

Hudson Housing Authority
Financial Statements
With Independent Auditors' Report
March 31, 2019



Hudson Housing Authority

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Independent Auditors' Report

Board of Commissioners
Hudson Housing Authority
Hudson, Colorado

We have audited the accompanying financial statements of the business-type activities and each major fund of the Hudson Housing Authority as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Hudson Housing Authority, 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.

Auditors' 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. 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 auditors' 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 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 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 respective financial position of the business-type activities and each major fund of the Hudson Housing Authority as of March 31, 2019, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Hudson Housing Authority has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Hick & Company, PC

Greenwood Village, Colorado
June 13, 2019



Basic Financial Statements

Hudson Housing Authority
Statement of Net Position
Proprietary Funds
March 31, 2019

	General	Prairie View	Total
Assets			
Current Assets			
Cash	\$ 71,990	\$ 24,964	\$ 96,954
Interfund Receivables	6,510	-	6,510
Utility Deposit	-	90	90
	78,500	25,054	103,554
Noncurrent Assets			
Restricted Cash	-	32,479	32,479
Capital Assets, Not Being Depreciated	-	11,500	11,500
Capital Assets, Net of Accumulated Depreciation	-	108,007	108,007
	-	151,986	151,986
Total Noncurrent Assets	-	151,986	151,986
Total Assets	\$ 78,500	\$ 177,040	\$ 255,540
Liabilities			
Current Liabilities			
Accounts Payable	\$ -	\$ 7,728	\$ 7,728
Interfund Payables	-	6,510	6,510
Tenant Security Deposits	-	6,008	6,008
Accrued Interest Payable, Current Portion	-	-	-
Loans Payable, Current Portion	-	6,186	6,186
	-	26,432	26,432
Total Current Liabilities	-	26,432	26,432
Long-term Liabilities			
Accrued Interest Payable	-	27,245	27,245
Loans Payable	-	520,272	520,272
	-	547,517	547,517
Total Long-term Liabilities	-	547,517	547,517
Total Liabilities	-	573,949	573,949
Net Position			
Net Investment in Capital Assets	-	(406,951)	(406,951)
Restricted for Repair and Replacement	-	32,479	32,479
Unrestricted	78,500	(22,437)	56,063
	78,500	(396,909)	(318,409)
Total Net Position	78,500	(396,909)	(318,409)
Total Liabilities and Net Position	\$ 78,500	\$ 177,040	\$ 255,540

See Notes to Financial Statements.

Hudson Housing Authority
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended March 31, 2019

	General	Prairie View	Total
Operating Revenues			
Rental	\$ -	\$ 70,172	\$ 70,172
Operating Grants	-	136,660	136,660
Management Fees	21,759	-	21,759
Other	-	1,934	1,934
	<u>21,759</u>	<u>208,766</u>	<u>230,525</u>
Total Operating Revenues			
	<u>21,759</u>	<u>208,766</u>	<u>230,525</u>
Operating Expenses			
General and Administrative	6,712	71,692	78,404
Utilities	-	34,805	34,805
Maintenance and Operations	-	87,776	87,776
Insurance and Benefits	-	5,147	5,147
Depreciation	-	19,415	19,415
	<u>6,712</u>	<u>218,835</u>	<u>225,547</u>
Total Operating Expenses			
	<u>6,712</u>	<u>218,835</u>	<u>225,547</u>
Net Operating Income (Loss)	<u>15,047</u>	<u>(10,069)</u>	<u>4,978</u>
Nonoperating Revenues (Expenses)			
Interest Income	32	246	278
Interest Expense	-	(8,119)	(8,119)
	<u>32</u>	<u>(7,873)</u>	<u>(7,841)</u>
Total Nonoperating Revenues (Expenses)			
	<u>32</u>	<u>(7,873)</u>	<u>(7,841)</u>
Change in Net Position	15,079	(17,942)	(2,863)
Net Position, Beginning of year	<u>63,421</u>	<u>(378,967)</u>	<u>(315,546)</u>
Net Position, End of year	<u>\$ 78,500</u>	<u>\$ (396,909)</u>	<u>\$ (318,409)</u>

Hudson Housing Authority
Statement of Cash Flows
Proprietary Funds
Increase (Decrease) in Cash
For the Year Ended March 31, 2019

