Financial Statements
December 31, 2015

Boulder County Housing Authority

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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 units of Boulder County Housing Authority (the Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit 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.

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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 units of Boulder County Housing Authority as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Notes 1 and 9 to the financial statements, the Authority has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of January 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

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

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and is 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 14, 2016 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Boulder County Housing Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
July 14, 2016

Management's Discussion and Analysis

BOULDER COUNTY
HOUSING
AUTHORITY

CONTENTS:

Request for Information

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. If you have questions concerning any of the information provided in this report, or if you would like to request additional financial information, please contact Will Kugel, Finance Director, Boulder County Housing Authority, PO Box 471, Boulder CO 80306, 303-441-1090 or email at willkugel@bouldercounty.org.

BOULDER COUNTY
HOUSING
AUTHORITY

Management's Discussion and Analysis

The Boulder County Housing Authority's (BCHA) management discussion and analysis provides an overview of the housing authority's financial activities for the fiscal year ended December 31, 2015. The management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, to provide an overview of BHCA's financial activity and position, and to identify financial trends and concerns. 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 management's discussion and analysis is presented in accordance with the requirements of Governmental Accounting Standards Board Statement No. 34 (GASB No. 34).

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

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.

Finally, the statements include a third component unit, Aspinwall, LLC. Aspinwall, LLC (the "Corporation") is a Colorado Limited Liability Company formed in 2012 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, Aspinwall, 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.

In accordance with Governmental Accounting Standards Board Statement of Governmental Accounting Standards No. 63, the financial statements include a statement of net position (similar to a balance sheet) which reports all financial and capital resources of BCHA. Assets and liabilities are presented in order of liquidity. Assets are classified as "current" (convertible to cash within one year), "non-current," 'capital assets" and "financing costs". Liabilities are classified as "current" (payable within one year) and "notes payable net of current portion".

The focus of the statement of net position is designated to represent the available assets, net of liabilities, for the entire organization. Net position is reported in three broad categories as applicable:

Net Investment in Capital Assets – This component consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This component of net position consists of assets restricted when constraints are placed on use by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position – Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

The financial statements also include a statement of activities (similar to an income statement). This statement includes operating revenues (tenant revenue, operating grants, management and developer fee income, and other income), operating expenses (housing assistance payments, administrative costs, utilities, maintenance, depreciation, and other tenant and general expenses), and non-operating revenue and expenses (gain or loss on the sale of assets, interest income and interest expense).

The focus of the statement of activities is the change in net position for the year, which is similar to net income or net loss.

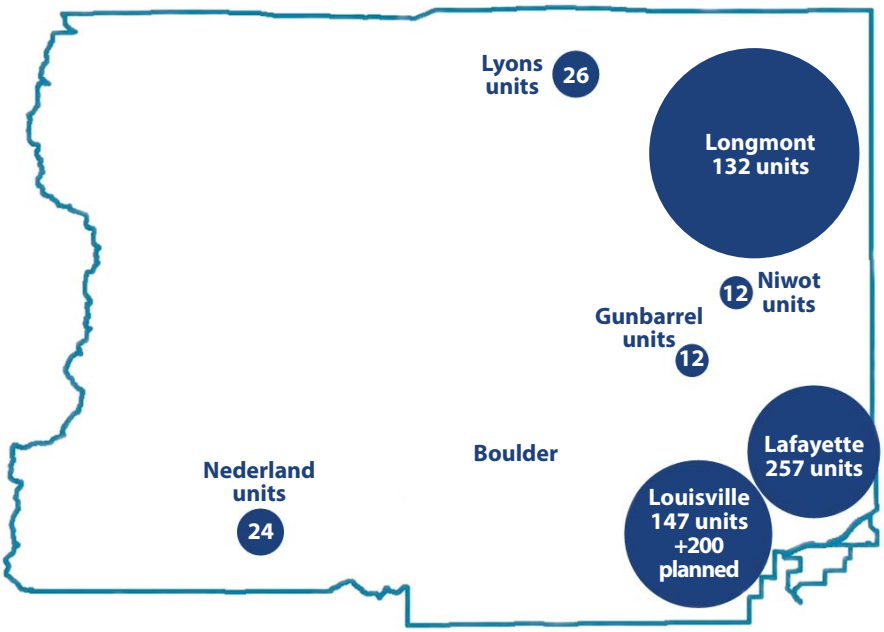
A statement of cash flows is included, which discloses net cash provided by or used in operating activities, investing activities, and from capital and related financing activities. This statement also includes a reconciliation of the change in net position to net cash from operating activities.

Finally, the financial statements also include the notes to financial statements, which provide additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

To fully understand the activities and financial statements of the Boulder County Housing Authority, the following is a brief description of BCHA's significant programs and services which are provided to residents within the county of Boulder.

Portfolio Overview

The Boulder County Housing Authority consists of 611 units of affordable rental units that are scattered throughout the Boulder County area (see Inventory of Affordable Housing Map below). Of those 611 units, 241 are located within our Low-income Housing Tax Credit partnerships - Josephine Commons and Aspinwall. The agency is currently developing Kestrel, a LIHTC property that will add 200 affordable units to the portfolio bringing the total number of affordable rental units owned or managed by the authority to 811. The housing authority provides both long- and short-term housing supports to Boulder County residents.



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. BCHA currently administers 724 HCVs.

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 60 VASH vouchers.

Aspinwall @ Josephine Commons Lafayette

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 St. 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. BCHA currently administers 50 FUP vouchers.

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 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.

Partnerships in Low-income Tax Credit Housing – BCHA or its affiliate is the general partner in two tax credit partnerships with a total of 241 units that are operating as of December 31, 2015: Josephine Commons, LLC and Aspinwall, LLC. 200 additional units will be coming on line in Louisville, Colorado in 2017 with the addition of a new partnership, Kestrel I, LLC.

Resident Services

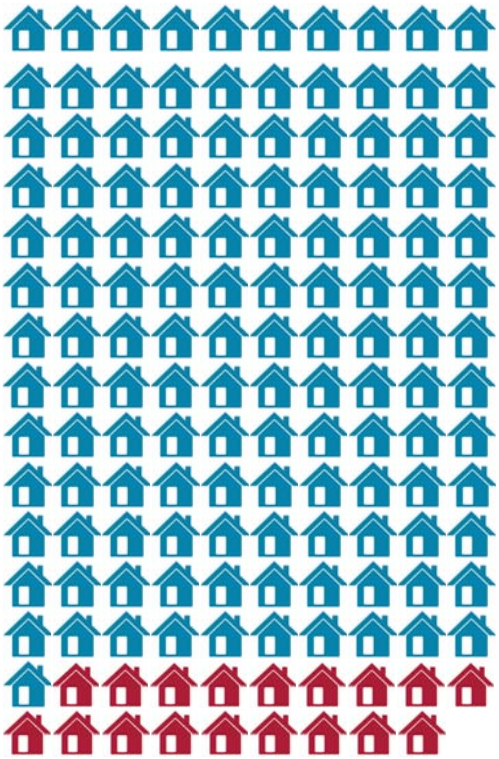
This service offers education, case management and supportive services to assist Boulder County residents on their path toward financial stability and self-sufficiency. Some of the programs include Housing Counseling, Family Self-Sufficiency programs, Financial Classes and Casa de la Esperanza (House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

Longs Peak Energy Conservation and Weatherization

Through the Longs Peak Energy Conservation (LPEC) group of programs, BCHA provides the following free and subsidized home energy efficiency improvements and rehabilitation services to low-income households:

Weatherization

The Weatherization Assistance Program provides home efficiency measures to increase affordability, safety, and comfort at no charge to households at or below 200% of the Federal Poverty Level throughout Boulder, Larimer, Gilpin, and Broomfield counties. Measures include: energy audits, insulation, air-sealing, furnace upgrades and more.



149 Homes Weatherized
18 Homes with Major Safety Issues Addressed
(July 2014 - June 2015)

In addition to improved safety and comfort in clients' homes, each weatherized home is estimated to save $437 in energy costs and prevents 2.65 metric tons of CO2 emissions annually. These savings will be realized every year for at least 15 years (the estimated life of most weatherization measures).

Energy Bill Savings for Weatherized Homes
(July 2014 - June 2015)

$65,000	$977,000
Annual	15-Year Lifetime

Reductions in CO_2 Emissions for Weatherized Homes
(July 2014 - June 2015)

395	5,922
Metric Tons Annual	Metric Tons 15-Year Lifetime

EnergySmart+

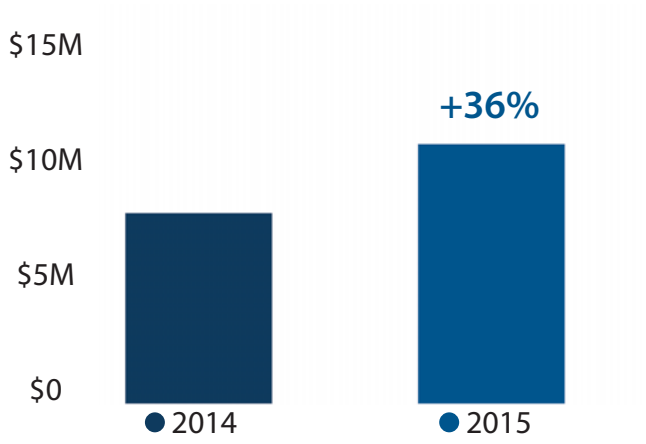
Boulder County households whose income is at or below 80% of the area median income (AMI) level are eligible for the EnergySmart+ program. The program offers market-rate measures similar to the weatherization program, but is subsidized up to 50% AMI. This program is offered in cooperation with the Boulder County-wide EnergySmart program.

