Financial Statements
December 31, 2012

Boulder County Housing Authority

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Commissioners
Boulder County Housing Authority
Boulder, Colorado

Report on the Financial Statements
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) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

Opinion
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, 2012, 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.

Correction of Error – Discretely Presented Component Unit
As discussed in Note 16 to the financial statements, Josephine Commons, LLC's net position has been adjusted for an error in previously issued financial statements relating to the improper accounting for syndication costs. The adjustment to beginning net position for Josephine Commons, LLC was for $70,520. Our opinion is not modified with respect to that matter.

Effect of Adopting New Accounting Standard and Merger with the Louisville Housing Authority
As discussed in Note 1, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (Statement) in January 2013. The statement is effective for periods beginning after December 15, 2013; however, early implementation is encouraged. The Authority elected to implement the statement for the year ended December 31, 2012. The Statement establishes accounting and financial reporting standards related to government combinations and disposals of governmental operations. As discussed in Note 15, in 2012, the Louisville Housing Authority began a merger with the Boulder County Housing Authority. The Authority accounted for the merger in accordance with GASB No. 69. In accordance with GASB No. 69, the beginning net position of the merged government results from combining the carrying values of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the separate entities. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boulder County Housing Authority's basic financial statements. The accompanying supplementary schedules on pages 48 - 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations and are not a required part of the financial statements.

The supplementary schedules on pages 48 - 53 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2013 on our consideration of Boulder County Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Eide Bailly LLP

Bismarck, North Dakota
July 15, 2013

Management's Discussion and Analysis

Table of Contents

Introduction

The Boulder County Housing Authority's (BCHA) discussion and analysis provides an overview of the housing authority's financial activities for the fiscal year ended December 31, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the notes to the financial statements. This report and monthly financial statements are posted on the Boulder County Commissioner's web site at http://www.bouldercounty.org/gov/meetings/pages/hearings.aspx

Our Organization

The Boulder County Housing Authority is a corporate body created in 1975. BCHA is committed to the residents of Boulder County to deliver innovative affordable housing solutions. In 2012, through our programs, our services provided affordable housing, safe and energy efficient housing and program support for low-income families and individuals, veterans, people with disabilities and seniors. Boulder County Housing Authority (BCHA) was created as a Colorado Housing Authority in 1978, reporting within Boulder County. Boulder County Housing Authority is a blended component unit and enterprise fund within Boulder County's Department of Housing and Human Services. BCHA administers a number of programs addressing specific housing needs for County residents. These programs, described below, serve low-income individuals and households, military veterans, homeless families and families and children involved in the child welfare system.

BCHA's major programs and service are:

PROGRAM	SERVICE
Affordable Housing	Low Income Housing
Housing Choice Vouchers	Rental Assistance for Low Income Families
Family Self Sufficiency	Family Unification Vouchers for housing

Veterans Supportive Housing	Veterans Affairs Supportive Housing (VASH)
Tenant Based Rent Assistance	Families with school age children rental assistance
Client services	Integrated case management services
Weatherization	Home weatherization services to eligible families

BCHA is focused on creating a financially sustainable, transparent and expanded housing portfolio that continues to serve the affordable housing needs of Boulder County residents for many years. In 2012, the following guiding principles for key housing portfolio targets over the next five years were developed by management:

- Properties will be evaluated annually for performance in meeting BCHA's mission along with key financial targets for occupancy percentage, net operating income per property; and per unit per annum cost (PUPA), annual expenses divided by the number of units, of $5,000 or lower.
- BCHA's portfolio will be refinanced by 2014;
- BCHA's consolidation with Louisville Housing Authority will be completed by 2014;
- Properties with significant rehabilitation needs will be renovated within three to five years;
- Properties serving a strong mission purpose and not financially sustainable will be paired with financially strong properties for cross subsidy;
- Non-performing properties will be scheduled for disposition;
- BCHA's utilization of Housing Choice Vouchers (Section 8) will exceed 95%;
- BCHA will expand housing resources by 500 units (including Josephine Commons and AspinWall new development, Veterans Affairs Supportive Housing Vouches (VASH) and Tenant Based Rental Assistance Vouchers (TBRA);
- Financial reporting provides budgetary cost controls and monitoring for BCHA's properties, programs and investments in new development and property acquisition.

Key performance drivers completed and reflected in our 2012 Financial Statements include:

- BCHA's refinance of the Long-term debt (Series 1998 Bonds) in a 2012 Bond Refinance
- Execution of three party intergovernmental agreement (IGA) and the transfer of four Louisville Housing Authority property assets to BCHA that includes Regal II, Acme Place, Lilac Place and Lydia Morgan.
- Discontinuance of BCHA's management for scattered units outside Boulder County.

Results and outlook for BCHA in 2013 include:

- Refinancing BCHA's Series 2004 Bonds in a 2013 Bond refinance initiative.
- Complete the final three property transfers from Louisville Housing Authority to BCHA that will include: Regal Square, Hillside and East Street.
- Property purchases for affordable housing land banking.
- Breaking ground on AspinWall, a 72-unit new construction and 95-unit rehabilitation projection in Lafayette, CO.

Our Mission and Purpose

To foster the availability of quality, affordable housing and related services for the residents of Boulder County, using broad community resources. BCHA will accomplish its mission through, community collaboration, effective services and programs, professional organization, effective management and the expansion of funding sources.

Major Programs

Housing Choice Voucher (HCV) Program

The HCV Program is a rent subsidy program funded by the U.S. Department of Housing and Urban Development (HUD). The program assists individuals and families with very-low income, including seniors and people with disabilities. Assistance is provided on behalf of the participants, who secure their own housing within the community, with rent payments split in portions between the Housing Authority and the household.

The HUD-Veterans Affairs Supportive Housing (HUD-VASH) Program

The VASH program combines HCV rental assistance for homeless Veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). VA provides these services for participating Veterans at VA medical centers and community-based outreach clinics. All participants are referred to BCHA by the VA. BCHA currently has an allocation of 25 VASH vouchers.

Tenant-Based Rental Assistance (TBRA) Program

TBRA is a state-funded, two -year program through the Colorado Division of Housing, that provides housing vouchers and intensive case management to families with children in both the Saint Vrain and Boulder Valley School Districts who are homeless or are at risk of becoming homeless. The program works closely with the McKinney-Vento school liaisons and life skills programs to positively affect the child's academic, attendance and behavioral performance, and their parents' education and employment goals, through housing stabilization.

Family Unification Program (FUP)

FUP is a supportive housing, early intervention program that provides housing with supportive case management services to both families with identified child welfare concerns and youth transitioning out of the foster care system within Boulder County. The objective is to promote family reunification, with the end result being the prevention of the removal of children from their parents due to housing instability. FUP also addresses the needs of homeless youth that have spent considerable time in the foster care system by offering supportive services, enhancing their opportunity for self-sufficiency and transition into adulthood.

Project-Based Voucher (PBV) Program

Under the PBV program, the assistance is tied to the unit, rather than the person. Boulder County owns and manages properties throughout the County and offers these units to eligible residents at a cost that is affordable to them. Participants come from Boulder County's Family Self-Sufficiency Program, a 5-year a five-year academic, employment and savings initiative program designed to help families to gain job training and education, improve their family's financial situation, and move toward self-sufficiency.

Resident Services

This service offers education, case management and supportive services to assist Boulder County residents on their path toward financial stability and self-sufficiency. Some of the programs include Housing Counseling, Family Self-Sufficiency programs, Financial Classes and Casa de la Esperanza (House of Hope), a residential program that includes after school programs and an academic center.

Longs Peak Energy Conservation and Weatherization

Boulder County Housing Authority provides quality home weatherization and energy savings upgrades for eligible residents through its Longs Peak Energy Conservation and Weatherization Program. This unit assists residents reduce their utility bills, improve the health and safety of their homes, and improve the community's overall energy use and enhance sustainability with weatherization, home rehabilitation and neighborhood energy sweeps. This program is free for homeowners and renters in Boulder, Broomfield, Gilpin and Larimer Counties, improving the energy conservation and the health and safety of its occupants.

Rehabilitation Services

This service helps income-qualifying homeowners in Boulder County with general repairs to their homes. Neighborhood energy sweeps mobilize volunteers to canvas a neighborhood with light bulb options, information and other small installs for residents.

Using this Annual Report

This annual report consists of two parts: management's discussion and analysis (this section); the basic financial statements and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of BCHA as a whole. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report BCHA's operations in more detail than the government-wide statements by providing information about the most significant funds.

Since BCHA is a single-purpose governmental it is generally able to combine the government-wide and fund financial statements into single presentations. BCHA has elected to present in this format.

Financial Highlights

The Authority's financial highlights for the year ended December 31, 2012 is as follows:

In August, a three-party Intergovernmental Agreement (IGA) was executed and approved by BCHA Board of Commissioners, the LHA Board of Trustees, and the Louisville City Council to transfer LHA properties to BCHA and bind BCHA to commitments over the next fifty years. The transfer of properties occurred in conjunction with the refinancing of the 1998 Bonds within BCHA.

LHA Property	Address	Agreement	Status
Acme	504 LaFarge St, Louisville	IGA	Transfer completed 2012
Lilac Place	1301 Lincoln Ave. Louisville	IGA	Transfer completed 2012
Regal Court II	1817,88,99 Regal Ct. Louisville	IGA	Transfer completed 2012
Lydia Morgan	1450 Lincoln Ave. Louisville	IGA	Transfer completed 2012

In October, BCHA refinanced the 1998 Bond, closing it out and removing old debt, paying off outstanding loans on properties, leveraging property values for renovation and improvement funds and replacing debt with a lower interest rate in a new 2012 Bond.

1998 Bonds were refinanced as a result of a 2012 Bond Refinance and the 1998 Bonds Payable Account decreased by $3,790,000 to a balance of zero. A bond liability account for 2012 Bonds Payable was established for $7,170,000. The refinance transaction included four Louisville Housing Authority properties transferred to BCHA to close into escrow on October 17th and one BCHA Affordable property.

In October, a transfer of property assets from Louisville Housing Authority to BCHA occurred, based on the IGA approved in August. These properties include Lilac Place, Acme Place, Lydia Morgan, and Regal Court II. The remaining properties of LHA will transfer in 2013 and include Hillside Square, Regal Square and East Street.

A commitment to internally set aside funds from the loan proceeds, in the amount of $1.7 million for rehabilitation of LHA properties was fulfilled on October 2012, of which $500,000 in rehabilitation and renovations will be completed in 2013.

In September 2012, construction of the 74-unit senior housing project, called Josephine Commons was completed. Prior to November a Placed in Service application to the Colorado Housing and Finance Authority was submitted and the final certification process will be complete in July 2013.

The facility was fully leased by December 2012.

