

**HOUSING AUTHORITY OF THE
TOWN OF HOLLY, COLORADO**

FINANCIAL STATEMENTS

December 31, 2019

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

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HAMBLIN AND ASSOCIATES, LLC

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Holly
Holly, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the Town of Holly, Colorado, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the Town of Holly, Colorado, as of December 31, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 9 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 Housing Authority of the Town of Holly, Colorado's basic financial statements. The schedule of expenses on page 20 and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule on pages 21 – 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenses and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenses and the U.S. Department of Housing and Urban Development supplementary financial data schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 7, 2020, on our consideration of the Housing Authority of the Town of Holly, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Housing Authority of the Town of Holly, Colorado's internal control over financial reporting and compliance.

Hamblin and Associates, LLC

July 7, 2020

Golden, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

Management's Discussion and Analysis Year Ended December 31, 2019

The following discussion and analysis of the financial statements of the Housing Authority of the Town of Holly, Colorado, ("the Authority") provides an overview of the financial activities for the fiscal year ended December 31, 2019. Please consider the following information in addition to your review of the information in the basic financial statements.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Authority. This information contained herein this Management Discussion and Analysis (MD&A) should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has one program. The Low Rent Public Housing Program which consists of 16 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing and Urban Development based on a formula. Included in the Low Rent Program are the Capital Fund grants which are also a formula-based program from HUD. The purpose is to provide funding for the modernization and improvement of the Low Rent Public Housing Program units. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

Financial Highlights

The Authority's financial condition continues to remain consistent.

- Total Net Position was \$215,047 at December 31, 2019, a decrease of \$15,025 or 7.84% from the \$230,072 reported at December 31, 2018.
- Public Housing Annual Contributions for 2019 were \$27,160 representing a decrease of \$649 from fiscal year 2018 funding of \$27,809.
- Capital Grants for 2019 were \$36,417 representing an increase in the amount of \$ 265 from fiscal year 2018 funding of \$36,264.
- Total Cash was \$64,729 at December 31, 2019 and \$56,472 at December 31, 2018, an increase of \$8,257.
- Total Net Capital Assets decreased \$21,849 from \$163,809 at December 31, 2018 to \$141,960 at December 31, 2019. This was the result of recording depreciation expense of \$22,398, and addition of \$549 to Equipment.

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

Management's Discussion and Analysis Year Ended December 31, 2019

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authorities basic financial statements. The basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The ***statement of net position*** presents information on all the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- Restricted Net Position consists of assets that are restricted by limitations placed on these assets by an external source or party.
- Unrestricted Net Position consists of net position that does not meet the definition of the above categories. Unrestricted net position is basically the amount of funds available for future year appropriations.

The ***statement of revenues, expenses and changes in net position*** presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future periods.

The ***statement of cash flows*** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash account balance for the year ended December 31, 2019.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. The Authority's fund is a proprietary fund type.

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

Management's Discussion and Analysis Year Ended December 31, 2019

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately after the basic financial statements.

Housing Authority Financial Analysis

As earlier noted, changes in net position may serve as a useful indicator of changes in the financial position of an organization. On December 31, 2019 assets exceeded liabilities by \$215,047. This amount is broken down to \$141,960 that is invested in capital assets and \$49,711 is unrestricted for future operations. Net Capital Assets represent the largest portion of assets at \$141,960. Cash and restricted cash represent the next largest portion of assets at \$64,729.

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended December 31, 2019 and 2018.

CONDENSED STATEMENT OF NET POSITION

	2019		2018	
ASSETS				
Current and Other Assets	\$ 79,960	36.0%	\$ 72,854	30.8%
Capital Assets	141,960	64.0%	163,809	69.2%
Total Assets	221,920	100.0%	236,663	100.0%
LIABILITIES				
Current Liabilities	6,873	3.1%	6,591	2.8%
Noncurrent Liabilities	-	0.0%	-	0.0%
Total Liabilities	6,873	3.1%	6,591	2.8%
NET POSITION				
Net Investment in Capital Assets	141,960	64.0%	163,809	69.2%
Unrestricted	73,087	32.9%	66,263	28.0%
Total Net Position	\$ 215,047	96.9%	\$ 230,072	97.2%