Home Rehabilitation

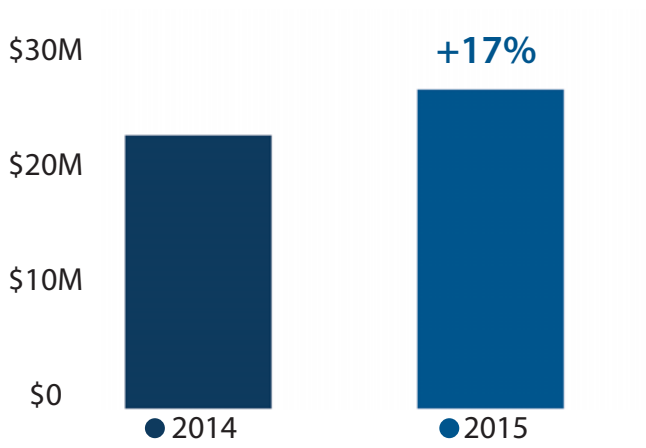
Four home rehabilitation programs are offered to eligible Boulder County households through LPEC. Each of these programs focuses on one of the following objectives: low-income households within the City of Boulder; low-income households in Boulder County (outside of the cities of Boulder and Longmont); households in need of accessibility improvements; and households affected by the disastrous floods of September 2013. Each program provides the services of a rehabilitation coordinator to assist homeowners in identifying needed repairs and improvements, contractor procurement, project management, and quality assurance. Depending on the program, assistance may be offered in the form of a grant, a loan, or a deferred loan.

BCHA Financial Highlights

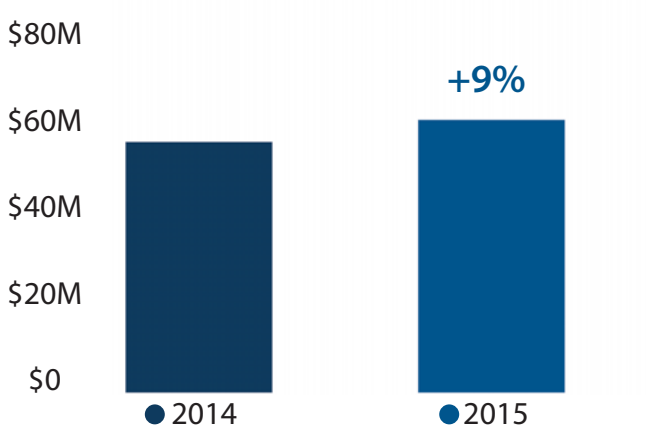
Cash and Cash Equivalents



Total Capital Assets



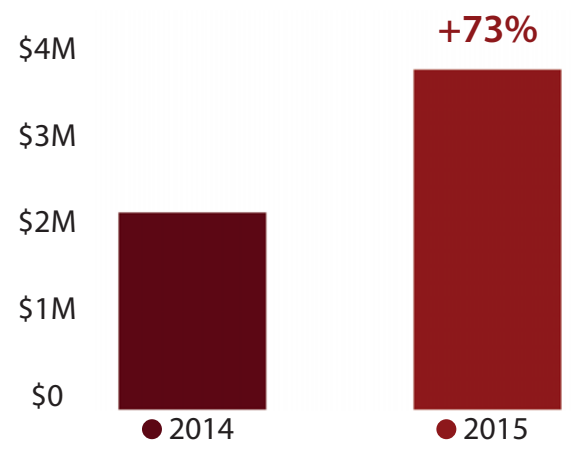
Total Assets



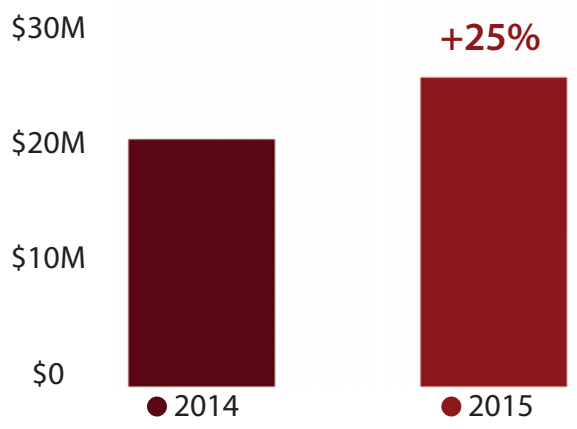
Assets: BCHA had a very strong year in asset growth. Cash and cash equivalents increased by 36% from $7.9M to $10.8M. A significant driver in that increase was the collection of deferred developer fees (surplus cash from LHITC operations) from Josephine Commons ($390K) and Aspinwall ($1.7M). BCHA's capital assets increased primarily from a land donation and land purchased for future development. BCHA purchased land valued at $470,000 from the County in Gunbarrel, Colorado which is located slightly outside the City of Boulder for possible future development. Land valued at $273,000 was donated to BCHA by William Day; this parcel of land is a commercial site that BCHA will likely hold in its portfolio long term. Another piece of land was donated to BCHA in Lafayette, Colorado valued at $508,800 and will be held for possible future development. Lastly, $3.5M in costs were categorized as construction in progress in conjunction with the new Kestrel development project. This asset was transferred into a LIHTC partnership called Kestrel I, LLC at close in February of 2016. Total growth in assets was a 9% increase over 2014 from $55M to $60.5M.

Liabilities: Overall, BCHA's liabilities grew in 2015 which corresponds to heavy activity within the development arm of the authority and a number of basic timing issues. Current liabilities grew by almost $1.6 million from 2014 to 2015. Over half of this increase is related to a payable setup to pay the contractor for the Kestrel development project at year-end. Basic timing issue expenses include one month payroll ($350K) and deferred inflow of revenue ($250K from the weatherization ESPLUS program funding). Specifically looking at Long-Term Liabilities, a majority of this increase is due to a change in the method of recording of a pension liability (application of GASB Rule 68). Total liabilities increased 29% over 2014 or $6.7M of which $5.0 M is attributed to the application of the pension liability.