Overview of the Financial Statements

The annual financial report consists of three primary parts:

- Management 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, in 2012, include one blended component unit of which the Authority is the sole owner. Prior to 2012, two blended component units existed, MFPH Acquisitions LLC and SFPH Acquisitions LLC. 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.

In October 2012, SFPH Acquisitions LLC was transferred and merged into MFPH Acquisitions LLC. MFPH Acquisitions LLC, reporting its own financial statements, includes SFPH Acquisitions LLC's merged totals.

Additionally, the statements include a second 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 Boulder County Housing Authority. 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 discrete 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.

The Statement of Net Assets and the Statement of Activities

Is the Housing Authority as a whole better or worse off as a result of the year's activities? This is a very important question related to BCHA's finances. The Statement of Net Position, including total assets and total liabilities and net position and the Statement of Revenues, Expenses and Changes in Net Position, report information about the entity as a whole and about its activities in a way that helps to respond to this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report BCHA's net assets and changes in them. BCHA's net asset, the difference between assets and liabilities, is one way to measure financial health and financial position of the entity. Over time, increases or decreases in the net assets are one indicator of whether its financial health is improving or deteriorating. Along with net assets, the reader should consider other nonfinancial factors that contribute to the entity's overall financial health. These topics are discussed in the Economic Factors and Budget Impacts section below.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Position, BCHA presents Governmental activities. All of BCHA's basic services are reported here.

Reporting BCHA's General Fund

Financial Statements – Statement of Net Position

The fund financial statements provide detailed information about the general fund. BCHA presents only a general fund, which is a governmental fund. All of BCHA's basic services are reported in the general fund. The fund is reported using modified accrual basis of accounting. Modified accrual basis of accounting is used in governmental funds for revenues and expenditures, where revenues are recognized when they are measurable and available to pay for current period liabilities and expenditures are recognized when a transaction is expected to draw upon current spendable resources. The general fund statements provide a detailed yearly view of BCHA's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance BCHA's programs.

Boulder County Housing Authority – Primary Government

A $2,375,911 increase in total current assets over the prior year is primarily due to an increase in cash of $1,752,906 from the refinancing of the 1998 Bond proceeds. These proceeds were used to establish an internally restricted fund for renovation, rehabilitation and development. In addition, accounts receivable increase for Josephine Commons, developer fees $1,546,219. Noncurrent capital (property) assets increased from January to December, $2,312,398 which is primarily the result of a transfer of property assets from Louisville Housing Authority to BCHA. Based on an Intergovernmental agreement, Acme Place, Lilac Place, Regal Court II and Lydia Morgan, a total of 56 units, were transferred to BCHA in September. The transfer included land $307,389 and Buildings and Buildings improvements $4,039,625. Accumulated depreciation for this transfer totaled ($2,016,196). Total assets are $41,182,992, a net increase over the prior year of $2,824,421.

Current liabilities increased by $238,456 compared to prior year. This is primarily due to the increase of the current portion of notes, mortgages and bonds payable, which resulted from the refinance and payoff of 1998 Bonds and replacement with 2012 Bond. The current portion of the higher payable occurred from October to December. Total Noncurrent liabilities increased $2,224,002 compared to the prior year. This is primarily the net effect of retiring the 1998 Bonds and associated payable in the amount of $3,790,000 and establishing the 2012 Bond and payable for $7,170,000. Total Net Position increased $361,963 in 2012. Net position in 2011 was $19,061,300 compared to $19,423,263 in 2012. Total Liabilities and Net Position at audit year-end was $41,182,992.

Statement of Net Position - BCHA

	2012 - Primary Government	2011 - Primary Government	Change
Asset			
Current Assets			
Cash and cash equivalents	$6,730,582	$3,463,190	$3,267,392
Restricted cash and Cash equivalents	2,107,529	4,387,339	(2,279,810)
Accounts receivable:			
Tenants	10,856	11,242	(386)
Developer fees	1,546,219	-	1,546,219
Other	30,556	16,281	14,275
Accrued interest	445,293	-	445,293
Due from other agencies	931,293	1,780,468	(849,175)
Due from Josephine Commons, LLC	263,867	-	263,867
Notes receivable - current portion	20,054	19,857	197
Prepaid expenses	9,650	304	9,346
Inventory	101,145	142,452	(41,307)
Total Current Assets	12,197,044	9,821,133	2,375,911
Notes Receivable - net of current portion	3,552,324	5,059,581	(1,507,257)
Investment in Josephine Commons, LLC	86,400	86,400	-
Other Assets, net	336,871	693,502	(356,631)
Capital Assets			
Non-depreciable	6,688,154	4,682,017	2,006,137
Depreciable, net	18,322,199	18,015,938	306,261
Total Capital Assets	25,010,353	22,697,955	2,312,398
Total Assets	**$41,182,992**	**$38,358,571**	**$2,824,421**

Liabilities and Net Position			
Current Liabilities			
Accounts payable	$319,418	$751,432	$432,014)
Accrued & other liabilities	155,833	231,822	(75,989)
Accrued compensated absences	168	13,872	(13,704)
Accrued interest payable	39,388	-	39,388
Unearned revenues	973,857	723,410	250,447
Due to other agencies	880,959	838,156	42,803
Tenant security deposits payable	127,057	114,524	12,533
Notes, mortgages and bonds payable - current portion	923,975	508,983	414,992
Total Current Liabilities	3,420,655	3,182,199	238,456
Long-Term Liabilities			
Accrued compensated absences	206,704	167,981	38723
Notes, mortgages and bonds payable - net of current portion	18,132,370	15,947,091	2,185,279
Total Long-Term Liabilities	18,339,074	16,115,072	2,224,002
Total Liabilities	21,759,729	19,297,271	2,462,458
Net Position			
Invested in capital assets	6,877,983	6,241,881	636,102
Restricted	707,840	3,970,358	(3,262,518)
Unrestricted	11,837,440	8,849,061	2,988,379
Total Net Position	19,423,263	19,061,300	361,963
Total Liabilities and Net Position	**$41,182,992**	**$38,358,571**	**$2,824,421**

MFPH Acquisitions LLC – Blended Component Unit

MFPH Acquisitions LLC is a separate financial audit and MD&A report. The highlights include:

The total net positions increased for MFPH, comparative between 2012 and 2011, increased $914,207.

In September 2012, SFPH Acquisitions LLC properties were transferred to MFPH Acquisitions LLC and SFPH Acquisitions LLC was dissolved. The $914,207 increase in net positions is primarily due to a total increase in cash of $53,413 and an increase in non-current assets of $911,403. This increase in cash and cash equivalents is the result of cash transferred from BCHA to MFPH operations in October. The noncurrent assets increased $911,403 which is related to the transfer of SFPH property assets of land and fixed depreciable assets transferred to MFPH in the amount of $275,988 and $710,811 respectively.

Current liabilities increased $50,609, which is related to an increase of Due to Primary Government / Other Government. This is primarily the result of a transfer of cash in October 2012 from BCHA to MFPH, supporting MFPH operations in the amount of $45,000 and creating an offsetting liability in MFPH.

Josephine Commons – Component Unit

Josephine Commons, a 74-unit Senior Housing property, begin operations in September 2012. In September 2012, Josephine Commons Development, Phase I, received its certificate of occupancy and 74-units of senior housing began leasing up through November. This facility was fully leased by December 2012.

Josephine Commons, for the period September through December 2012 had current assets totaling $338,210, composed of cash, restricted cash and prepaid expenses. The largest asset for Josephine Commons is depreciable assets, which totals $15,644,239, for buildings and Furniture, Fixtures and Equipment (FF&E). No significant changes, increases or decreases, in assets occurred in the four months, September through December, operating as a fully occupied facility. Total assets are $16,214,291.

Current liabilities total $13,099,900, the largest balance being $11,357,120 for Notes and Mortgages Payable minus the current year portion and Developer Fee Payable for $1,351,067. Unrestricted net position is $1,498,498.

Statement of Net Position - Josephine Commons, LLC

	2012 - Josephine Commons	2011 - Josephine Commons	Change
Assets			
Current Assets			
Cash and cash equivalents	$316,654	$0	$316,654
Restricted cash and Cash equivalents	18,146	965,831	(947,685)
Accounts receivable:			
Tenants	2,809	-	2,809
Prepaid expenses	601	-	601
Total Current Assets	338,210	965,831	(627,621)
Deferred debt financing cost, net of amortization of $385,524	-	262,336	(262,336)
Other Assets, net	145,342	-	145,342
Capital Assets			
Non-depreciable	86,500	86,400	100
Depreciable, net	15,644,239	4,447,109	11,197,130
Total Capital Assets	15,730,739	4,533,509	11,197,230
Total Assets	**16,214,291**	**5,761,676**	**10,452,615**

Liabilities and Net Position			
Current Liabilities			
Accounts payable	$25,259	$710,515	$ (685,256)
Accrued & other liabilities	37,182	120,907	(83,725)
Accrued compensated absences	-	-	-
Accrued interest payable	31,675	-	31,675
Unearned revenues	4,610	-	4,610
Due to other agencies	263,867	-	263,867
Due to Boulder County	10,975	314,383	(303,408)
Tenant security deposits payable	18,145	-	18,145
Developer fee payable	1,351,067	-	1,351,067
Construction note payable	11,357,120	-	11,357,120
Total Current Liabilities	13,099,900	1,145,805	11,954,095
Long-Term Liabilities			
Accrued compensated absences	-	-	-
Notes, mortgages and bonds payable - net of current portion	1,615,893	2,487,928	(872,035)
Developer fee payable	-	281,575	(281,575)
Total Long-Term Liabilities	1,615,893	2,769,503	(1,153,610)
Total Liabilities	14,715,793	3,915,308	10,800,485
Net Position			
Invested in capital assets	2,757,726	1,764,006	993,720
Restricted	-	82,362	(82,362)
Unrestricted	(1,259,228)	-	(1,259,228)
Total Net Position	1,498,498	1,846,368	(347,870)
Total Liabilities and Net Position	**$16,214,291**	**$5,761,676**	**$10,452,615**

Financial Statements - Summary of Revenues, Expenses and Changes in Net Position

Boulder County Housing Authority

There was a $10 per unit rent increase in 2012 applied for nine months of the year, beginning in April. The largest operating income is grants totaling $9,481,928. This is primarily composed of Weatherization Assistance $1.4M and Housing Choice Vouchers $6.0M. A combining Statement of Revenues, Expenses and Changes in Net Position, in the auditor report, details each grant. Total tenant rent is $1,945,916 and other grants and developer fee total $4.2M which is primarily Low-income Home Energy Assistance and Business Activities including developer fees from Josephine Commons. High occupancy throughout the year resulted in rent revenue tracking to budget and being stable. Average monthly rent total for properties by group was as follows:

Property	Units	Average Monthly	Average Per Unit
1998 Bond Properties	125	$96,800	774
Affordables	20	$16,000	800
Rural Development	50	$40,100	802
2004 Bond Properties	106	$81,000	764

The management fees for certain properties and administrative fee for Section 8, totaled $340,149 and $507,567, respectively, for 2012. Total operating revenues were $10,589,333 for 2012.