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

**Management's Discussion and Analysis
Year Ended December 31, 2019**

The Authority's expenses exceeded operating revenues including non-operating revenue and capital contributions by \$15,025. When adding back the depreciation expense of \$22,398 the Authority has a profit of \$7,373. The excess expense is primarily due to an increase in maintenance of \$2,984 and administrative expenses of \$1,722. Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenue decreased by \$3,360 or 7.6%, during the current fiscal year. The decrease in revenue was primarily due to a decrease in the HUD subsidies of \$496. Interest income increased slightly over the previous year. Other revenue included \$- from net insurance proceeds from hail storm damage repairs. The negative change in net position of \$15,025 when added to the beginning net position, results in ending net position in the amount of \$215,047.

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<u>2019</u>		<u>2018</u>	
OPERATING REVENUE				
Rental	\$ 51,644	43.8%	\$ 49,828	41.1%
Grants	63,577	53.9%	64,073	52.8%
Other	2,467	2.1%	7,156	5.9%
GENERAL REVENUE				
Interest	220	0.2%	210	0.2%
Total Revenue	<u>117,908</u>	<u>100.0%</u>	<u>121,267</u>	<u>100.0%</u>
EXPENSES				
Operating, less Depreciation	110,535	83.2%	104,642	81.0%
Depreciation	22,398	16.8%	24,133	18.7%
Nonoperating	-	0.0%	373	0.3%
Total Expenses	<u>132,933</u>	<u>100.0%</u>	<u>129,148</u>	<u>100.0%</u>
Change in Net Position	(15,025)	-6.5%	(7,881)	-3.3%
Net Position, Beginning	<u>230,072</u>	<u>100.0%</u>	<u>237,953</u>	<u>100.0%</u>
Net Position, Ending	<u>\$ 215,047</u>	<u>93.5%</u>	<u>\$ 230,072</u>	<u>96.7%</u>

Budgets are adopted for all funds as a management control devise but are not presented in the financial statements as it is not legally required.

- Total ending Cash was \$56,882.
- Capital Assets decreased to \$141,960 at December 31, 2019.

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

**Management's Discussion and Analysis
Year Ended December 31, 2019**

Capital Assets

During 2019 total Capital Assets, Net decreased \$21,849 from \$163,809 at December 31, 2018 to \$141,960 at December 31, 2019. This was the result of the recording of depreciation expense of \$21,849. Further information on the Authority's capital assets can be found in Notes 1 and 5 in the Notes to financial statements.

CAPITAL ASSETS				
	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2019</u>
Non-Depreciable Assets				
Land	\$ 29,731	\$ -	\$ -	\$ 29,731
Depreciable Assets				
Buildings and Improvements	913,171	-	-	913,171
Equipment - Dwellings	6,455	549		7,004
Equipment - Administration	19,251	-	(867)	18,384
Total Depreciable Assets	<u>938,877</u>	<u>549</u>	<u>(867)</u>	<u>938,559</u>
Total Capital Assets	<u>968,608</u>	<u>549</u>	<u>(867)</u>	<u>968,290</u>
Accumulated Depreciation				
Buildings and Improvements	783,103	20,720	-	803,823
Equipment - Dwellings	5,253	467		5,720
Equipment - Administration	16,443	1,211	867	16,787
Total Accumulated Depreciation	<u>804,799</u>	<u>22,398</u>	<u></u>	<u>826,330</u>
Depreciable Assets Net	<u>134,078</u>	<u>(21,849)</u>	<u>(867)</u>	<u>112,229</u>
Net Capital Assets	<u>\$ 163,809</u>	<u>\$ (21,849)</u>	<u>\$ (867)</u>	<u>\$ 141,960</u>

Economic Factors and Next Year's Budget and Rates

The Board of Commissioners and management of the housing authority considered many factors when approving the fiscal year 2018 public housing budget. The user's charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the authority's rent roll records for the period specified by HUD. Operating expenses are expected to increase by the economy's inflation rate. In projecting income, the Authority considers prior

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

**Management's Discussion and Analysis
Year Ended December 31, 2019**

year rental income and occupancy rates and is anticipating an increase in both. The Board of Commissioners and management of the housing authority continue to monitor the budget and expenses as needed.