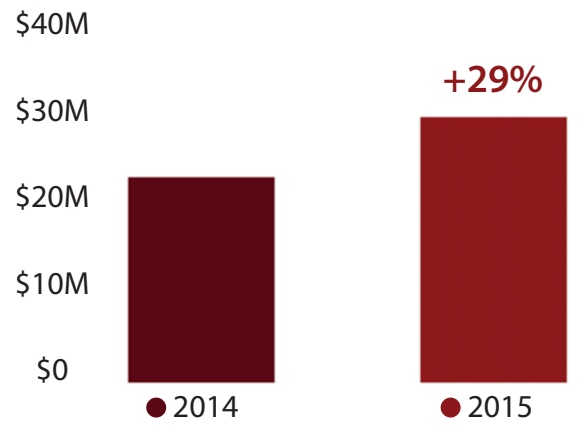
Current Liabilities



Long-term Liabilities

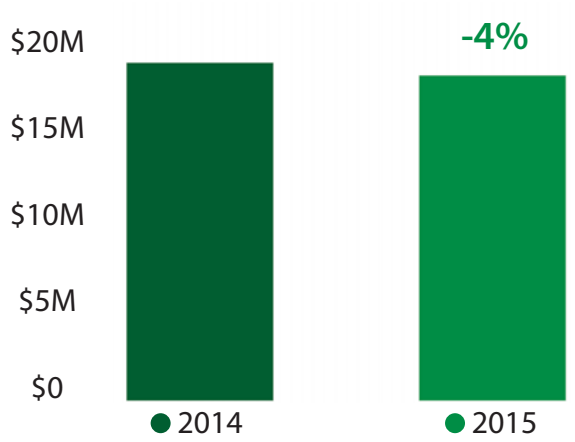


Total Liabilities

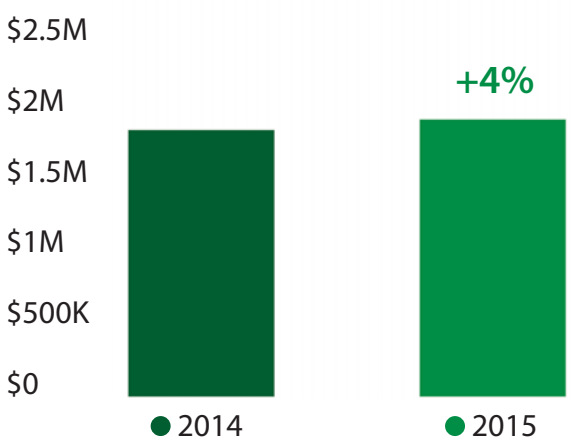


Major Factors Affecting the Statement of Activities

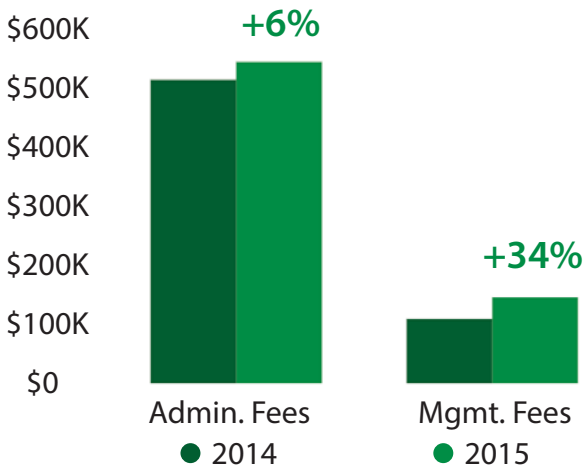
Total Operating Revenue



Rental Income

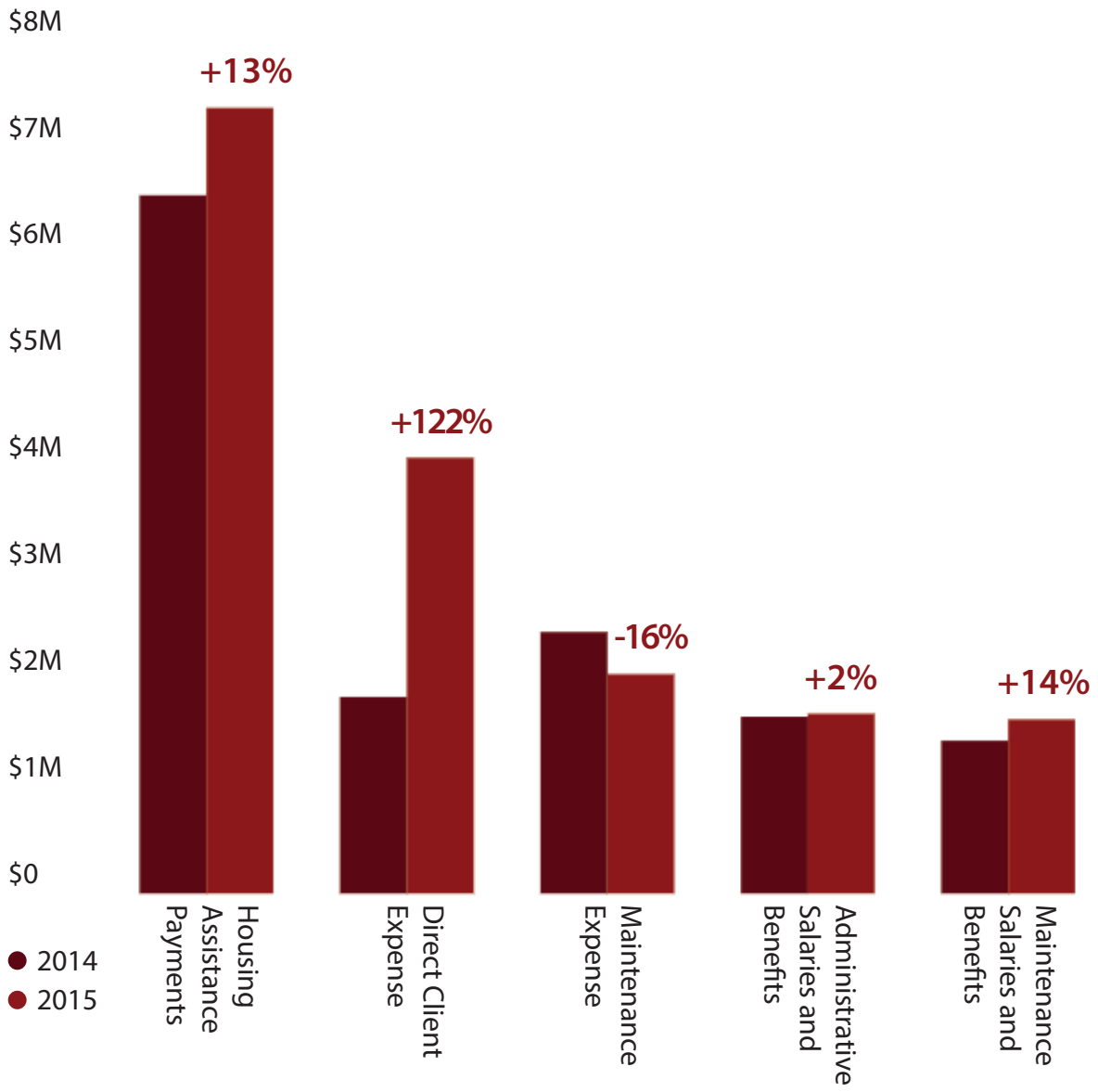


Admin. vs. Management Fees



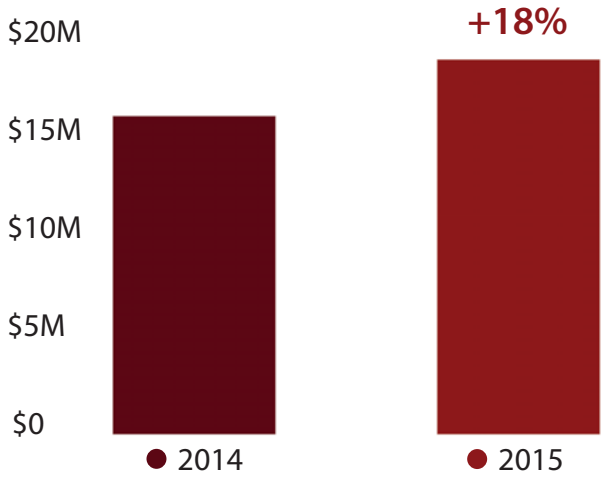
Operating Revenue: Overall, operating revenue experienced only a minor change from 2014 to 2015, with a net decrease of a 4% or $698,697. Most operating revenue categories (e.g., grants, administrative and management fees, and rental income) increased in 2015. Grant revenue increased 17% or $2,214,779 primarily from CDBG-DR funds, administrative revenue increased 6% or $30,090 and management fees increased 34% or $36,780 due to new revenue from the Aspinwall property. Offsetting these increases was no developer fee revenue was recorded in 2015. Rental income increased 4% or $71,000 over 2014 which corresponds with the County's high demand for affordable housing and the portfolio's low vacancy rate. BCHA also implemented a nominal rental increase of $5-$10 across the portfolio.

Operating Expenses



Operating Expense: Operating expenses grew 18% over 2014 or $2,854,957. Significant drivers of this increase are the Housing Assistance Program ($818,516 increase in 2015) which provides subsidy payments for rent for Section 8 voucher holders and direct client expenses ($2.2M increase in 2015). Of the $2.2M increase for direct client benefits, $1.8M was Community Development Block Grant – Disaster recovery (CDBG-DR) funds. These dollars provided funds for rehabilitation of homes destroyed in the flood, rental assistance and other recovery efforts. This program serves Boulder County residents impacted by the 2013 flood and was fully operational in 2015. Administrative expenses saw modest increases at $29,234. Regular maintenance expense experienced a significant decrease in 2015, down $395,823 over 2014 while utilities and insurance expense showed a minor decrease in expense at $2,963 and $4,002 respectively.

Total Operating Expenses



Current ratio: Also referred to as liquidity ratio (ability to pay short and long-term obligations) – the higher the current ratio, the more capable the company is of meeting its obligations. While BCHA's current ratio decreased from 2014, BCHA has maintained a healthy current ratio. A significant driver of the decrease from 2014 was a decrease in developer fees due to BCHA and an increase in the balances at year-end for accounts payable and other accrued liabilities.

2014 **7.3** 2015 **3.8**

Portfolio Debt Service Coverage Ratio (DSCR): DSCR is a measure of the cash flow available to meet annual interest and principle payments on debt. A DSCR greater than 1 means the entity has sufficient income to pay its current debt obligation.

BCHA has two bond groups that include a majority of the properties within its portfolio. These bond groups were refinanced in 2012 and 2013.

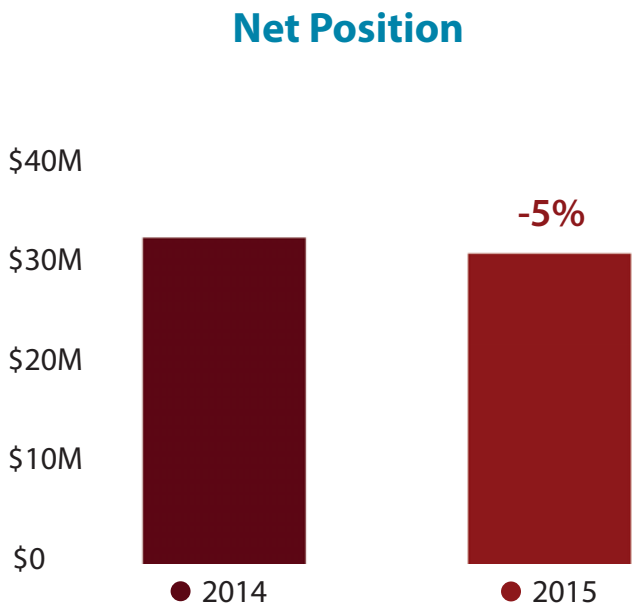
	2014	2015
2012 Bond Group	1.56	1.36
2013 Bond Group	1.38	1.36

Major Factors Affecting Net Position

Net position decreased by 5% or $1,575,657 in 2015 due to a change in the method of recording retirement benefits (application of GASB Rule 68). The recording of the pension liability resulted in a reduction of net position by $5.1 million. Without the change, BCHA would have increased net position by 11%. The addition of land and the beginning of the Kestrel construction project in 2015 drove an increase to net position. The overall result was the small net decrease of 5%.

Development Projects: Boulder County Housing Authority is committed to addressing the affordable housing crisis in Boulder County. In 2015, BCHA moved to permanent financing on Aspinwall, a 167 new construction/rehab unit LIHTC project. The project includes 72 new multi-family units and 95 rehabbed units.