Costs for administrative and maintenance salaries and benefits totaled $4.2M. Housing Assistance Payments totaled $6.2M. Regular and extraordinary maintenance, direct client program expenses and other administrative expenses totaled $4.2M.

The utility year-to-date expense for water, sewer, electricity, gas and trash removal, is $297,468, averaging $25,000 per month. Water is the highest utility cost; $79,900 which includes unit consumption and grounds watering. Insurance expense totaled $354,038 and is paid quarterly. The primary carriers were brokered by Marsh Inc., located in New York, NY and included general liability, property liability, D&O risk, casualty and fleet insurance. Total operating expenses are $10,341,696.

Net operating income is $247,637 and Change in Net Position (Net Income) is ($730,644).

Statement of Revenues, Expenses and Changes in Net Position - BCHA

	2012 - Primary Government	2011 - Primary Government	Change
Operating Revenues			
HUD PHA grants	3,242,995	7,851,096	(4,608,101)
Other grants	2,902,742	14,625	2,888,117
Rental income	1,945,916	1,501,248	444,668
Administration fees	507,567	-	507,567
Management fees	340,149	339,792	357
Developer fee income	1,333,359	-	1,333,359
Other	316,605	853,915	(537,310)
Total operating revenues	10,589,333	10,560,676	28,657
Operating Expenses			
Administrative	3,030,658	2,426,236	604,422
Maintenance and Weatherization	4,181,103	5,056,473	(875,370)
Direct client expense	1,252,183	908,568	343,615
Depreciation	791,073	731,990	59,083
Amortization	356,631	35,968	320,663
Utilities	297,468	246,527	50,941
Other expenses	432,580	402,527	30,053
Total operation expenses	10,341,696	9,808,289	533,407

Operating Income (Loss)	247,637	752,387	(504,750)
Non-Operating Revenues (Expenses)			
HAP Income	6,238,933	6,270,825	(31,892)
Housing assistance payments	(6,209,958)	(6,102,564)	(107,394)
Interest income	151,183	85,166	66,017
Amortization of deferred debt financing cost	-	(35,968)	35,968
Interest expense	(830,491)	(796,397)	(34,094)
Gain or loss on equipment disposal	-	13,124	(13,124)
Development expenses for Josephine Commons, LLC	(784,460)	-	(784,460)
Total Non-Operating Revenues (Expenses)	(1,434,793)	(565,814)	(868,979)
Gain or (Loss) before transfers	(1,187,156)	186,573	(1,373,729)
Federal capital grants	-	602,500	(602,500)
Transfers from primary government	456,512	4,042,500	(3,585,988)
Change in Net Position	(730,644)	4,831,573	(5,562,217)
Net Position Beginning of Year, as originally stated	19,061,300	14,229,727	4,831,573
Merger with LHA - Note 15	1,092,607	-	1,092,607
Net Position, Beg of year, as restated	20,153,907	14,229,727	5,924,180
Net Position - End of Year	**19,423,263**	**19,061,300**	**361,963**

Josephine Commons – Component Unit

Josephine Commons has year-to-date revenues of $185,580, primarily from rental income. This presentation includes depreciation expense (non-cash) as operating expenses, resulting in an Operating Loss of ($153,617). Interest and debt expense is a non-operating expense and combined with net income, the December 2012 year to date change in Net Position is negative $277,350.

Statement of Revenues, Expenses and Changes in Net Position - Josephine Commons

	2012 - Josephine Commons	2011 - Josephine Commons	Change
Operating Revenues			
Rental income	183,435	-	183,435
Administration fees	-	-	-
Management fees	-	-	-
Developer fee income	-	-	-
Other	2,145	-	2,145
Total operating revenues	185,580	-	185,580
Operating Expenses			
Maintenance salaries and benefits	10,943	-	10,943
Regular and extraordinary maintenance	17,760	-	17,760
Other administrative	34,067	-	34,067
Depreciation	233,185	-	233,185
Amortization	2,008	-	2,008
Utilities	25,558	-	25,558
Insurance	8,674	-	8,674
Other expenses	7,002	-	7,002
Total operation expenses	339,197	-	339,197
Operating Income (Loss)	(153,617)	-	(153,617)

Non-Operating Revenues (Expenses)			
Interest income	1	-	1
Amortization of deferred debt financing cost	-	-	-
Interest expense	(123,734)	-	(123,734)
Total Non-Operating Revenues (Expenses)	(123,733)	-	(123,733)
Gain or (Loss) before transfers	(277,350)	-	(277,350)
Capital contributions		1,846,368	(1,846,368)
Transfers from primary government	-	-	-
Change in Net Position	(277,350)	1,846,368	(2,123,718)
Net Position Beginning of Year, as originally stated	1,846,368	-	1,846,368
Prior period adjustment - Note 16	(70,520)	-	(70,520)
Net Position, Beg of year, as restated	1,775,848	-	1,775,848
Net Position - End of Year	**1,498,498**	**1,846,368**	**(347,870)**

Boulder County Housing Authority as a Whole

Boulder County Housing Authority's Net Position was higher as a result of financial activity in 2012, increasing from $19,061,300 to $19,423,263, a positive total $361,962.

Net assets increased 7% or $2,824,421 over the prior year and final Net Position increased 2% or $361,962. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from a $8,849,061 to an ending balance of $11,837,440 in 2012.

BCHA's total operating revenues increased by approximately $368,000 or 3.6%, primarily due to an increase in Federal grants, Weatherization grants, developer fee and rent subsidy and tenant rent income from the prior year. The total cost for all operating expenses, programs and services increased by approximately $533,000 or 5.44%. The expenses match sources budgeted for programs and services.

General Fund Budgetary Highlights

Over the course of the year, the Boulder County Commissioners did not re-resolve BCHA's 2012 budget.

Total rental income tracked to budget, with less than ½ percent variance, as a result total income was less than 1% under budget. The significant negative and positive variances occurred in administrative expenses and outside maintenance contracts. Administrative expenses include administrative and maintenance salaries and benefits and general indirect administrative expenses such as legal, office rent, client program expense and audit fees. The primary driver of expense over budget in 2012 is salaries and benefit costs. Conversely, maintenance contracts are under budget by $219,300 resulting in net operating income year to date for BCHA of $276,612.

Capital Asset and Long-term Liabilities

Capital Assets

Boulder County Housing Authority

The Authority's Capital Assets (net of accumulated depreciation) total $25,010,353 compared to $22,697,955 in 2011. BCHA capital assets increased with Transfers In of property assets from Louisville Housing Authority, which occurred in October 2012. Land and buildings/ buildings improvements from four properties transferred to BCHA totaled $4.3M. This transfer was made per an Intergovernmental Agreement and constitutes the largest portion of the net increase in BCHA's Capital Assets in 2012.

BCHA Capital Assets, Transfers, Additions, Disposals

	Balance 12/31/11	Transfers In	Additions	Disposals	Balance 12/31/12
Non-depreciable assets:					
Land	$ 4,682,017	$ 307,389	$ -	$ (78,000)	$ 4,911,406
Construction in process	1,029,365	-	747,383	-	1,776,748
Total capital assets not being depreciated	5,711,382	307,389	747,383	(78,000)	6,688,154
Depreciable assets:					
Computer equipment/software	47,819	-	-	-	47,819
Furniture and fixtures	105,414	-	11,180	-	116,594
Buildings and improvements	24,876,461	4,039,625	32,600	-	28,948,686
Vehicles	860,939	-	-	(69,316)	791,623
Total buildings & improvements	25,890,633	4,039,625	43,780	(69,316)	29,904,722
Accumulated depreciation					
Computer equip./software	(47,819)	-	-	-	(47,819)
Furniture and fixtures	(51,701)	-	(514)	-	(52,215)
Buildings and Improvements	(8,142,183)	(2,016,196)	(604,354)	-	(10,762,733)
Vehicles	(662,357)	-	(126,715)	69,316	(719,756)
Total accumulated depreciation	(8,904,060)	(2,016,196)	(731,583)	69,316	(11,582,523)
Total capital assets being depreciated	16,986,573	2,023,429	(687,803)	-	18,322,199
Total capital assets, net	$ 22,697,955	$2,330,818	$59,580	$(78,000)	$25,010,353

Josephine Commons – Component Unit

The Josephine Commons' capital assets (net of accumulated depreciation) equal $15,719,764 compared to 4,533,509 in the prior year. This change is due to the completion of construction for Josephine Commons and the utilization of a converted asset from construction in progress to additions for land, land improvements, FF&E and buildings.

Josephine Commons Operating - Fixed Assets

	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Non-depreciable assets:				
Land	$ 86,400	$ 100	$ -	$ 86,500
Construction in process	4,447,109	-	(4,447,109)	-
Total capital assets not being depreciated	4,533,509	100	(4,447,109)	86,500
Depreciable assets:				
Land improvements	-	1,534,359	-	1,534,359
Furniture and fixtures	-	465,050	-	465,050
Buildings and improvements	-	13,878,016	-	13,878,016
Total buildings and improvements	-	15,877,425	-	15,877,425
Accumulated depreciation				
Land improvements	-	(34,097)	-	(34,097)
Furniture and fixtures	-	(31,003)	-	(31,003)
Buildings and improvements	-	(168,086)	-	(168,086)
Total accumulated depreciation	-	(233,186)	-	(233,186)
Total capital assets being depreciated	-	15,644,239	-	15,644,239
Total capital assets, net	$ 4,533,509	$ 15,644,339	$(4,447,109)	$ 15,730,739

Long-Term Debt Administration

Boulder County Housing Authority

BCHA's long-term debt totals $19,056,345 with $16,062,849 from Bonds Payable at December 31, 2012 and increase of $2,600,271 above 2011. During 2012, there were regular principal and interest payments and refinance transactions to notes, mortgages and bonds payable for $6,192,927.

New debt issued in 2012 included Bonds (Series 2012 Housing Revenue Bonds) $7,172,849.

Josephine Commons – Component Unit

Long-term debt for Josephine Commons, LLC equals $1,615,893 at December 31, 2012, which is related to the construction of the project incurred as notes and mortgages payable. The total debt is composed of four mortgage notes payables, all at 4.3% interest rate and one note payable at a 0.5% interest rate.