Requests for Information

The financial report is designed to provide a general overview of Housing Authority of the Town of Holly, Colorado's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

The Housing Authority of the Town of Holly, Colorado
Ms. Rose Robinson, Executive Director
876 West Cliff Street
P.O. Box 721
Holly, CO 81047

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWN OF HOLLY

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2019

(With Comparative Actual Amounts at December 31, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash	\$ 62,356	\$ 54,217
Investments	12,929	12,769
Accounts Receivable:		
Tenants - Dwelling Rents	2,335	4,154
Allowance for Doubtful Accounts - Dwelling Rents	(2,087)	(2,824)
Accrued Interest Receivable	30	33
Prepaid Assets	2,023	2,249
Total Current Assets	77,586	70,598
Noncurrent Assets		
Cash - Restricted	2,374	2,256
Capital Assets Not Being Depreciated	29,731	29,731
Capital Assets, net of Accumulated Depreciation	112,229	134,078
Total Noncurrent Assets	144,334	166,065
Total Assets	221,920	236,663
LIABILITIES		
Current Liabilities		
Accounts Payable	1,405	1,201
Accrued Wage and Related Liabilities	2,235	2,212
Tenant Security Deposits	2,374	2,256
Accrued Liabilities - Other	859	915
Deferred Revenue	-	7
Total Current Liabilities	6,873	6,591
Total Liabilities	6,873	6,591
NET POSITION		
Net Investment in Capital Assets	141,960	163,809
Unrestricted Net Position	73,087	66,263
Total Net Position	\$ 215,047	\$ 230,072

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

HOUSING AUTHORITY OF THE TOWN OF HOLLY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND**

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Dwelling Rents	\$ 51,644	\$ 49,828
Other Tenant Revenue	2,245	4,987
	<hr/>	<hr/>
Tenant Revenue	53,889	54,815
HUD Operating Contributions and Grants	63,577	64,073
Other Revenue	222	2,169
	<hr/>	<hr/>
Total Revenue	117,688	121,057
	<hr/>	<hr/>
OPERATING EXPENSES		
Administrative	52,584	51,063
Utilities	8,401	8,808
Maintenance & Operations	36,210	33,225
Insurance Premiums	11,188	9,235
Other General Expense	2,152	2,311
Depreciation Expense	22,398	24,133
	<hr/>	<hr/>
Total Operating Expenses	132,933	128,775
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(15,245)	(7,718)
	<hr/>	<hr/>
OTHER INCOME		
Investment Income - Unrestricted	220	210
Loss on Disposition of Assets	-	(373)
	<hr/>	<hr/>
Total Other Income	220	(163)
	<hr/>	<hr/>
CHANGE IN NET POSITION	(15,025)	(7,881)
NET POSITION, Beginning	230,072	237,953
	<hr/>	<hr/>
NET POSITION, Ending	\$ 215,047	\$ 230,072
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The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE TOWN OF HOLLY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Receipts from Tenants	\$ 55,082	\$ 55,486
Receipts from HUD	63,577	20,742
Receipts from Others	222	6,770
Payments to Employees	(56,634)	(49,792)
Payments to Suppliers	(53,504)	(27,820)
Net Cash (Used) by Operating Activities	<u>8,743</u>	<u>5,386</u>
Cash Flows from Capital and Related Financing Activities		
Cash Flows from Investing Activities		
Earnings on Investments	220	175
Net Cash Provided (Used) by Investing Activities	<u>220</u>	<u>175</u>
Net Change in Cash	8,414	5,561
CASH, Beginning	<u>34,417</u>	<u>28,856</u>
CASH, Ending	<u>\$ 55,368</u>	<u>\$ 34,417</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating Income (Loss)	\$ (15,245)	\$ (7,718)
Depreciation	22,398	24,133
Changes in operating assets and liabilities:		
Accounts Receivable	1,082	3,716
Accrued Interest Receivable	3	(7)
Prepaid Expenses	226	(12)
Due from Other Governments	-	(28,775)
Accounts Payable	204	440
Accrued Salaries and Benefits	23	245
Tenant Security Deposits	118	325
Accrued Liabilities - Other	(56)	23,040
Deferred Revenue	(7)	610
Net Cash (Used) by Operating Activities	<u>\$ 8,746</u>	<u>\$ 15,997</u>

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

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of Town of Holly, Colorado (the "Authority") was created under the laws of the State of Colorado. The purpose of the Authority is to administer the Public Housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

This summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Authority's accounting policies are described below.

Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Authority has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Authority has no component units.

Nature of operations

The Authority provides 16 units of qualified individual and family housing. The development of the units was funded primarily by the U.S. Department of Housing and Urban Development through loans and bonds. The loans have been forgiven by HUD and the bond debt service and repayment requirements are the responsibility of HUD and therefore no outstanding liabilities are recorded. The program is subsidized annually by operating subsidy from HUD and through capital grants for capital improvements.

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Authority are organized on the basis of a proprietary fund types, specifically enterprise funds. The activities of these funds are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities that (a) are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (b) are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (c) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net position (assets less liabilities) are segregated into invested in capital assets, net of related debt, restricted for debt service and unrestricted components. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Assets, Liabilities and Net Position

Cash and cash equivalents - For the purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Investments that are available upon demand are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of ninety days or less are also considered "cash equivalents".

Receivables - All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible account and revenues net of uncollectible. Allowances are reported when accounts are proven to be uncollectible. Management has estimated an allowance of \$2,087 at year end.

Prepaid assets - Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Capital assets - All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. The Authority does not capitalize interest costs related to its constructed fixed assets.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Useful Lives
Buildings	20 – 40 years
Buildings Improvements	10 – 40 years
Furniture and Fixtures	5 – 10 years
Equipment	3 – 10 years

Net position - Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Restricted net position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation.

Use of restricted/Unrestricted assets - When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the Authority's policy is to apply restricted assets first.

Grant revenue - The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as unearned revenue.

Operating revenues and expenses - Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

Income Taxes

The Authority is a governmental subdivision of the State of Colorado and is exempt from Federal and State income taxes.

Budgetary Information

Budgets are adopted as a management control device, but are not legally required. Therefore, budgetary information is not presented in the financial statements.

NOTE 2: CASH AND INVESTMENTS

Cash Deposits

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2019, the Authority's deposits amounting to \$79,271 were insured by federal depository insurance or collateralized with securities held by the pledging institution's trust department or agent in the Authority's name and consequently were not exposed to custodial credit risk.

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Investments

The Authority's formal investment policy is to follow Colorado State Statutes which 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
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds

At December 31, 2019, the Authority did not have any investments.

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured Deposits	\$ 69,174	\$ 64,630
Petty Cash	-	100
Total Cash	<u>\$ 69,174</u>	<u>\$ 64,730</u>
Unrestricted Cash		\$ 62,356
Restricted - Tenant Deposits		2,374
Total Cash		<u>\$ 64,730</u>

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: ACCOUNTS RECEIVABLE

A summary of accounts receivable as presented in the Statement of Net Position at December 31, 2019 are as follows:

Tenants	\$ 2,335
Allowance for doubtful accounts	(2,087)
Other	<u>0</u>
Total	<u>\$ 248</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year was as follows:

CAPITAL ASSETS				
	Balance 1/1/2019	Additions	Retirements	Balance 12/31/2019
Non-Depreciable Assets				
Land	\$ 29,731	\$ -	\$ -	\$ 29,731
Depreciable Assets				
Buildings and Improvements	913,171	-	-	913,171
Equipment - Dwellings	6,455	549		7,004
Equipment - Administration	19,251	-	(867)	18,384
Total Depreciable Assets	938,877	549	(867)	938,559
Total Capital Assets	968,608	549	(867)	968,290
Accumulated Depreciation				
Buildings and Improvements	783,103	20,720	-	803,823
Equipment - Dwellings	5,253	467		5,720
Equipment - Administration	16,443	1,211	867	16,787
Total Accumulated Depreciation	804,799	22,398	(867)	826,330
Depreciable Assets Net	134,078	(21,849)	(867)	112,229
Net Capital Assets	\$ 163,809	\$ (21,849)	\$ (867)	\$ 141,960

HOUSING AUTHORITY OF THE TOWN OF HOLLY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 5: RESTRICTED CASH - TENANT SECURITY DEPOSITS

Cash and cash equivalents of \$2,374 at December 31, 2019 are restricted for tenant security deposits in the Public Housing Program.

NOTE 6: RISK MANAGEMENT

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workers compensation and employee health and accident insurance. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Federal funding

The Authority recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. Management believes the Authority is exempt from the provisions of the Amendment.