BCHA has also undertaken a significant new development project which will bring 200 new units, both senior and multi-family, to Louisville, Colorado in 2017. BCHA was able to support this new project (Kestrel) with predevelopment funds. Kestrel is a $70M LIHTC project with 4% tax credits.



Outlook for BCHA in 2016 include:

- Continue construction on Kestrel I, LLC – 200 new units in Louisville, CO.
- Develop of a capital plan for controlled maintenance and rehabilitation of the exiting BCHA properties.
- Continue to administer the CDBG-DR Rehabilitation and Rental Assistance programs for individuals and families impacted by the 2013 flood. These programs will begin to ramp down activity towards the end of 2016.
- Continue to search for suitable land for affordable housing projects – two potential projects on the horizon include Twin Lakes in Gunbarrel and a parcel of land in Longmont.

Economic Factors Affecting BCHA's Future

Significant economic factors affecting the Authority in 2015 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 affects the Weatherization Program
- Changes to maximum rental rates approved by HUD
- High level of demand for housing within the community
- Inflationary pressure on utility rates, supplies and other costs
- Affordable housing market vacancy rates
- Interest rates changes

These factors were taken into account when developing the budget for 2016.

Significant economic factors affecting the Authority in 2016/2017 are as follows:

- Flood recovery work, new contracts, and reimbursements in association with the 2013 natural disaster. As mentioned above, it is expected that much of this work will wrap up by 2017.
- Financial, construction, and lease up risk associated with the Kestrel project.

Kestrel

LOUISVILLE, COLORADO

Kestrel Site Plan Legend

1. Senior Living Building
2. Senior Courtyard/Community Garden
3. Roof Deck
4. Multi-family Building type 'A'
5. 'Carriage House' Building
6. Children's Discovery Garden
7. Multi-family Building type 'B'
8. Central Park
9. 'Art Yard'
10. Future Residential Development Site
11. Future Northward Connection
12. Regional Bike Path
13. Future Bicycle Underpass
14. Stormwater Quality Area
15. Community Garden
16. Orchard
17. Play Area
18. Future Commercial Development
19. Live Work Building
20. Community Center
21. Future Southward Connection

a. W Hecla Drive
b. Kaylix Avenue
c. Kestrel Lane
d. N. 96th Street/Hwy 42

	Primary Government	Discretely Presented Component Units
Assets and Deferred Outflows		
Current Assets		
Cash and cash equivalents	$ 10,781,128	$ 1,952,749
Restricted cash and cash equivalents	588,943	1,519,542
Accounts receivable		
Tenants	70,114	5,028
Developer fees	786,674	-
Other	168,592	30,389
Due from other agencies	630,194	-
Due from component units	143,631	-
Due from Boulder County	589,661	-
Prepaid expenses	59,241	110,131
Inventory	213,983	-
Total Current Assets	14,032,161	3,617,839
Developer Fees	1,134,697	-
Notes Receivable	16,941,129	-
Accrued Interest Receivable	1,507,907	-
Other Assets	86,400	532,028
Capital Assets		
Non-depreciable	11,055,216	3,474,465
Depreciable, net	15,487,913	47,683,732
Total Capital Assets	26,543,129	51,158,197
Total Assets	60,245,423	55,308,064
Deferred Outflows - Pensions	198,363	-
Total Assets and Deferred Outflows	$ 60,443,786	$ 55,308,064

	Primary Government	Discretely Presented Component Units
Liabilities, Deferred Inflows and Net Position		
Current Liabilities		
Accounts payable	$ 1,179,236	$ 69,467
Accrued liabilities	287,491	10,929
Accrued compensated absences	13,819	-
Accrued interest payable	46,992	592,487
Unearned revenues	249,285	5,755
Due to Boulder County Housing Authority	-	143,631
Due to Boulder County	1,167,686	-
Tenant security deposits payable	111,341	75,586
Developer fee payable	-	786,674
Notes, mortgages and bonds payable - current portion	427,449	287,214
Total Current Liabilities	3,483,299	1,971,743
Long-Term Liabilities		
Accrued compensated absences	163,308	-
Developer fee payable	-	1,134,697
Accrued interest payable	-	447,110
Notes, mortgages and bonds payable - net of current portion	20,481,646	32,174,180
Net pension liability	5,072,729	-
Total Long-Term Liabilities	25,717,683	33,755,987
Total Liabilities	29,200,982	35,727,730
Deferred Inflows - Pensions	1,025	-
Net Position		
Net investment in capital assets	5,634,034	18,696,803
Restricted	28,314	-
Unrestricted	25,579,431	883,531
Total Net Position	31,241,779	19,580,334
Total Liabilities, Deferred Inflows and Net Position	$ 60,443,786	$ 55,308,064

Boulder County Housing Authority

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2015

	Primary Government	Discretely Presented Component Units
Operating Revenues		
HUD PHA grants	$ 9,001,613	$ -
Other grants	6,035,093	-
Rental income	1,921,517	2,731,360
Administration fees	542,696	-
Management fees	145,362	-
Other	393,747	150,484
Total operating revenues	18,040,028	2,881,844
Operating Expenses		
Housing assistance payments	7,353,816	-
Administrative salaries and benefits	1,681,335	123,678
Maintenance salaries and benefits	1,628,002	198,484
Regular and extraordinary maintenance	2,051,061	348,415
Direct client expenses	4,078,745	-
Other administrative	633,542	202,259
Depreciation and amortization	796,346	1,894,390
Utilities	310,331	343,196
Insurance	280,076	113,860
Other expenses	36,335	10,931
Total operating expenses	18,849,589	3,235,213
Operating Loss	(809,561)	(353,369)
Non-Operating Revenues (Expenses)		
Interest income	495,772	441
Interest expense	(629,196)	(1,364,528)
Donation of real property	781,800	-
Gain on sale of capital assets	429,557	-
Other	(303,983)	-
Total Non-Operating Revenues (Expenses)	773,950	(1,364,087)
Loss Before Transfers, Other Contributions and HUD Capital Grant Income	(35,611)	(1,717,456)
Contributions		
Equity contributions	-	9,351,331
Transfers from Boulder County	3,519,580	-
HUD capital grant income	22,098	-
Change in Net Position	3,506,067	7,633,875
Net Position - Beginning of Year, as Originally Reported	32,817,436	11,946,459
Adjustment for Adoption of New Standard	(5,081,724)	-
Net Position - Beginning of Year, as Restated	27,735,712	11,946,459
Net Position - End of Year	$ 31,241,779	$ 19,580,334

	Primary Government	Discretely Presented Component Units
Operating Activities		
HUD PHA grants	$ 9,001,613	$ -
Other grants	6,284,378	-
Receipts from tenants	1,879,389	2,737,309
Administration fees	542,696	-
Management fee income	145,362	-
Developer fee income	2,092,128	-
Other income	242,915	120,395
Housing assistance payments	(7,353,816)	-
Payments to employees	(3,220,065)	(356,705)
Payments to suppliers	(6,661,634)	(1,234,811)
Net Cash from Operating Activities	2,952,966	1,266,188
Noncapital Financing Activities		
Payment of flood disaster costs and other	(303,983)	-
Advances from (payments to) related party	1,218,458	3,216
Transfers in from Boulder County	3,519,580	-
Net Cash from Noncapital Financing Activities	4,434,055	3,216
Capital and Related Financing Activities		
Proceeds from capital grants	22,098	-
Payment on construction note payable	-	(6,194,464)
Payments to related party	-	(1,143,695)
Principal payments on long-term debt	(399,048)	(149,871)
Proceeds from long-term debt borrowings	-	942,504
Interest paid on long-term debt	(626,844)	(911,030)
Payments on developer fee payable	-	(2,092,128)
Equity contributions	-	9,351,331
Acquisition of capital assets	(3,352,331)	(1,302)
Acquisition of other assets	-	(38,101)
Net Cash used for Capital and Related Financing Activities	(4,356,125)	(236,756)
Investing Activities		
Issuance of notes receivable	(323,309)	-
Payments received on notes receivable	54,324	-
Interest income	8,500	441
Net Cash from (used for) Investing Activities	(260,485)	441
Net Change in Cash and Cash Equivalents	2,770,411	1,033,089
Cash and Cash Equivalents, Beginning of Year	8,599,660	2,439,202
Cash and Cash Equivalents, End of Year	$ 11,370,071	$ 3,472,291

	Primary Government	Discretely Presented Component Units
Reconciliation of Cash and Cash Equivalents		
Cash	$ 10,781,128	$ 1,952,749
Restricted Cash	588,943	1,519,542
Total Cash and Cash Equivalents	$ 11,370,071	$ 3,472,291
Reconciliation of operating loss to net cash from operating activities		
Operating loss	$ (809,561)	$ (353,369)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	796,346	1,894,390
Changes in assets and liabilities		
Change in receivables	1,892,089	(26,646)
Change in prepaid expenses	97,305	(110,131)
Change in inventory	(91,575)	-
Change in accounts payable	662,806	(106,753)
Change in accrued expenses	324,658	(33,809)
Change in unearned revenues	249,285	1,859
Change in due to other agencies	(104,262)	-
Change in security deposits payable	(64,125)	647
Net Cash from Operating Activities	$ 2,952,966	$ 1,266,188
Supplemental Disclosure of Noncash Investing and Financing Activities		
Decrease in notes, mortgages and bonds payable from forgiveness of debt	$ 136,725	$ -
Increase in capital assets in exchange for noncash note payable	$ 470,000	$ -
Increase in capital assets from donation	$ 781,800	$ -