Statistical Data

BCHA's major programs, services and outputs in 2012 are:

PROGRAM	SERVICE	OUTPUT
Affordable Housing	Low Income Housing	559 Affordable Units
Housing Choice Vouchers	Rental Assistance for Low Income Families	799 Housing Vouchers
Family Self Sufficiency	Family Unification Vouchers for housing	50 FUP Vouchers
Veterans Supportive Housing	Veterans Affairs Supportive Housing (VASH)	25 Housing Vouchers
Tenant Based Rent Assistance	Families with school age children rental assistance	30 Vouchers
Client services	Integrated case management services	1,500 families
Weatherization	Home weatherization services to eligible families	260 homes

PROGRAM	SERVED	2011	2012
Family Support Services	Families served	180	154
Housing Counseling	Class attendees	1,408	1,180
LPEC	Families	724	783
HCV	Families / Voucher	774	839
Housing Management	Families	485	652
Housing Stabilization and Crisis Prevention	Families	220	343
Housing Rehabilitation	Families	25	25

Economic Factors and Budget Impacts

Significant economic factors affecting the Authority in 2012 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 2013.

Significant economic factors affecting the Authority in 2013 are as follows:

- Federal Sequester impacts that reduce funding to Housing Choice Voucher Program (HVC).
- Financial risk associated with the Aspinwall project, which include 72 units of new construction and 95 units designated for substantial renovation.

Contacting BCHA Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the BCHA's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or to request additional financial information, please contact Richard Sosa, Finance Director, Boulder County Housing Authority, PO Box 471, Boulder CO 80306, 303-441-1090 or email at rsosa@bouldercounty.org.

Boulder County Housing Authority
Balance Sheet
December 31, 2012

	Primary Government	Discretely Presented Component Units
Assets		
Current Assets		
Cash and cash equivalents	$ 6,730,582	$ 316,654
Restricted cash and cash equivalents	2,107,529	18,146
Accounts receivable		
Tenants	10,856	2,809
Developer fees	1,546,219	-
Other	30,556	-
Accrued interest	445,293	-
Due from other agencies	931,293	-
Due from Josephine Commons, LLC	263,867	-
Notes receivable - current portion	20,054	-
Prepaid expenses	9,650	601
Inventory	101,145	-
Total Current Assets	12,197,044	338,210
Notes Receivable - net of current portion	3,552,324	-
Investment in Josephine Commons, LLC	86,400	-
Other Assets, net of accumulated amortization	336,871	145,342
Capital Assets		
Non-depreciable	6,688,154	86,500
Depreciable, net	18,322,199	15,644,239
Total Capital Assets	25,010,353	15,730,739
Total Assets	$ 41,182,992	$ 16,214,291

See Notes to Financial Statements

	Primary Government	Discretely Presented Component Unit
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 319,418	$ 25,259
Accrued liabilities	155,833	37,182
Accrued compensated absences	168	-
Accrued interest payable	39,388	31,675
Unearned revenues	973,857	4,610
Due to Boulder County	-	10,975
Due to other agencies	880,959	263,867
Tenant security deposits payable	127,057	18,145
Developer fee payable	-	1,351,067
Construction note payable	-	11,357,120
Notes, mortgages and bonds payable - current portion	923,975	-
Total Current Liabilities	3,420,655	13,099,900
Long-Term Liabilities		
Accrued compensated absences	206,704	-
Notes, mortgages and bonds payable - net of current portion	18,132,370	1,615,893
Total Long-Term Liabilities	18,339,074	1,615,893
Total Liabilities	21,759,729	14,715,793
Net Position		
Net investment in capital assets	6,877,983	2,757,726
Restricted	707,840	-
Unrestricted	11,837,440	(1,259,228)
Total Net Position	19,423,263	1,498,498
Total Liabilities and Net Position	$ 41,182,992	$ 16,214,291

Boulder County Housing Authority

Statement of Revenues, Expenses and Changes in Net Position

December 31, 2012

	Primary Government	Discretely Presented Component Unit
Operating Revenues		
HUD PHA grants	$ 3,242,995	$ -
Other grants	2,902,742	-
Rental income	1,945,916	183,435
Administration fees	507,567	-
Management fees	340,149	-
Developer fee income	1,333,359	-
Other	316,605	2,145
Total operating revenues	10,589,333	185,580
Operating Expenses		
Administrative salaries and benefits	2,018,803	-
Maintenance salaries and benefits	2,233,993	10,943
Regular and extraordinary maintenance	1,947,110	17,760
Direct client expenses	1,252,183	-
Other administrative	1,011,855	34,067
Depreciation	791,073	233,185
Amortization	356,631	2,008
Utilities	297,468	25,558
Insurance	354,038	8,674
Other expenses	78,542	7,002
Total operating expenses	10,341,696	339,197
Operating Income (Loss)	247,637	(153,617)
Non-Operating Revenues (Expenses)		
HAP income	6,238,933	-
Housing assistance payments	(6,209,958)	-
Interest income	151,183	1
Interest expense	(830,491)	(123,734)
Development expenses for Josephine Commons, LLC	(784,460)	-
Total Non-Operating Revenues (Expenses)	(1,434,793)	(123,733)
Loss Before Transfers	(1,187,156)	(277,350)
Transfers from primary government	456,512	-
Change in Net Position	(730,644)	(277,350)
Net Position - Beginning of Year, as originally reported	19,061,300	1,846,368
Prior Period Adjustment - Note 16	-	(70,520)
Merger with Louisville Housing Authority - Note 15	1,092,607	-
Net Position - Beginning of Year, as restated	20,153,907	1,775,848
Net Position - End of Year	$ 19,423,263	$ 1,498,498

See Notes to Financial Statements

	Primary Government	Discretely Presented Component Unit
Operating Activities		
HUD PHA grants	$ 3,777,787	$ -
Other grants	2,902,742	-
Receipts from tenants	2,194,870	187,382
Administration fees	507,567	-
Management fee income	340,149	-
Developer fee income	263,867	-
Other income	302,330	-
Payments to employees	(4,227,777)	-
Payments to suppliers	(5,381,447)	(27,712)
Net Cash from (used for) Operating Activities	680,088	159,670
Noncapital Financing Activities		
HAP income	6,238,933	-
Housing assistance payments	(6,209,958)	-
Advances from (payments to) related party	50,516	(50,516)
Transfers in from primary government	456,512	-
Net Cash Provided by Noncapital Financing Activities	536,003	(50,516)
Capital and Related Financing Activities		
Proceeds from issuance of construction note payable	-	10,257,989
Principal payments on long-term debt	(6,192,927)	-
Proceeds from long-term debt borrowings	7,172,849	-
Interest paid on long-term debt	(791,103)	-
Acquisition of capital assets	(791,163)	(10,850,824)
Acquisition of other assets	-	(147,350)
Net Cash from (used for) Capital and Related Financing Activities	(602,344)	(740,185)
Investing Activities		
Receipts on notes receivable	695,299	-
Issuance of notes receivable	(14,471)	-
Development expenses for Josephine Commons, LLC	(784,460)	-
Cash received from merger with Louisville Housing Authority	422,072	-
Interest income	55,395	-
Net Cash from Investing Activities	373,835	-
Net Change in Cash and Cash Equivalents	987,582	(631,031)
Cash and Cash Equivalents, Beginning of Year	7,850,529	965,831
Cash and Cash Equivalents, End of Year	$ 8,838,111	$ 334,800

	Primary Government	Discretely Presented Component Unit
Reconciliation of Cash and Cash Equivalents		
Cash	$ 6,730,582	$ 316,654
Restricted Cash	2,107,529	18,146
Total Cash and Cash Equivalents	$ 8,838,111	$ 334,800
Reconciliation of operating income to net cash provided by operating activities		
Operating loss	$ 247,637	$ (153,617)
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation	791,073	233,185
Amortization	356,631	2,008
Changes in assets and liabilities		
(Increase) decrease in receivables	(548,589)	(2,809)
(Increase) decrease in inventory	41,307	
(Increase) decrease in prepaid expenses	(9,346)	(601)
Increase (decrease) in accounts payable	(453,438)	7,436
Increase (decrease) in accrued expenses	(36,558)	51,313
Increase (decrease) in unearned revenues	236,035	4,610
Increase (decrease) in due to other agencies	42,803	-
Increase (decrease) in security deposits payable	12,533	18,145
Net Cash Provided by Operating Activities	$ 680,088	$ 159,670

Note 1 - Nature of Operations and Significant Accounting Policies

General

The Boulder County Housing Authority is a corporate body created in 1975 and uses available federal, state and local resources to serve the residents of Boulder County, Colorado, by upgrading and maintaining the existing housing stock, encouraging the construction of new housing affordable to low and moderate income households, and providing low and moderate income families and senior households with decent, safe, and affordable rental housing opportunities. The Authority owns and operates 413 units of affordable housing in Boulder County and administers 774 Section 8 housing choice vouchers and 25 Section 8 VASH vouchers.

The Authority is governed by a three-member Board of Commissioners.

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separated (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization's board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority

The Authority is included in Boulder County's reporting entity because of the significance of its operational and financial relationship with the County.

Blended Component Units

Three additional organizations are included in the financial reporting entity of the Authority as blended component units. 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 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. The assets, liabilities, and net position of SFPH were merged with MFPH on September 1, 2012. Josephine Commons Manager, LLC is wholly owned by the Authority and is the managing member of Josephine Commons, LLC. The sole member of all three companies is the Boulder County Housing Authority which is able to impose its will on the organizations. Accordingly, the activities of both organizations and the ending balances of MFPH and Josephine Commons Manager, LLC are reported within the proprietary funds of the Authority. Separate financial statements have been issued for MFPH.

Discretely Presented Component Units

The component unit column of the combined financial statements includes the financial data of the Authority's discretely presented component units as of December 31, 2012. These units are reported in a separate column to emphasize that they are legally separate from the Authority.

Josephine Commons, LLC – the Company was formed to acquire, own, develop, construct and lease, manage and operate a low income housing tax credit project with 74 units for low-income and elderly residents in Lafayette, Colorado. The project began operations in September 2012. The managing member of the Company, Josephine Commons Manager, LLC, is wholly owned by the Boulder County Housing Authority. Josephine Commons Manager, LLC has an ownership percentage of .009%. As the managing member, the Authority has the day to day management responsibilities of the Company.

The financial statements of the discretely presented component unit are presented in the Authority's basic financial statements. Complete financial statements of the individual component unit can be obtained from the Finance Director, Boulder County Housing Authority, PO Box 471, Boulder CO 80306.

Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses.

Basis of Accounting and Measurement Focus

The Department of Housing and Urban Development Real Estate Assessment Center (REAC) assesses the financial condition of Public Housing Authorities (PHA's). To uniformly and consistently assess the PHA's, REAC requires that PHA's financial statements conform to Generally Accepted Accounting Principles (GAAP).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

Cash and Cash Equivalents

The Authority's cash deposits can only be invested in HUD approved investments: direct obligations of the Federal Government backed by the full faith and credit of the United States, obligations of government agencies, securities of government sponsored agencies, demand and savings deposits, time deposits, repurchase agreements, and other securities approved by HUD.

For the purposes of the statement of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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 amounts that may not be collectible in the future. Receivables are reported net of the related allowance.