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Supplementary Information

Supplementary information includes schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such schedules include:

- Schedule of Expenses
- U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule – This fiscal-year report is required by the U.S. Department of Housing and Urban Development and is used to gather financial information from the Public Housing Authority.

HOUSING AUTHORITY OF THE TOWN OF HOLLY

**SCHEDULE OF OPERATING EXPENSES
PROPRIETARY FUND**

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019	2018
OPERATING EXPENSES		
Administrative		
Administrative Salaries	\$ 36,448	\$ 34,192
Auditing Fees	4,000	4,000
Bookkeeping Fee	2,581	2,440
Advertising and Marketing	22	11
Employee Benefit Contributions	2,898	2,718
Office Expenses	5,731	6,596
Travel	701	205
Other	203	901
Total Administrative	52,584	51,063
Tenant Services		
Utilities		
Water	1,725	3,136
Electricity	2,622	1,808
Gas	3,448	3,317
Sewer	606	547
Total Utilities	8,401	8,808
Maintenance & Operations		
Labor	20,209	17,030
Materials	8,527	10,415
Contracts	5,867	4,426
Maintenance	1,607	1,354
Total Maintenance & Operations	36,210	33,225
Insurance Premiums		
Property Insurance	7,737	6,677
Liability Insurance	1,253	1,238
Workmen's Compensation	2,198	1,320
Total Insurance Premiums	11,188	9,235
Other General Expense		
Payments in Lieu of Taxes	65	50
Bad debt - Tenant Rents	2,087	2,261
Total Other General Expenses	2,152	2,311
Total Operating Expenses	110,535	104,642
Non-Operating Expenses		
Depreciation Expense	22,398	24,133
Total Non-Operating Expenses	22,398	24,133
Total Expenses	\$ 132,933	\$ 128,775

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

HOUSING AUTHORITY OF THE TOWN OF HOLLY

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUPPLEMENTARY
FINANCIAL DATA SCHEDULE
December 31, 2019**

Line Item No.	Description	Public Housing 14.850	Public Housing Capital Funds 14.872	Total Public Housing	Eliminations	Total
111	Cash - Unrestricted	62,356	\$ -	\$ 62,356	\$ -	\$ 62,356
114	Cash - Tenant Security Deposits	2,374	-	2,374	-	2,374
100	Total Cash	64,730	-	64,730	-	64,730
126	Accounts Receivable - Tenants	2,335	-	2,335	-	2,335
126.1	Allowance for Doubtful Accounts -Tenants	(2,087)	-	(2,087)	-	(2,087)
129	Accrued Interest Receivable	30	-	30	-	30
120	Total Receivables, Net of Allowances for Doubtful Accounts	278	-	278	-	278
131	Investments - Unrestricted	12,929	-	12,929	-	12,929
142	Prepaid Expenses and Other Assets	2,023	-	2,023	-	2,023
150	Total Current Assets	79,960	-	79,960	-	79,960
161	Land	29,731	-	29,731	-	29,731
162	Buildings	913,171	-	913,171	-	913,171
163	Furniture, Equipment & Machinery - Dwellings	7,004	-	7,004	-	7,004
164	Furniture, Equipment & Machinery - Administration	18,384	-	18,384	-	18,384
166	Accumulated Depreciation	(826,330)	-	(826,330)	-	(826,330)
160	Total Capital Assets, Net of Accumulated Depreciation	141,960	-	141,960	-	141,960
180	Total Non-Current Assets	141,960	-	141,960	-	141,960
190	Total Assets	\$ 221,920	\$ -	\$ 221,920	\$ -	\$ 221,920
312	Accounts Payable <= 90 Days	1,405	\$ -	\$ 1,405	\$ -	1,405
321	Accrued Wage/Payroll Taxes Payable	2,235	-	2,235	-	2,235
341	Tenant Security Deposits	2,374	-	2,374	-	2,374
346	Accrued Liabilities - Other	859	-	859	-	859
310	Total Current Liabilities	6,873	-	6,873	-	6,873
300	Total Liabilities	6,873	-	6,873	-	6,873
508.1	Invested In Capital Assets, Net of Related Debt	141,960	-	141,960	-	141,960
512.1	Unrestricted Net Assets	73,087	-	73,087	-	73,087
513	Total Equity/Net Assets	250,893	(35,846)	215,047	-	215,047
600	Total Liabilities and Equity/Net Assets	\$ 257,766	\$ (35,846)	\$ 221,920	\$ -	\$ 221,920

(CONTINUED)

See the accompanying Independent Auditors' Report.