	Josephine Commons, LLC	Aspinwall, LLC	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 571,560	$ 1,381,189	$ 1,952,749
Restricted cash and cash equivalents	592,325	927,217	1,519,542
Accounts receivable			
Tenants	2,725	2,303	5,028
Other	-	30,389	30,389
Prepaid Expenses	33,517	76,614	110,131
Total Current Assets	1,200,127	2,417,712	3,617,839
Other Assets, net of accumulated amortization	143,615	388,413	532,028
Capital Assets			
Non-depreciable	86,500	3,387,965	3,474,465
Depreciable, net	13,986,770	33,696,962	47,683,732
Total Capital Assets	14,073,270	37,084,927	51,158,197
Total Assets	$ 15,417,012	$ 39,891,052	$ 55,308,064

	Josephine Commons, LLC	Aspinwall, LLC	Total
Liabilities and Net Position			
Current Liabilities			
Accounts payable	$ 14,925	$ 54,542	$ 69,467
Accrued liabilities	5,625	5,304	10,929
Accrued interest payable	-	592,487	592,487
Unearned revenues	5,755	-	5,755
Due to Boulder County Housing Authority	7,588	136,043	143,631
Tenant security deposits payable	21,300	54,286	75,586
Developer fee payable	51,601	735,073	786,674
Notes, mortgages and bonds payable - current portion	23,873	263,341	287,214
Total Current Liabilities	130,667	1,841,076	1,971,743
Long-Term Liabilities			
Developer fee payable	170,983	963,714	1,134,697
Accrued interest payable	203,775	243,335	447,110
Notes, mortgages and bonds payable - net of current portion	4,576,643	27,597,537	32,174,180
Total Long-Term Liabilities	4,951,401	28,804,586	33,755,987
Total Liabilities	5,082,068	30,645,662	35,727,730
Net Position			
Net investment in capital assets	9,472,754	9,224,049	18,696,803
Restricted	-	-	-
Unrestricted	862,190	21,341	883,531
Total Net Position	10,334,944	9,245,390	19,580,334
Total Liabilities and Net Position	$ 15,417,012	$ 39,891,052	$ 55,308,064

Combining Statement of Revenues, Expenses and Changes in Net Position – Component Units

Year Ended December 31, 2015

	Josephine Commons, LLC	Aspinwall, LLC	Total
Operating Revenues			
Rental income	$ 698,957	$ 2,032,403	$ 2,731,360
Other	2,524	147,960	150,484
Total operating revenues	701,481	2,180,363	2,881,844
Operating Expenses			
Administrative salaries and benefits	31,188	92,490	123,678
Maintenance salaries and benefits	92,127	106,357	198,484
Regular and extraordinary maintenance	79,918	268,497	348,415
Other administrative	56,283	145,976	202,259
Depreciation and amortization	472,678	1,421,712	1,894,390
Utilities	73,115	270,081	343,196
Insurance	39,931	73,929	113,860
Other expenses	5,627	5,304	10,931
Total operating expenses	850,867	2,384,346	3,235,213
Operating Loss	(149,386)	(203,983)	(353,369)
Non-Operating Revenues (Expenses)			
Interest income	23	418	441
Interest expense	(265,972)	(1,098,556)	(1,364,528)
Total Non-Operating Revenues (Expenses)	(265,949)	(1,098,138)	(1,364,087)
Loss Before Other Contributions	(415,335)	(1,302,121)	(1,717,456)
Other Contributions			
Partner contributions	-	9,351,331	9,351,331
Change in Net Position	(415,335)	8,049,210	7,633,875
Net Position - Beginning of Year	10,750,279	1,196,180	11,946,459
Net Position - End of Year	$ 10,334,944	$ 9,245,390	$ 19,580,334

	Josephine Commons, LLC	Aspinwall, LLC	Total
Operating Activities			
Receipts from tenants	$ 700,039	$ 2,037,270	$ 2,737,309
Other income	2,524	117,871	120,395
Payments to employees	(157,858)	(198,847)	(356,705)
Payments to suppliers	(283,307)	(951,504)	(1,234,811)
Net Cash from Operating Activities	261,398	1,004,790	1,266,188
Noncapital Financing Activity			
Advances from related party	3,216	-	3,216
Capital and Related Financing Activities			
Payment on construction note payable	-	(6,194,464)	(6,194,464)
Payments to related party	-	(1,143,695)	(1,143,695)
Principal payments on long-term debt	(22,124)	(127,747)	(149,871)
Proceeds from issuance of long-term debt	-	942,504	942,504
Interest paid on long-term debt	(207,843)	(703,187)	(911,030)
Payment on developer fee payable	(390,473)	(1,701,655)	(2,092,128)
Equity contributions	-	9,351,331	9,351,331
Acquisition of capital assets	-	(1,302)	(1,302)
Acquisition of other assets	-	(38,101)	(38,101)
Net Cash from (used for) Capital and Related Financing Activities	(620,440)	383,684	(236,756)
Investing Activity			
Interest income	23	418	441
Net Change in Cash and Cash Equivalents	(355,803)	1,388,892	1,033,089
Cash and Cash Equivalents, Beginning of Year	1,519,688	919,514	2,439,202
Cash and Cash Equivalents, End of Year	$ 1,163,885	$ 2,308,406	$ 3,472,291

	Josephine Commons, LLC	Aspinwall, LLC	Total
Reconciliation of Cash and Cash Equivalents			
Cash	$ 571,560	$ 1,381,189	$ 1,952,749
Restricted Cash	592,325	927,217	1,519,542
Total Cash and Cash Equivalents	$ 1,163,885	$ 2,308,406	$ 3,472,291
Reconciliation of operating loss to net cash from operating activities			
Operating loss	$ (149,386)	$ (203,983)	$ (353,369)
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation and amortization	472,678	1,421,712	1,894,390
Changes in assets and liabilities			
Change in receivables	(2,725)	(23,921)	(26,646)
Change in prepaid expenses	(33,517)	(76,614)	(110,131)
Change in accounts payable	4,921	(111,674)	(106,753)
Change in accrued expenses	(34,380)	571	(33,809)
Change in unearned revenues	4,157	(2,298)	1,859
Change in security deposits payable	(350)	997	647
Net Cash from Operating Activities	$ 261,398	$ 1,004,790	$ 1,266,188

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 609 units of affordable housing in Boulder County and administers 724 Section 8 housing choice vouchers, 50 family unification program (FUP) vouchers, and 60 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.

<u>Blended Component Units</u>

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. Josephine Commons Manager, LLC is wholly owned by the Authority and is the managing member of Josephine Commons, LLC. Aspinwall Manager, LLC is wholly owned by the Authority and is the managing member of Aspinwall, 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 and the ending balances of MFPH, Josephine Commons Manager, LLC and Aspinwall Manager, LLC are reported within the proprietary funds of the Authority. Josephine Commons Manager, LLC and Aspinwall Manager, LLC have little or no activity. Separate financial statements for the blended component units are not issued. Condensed component unit information for MFPH Acquisitions LLC is disclosed in Note 13.

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, 2015. These units are reported in a separate column to emphasize that they are legally separate from the Authority.

Josephine Commons, LLC (Josephine Commons) 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 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.

Aspinwall LLC (Aspinwall) was formed to develop, construct, rehabilitate, own, maintain, and operate a 167 unit multi-family complex for low-income and elderly residents. The project is to include 95 scattered site rehabilitated units and 72 new construction units in Lafayette, Colorado. The managing member of the Company, Aspinwall Manager, LLC, is wholly owned by the Boulder County Housing Authority. Aspinwall 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 units are presented in the Authority's basic financial statements. Complete financial statements of the individual component units can be obtained from the Finance Director, Boulder County Housing Authority, PO Box 471, Boulder CO 80306.

Program Accounting

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

Basis of Accounting and Measurement Focus

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 of $27,355.

Notes and Interest Receivable

Notes and interest receivable are carried at amounts advanced, net of reserve for uncollectable accounts, if any. As of December 31, 2015, the Authority considered all notes and interest receivables to be fully collectable.

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 fixtures	4-15 years
Vehicles	5 years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/ expenditure) until then. The Authority has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal yearend, and changes in the net pension liability (asset) not included in pension expense (revenue) reported in the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category. The Authority reports changes in the net pension liability (asset) not included in pension expense (revenue) reported in the statement of net position.

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 interest expense, interest revenue, gain/loss on disposal of capital assets, donations of real estate, transfers from primary government, HUD capital grant income, and equity contributions 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.

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.

Pensions

The Authority participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of January 1, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 12 and the additional disclosures required by these standards are included in Note 9.

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 2015.

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, 2015, 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, 2015, the Authority's carrying amount of deposits was $11,370,071 and bank balances totaled $11,552,269. Of the bank balances, $753,996 was covered by Federal Depository Insurance. Of the remaining balances for 2015, $10,798,273 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, 2015 mature within 3 months.

Investments

Authorized Investments

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

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

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of December 31, 2015, investments held by the Authority are held in a local government investment pool totaling $722,164. 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 AAA by Standard & Poor's.

At December 31, 2015, the Authority had $722,164 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 Units

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, Josephine Commons, LLC's and Aspinwall, LLC's deposits may not be returned to them.