Inventory

Inventories are valued at the lower of cost or market using the first-in/first-out method.

Capital Assets

Land, buildings and improvements, and equipment are recorded at cost, including indirect development costs. The Organization uses a capitalization threshold of $5,000. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Depreciation is computed using the straight line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10-45 years
Furniture and equipment	04-15 years

Fraud Recovery

HUD requires the Authority to account for monies recovered from tenants who committed fraud or misrepresentation in the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

Operating Revenues and Expenses

The Authority considers all revenues and expenses (including HUD intergovernmental revenues and expenses) as operating items with the exception of HUD HAP income, housing assistance payments, interest expense, interest revenue, and gain/loss on disposal of capital assets which are considered non-operating for financial reporting purposes.

Restricted and Unrestricted Resources

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Accumulated Unpaid Vacation and Sick Leave

The Authority follows Boulder County's policy on unpaid vacation and sick leave. The policy 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 Security 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, expect Social Security 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.

Unearned Revenues

As of December 31, 2012, unearned revenue consisted of prepaid rents from tenants of $24,009 and grant revenues received but not yet earned of $949,848.

Components of Net Position

Components of net position include the following:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

- Restricted Net Position – Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the balance sheet that are subject to restraints on their use by HUD.

- Unrestricted Net Position – Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the balance sheet that are not subject to restraints on their use.

Business and Credit Risk

The Authority provides housing on account to clients which are located in Boulder County, Colorado.

Budgetary

The Authority's annual budgets are the annual contracts, which are with, and approved by, HUD. No budget to actual statements are presented in this report, as housing authorities are not legally required to adopt a budget under the Local Government Budget Law of Colorado.

Accounting 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

Boulder County Housing Authority has implemented GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* There is no impact on the Authority's financial statements due to the implementation of this statement.

Boulder County Housing Authority has also implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* As a result of implementing this statement, the computation of equity on the Balance sheet was changed and equity has been retitled "net position".

In January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (Statement). The statement is effective for periods beginning after December 15, 2013; however, early implementation is encouraged. The Authority elected to implement the statement for the year ended December 31, 2012. The Statement establishes accounting and financial reporting standards related to government combinations and disposals of governmental operations.

Note 2 - Deposits and Investments

Primary Government

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The general depository agreement required by annual contract with HUD has additional collateral requirements, which the Authority met in 2012.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2012, the Organization's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with PDPA.

At December 31, 2012, the Authority's carrying amount of deposits was $8,838,111 and bank balances totaled $8,759,999. Of the bank balances, $750,000 was covered by Federal Depository Insurance. Of the remaining balances for 2012, $8,009,999 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of certificates of deposit will adversely affect the fair value of investments. All certificates of deposit held by the Authority as of December 31, 2012 mature within 1 year.

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 Unites 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, 2012, investments held by the Authority are held in a money market account, a local government investment pool, and a repurchase agreement totaling $1,615,821, $1,161,172 and $1,032,331, respectively. These funds are classified as cash and cash equivalents on the balance sheet.

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, 2012 the Authority had $1,161,172 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.

Discretely Presented Component Unit

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, Josephine Commons, LLC's deposits may not be returned to it. As of December 31, 2012, Josephine Commons, LLC's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

Note 3 - Restricted Cash

Restricted cash consists of cash and cash equivalents balances restricted for use in the Housing Choice Voucher program; held in escrow to comply with the requirements of HUD programs, Rural Development programs, and the Community Development Financial Institutions program; held to comply with bond requirements; and held for tenant security deposits.

Note 4 - Notes Receivable

The Authority holds second mortgages on two houses built through the Youthbuild program which accrues interest at a below-market interest rate and are payable upon sale by the owners. At December 31, 2012, the balance totaled $88,627 on the two notes.

The Authority holds a note from 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, LLLC to provide affordable housing 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, 2012 totaled $365,711. Accrued interest and principal payments are subject to cash flow distributions in the partnership agreement. No accrued interest payments were made during the year. This note matures in April, 2047.

The Authority holds a second note from 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, LLLC to provide affordable housing 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, 2012 totaled $79,583. Accrued interest and principal payments are subject to cash flow distributions in the partnership agreement. No accrued interest payments were made during the year. This note matures in July, 2048.

The Authority holds thirty-five notes for the Boulder County Rehabilitation Program. The amount of these notes receivable totals $308,858 at December 31, 2012. These are notes issued to low-income residents of Boulder County who receive rehabilitation services on their home. Interest rates vary from 1% to 5%. Thirteen of the thirty-seven notes are deferred with principal and interest due at maturity.

The Authority holds $1,615,893 notes receivable for the Josephine Commons project. Terms of these notes are included in Note 7 to the financial statements.

Note 5 - Capital Assets

The following is a summary of property, structures and equipment for the year ended December 31, 2012:

Primary Government

	Balance 12/31/11	Transfers In	Additions	Disposals	Balance 12/31/12
Nondepreciable assets					
Land	$ 4,682,017	$ 307,389	$ -	$ (78,000)	$ 4,911,406
Construction in progress	1,029,365	-	747,383	-	1,776,748
Total capital assets not being depreciated	5,711,382	307,389	747,383	(78,000)	6,688,154
Depreciable assets					
Computer equipment/software	47,819	-	-	-	47,819
Furniture and fixtures	105,414	-	11,180	-	116,594
Buildings and improvements	24,876,461	4,039,625	32,600	-	28,948,686
Vehicles	860,939	-	-	(69,316)	791,623
Total buildings and improvements	25,890,633	4,039,625	43,780	(69,316)	29,904,722
Accumulated depreciation					
Computer equipment/software	(47,819)	-	-	-	(47,819)
Furniture and fixtures	(51,701)	-	(514)	-	(52,215)
Buildings and improvements	(8,142,183)	(2,016,196)	(604,354)	-	(10,762,733)
Vehicles	(662,357)	-	(126,715)	69,316	(719,756)
Total accumulated depreciation	(8,904,060)	(2,016,196)	(731,583)	69,316	(11,582,523)
Total capital assets being depreciated	16,986,573	2,023,429	(687,803)	-	18,322,199
Total capital assets, net	$ 22,697,955	$ 2,330,818	$ 59,580	$ (78,000)	$ 25,010,353

Discretely Presented Component Unit

	Balance 12/31/11	Additions	Disposals	Balance 12/31/12
Nondepreciable assets				
Land	$ 86,400	$ 100	$ -	$ 86,500
Construction in process	4,447,109	-	(4,447,109)	-
Total capital assets not being depreciated	4,533,509	100	(4,447,109)	86,500
Depreciable assets				
Land improvements	-	1,534,359	-	1,534,359
Furniture and fixtures	-	465,050	-	465,050
Buildings and improvements	-	13,878,016	-	13,878,016
Total buildings and improvements	-	15,877,425	-	15,877,425
Accumulated depreciation				
Land improvements	-	(34,097)	-	(34,097)
Furniture and fixtures	-	(31,003)	-	(31,003)
Buildings and improvements	-	(168,086)	-	(168,086)
Total accumulated depreciation	-	(233,186)	-	(233,186)
Total capital assets being depreciated	-	15,644,239	-	15,644,239
Total capital assets, net	$ 4,533,509	$ 15,644,339	$ (4,447,109)	$ 15,730,739

Note 6 - Construction Note Payable

Discretely Presented Component Unit

The Company financed the construction of the project in part with a note payable with Citibank, N.A. in the amount up to $11,925,000, due September 1, 2013, unless extended. The interest rate is equal to the LIBOR rate plus 3.25 percentage points, (3.4597% as of December 31, 2012) recalculated and adjusted on the first day of each month until paid in full. The note is secured by a mortgage and an assignment of rents and leases. During 2012, the Partnership incurred $226,970 for interest expense, of which $120,781 has been capitalized as part of the building. The remaining interest was expensed and added to the principal of the note. As of December 31, 2012, the balance of the construction note was $11,357,120.

Note 7 - Long-Term Debt

During the year ended December 31, 2012, the following changes occurred in long-term debt:

Primary Government

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	$ 3,576,074	$ 1,620,349	$ (2,202,927)	$ 2,993,496	$ 578,555
Bonds Payable	12,880,000	7,172,849	(3,990,000)	16,062,849	345,420
Total long-term debt	$ 16,456,074	$ 8,793,198	$ (6,192,927)	$ 19,056,345	$ 923,975

Discretely Presented Component Unit

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	$ 1,615,893	$ -	$ -	$ 1,615,893	$ -

Long-term debt as of December 31, 2012, consisted of the following:

Primary Government

Notes and Mortgages Payable

9% mortgage note payable, due in monthly principal and interest installments of $1,789 with a maturity date of June 2038, secured by a deed of trust on the property and an assignment of rents	$ 214,670
6.75% mortgage note payable, due in monthly principal and interest installments of $1,907 with a maturity date of June 2036, secured by a deed of trust on the property and an assignment of rents	882,326
5.38% mortgage note payable, due in monthly principal and interest installments of $318 with a maturity date of June 2036, secured by a deed of trust on the property and an assignment of rents	145,402
2% mortgage note payable, due in monthly principal and interest installments of $2,120 with a maturity date of June 2036, secured by a deed of trust on the property and an assignment of rents	620,679
1% mortgage note payable, due in monthly principal and interest installments of $324 with a maturity date of August 2017, secured by a deed of trust on the property and an assignment of rents	17,512
1% mortgage note payable, due in monthly principal and interest installments of $1,357 with a maturity date of October 2026, secured by a deed of trust on the property and an assignment of rents	210,294

1% mortgage note payable, due in monthly principal and interest installments of $297 with a maturity date of October 2026, secured by a deed of trust on the property and an assignment of rents	46,065
1% mortgage note payable, due in monthly principal and interest installments of $297 with a maturity date of May 2041, secured by a deed of trust on the property and an assignment of rents	88,211
0% mortgage note payable, forgiven in its entirety on the anniversary date of October 2014, secured by a deed of trust on the property	20,000
0% mortgage note payable, forgiven in its entirety on the anniversary date of April 2015, secured by a deed of trust on the property	50,000
0% mortgage note payable, forgiven in its entirety on the anniversary date of October 2014, secured by a deed of trust on the property	20,000
2% mortgage note payable, due in monthly principal and interest installments of $1,182 with a maturity date of August 2020, secured by a deed of trust on the property and an assignment of rents	99,729
0% mortgage note payable, forgivable through December 2047, issued under the Affordable Housing Program and monitored by the Federal Home Loan Bank of Topeka, secured by a mortgage on substantially all assets and an assignment of rent	60,000
0% mortgage note payable, forgivable through December 2013, issued under the Affordable Housing Program and monitored by the Federal Home Loan Bank of Topeka, secured by a mortgage on substantially all assets and an assignment of rent	150,000
0% mortgage note payable, forgivable through June 2014, issued under the Affordable Housing Program and monitored by the Federal Home Loan Bank of Topeka, secured by a deed of trust on the property and an assignment of rent	50,000
0% mortgage note payable, forgivable through January 2016, issued and monitored by the City of Longmont, secured by a deed of trust on substantially all property	6,900
5% note payable representing a line of credit with Wells Fargo Bank, N.A., interest payments due monthly, maturity date of April 2013, secured by a mortgage on substantially all assets and an assignment of rents	235,319
5% note payable representing a line of credit with Wells Fargo Bank, N.A., interest payments due monthly, maturity date of March 2014, secured by a mortgage on substantially all assets and an assignment of rents	76,389
Total Notes and Mortgages Payable	2,993,496