HOUSING AUTHORITY OF THE TOWN OF HOLLY

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUPPLEMENTARY
FINANCIAL DATA SCHEDULE
December 31, 2019**

Line Item No.	Description	Public Housing 14.850	Capital Funds 14.872	Total Public Housing	Eliminations	Total
70300	Net Tenant Rental Revenue	\$ 51,644	\$ -	\$ 51,644	\$ -	\$ 51,644
70400	Tenant Revenue - Other	2,245	-	2,245	-	2,245
70500	Total Tenant Revenue	53,889	-	53,889	-	53,889
70600	HUD PHA Operating Grants	63,159	418	63,577	-	63,577
71100	Investment Income - Unrestricted	220	-	220	-	220
71500	Other Revenue	222	-	222	-	222
70000	Total Revenue	117,490	418	117,908	-	117,908
91100	Administrative Salaries	36,448	-	36,448	-	36,448
91200	Auditing Fees	4,000	-	4,000	-	4,000
91310	Book-keeping Fee	2,581	-	2,581	-	2,581
91400	Advertising and Marketing	22	-	22	-	22
91500	Employee Benefit contributions - Administrative	2,898	-	2,898	-	2,898
91600	Office Expenses	5,731	-	5,731	-	5,731
91800	Travel	701	-	701	-	701
91900	Other	203	-	203	-	203
91000	Total Operating - Administrative	52,584	-	52,584	-	52,584
93100	Water	1,725	-	1,725	-	1,725
93200	Electricity	2,622	-	2,622	-	2,622
93300	Gas	3,448	-	3,448	-	3,448
93600	Sewer	606	-	606	-	606
93000	Total Utilities	8,401	-	8,401	-	8,401
94100	Ordinary Maintenance and Operations - Labor	20,209	-	20,209	-	20,209
94200	Ordinary Maintenance and Operations - Materials and Other	8,527	-	8,527	-	8,527
94300	Ordinary Maintenance and Operations Contracts	5,867	-	5,867	-	5,867
94500	Employee Benefit Contributions - Ordinary Maintenance	1,607	-	1,607	-	1,607
94000	Total Maintenance	36,210	-	36,210	-	36,210
96110	Property Insurance	7,737	-	7,737	-	7,737
96120	Liability Insurance	1,253	-	1,253	-	1,253
96130	Workmen's Compensation	2,198	-	2,198	-	2,198
96100	Total insurance Premiums	11,188	-	11,188	-	11,188
96300	Payments in Lieu of Taxes	65	-	65	-	65
96400	Bad debt - Tenant Rents	2,087	-	2,087	-	2,087
96000	Total Other General Expenses	2,152	-	2,152	-	2,152
96900	Total Operating Expenses	110,535	-	110,535	-	110,535
97000	Excess of Operating Revenue over Operating Expenses	6,955	418	7,373	-	7,373
97400	Depreciation Expense	22,398	-	22,398	-	22,398
90000	Total Expenses	132,933	-	132,933	-	132,933
10010	Operating Transfer In	36,264	-	36,264	(36,264)	-
10020	Operating transfer Out	-	(36,264)	(36,264)	36,264	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-
10100	Total Other financing Sources (Uses)	36,264	(36,264)	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	\$ 20,821	\$ (35,846)	\$ (15,025)	\$ -	\$ (15,025)
11030	Beginning Equity	230,072	-	230,072	-	230,072
11190	Unit Months Available	192	-	192	-	192
11210	Number of Unit Months Leased	155	-	155	-	155
11270	Excess Cash	61,853	-	61,853	-	61,853

See the accompanying Independent Auditors' Report.

Government Auditing Standards Section

HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

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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
Housing Authority of the Town of Holly
Holly, Colorado

We have audited, in accordance with the 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 Housing Authority of the Town of Holly, Colorado, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Town of Holly, Colorado's basic financial statements and have issued our report thereon dated July 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the Town of Holly, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Town of Holly, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the Town of Holly, Colorado'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Hamblin and Associates, LLC

July 7, 2020

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