At December 31, 2015, Josephine Commons' carrying amount of deposits was $1,163,885 and the bank balances totaled $930,957. Of the bank balances, $250,000 was covered by Federal Depository Insurance. The remaining balance of $680,957 was not insured and is exposed to custodial credit risk. Management does not believe that the deposits are exposed to a significant level of risk.

At December 31, 2015, Aspinwall's carrying amount of deposits was $2,308,406 and the bank balances totaled $2,312,592. Of the bank balances, $250,000 was covered by Federal Depository Insurance. The remaining balance of $2,062,592 was not insured and is exposed to custodial credit risk. Management does not believe that the deposits are exposed to a significant level of risk.

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

	Principal	Accrued Interest
Notes receivable on two homes built through the Youthbuild program, interest calculated at below-market rate, principal and accrued interest payable upon sale of the properties by the owners, secured by second mortgages on the properties	$ 97,388	$ -
5% note receivable from Eagle Place Partners, LLLP, payment of annual principal and interest subject to cash flow distributions in the partnership agreement through the maturity date of April, 2047, secured by a deed of trust on the property - See (A) below	985,000	517,949
3% note receivable from Eagle Place Partners, LLLP, payment of annual principal and interest subject to cash flow distributions in the partnership agreement through the maturity date of April, 2047, secured by a deed of trust on the property - See (A) below	500,089	22,104
Forty-two notes receivable for the Boulder County Rehabilitation Program, interest calculated at varying interest rates from 1% to 5%, payments due monthly on twenty-nine notes, payments deferred until maturity on fourteen notes - See (B) below	303,710	-
Three non-interest-bearing notes receivable for the CDBG-DR Rehab Program, payments deferred for ten years, payments to begin in 2025 in varying monthly increments through maturity	109,543	-
4.3% mortgage note receivable from Josephine Commons 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	550,000	82,542
4.3% mortgage note receivable from Josephine Commons under the AHP fund, payments due from cash flow, remaining principal and interest due August 2061, secured by a third mortgage	250,000	37,722
4.3% mortgage note receivable from Josephine Commons under the Worth 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	29,414
4.3% mortgage note receivable from Josephine Commons 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	29,414
0.5% note receivable from Josephine Commons, due from cash flow, remaining principal and interest due August 2061, unsecured	443,293	7,433

	Principal	Accrued Interest
1.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	270,000	11,869
2.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	442,035	30,402
2.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	430,000	29,575
1.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	623,023	21,587
1.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	464,754	20,430
2.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	5,289,998	363,832
2.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	3,020,000	207,707
1.8% note receivable from Aspinwall, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	2,762,296	95,927
Total notes receivable	$ 16,941,129	$ 1,507,907

(A) The covenants of these notes require Eagle Partners, LLC to provide affordable housing units to households whose income is equal to or less than 60% of the listed area median income (AMI). No accrued interest was paid on these notes in 2015.

(B) These notes are issued to low-income residents of Boulder County who receive rehabilitation services on their home.

Note 5 - Capital Assets

The following is a summary of property, structures and equipment for the year ended December 31, 2015:

Primary Government

	Balance 12/31/14	Additions	Transfers In/Out	Disposals	Balance 12/31/15
Nondepreciable assets:					
Land	$ 6,302,428	$ 1,251,800	$ -	$ -	$ 7,554,228
Construction in progress	268,201	3,242,088	-	(9,301)	3,500,988
Total capital assets not being depreciated	6,570,629	4,493,888	-	(9,301)	11,055,216
Depreciable assets:					
Computer equipment/software	47,819	-	-	-	47,819
Furniture and fixtures	141,828	8,711	-	-	150,539
Buildings and improvements	27,851,561	23,315	-	-	27,874,876
Vehicles	773,572	78,217	-	-	851,789
Total buildings and improvements	28,814,780	110,243	-	-	28,925,023
Accumulated depreciation:					
Computer equipment/software	(47,819)	-	-	-	(47,819)
Furniture and fixtures	(66,843)	(5,593)	-	-	(72,436)
Buildings and improvements	(11,811,889)	(760,471)	-	-	(12,572,360)
Vehicles	(714,215)	(30,280)	-	-	(744,495)
Total accumulated depreciation	(12,640,766)	(796,344)	-	-	(13,437,110)
Total capital assets being depreciated	16,174,014	(686,101)	-	-	15,487,913
Total capital assets, net	$ 22,744,643	$ 3,807,787	$ -	$ (9,301)	$ 26,543,129

During 2015, two parcels of land were donated to the Authority by separate donors. These parcels are expected to be held by the Authority for possible future development. The Authority has recorded the donated land in capital assets at their combined fair value of $781,800 with a corresponding donation of real property reported in the statement of revenues, expenses and changes in net position.

During 2015, the Authority sold several tracts of land that were adjacent to the Aspinwall project but owned by the Authority. The gain on sale of these tracts totaling $425,888 is included in statement of revenues, expenses and changes in net position.

Discretely Presented Component Units

Josephine Commons

	Balance 12/31/14	Additions	Transfers In/Out	Disposals	Balance 12/31/15
Nondepreciable assets:					
Land	$ 86,500	$ -	$ -	$ -	$ 86,500
Depreciable assets:					
Land improvements	1,534,359	-	-	-	1,534,359
Furniture and fixtures	465,050	-	-	-	465,050
Buildings and improvements	13,525,204	-	-	-	13,525,204
Total buildings and improvements	15,524,613	-	-	-	15,524,613
Accumulated depreciation:					
Land improvements	(179,008)	(76,718)	-	-	(255,726)
Furniture and fixtures	(108,512)	(46,505)	-	-	(155,017)
Buildings and improvements	(788,970)	(338,130)	-	-	(1,127,100)
Total accumulated depreciation	(1,076,490)	(461,353)	-	-	(1,537,843)
Total capital assets being depreciated	14,448,123	(461,353)	-	-	13,986,770
Total capital assets, net	$ 14,534,623	$ (461,353)	$ -	$ -	$ 14,073,270

Aspinwall

	Balance 12/31/14	Additions	Transfers In/Out	Disposals	Balance 12/31/15
Nondepreciable assets:					
Land	$ 3,387,965	$ -	$ -	$ -	$ 3,387,965
Depreciable assets:					
Land improvements	5,072,402	-	(2,334,426)	-	2,737,976
Geothermal	-	-	1,856,957	-	1,856,957
Appliances	162,967	-	40	-	163,007
Furniture and fixtures	333,360	-	-	-	333,360
Buildings and improvements	30,037,681	-	477,429	-	30,515,110
Total buildings and improvements	35,606,410	-	-	-	35,606,410
Accumulated depreciation:					
Land improvements	(82,717)	(99,815)	-	-	(182,532)
Geothermal	-	(495,199)	-	-	(495,199)
Appliances	(5,432)	(16,297)	-	-	(21,729)
Furniture and fixtures	(11,112)	(33,336)	-	-	(44,448)
Buildings and improvements	(400,507)	(765,033)	-	-	(1,165,540)
Total accumulated depreciation	(499,768)	(1,409,680)	-	-	(1,909,448)
Total capital assets being depreciated	35,106,642	(1,409,680)	-	-	33,696,962
Total capital assets, net	$ 38,494,607	$ (1,409,680)	$ -	$ -	$ 37,084,927

Note 6 - Long-Term Debt

During the year ended December 31, 2015, 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	$ 5,227,630	$ 470,000	$ (203,250)	$ 5,494,380	$ 70,935
Bonds Payable	15,747,238	-	(332,523)	15,414,715	356,514
Total long-term debt	$ 20,974,868	$ 470,000	$ (535,773)	$ 20,909,095	$ 427,449

Discretely Presented Component Units

Josephine Commons

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	$ 4,622,640	$ -	$ (22,124)	$ 4,600,516	$ 23,873

Aspinwall

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Notes and Mortgages Payable	$ 13,746,121	$ 14,242,504	$ (127,747)	$ 27,860,878	$ 263,341

Long-term debt as of December 31, 2015, 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	$ 207,176
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	871,166
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	142,676
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	580,446
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	167,125
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	36,609
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	80,037
0% note payable to Boulder County, entire principal balance due April 2024, unsecured	2,581,500
0% note payable to Boulder County, entire principal balance due September 2025, unsecured	470,000
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	62,072
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

3.5% mortgage note payable, due in monthly principal and interest installments of $1,794 with a maturity date of September 2017, secured by a deed of trust on the property and an assignment of rents	233,848
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 - see (D) below	1,725
Total notes and mortgages payable	5,494,380
Bonds Payable	
Series 2012 Housing Revenue Bonds - See (A) below	7,206,911
Series 2013 Housing Revenue Bonds - See (B) below	1,169,173
Series 2013 Housing Revenue Bonds - See (C) below	7,038,631
Total Bonds Payable	15,414,715
Total Long-Term Debt	$ 20,909,095

(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 $7,616,499 as of December 31, 2015. The Authority has the ability to issue the remaining bonds of $583,501 at a future date but has no current plans to issue the remaining bonds. 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 issued $1,240,000 in Housing Revenue Bonds, Series 2013. The bonds bear interest at 3.36%. The Authority is required to make monthly payments of $6,117, including interest, on the bonds through the final maturity date of October 2023.

(C) – The Authority issued $7,450,000 in Housing Revenue Bonds, Series 2013. The bonds bear interest at 3.16%. The Authority is required to make monthly payments of $32,067, including interest, on the bonds through the final maturity date of January 2020.