Bonds Payable

Series 2012 Housing Revenue Bonds - See (A) below	7,172,849
Series 2004 Housing Revenue Bonds - See (B) below	8,890,000
Total Bonds Payable	16,062,849
Total Long-Term Debt	$ 19,056,345

(A) – Housing Revenue Bonds, Series 2012 in the amount of $8,200,000 were authorized for issuance during 2012. Bond proceeds received from the issuance of these bonds totaled $7,172,849 in 2012, and additional bond proceeds of $443,650 were received subsequent to year-end. The Authority has the ability to issue the remaining bonds of $583,501at a future date but has no current plans to issue the remaining bonds. The proceeds were used to refinance the Series 1998 Mortgage Revenue Bonds, to refinance a portion of the Series 2004 Housing Revenue Bonds, to rehabilitate existing projects in the future, and to develop future housing projects. The bonds bear interest at 3.19%. The Authority is required to make monthly payments of $30,974, including interest, on the bonds through the final maturity date of November 2027.

(B) – The Authority has issued $10,410,000 in Housing Revenue Bonds, Series 2004. The proceeds of the bonds were 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 in varying installments with final payment in 2034. Interest at rates from 1.5% to 5.25% is payable semiannually.

Subsequent to year-end, the Authority issued $7,450,000 in Housing Revenue Bonds, Series 2013. The proceeds of the bonds were used to refinance the remaining balance of the Series 2004 Housing Revenue Bonds.

Discretely Presented Component Units

4.3% mortgage note payable to Boulder County Housing Authority (BCHA) under the HOME funds, up to an amount of $550,000, payments due from cash flow, remaining principal and interest due August 2061, secured by a second mortgage	$ 522,500
4.3% mortgage note payable to BCHA under the AHP funds payments due from cash flow, remaining principal and interest due August 2061, secured by a third mortgage	250,000
4.3% mortgage note payable to BCHA under the Worthy Cause Funds I program, entire principal balance will be forgiven after a term of 99 years unless canceled earlier, secured by a fourth mortgage	200,000
4.3% mortgage note payable to BCHA under the Worthy Cause Funds II program, entire principal balance will be forgiven after a term of 99 years unless canceled earlier, secured by a fifth mortgage	200,000
0.5% note payable to BCHA, due from cash flow, remaining principal and interest due August 2061, unsecured	443,393
	$ 1,615,893

The estimated debt requirements to maturity for the year ending December 31, 2012 are as follows:

Primary Government

	Principal	Interest	Total
2013	$ 923,975	$ 779,415	$ 1,703,390
2014	519,108	759,005	1,278,113
2015	495,277	743,706	1,238,983
2016	461,659	727,435	1,189,094
2017	479,074	710,273	1,189,347
2018-2022	2,660,440	3,257,879	5,918,319
2023-2027	7,646,857	2,652,012	10,298,869
2028-2032	2,706,563	1,278,883	3,985,446
2033-2037	2,942,301	433,751	3,376,052
2038-2042	135,236	14,907	150,143
2043-2046	85,855	3,275	89,130
Total	$ 19,056,345	$ 11,360,541	$ 30,416,886

Discretely Presented Component Units

No principal payments are due on the forgivable loans. Payments on the remaining notes are due from available cash flow with all remaining principal and accrued interest due August 2061. At December 31, 2012 accrued interest on these notes totaled $17,545.

Note 8 - Compensated Absences

A summary of the activity in the Authority's compensated absences for the year ended December 31, 2012 is as follows:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated absences	$ 181,853	$ 298,150	$ 273,131	$ 206,872	$ 168

Note 9 - Restricted Net Position

As of December 31, 2012, restricted net position consisted of $707,840 in Section 8 HAP received but not yet paid to eligible individuals.

Note 10 - Annual Contributions Contract

The Authority has an annual contributions contract for Section 8 HAP and adjustments vary based on requirements. The maximum contract was $6,187,742 for the year ended December 31, 2012.

Note 11 - Defined Benefit Pension Plan

Plan Description

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 comprehensive 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, 1301Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

Plan members and the Authority are required to contribute 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 and for Authority is stated in the table below of covered salary. A portion of the Authority's contribution is allocated for the Health Care Trust Fund.

The Authority's contributions to LGDTF that are equal to the required contributions for each year were as follows:

	Amount	Member Contribution	Authority Contribution
For the year ended			
December 31, 2010	$ 443,770	8.00%	10.00%
December 31, 2011	$ 482,473	8.00%	10.00%
December 31, 2012	$ 419,608	8.00%	10.00%

Note 12 - Post Employment Health Care Benefits

Plan Description

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 comprehensive 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).

Funding Policy

The Authority is required to contribute at a rate of 1.02% of covered salary 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 Health Care Trust Fund is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended.

Note 13 - Defined Contribution Pension Plan

Employees of the Authority who are members of the Local Government Division Trust Fund (LGDTF), 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 employee contributions of up to a maximum limit set by the IRS ($17,000 each year for the calendar years 2012 and 2011, and $16,500 for the calendar year 2010). Catch-up contributions up to $5,500 each year for the calendar years 2012, 2011, and 2010 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC Section 414(v). The contribution requirements for the Authority are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ended December 31, 2012, 2011, and 2010, the 401(k) Plan employee contributions from the Authority were $28,619, $45,049, and $50,402, respectively.

Note 14 - Related Party Transactions

Developer Fees

Josephine Commons, LLC (Company) has entered into a development agreement with the Authority in which the Authority is to provide services in connection with the development and construction of the project owned by the Company. Developer fees of $1,351,067 incurred by the Company to the Authority were capitalized as part of the building. At December 31, 2012, the Company owed the Authority $1,351,067 for developer fees. Of this amount, $709,619 is expected to be paid to the Authority from member capital contributions received by the Company, and the remaining $641,448 is anticipated to be deferred and paid from net cash flow.

Mortgage Notes and Accrued Interest

The Company has entered into multiple loan agreements with the Authority – see Note 7.

Due to Related Party

As of December 31, 2012, the Company owed the Authority $263,867 for costs related to the construction of the project.

Management Fees

The Company has entered into a management agreement with the Authority to provide management services for the project. Under the terms of the agreement, the Company is to pay management fees equal to the lesser of $466 per unit or 5.5% of effective gross income. During 2012, the Company incurred management fees of $9,960 to the Authority.

Reimbursement of Expenses

During 2012, the Company reimbursed the Authority approximately $11,500 for payroll and other expenses.

Incentive Management Fee

Pursuant to the operating agreement, the Company is to pay the Authority for their services in managing the business of the Company, a non-cumulative fee equal to 80% of cash flow remaining after other required payments. At no time is the fee to exceed 10% of gross revenues in any year. There were no incentive management fees paid by the Company to the Authority during 2012.

Operating Deficit Guaranty

Pursuant to the operating agreement, the Authority is required to fund operating deficits during the period beginning upon the date that stabilized operations is achieved and for five years thereafter as defined in the agreement. The Authority shall be obligated to provide funds in the form of a loan, not to exceed $350,000, shall bear no interest and shall be repayable solely from net cash flow as allowed in the operating agreement.

Due from Boulder County

At December 31, 2012, the Authority was owed $360,987 from Boulder County.

Transfers from Primary Government

During 2012, the Authority received total net transfers of $456,512 from Boulder County.

Note 15 - Merger with Louisville Housing Authority

In 2012, the Louisville Housing Authority began a merger with the Boulder County Housing Authority (the continuing government) due to the similar nature of the two entities' operations. During 2012, four of the properties (Lilac Place, Regal Court II, Lincoln Street, and Acme) were transferred over to Boulder County Housing Authority. Accounting policies of Louisville Housing Authority were consistent with the Authority's accounting policies.

In accordance with GASB Statement No. 69, Government Combinations and Disposals of Government Operations, the Authority has recognized the assets, deferred outflows of resources, liabilities, or deferred inflows of resources of the merging entities as of the merger date, which is defined by GASB 69 as the beginning of the reporting period in which the combination occurs, regardless of the actual date of the merger.

Initial balances were determined based on the carrying values reported in the separate financial statements of the four properties of the Louisville Housing Authority and the separate financial statements of the Boulder County Housing Authority. No adjustments were made to the carrying values of the assets and liabilities.

The initial balances as of the merger date are as follows:

	LHA	BCHA	Total
Current Assets	$ 513,642	$ 10,647,365	$ 11,161,007
Other Assets	725,601	5,013,251	5,738,852
Capital Assets	2,432,061	22,697,955	25,130,016
Total Assets	$ 3,671,304	$ 38,358,571	$ 42,029,875
Current Liabilities	$ 234,339	$ 3,182,199	$ 3,416,538
Noncurrent Liabilities	2,344,358	16,115,072	18,459,430
Total Liabilities	2,578,697	19,297,271	21,875,968
Net Position	1,092,607	19,061,300	20,153,907
Total Liabilities and Net Position	$ 3,671,304	$ 38,358,571	$ 42,029,875

Subsequent to year-end, the remaining properties from Louisville Housing Authority were transferred over to Boulder County Housing Authority. The initial balances of the remaining balances that were transferred subsequent to year end are as follows:

Current Assets	$ 718,839
Other Assets	737,835
Capital Assets	985,319
Total Assets	$ 2,441,993
Current Liabilities	$ 26,071
Noncurrent Liabilities	244,510
Total Liabilities	270,581
Net Position	2,171,412
Total Liabilities and Net Position	$ 2,441,993

Note 16 - Correction of Error – Discretely Presented Component Unit

Josephine Commons, LLC's net position has been adjusted for an error in previously issued financial statements relating to the improper accounting for syndication costs. The adjustment to beginning net position for Josephine Commons, LLC was for $70,520.

