions were $177,518, $259,067 and $281,736 for the same period.

(b) Post employment Healthcare Benefits

The Authority contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The Authority is required to contribute at a rate of 1.02 percent of covered salary for all PERA member as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Authority's total contribution to the HCTF is included in the contribution to LGDTF noted above.

(c) Defined Contribution Pension Plan

Employees of the Authority who are members of the LGDTF (see Note above) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available annual financial report for the 401(k) Plan. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS ($16,500 for the calendar year 2010 and $17,000 for the calendar year 2011). Catch-up contributions up to $5,500 for the calendar year 2010 and $5,500 for the calendar year 2011 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the Authority are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the year ended December 31, 2010, and 2011, the 401(k) Plan member contributions from the Authority were $50,402 and $45,049, respectively.

(10) Commitments and Contingencies

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government.

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, known as the TABOR Amendment, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. To the extent the Authority may be construed as a local government within the meaning of the TABOR Amendment, the percentage of direct subsidies and other contributions from the State of Colorado and local governments, relative to the Authority's annual revenue, is below the thresholds set forth in the TABOR Amendment, allowing the Authority to be classified as an enterprise fund.

The Authority serves as Administrative Limited Partner in the Eagle Place Limited Liability Partnership (the Partnership). The purpose of the Partnership is to acquire, construct, rehabilitate, develop, repair, improve, maintain, operate, manage, lease, dispose of and otherwise deal with the Project in accordance with any applicable Regulations and the provisions of the Partnership Agreement. The Authority has .005% interest in the profits and losses of the partnership.

In August 2011, Josephine Commons, LLC entered into a loan agreement with a bank for a construction loan of up to $11,925,000. No amounts had been drawn on this loan as of December 31, 2011.

(11) Net Assets

As of December 31, 2011, the Authority had an investment in capital assets, net of related debt calculated as follows:

	The Authority	Josephine Commons	Total
Capital assets - net of accumulated depreciation	$ 22,697,955	$ 4,533,509	$ 27,231,464
Current portion of mortgages and notes payable	(158,983)	-	(158,983)
Current portion of bonds payable	(350,000)	-	(350,000)
Long-term portion of mortgages and notes payable	(3,417,091)	(2,487,928)	(5,905,019)
Long-term portion of bonds payable	(12,530,000)	-	(12,530,000)
Developer fee payable	-	(281,575)	(281,575)
Outstanding principal of related debt	(16,456,074)	(2,769,503)	(19,225,577)
Total capital assets, net	$ 6,241,881	$ 1,764,006	$ 8,005,887