(D) – Several of the Authority's notes carried provisions which allowed the principal balance to be forgiven after all conditions have been met. During 2015, the entire remaining principal balances of two notes totaling $135,000 and half of the principal balance of the remaining forgivable note totaling $1,725 were forgiven. The balance of $1,725 of the remaining forgivable note is expected to be forgiven in 2016.

Discretely Presented Component Units

Josephine Commons

7.0% mortgage note payable to Berkadia Commercial Mortgage, Inc., due in monthly principal and interest payments of $19,166 through November 2029, secured by a deed of trust and assignment of rents	$ 2,957,223
4.3% mortgage note payable to Boulder County Housing Authority (BCHA) under the HOME funds, payments due from cash flow, remaining principal and interest due August 2061, secured by a second mortgage	550,000
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	443,293
	$ 4,600,516

Aspinwall

1.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	$ 270,000
2.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	442,035
2.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	430,000
1.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property (A)	623,023
1.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	464,754
2.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	5,289,998
2.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	3,020,000
1.8% note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due July 2063, secured by a deed of trust on the property	2,762,296
4.2% note payable to FirstBank, monthly payments of $65,348, including interest through maturity date of August 2031, secured by a deed of trust (B)	13,173,869
6.75% note payable to Mile High Community Loan Fund, Inc., interest only payments are due through the conversion date, after conversion, monthly payments of principal and interest are to be made through maturity, 18 years from conversion, secured by a deed of trust on the property	648,384
0% note payable to the State of Colorado, due in annual installments from available cash flow beginning April 2016 in the amount of $24,584, including interest, through maturity date of August 2045, secured by a deed of trust (C)	736,519
	$ 27,860,878

(A) During 2015, additional funds were awarded and advanced, totaling $159,085. The additional funds will be included under the same terms as the previous agreement.

(B) The Company has covenants related to, among other matters, the maintenance of debt coverage ratios and invested in cash balance requirements.

(C) There is $1,000 remaining to be advanced on this note. The funds are expected to be advanced in 2016.

The estimated debt requirements to maturity for the year ending December 31, 2015 are as follows:

Primary Government

	Principal	Interest	Total
2016	$ 427,449	$ 580,612	$ 1,008,061
2017	650,584	559,388	1,209,972
2018	438,904	545,918	984,822
2019	452,823	531,992	984,815
2020	460,557	517,598	978,155
2021-2025	6,317,068	2,212,721	8,529,789
2026-2030	10,726,036	1,120,451	11,846,487
2031-2035	263,157	354,618	617,775
2036-2040	978,711	77,429	1,056,140
2041-2045	121,061	7,613	128,674
2046-2047	72,745	75	72,820
Total	$ 20,909,095	$ 6,508,415	$ 27,417,510

Discretely Presented Component Units

Josephine Commons

	Principal	Interest	Total
2016	$ 23,873	$ 206,115	$ 229,988
2017	25,599	204,389	229,988
2018	27,449	202,539	229,988
2019	29,434	200,554	229,988
2020	31,561	198,427	229,988
2021-2025	195,513	954,428	1,149,941
2026-2030	2,623,794	692,139	3,315,933
2031-2060	-	-	-
2061	1,243,293	665,308	1,908,601
2112	400,000	1,702,800	2,102,800
Total	$ 4,600,516	$ 5,026,699	$ 9,627,215

Aspinwall

	Principal	Interest	Total
2016	$ 263,341	$ 592,487	$ 855,828
2017	273,655	582,173	855,828
2018	284,416	571,412	855,828
2019	295,645	560,183	855,828
2020	307,363	548,465	855,828
2021-2025	1,731,206	2,547,934	4,279,140
2026-2030	2,110,839	2,168,301	4,279,140
2031-2035	9,047,470	329,838	9,377,308
2036-2040	122,920	-	122,920
2040-2045	121,917	-	121,917
2046-2060	-	-	-
2061-2065	13,302,106	33,691,243	46,993,349
Total	$ 27,860,878	$ 41,592,036	$ 69,452,914

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 for Josephine Commons and July 2063 for Aspinwall. At December 31, 2015 accrued interest on these notes totaled $186,525 for Josephine Commons and $781,329 for Aspinwall.

Note 7 - Compensated Absences

A summary of the activity in the Authority's compensated absences for the year ended December 31, 2015 is as follows:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated absences	$ 184,974	$ 288,981	$ (296,828)	$ 177,127	$ 13,819

Note 8 - Annual Contributions Contract

The Authority has an annual contributions contract for Section 8 HAP and adjustments vary based on requirements. The Authority received $7,338,015 on this contract during the year ended December 31, 2015.

Note 9 - Defined Benefit Pension Plan

Plan Description

Eligible employees of the Authority are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and the Authority are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate*	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)*	-1.02%
Amount Apportioned to the LGDTF*	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411*	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411*	1.50%
Total Employer Contribution Rate to the LGDTF*	12.68%

*Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were $381,694 for the year ended December 31, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Authority reported a liability of $5,072,729 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Authority’s proportion of the net pension liability was based on the Authority’s contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2014, the Authority’s proportion was .569 percent, which was a decrease of .103 from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the Authority recognized pension expense of $208,320. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	1,025
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension	276,676	-
Changes in proportion and differences between contributions	(460,007)	-
Contributions subsequent to the measurement date	381,694	-
Total	198,363	1,025

$381,694 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2016	$ (293,848)
2017	(28,846)
2018	69,169
2019	69,169
2020	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't / Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease	Current Discount	1% Increase
	(6.5%)	Rate (7.50%)	(8.5%)
Proportionate share of the net pension liability	$ 8,284,323	$ 5,072,729	$ 2,395,201

Pension Plan Fiduciary Net Position

Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 10 - 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 ($18,000 for the calendar year 2015, $17,500 for the calendar year 2014, and $17,500 for the calendar year 2013). Catch-up contributions up to $6,000 for calendar year 2015 and $5,500 each year for the calendar years 2014 and 2013 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, 2015, 2014, and 2013, the 401(k) Plan employee contributions from the Authority were $20,453, $14,359, and $14,915, respectively.

Note 11 - Related Party Transactions

Developer Fees

Josephine Commons

Josephine Commons, LLC (Josephine Commons) 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 Josephine Commons. Developer fees of $1,351,067 incurred by Josephine Commons to the Authority have been capitalized as part of the building. During 2015, Josephine Commons paid developer fees of $390,473 to the Authority. As of December 31, 2015, Josephine Commons owed the Authority $222,584 for developer fees. The remaining developer fees are expected to be paid from net cash flow.

Aspinwall

Aspinwall, LLC (Aspinwall) 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 Aspinwall. Developer fees of $3,400,442 have been incurred and capitalized as part of the building. During 2015, Aspinwall paid developer fees of $1,701,655 to the Authority. As of December 31, 2015, Aspinwall owed the Authority $1,698,787 for developer fees. The remaining developer fees are expected to be paid from net cash flow.

Mortgage Notes and Accrued Interest

Josephine Commons

Josephine Commons has entered into multiple loan agreements with the Authority – see Note 6. During 2015, Josephine Commons incurred interest expense of $58,259 in relation to these mortgage notes payable. As of December 31, 2015, Josephine Commons owes the Authority $186,525 for accrued interest.

Aspinwall

Aspinwall has entered into multiple loan agreements with the Authority – see Note 6. During 2015, Aspinwall incurred interest expense of $340,877 in relation to these mortgage notes payable. As of December 31, 2015, Aspinwall owes the Authority $781,329 for accrued interest.

Due from Related Party

Josephine Commons

As of December 31, 2015, Josephine Commons owed the Authority $7,588 for costs related to operations.

Aspinwall

As of December 31, 2015, Aspinwall owed the Authority $136,043 for costs paid on behalf of the project by the Authority, including construction costs, accrued wages and benefits.

Management Fees

Josephine Commons

Josephine Commons has entered into a management agreement with the Authority under which the Authority is to provide management services for the project. Under the terms of the agreement, Josephine Commons is to pay management fees equal to the lesser of $466 per unit or 5.5% of effective gross income. During 2015, Josephine Commons incurred management fees of $34,484 to the Authority.

Aspinwall

Aspinwall has entered into a management agreement with the Authority under which the Authority is to provide management services for the project. Under the terms of the agreement, Aspinwall is to pay management fees equal to the lesser of $480 per unit or 5.5% of effective gross income. During 2015, Aspinwall incurred management fees of $80,160 to the Authority.

Reimbursement of Expenses

Josephine Commons

During 2015, Josephine Commons reimbursed the Authority approximately $161,400 for payroll and other expenses.

Aspinwall

During 2015, Aspinwall reimbursed the Authority approximately $294,600 for payroll and other expenses.

Incentive Management Fee

Pursuant to the operating agreement, Josephine Commons is to pay the Authority for their services in managing the business of Josephine Commons, 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 Josephine Commons to the Authority during 2015.

Operating Deficit Guaranty

Josephine Commons

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.

Aspinwall

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 $910,000, 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, 2015, the Authority was owed $589,661 from Boulder County for rental assistance, costs of rehabilitation, and operating expenses.

Note Payable to Boulder County

Boulder County transferred property to the Authority in exchange for a long-term promissory note totaling $2,581,500. Terms of this note are included in Note 6 to the financial statements.

Due to Boulder County

At December 31, 2015, the Authority owed Boulder County $1,167,686 for payroll and other operating expenses paid by the County.