Supplementary Information
December 31, 2012

Boulder County Housing Authority

Boulder County Housing Authority
Combining Balance Sheet
December 31, 2012

	Housing Counseling Assistance 14.169	Homelessness Prevention 14.257	Community Development Block Grants 14.218	Weatherization Assistance 81.042	Housing Choice Vouchers 14.871	HOME Investment Partnership Program 14.239	Public Housing FSS 14.877	Family Unification Program 14.880
Assets								
Cash and cash equivalents	$ -	$ -	$ -	$ 281,648	$ 325,403	$ -	$ -	$ -
Restricted cash and cash equivalents	-	-	162,035	-	707,840	-	-	-
Accounts receivable								
Tenants	-	-	-	-	-	-	-	-
Developer fees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-
Due from other agencies	26,027	-	58,119	275,446	-	-	1,678	-
Due from Josephine Commons, LLC	-	-	-	-	-	-	-	-
Interprogram receivable	-	-	-	-	-	-	17,263	-
Notes receivable - current	-	-	20,054	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Inventory	-	-	-	72,447	-	-	-	-
Total current assets	26,027	-	240,208	629,541	1,033,243	-	18,941	-
Notes receivable, net	-	-	288,804	-	-	-	-	-
Investment in Josephine Commons, LLC	-	-	-	-	-	-	-	-
Other assets, net	-	-	-	-	-	-	-	-
Non-depreciable capital assets	-	-	-	-	-	-	-	-
Depreciable capital assets, net	-	-	-	133,765	-	-	-	-
	-	-	288,804	133,765	-	-	-	-
Total assets	$ 26,027	$ -	$ 529,012	$ 763,306	$ 1,033,243	$ -	$ 18,941	$ -
Liabilities and Net Position								
Liabilities								
Accounts payable	$ -	$ -	$ -	$ 18,347	$ -	$ -	$ -	$ -
Interprogram payable	70,778	9,338	124,112	485,655	82,354	-	-	3,942
Accrued liabilities	-	-	-	-	86,293	-	-	-
Accrued compensated absences	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-	-
Due to other agencies	-	-	-	-	-	-	-	-
Tenant security deposits payable	-	-	-	-	-	-	-	-
Notes, mortgages and bonds payable - current	-	-	-	-	-	-	-	-
Total current liabilities	70,778	9,338	124,112	504,002	168,647	-	-	3,942
Noncurrent Liabilities								
Accrued compensated absences	-	-	-	-	-	-	-	-
Notes, mortgages and bonds payable - net of current portion	-	-	-	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-	-	-	-
Total liabilities	70,778	9,338	124,112	504,002	168,647	-	-	3,942
Net Position								
Net investment in capital assets	-	-	-	133,765	-	-	-	-
Restricted	-	-	-	-	707,840	-	-	-
Unrestricted	(44,751)	(9,338)	404,900	125,539	156,756	-	18,941	(3,942)
Total net position	(44,751)	(9,338)	404,900	259,304	864,596	-	18,941	(3,942)
Total liabilities and net position	$ 26,027	$ -	$ 529,012	$ 763,306	$ 1,033,243	$ -	$ 18,941	$ -

Boulder County Housing Authority
Combining Balance Sheet
December 31, 2012

Low-Income Home Energy Assistance 93.568	Farm Labor Housing Loans and Grants 10.405	MFPH	Business Activities	Section 8 Housing Assistance 14.195	Other Federal Programs	Temporary Assistance for Needy Families 93.558	Total	Elimination of Intercompany Activity	Total
$ -	$ 164,524	$ 70,745	$ 5,684,071	$ -	$ 159,941	$ 44,250	$ 6,730,582	$ -	$ 6,730,582
-	244,633	16,367	971,168	5,486	-	-	2,107,529	-	2,107,529
-	2,445	1,137	7,135	139	-	-	10,856	-	10,856
-	-	-	1,546,219	-	-	-	1,546,219	-	1,546,219
-	-	-	30,556	-	-	-	30,556	-	30,556
-	-	-	445,293	-	-	-	445,293	-	445,293
10,072	-	-	522,355	150	-	37,446	931,293	-	931,293
-	-	-	263,867	-	-	-	263,867	-	263,867
-	-	-	941,581	105,704	-	-	1,064,548	(1,064,548)	-
-	-	-	-	-	-	-	20,054	-	20,054
-	-	-	9,650	-	-	-	9,650	-	9,650
-	-	-	28,698	-	-	-	101,145	-	101,145
10,072	411,602	88,249	10,450,593	111,479	159,941	81,696	13,261,592	(1,064,548)	12,197,044
-	-	-	3,263,520	-	-	-	3,552,324	-	3,552,324
-	-	-	86,400	-	-	-	86,400	-	86,400
-	-	-	336,871	-	-	-	336,871	-	336,871
-	330,879	931,057	5,358,601	67,617	-	-	6,688,154	-	6,688,154
-	3,192,665	2,380,804	12,444,981	169,984	-	-	18,322,199	-	18,322,199
-	3,523,544	3,311,861	21,490,373	237,601	-	-	28,985,948	-	28,985,948
$ 10,072	$ 3,935,146	$ 3,400,110	$ 31,940,966	$ 349,080	$ 159,941	$ 81,696	$ 42,247,540	$ (1,064,548)	$ 41,182,992
$ -	$ -	$ 9,495	$ 279,088	$ -	$ -	$ 12,488	$ 319,418	$ -	$ 319,418
15,517	143,583	-	-	-	60,285	68,984	1,064,548	(1,064,548)	-
-	-	3,526	66,014	-	-	-	155,833	-	155,833
-	-	-	168	-	-	-	168	-	168
-	2,480	-	36,908	-	-	-	39,388	-	39,388
-	5,732	3,005	864,606	668	99,846	-	973,857		973,857
-	-	45,233	835,726	-	-	-	880,959	-	880,959
-	16,323	16,144	89,104	5,486	-	-	127,057	-	127,057
-	39,820	-	884,155	-	-	-	923,975	-	923,975
15,517	207,938	77,403	3,055,769	6,154	160,131	81,472	4,485,203	(1,064,548)	3,420,655
-	-	-	206,704	-	-	-	206,704	-	206,704
-	2,167,828	-	15,964,542	-	-	-	18,132,370	-	18,132,370
-	2,167,828	-	16,171,246	-	-	-	18,339,074	-	18,339,074
15,517	2,375,766	77,403	19,227,015	6,154	160,131	81,472	22,824,277	(1,064,548)	21,759,729
-	1,355,716	3,311,861	1,839,040	237,601	-	-	6,877,983	-	6,877,983
-	-	-	-	-	-	-	707,840	-	707,840
(5,445)	203,664	10,846	10,874,911	105,325	(190)	224	11,837,440	-	11,837,440
(5,445)	1,559,380	3,322,707	12,713,951	342,926	(190)	224	19,423,263	-	19,423,263
$ 10,072	$ 3,935,146	$ 3,400,110	$ 31,940,966	$ 349,080	$ 159,941	$ 81,696	$ 42,247,540	$ (1,064,548)	$ 41,182,992

Boulder County Housing Authority
Combining Statement of Revenues, Expenses and Changes in Net Position
December 31, 2012

	Housing Counseling Assistance 14.169	Homelessness Prevention 14.257	Community Development Block Grants 14.218	Weatherization Assistance 81.042	Housing Choice Vouchers 14.871	HOME Investment Partnership Program	Public Housing FSS 14.877	Family Unification Program 14.880
Operating Revenues								
HUD PHA grants	$ -	$ -	$ -	$ 1,451,092	$ -	$ -	$ 193,740	$ -
Other grants	26,027	210,718	104,773	173,356	-	-	-	-
Rental income	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	507,567	-	-	-
Management fees								
Developer fee income	-	-	-	-	-	-	-	-
Other	-	-	-	44,350	17,580	-	-	-
Total Operating Revenues	26,027	210,718	104,773	1,668,798	525,147	-	193,740	-
Operating Expenses								
Administrative salaries and benefits	25,492	47,223	95,288	62,483	476,797	-	193,740	-
Maintenance salaries and benefits	-	-	-	884,966	-	-	-	-
Regular and extraordinary maintenance	-	-	10,163	564,686	-	-	-	-
Direct client expenses	-	156,254	-	-	-	-	-	-
Other administrative	417	3,138	14,954	132,748	49,111	-	-	-
Depreciation	-	-	-	67,167	-	-	-	-
Amortization	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
Insurance	-	855	-	14,160	704	-	-	-
Other	118	124	2,046	3,827	4,198	-	-	-
Total Operating Expenses	26,027	207,594	122,451	1,730,037	530,810	-	193,740	-
Operating Income (Loss)	-	3,124	(17,678)	(61,239)	(5,663)	-	-	-
Non-Operating Revenues (Expenses)								
HUD PHA grants			-	-	6,016,768	-	-	222,165
Housing assistance payments	-	-	-	-	(5,983,851)	-	-	(226,107)
Interest income	-	2	24,880	-	516	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Development expenses for Josephine Commons, LLC	-	-	-	-	-	-	-	-
Total Non-Operating Revenues (Expenses)	-	2	24,880	-	33,433	-	-	(3,942)
Income (Loss) Before Transfers	-	3,126	7,202	(61,239)	27,770	-	-	(3,942)
Transfers from primary government and interprogram transfers	-	-	-	-	-	(1,051,825)	-	-
Change in Net Position	-	3,126	7,202	(61,239)	27,770	(1,051,825)	-	(3,942)
Net Position - Beginning of Year, as originally reported	(44,751)	(12,464)	397,698	320,543	836,826	1,051,825	18,941	-
Merger with Louisville Housing Authority - Note 15	-	-	-	-	-	-	-	-
Net Position - Beginning of Year, as restated	(44,751)	(12,464)	397,698	320,543	836,826	1,051,825	18,941	-
Net Position - End of Year	$ (44,751)	$ (9,338)	$ 404,900	$ 259,304	$ 864,596	$ -	$ 18,941	$ (3,942)

Boulder County Housing Authority
Combining Statement of Revenues, Expenses and Changes in Net Position
December 31, 2012