Transfers to/from Primary Government

During 2015, the Authority received transfers of $3,519,580 from Boulder County consisting of $200,000 for Operating Subsidy; $850,000 for Housing Stabilization; $79,795 for LPEC Allocation; $1,374,000 for the Kestrel project; $1,000,000 for Kestrel Worthy Cause; and $15,785 for the Housing and Community Education Program.

Note 12 - Adoption of New Standard

As of January 1, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires the Authority to calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows and deferred inflows of resources related to contributions made after the measurement date as follows:

Net position at December 31, 2014, as previously reported	$ 32,817,436
Net pension liability at December 31, 2014	(5,477,215)
Deferred outflows of resources related to contributions made during the year ended December 31, 2014	395,491
Net position at December 31, 2014, as restated	$ 27,735,712

Note 13 - Condensed Component Unit Information

Condensed component unit information for MFPH Acquisitions LLC, the Authority's blended component unit, for the year ended December 31, 2015, is as follows:

Condensed Balance Sheet

Assets	
Current Assets	$ 119,167
Notes Receivable	3,020,000
Accrued Interest	207,707
Capital Assets	1,227,075
Total Assets	$ 4,573,949
Liabilities	
Current Liabilities	$ 20,902
Net Position	4,553,047
Total Liabilities and Net Position	$ 4,573,949

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating Revenues	
Tenant rent	$ 160,806
Rental assistance	97,238
Other	3,405
Total Operating Revenues	261,449
Operating Expenses	
Maintenance salaries and benefits	23,496
Regular and extraordinary maintenance	58,096
Other administrative	45,797
Depreciation and amortization	35,516
Utilities	21,553
Insurance	13,440
Other	-
Total Operating Expenses	197,898
Operating Income	63,551
Nonoperating Expense	
Interest income	207,709
Interest expense	(44,136)
Total Nonoperating Expenses	163,573
Change in net position	227,124
Net Position, Beginning of year	4,325,923
Net Position, End of year	$ 4,553,047

Condensed Statement of Cash Flows

Net Cash from Operating Activities	$ 74,527
Net Cash used for Capital and Related Financing Activities	(44,136)
Net Cash from Investing Activities	2
Net Change in Cash and Cash Equivalents	30,393
Cash and Cash Equivalents, Beginning of year	77,373
Cash and Cash Equivalents, End of year	$ 107,766

Required Supplementary Information
December 31, 2015

Boulder County Housing Authority

Last 10 Fiscal Years*

	2014
Authority's proportion of the net pension liability	0.5692100296%
Authority's proportionate share of the net pension liability	$ 5,072,729
Authority's covered-employee payroll	$ 2,673,518
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.74%
Plan fiduciary net position as a percentage of the total pension liability	80.72%

* The amounts presented for each year were determined as of the measurement date

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown

Last 10 Fiscal Years*

		2015
Contractually required contribution	$	381,694
Contributions in relation to the contractually required contribution		(381,694)
Contribution deficiency (excess)	$	-
Authority's covered-employee payroll	$	2,778,550
Contributions as a percentage of covered-employee payroll		13.74%

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown

Supplementary Information
December 31, 2015

Boulder County Housing Authority

Federal Agency/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture (USDA)			
Direct Programs			
Rural Rental Assistance Payments - Casa Esperanza (Section 514)	10.427		$ 43,838
Rural Rental Assistance Payments - Prime Haven (Section 515)	10.427		121,820
Rural Rental Assistance Payments - Walter Self (Section 515)	10.427		57,165
			222,823
Farm Labor Housing Loans and Grants	10.405		304,240
Rural Rental Housing Loans	10.415		1,228,674
Total U.S. Department of Agriculture (USDA)			1,755,737
U.S Department of Health and Human Services			
Direct Programs			
Low Income Energy Assistance Program	93.568		185,871
U.S. Department of Energy			
Passed Through Colorado Governor's Energy Office			
Weatherization Assistance for Low- Income Persons	81.042	C900822	572,208
U.S. Department of Homeland Security			
Direct Programs			
Disaster Grants - Public Assistance (FEMA)	97.036		30,386
U.S. Department of Treasury			
Passed Through Colorado Housing and Finance Authority			
CHFA - NeighborWorks National Foreclosure Mitigation Counseling	21.000	NFMC R9	9,335
U.S. Department of Housing and Urban Development			
Direct Programs			
Housing - Choice Vouchers	14.871		7,269,301
Family Unification Program	14.880		611,410
			7,880,711
Office of Public and Indian Housing	14.850		60,339
Office of Public and Indian Housing	14.872		2,134
Family Self-Sufficiency Coordinator	14.877		192,124
Passed Through Colorado Housing and Finance Authority:			
Comprehensive Housing Counseling	14.169	FR-5800-N-25	15,642
Section 8 Housing Assistance Payments	14.195	CO0990036010 /	167,867

Passed Through Boulder County, Colorado			
Community Development Block Grant/Entitlement Grants	14.218	H4CDB13053	46,900
Community Development Block Grant/Entitlement Grants	14.218	H5CDB15009	5,000
Passed Through City of Longmont, Colorado			
Community Development Block Grant/Entitlement Grants	14.218	B14MC080011	53,500
			105,400
Passed Through City of Boulder, Colorado			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		76,454
Passed Through Colorado Division of Housing			
HOME Program - TBRA	14.239	H3HOM12056 /	326,248
Passed Through City of Boulder			
HOME Program - AW	14.239		159,085
			485,333
Passed Through Boulder County, Colorado			
Community Development Block Grant/Disaster Relief	14.269		1,680,626
Passed Through Colorado Coalition for the Homeless			
ESG - Emergency Solutions Grant Program - Homelessness Prevention and Rapid Re-Housing	14.231		60,000
Total U.S. Department of Housing and Urban Development			10,726,630
Total Federal Expenditures			$ 13,280,167

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boulder County Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Boulder County Housing Authority received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note B – Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principals of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Boulder County Housing Authority's summary of significant accounting policies is presented in Note 1 in Boulder County Housing Authority's basic financial statements.

The Authority has not elected to use the 10% de minimis cost rate.

Note C – Farm Labor Housing Loan Program

The balances and transactions related to the Farm Labor Housing Loan Program, CFDA Number 10.405, are included in Boulder County Housing Authority's basic financial statements. The total balance of the loans outstanding as of December 31, 2015 is $283,771.

Note D – Rural Rental Housing Loan Program

The balances and transactions related to the Rural Rental Housing Loan Program, CFDA Number 10.415, are included in Boulder County Housing Authority's basic financial statements. The total balance of the loans outstanding as of December 31, 2015 is $1,221,017.

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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*

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 discretely presented component units of the Boulder County Housing Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Boulder County Housing Authority's basic financial statements, and have issued our report thereon dated July 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boulder County Housing 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 Boulder County Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Boulder County Housing 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-A, which we consider to be a significant deficiency.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Boulder County Housing 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.*

Entity's Response to Finding
Boulder County Housing Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Boulder County Housing Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 14, 2016

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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

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 Compliance Supplement* that could have a direct and material effect on each of Boulder County Housing Authority's major federal programs for the year ended December 31, 2015. Boulder County Housing 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 Boulder County Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 Boulder County Housing Authority's compliance.

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Opinion on Each Major Federal Program
In our opinion, the Boulder County Housing 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, 2015.

Report on Internal Control over Compliance
Management of the Boulder County Housing 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 Boulder County Housing 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Boulder County Housing 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Bismarck, North Dakota
July 14, 2016

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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 Uniform Guidance 2 CFR 200.516?	No

Identification of major programs:

Name of Federal Program	CFDA Number
Section 8 Housing Choice Vouchers / Family Unification Program	14.871/14.880
Community Development Block Grant - Disaster Recovery	14.269

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2015-A **Adjusting Journal Entries**

Significant Deficiency in Internal Control over Financial Reporting

Condition: As part of our audit we proposed a significant audit adjustment to the financial statements that was not detected by management.

Criteria: A complete system of internal control contemplates an adequate system for reconciling significant accounts and recording and processing journal entries prior to the audit.

Effect: The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause: The Authority posted a journal entry to the accounting records based on guidance from an employee of a state granting agency that was not in accordance with accounting principles generally accepted in the United States of America.

Repeat Finding from Prior Year(s): Yes, prior year finding 2014-A

Recommendation: We recommend that the Authority verify whether adjustments are in accordance with accounting principles generally accepted in the United States of America prior to making.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None

Findings – Major Federal Award Programs Audit

2014-A Adjusting Journal Entries

Significant Deficiency in Internal Control over Financial Reporting

Initial Fiscal Year Finding Occurred: 2014

Finding Summary: As part of our audit we proposed significant audit adjustments to the financial statements that were not detected by management.

Status: Unresolved - see Finding 2015-A. Management's corrective action plan is to verify whether adjustments are in accordance with accounting principles generally accepted in the United States of America prior to making. The Authority took significant action in 2015 to correct this deficiency and significantly reduced the number of adjusting journal entries from 2014 to 2015. The incorrect guidance from a state granting agency staff member and the Authority's compliance with the incorrect guidance resulted in the one 2015 entry causing this finding to extend into 2015.

2014-B Preparation of the Schedule of Federal Expenditures and Footnotes

Material Weakness in Internal Control over Financial Reporting

Initial Fiscal Year Finding Occurred: 2014

Finding Summary: As part of our audit we identified that there were errors in the footnotes to the schedule of federal expenditures that were not detected by management.

Status: Corrective action was taken.