Low-Income Home Energy Assistance 93.568	Farm Labor Housing Loans and Grants 10.405	Component Units	Business Activities	Section 8 Housing Assistance 14.195	Other Federal Programs	Temporary Assistance for Needy Families 93.558	Total	Elimination of Intercompany Activity	Total
$ -	$ -	$ 262,939	$ 1,162,977	$ 172,247	$ -	$ -	$ 3,242,995	$ -	$ 3,242,995
939,118	232,004	-	824,044	36,297	128,490	227,915	2,902,742	-	2,902,742
-	243,203	307,687	1,347,511	47,515	-	-	1,945,916	-	1,945,916
-	-	-	-	-	-	-	507,567	-	507,567
		-	340,149				340,149		340,149
-	-	-	1,333,359	-	-	-	1,333,359	-	1,333,359
-	(2,779)	5,191	204,042	48,221	-	-	316,605	-	316,605
939,118	472,428	575,817	5,212,082	304,280	128,490	227,915	10,589,333	-	10,589,333
41,606	42,781	-	880,894	35,046	77,493	39,960	2,018,803	-	2,018,803
494,650	87,110	26,343	673,183	67,741	-	-	2,233,993	-	2,233,993
363,232	94,885	86,097	759,253	68,794	-	-	1,947,110	-	1,947,110
-	2,358	-	868,341	-	39,358	185,872	1,252,183	-	1,252,183
35,987	29,307	149,711	549,367	34,521	10,624	1,970	1,011,855	-	1,011,855
-	103,354	92,704	511,102	16,746	-	-	791,073	-	791,073
-	-	-	270,193	86,438	-	-	356,631	-	356,631
-	40,048	57,685	170,667	29,068	-	-	297,468	-	297,468
9,088	35,455	23,034	262,261	8,481	-	-	354,038	-	354,038
-	-	-	66,547	355	1,205	122	78,542	-	78,542
944,563	435,298	435,574	5,011,808	347,190	128,680	227,924	10,341,696	-	10,341,696
(5,445)	37,130	140,243	200,274	(42,910)	(190)	(9)	247,637	-	247,637
-	-	-	-	-	-	-	6,238,933	-	6,238,933
-	-	-	-	-	-	-	(6,209,958)	-	(6,209,958)
-	188	-	125,588	-	-	9	151,183	-	151,183
-	(102,992)	-	(704,472)	(23,027)	-	-	(830,491)	-	(830,491)
-	-	-	(784,460)	-	-	-	(784,460)	-	(784,460)
-	(102,804)	-	(1,363,344)	(23,027)	-	9	(1,434,793)	-	(1,434,793)
(5,445)	(65,674)	140,243	(1,163,070)	(65,937)	(190)	-	(1,187,156)	-	(1,187,156)
-	-	(244,425)	1,752,762	-	-	-	456,512	-	456,512
(5,445)	(65,674)	(104,182)	589,692	(65,937)	(190)	-	(730,644)	-	(730,644)
-	1,625,054	3,426,889	11,031,652	408,863	-	224	19,061,300	-	19,061,300
-	-	-	1,092,607	-	-	-	1,092,607	-	1,092,607
-	1,625,054	3,426,889	12,124,259	408,863	-	224	20,153,907	-	20,153,907
$ (5,445)	$ 1,559,380	$ 3,322,707	$ 12,713,951	$ 342,926	$ (190)	$ 224	$ 19,423,263	$ -	$ 19,423,263

Federal Agency/Pass-Through Grantor Program Title		Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture (USDA)			
Direct Programs			
Farm Labor Housing		10.405	$ 232,004
U.S Department of Health and Human Services			
Direct Programs			
Low Income Energy Assistance Program		93.568	944,563
Passed through the Boulder County, Colorado			
Housing Crisis Prevention		93.558	227,924
Total U.S Department of Health and Human Services			1,172,487
U.S. Department of Energy			
Passed Through Colorado Governor's Energy Office			
Weatherization Assistance for Low- Income Persons		81.042	604,369
Weatherization Assistance for Low- Income Persons - ARRA		81.042	846,175
			1,450,544
U.S. Department of Treasury			
Direct Programs			
Foreclosure Education Counseling Pilot Program		21.010	128,680
U.S. Department of Housing and Urban Development			
Direct Programs			
Housing - Choice Vouchers	*	14.871	6,514,661
Family Unification Program (FUP)	*	14.880	226,107
			6,740,768
Family Self-Sufficiency Coordinator		14.877	193,740
Comprehensive Housing Counseling		14.169	18,773
Home Equity Conversion Mortgage		14.169	7,254
			26,027

Passed Through Colorado Housing and Finance Authority:		
Section 8 Housing Assistance Payments	14.195	197,643
Passed Through City of Longmont, Colorado		
Community Development Block Grant	14.218	39,400
Passed Through Boulder County, Colorado		
Community Development Block Grant	14.218	30,219
		69,619
Passed Through Colorado Coalition for the Homeless		
Homelessness Prevention and Rapid Re-Housing - ARRA	14.257	207,594
Total U.S. Department of Housing and Urban Development		7,435,391
Total Federal Expenditures		$ 10,419,106

*Denotes a major program cluster

Notes to Schedule of Expenditures of Federal Awards

General - The accompanying schedule of expenditures of federal awards presents the activity of all Federal financial awards programs of the Authority. The Authority's reporting entity is defined in the notes to the component unit combined financial statements of the Authority.

Basis of Presentation - The accompanying schedule of expenditures of federal awards presents the Federal grant activity of the Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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

The Board of Commissioners
Boulder County Housing Authority
Boulder, 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 business-type activities and the discretely presented component unit, of Boulder County Housing Authority (Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 15, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting 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 financial reporting 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 yet been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Bismarck, North Dakota
July 15, 2013

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Board of Commissioners
Boulder County Housing Authority
Boulder, Colorado

Report on Compliance for Each Major Federal Program
We have audited Boulder County Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. 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 the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 of the Authority's compliance.

Opinion on Each Major Federal Program
In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended December 31, 2012.

Report on Internal Control over Compliance
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the 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 OMB Circular A-133, 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 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a 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 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Bismarck, North Dakota
July 15, 2013

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	X no
Significant deficiency(ies) identified?	_____ yes	X none reported
Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	X no
Significant deficiency(ies) identified?	_____ yes	X none reported
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 Section 510(a) of OMB Circular A-133?	_____ yes	X no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
81.042	Weatherization Assistance for Low-Income Persons - ARRA
14.257	Homelessness Prevention and Rapid Re-Housing Program (HPRP) - ARRA
14.871 / 14.880	Section 8 Housing Choice Vouchers / Family Unification Program (FUP)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 312,573	
Auditee qualified as low-risk auditee?	_____ yes	X no

B. Findings - Financial Statement Audit

None

C. Findings – Major Federal Award Programs Audit

None

D. Findings - Financial Statement Audit

Material Weaknesses, Material Noncompliance

2011-01

Condition – During the audit, the Authority failed to report its unaudited financial information for the year ended December 31, 2011 in FASS-PH in a timely manner.

Criteria – Under the Uniform Financial Reporting Standards (24 CFR Section 5.801, the Boulder County Housing Authority (Authority) is responsible for filing its unaudited financial information in the Department of Housing and Urban Development's (HUD) Financial Assessment Subsystem (FASS-PH). Additionally, OMB Circular A-133 requires the submission of the audit reporting package and Data Collection Form (form SF-SAC) to the Federal Audit Clearinghouse (FAC) and pass-through entities by the auditee.

Cause – The Authority does not have the proper processes in place to ensure that unaudited financial information is submitted to HUD timely nor to ensure that financial reporting information is submitted within established timelines.

Effect – The Authority is out of compliance with the Uniform Financial Reporting Standards (24 CFR Section 5.801) and with OMB Circular A-133.

Recommendation – We recommend that the Authority establish a process whereby all financial information required under the Uniform Financial Reporting Standards (24 CFR Section 5.801) is reported to HUD on a timely basis. Additionally, the Authority should establish a process to ensure all financial reporting information, including the SF-SAC, is submitted in accordance with OMB Circular A-133.

Status – Resolved

Material Weakness

2011-02

Condition – The Authority did not identify its HOME Investment Partnership Program funds, its Housing Crisis Prevention funds and its Low Income Home Energy Assistance Program as Federal expenditures on its Schedule of Expenditures of Federal Awards (SEFA).

Criteria – Per OMB Circular No. A-133, the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Cause – Inadequate review and reconciliation procedures to ensure that the Authority has included all applicable amounts in its SEFA.

Effect – The SEFA provided by the Authority's management was misstated by $630,000 due to the omission of the HOME Investment Partnership funds and $112,745 of Housing Crisis Prevention funds. $478,916 of Low Income Energy Assistance Program funds were incorrectly reported as Weatherization Assistance for Low Income Persons funds.

Recommendation – We recommend that the Authority implement review and reconciliation procedures that ensure that all applicable amounts required by OMB Circular A-133 are properly disclosed.

Response – Resolved

Material Weakness

2011-03

Condition – During the audit, various material adjustments were identified that were necessary to bring the financial statements in compliance with GAAP. These included recording developer fee activity between the Authority and Josephine Commons I LLC, reclassification of Xcel rebates in the weatherization program, and working through numerous lists of costs related to the Josephine Commons project and assisting Authority staff with how to record this activity, which had not been recorded at all during 2011. In addition, numerous corrections were made to several different drafts of the financial statements and notes related to areas such as restricted assets and restricted net assets, Josephine Commons I LLC presentation, and significant changes to the cash flows statement.

Criteria – As required by certain state and federal laws, Boulder County Housing Authority is required to prepare its year-end financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cause – The Authority's financial staff does not have the proper training or processes in place to ensure that all material adjustments are identified and made and to prepare financial statements in accordance with GAAP.

Effect – The Authority was reliant on the auditors to identify material adjustments and to assist in preparing the financial statements, including footnotes. However, as independent auditors, the auditors cannot be considered part of the Authority's financial statement internal control system. The possibility exists that the Authority's financial statements as prepared by the Authority's personnel would not provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected.

Recommendation – We recommend that the Authority implement the following programs and procedures:

1. Send all key financial personnel to training classes or seminars to fully understand what is required by GAAP for governmental entities. Since reporting by housing authorities must also conform to various requirements of the U.S. Department of Housing and Urban Development under its Real Estate Assessment Center, training related to these reporting requirements should also be attended.

2. As part of the preparation for the year-end financial statement audit, a complete, detailed review of all significant accounts should be completed by the Division Director of Finance and Operations to ensure they are properly stated.

3. When preparing the financial statements and footnotes, they should be compared in detail to the prior year's statements to ensure all notes that are still applicable to this year are included and to consider which ones need to be modified for new activity.

4. A current GAAP reporting checklist should be completed to ensure all current reporting requirements have been met.

5. The Division Director of Finance and Operations should review the draft of the financial statements and footnotes, comparing all amounts to the most current trial balance and considering the reporting checklist.

Response – Resolved

E. Findings – Major Federal Award Programs Audit

2011-04 Special Test and Provisions, Section 8 Housing Choice Vouchers, CFDA #14.872

Condition - The Authority had not entered into the required depository agreements until notified to do so as part of this audit. In addition, the subsequent agreement did not identify specific accounts.

Criteria - The grant recipient is required to have internal controls in place to ensure that it complies with all applicable requirements. Per the OMB A-133 March 2011 Compliance Supplement, Public Housing Authorities (PHAs) are required to enter into depository agreements with their financial institutions in the form required by HUD. The agreements serve as safeguards for Federal funds and provide third-party rights to HUD (24 CFR Section 982.156).

Cause - Inadequate internal controls to ensure that the Authority is in compliance with all applicable requirements.

Effect - Without proper agreements in place, the Authority may withdraw unauthorized funds from its bank accounts.

Questioned costs - None

Recommendation - We recommend that the Authority enter into the required agreements with its banking institutions identifying the specific accounts covered by the agreements.

Response – Resolved