	General	Prairie View	Total
Cash Flows from Operating Activities			
Cash Received from Tenants	\$ 21,759	\$ 72,864	\$ 94,623
Cash Received from Grants	-	136,660	136,660
Cash Received from Other Funds	(810)	810	-
Cash Payments to Employees and Commissioners	-	(54,553)	(54,553)
Cash Payments to Suppliers	(6,712)	(142,973)	(149,685)
	14,237	12,808	27,045
Net Cash Provided (Used) by Operating Activities			
Cash Flows from Capital and Related Financing Activities			
Capital Asset Acquisitions	-	(36,727)	(36,727)
Principal Payments on Loans	-	(18,530)	(18,530)
Interest Payments on Loans	-	(7,886)	(7,886)
	-	(63,143)	(63,143)
Net Cash Provided (Used) by Capital and Related Financing Activities			
Cash Flows from Investing Activities			
Interest Received	32	246	278
	32	246	278
Net Increase (Decrease) in Cash	14,269	(50,089)	(35,820)
Cash, Beginning of year	57,721	107,532	165,253
Cash, End of year	\$ 71,990	\$ 57,443	\$ 129,433
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Net Operating Income (Loss)	\$ 15,047	\$ (10,069)	\$ 4,978
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	-	19,415	19,415
Changes in Assets and Liabilities			
Interfund Receivables and Payables	(810)	810	-
Accounts Payable	-	1,894	1,894
Tenant Security Deposits	-	758	758
	-	758	758
Net Cash Provided (Used) by Operating Activities	\$ 14,237	\$ 12,808	\$ 27,045

Hudson Housing Authority

Notes to Financial Statements

March 31, 2019

Note 1: Summary of Significant Accounting Policies

The Hudson Housing Authority (the Authority) was formed in 1979 to acquire, construct, and operate a 20-unit apartment complex for low-income seniors located in the Town of Hudson, Colorado.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the Authority, organizations for which the Authority is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Authority. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. Legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Authority.

Based on the application of this criteria, the Authority does not include additional organizations within its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses funds to report its financial position and activities. Fund accounting is designed to segregate transactions related to certain functions or activities. All of the Authority's funds are classified as enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where fees are charged to external users for goods and services.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Hudson Housing Authority

Notes to Financial Statements

March 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

When both restricted and unrestricted resources are available for a specific use, it is the Authority's practice to use restricted resources first, and unrestricted resources as needed.

Major individual funds are reported as separate columns in the financial statements. The Authority reports the following major proprietary funds:

The *General Fund* accounts for the general administration and operations of the Authority.

The *Prairie View Apartments Fund* is used to account for the activities of Prairie View Apartments, a 20-unit senior housing apartment complex.

Assets, Liabilities and Net Position

Interfund Receivables and Payables - During the course of operations, certain transactions occur between the individual funds. The resulting receivables and payables are classified in the statement of net position as *interfund receivables* and *interfund payables*.

Capital Assets - Capital assets, which include land, buildings and equipment, are recorded at cost. The Authority capitalizes all assets with an initial, individual cost of \$5,000 or more, and a useful life in excess of one year. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives of the assets.

Land Improvements	40 years
Buildings	40 years
Building Improvements	15 - 25 years
Equipment and Vehicles	7 - 15 years

Net Position - Net position is restricted when constraints placed on the use of resources are externally imposed.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

Accountability

At March 31, 2019, the Prairie View Apartments Fund had a deficit net position of \$396,909. Revenues of the property have not historically been sufficient to cover operating costs, in addition to depreciation and interest accrued on the HUD loans.

Hudson Housing Authority
Notes to Financial Statements
March 31, 2019

Note 3: Cash and Investments

Cash at March 31, 2019, consisted of the following:

Bank Deposits	\$ 96,954
Cash Held by Third Parties	<u>32,479</u>
Total	<u>\$ 129,433</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial 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 uninsured deposits.

The Authority is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, concentration and custodial risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

- Obligations of the United States and certain U.S. Agency securities
- 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

The Authority had no investments at March 31, 2019.

Restricted Cash

At March 31, 2019, the Colorado Housing and Finance Authority held cash of \$32,479 on behalf of the Authority, representing the reserve for replacements required by the HUD loan agreements (See Note 6).

Note 4: Interfund Balances

At March 31, 2019, the Prairie View Apartments Fund owed the General Fund \$6,510, representing earned management fees.

Hudson Housing Authority
Notes to Financial Statements
March 31, 2019

Note 5: Capital Assets

Capital asset activity for the year ended March 31, 2019, is summarized below.

	<u>Balance 3/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/19</u>
Prairie View Apartments Fund				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 11,500	\$ -	\$ -	\$ 11,500
<i>Capital Assets, being depreciated</i>				
Land Improvements	70,661	11,980	-	82,641
Buildings	614,908	24,747	-	639,655
Equipment and Fixtures	59,387	-	(1,079)	58,308
Vehicles	27,194	-	-	27,194
Total Capital Assets, being depreciated	<u>772,150</u>	<u>36,727</u>	<u>(1,079)</u>	<u>807,798</u>
<i>Less: Accumulated Depreciation</i>				
Land Improvements	(61,602)	(2,433)	-	(64,035)
Buildings	(533,272)	(16,982)	-	(550,254)
Equipment and Fixtures	(59,387)	-	1,079	(58,308)
Vehicles	(27,194)	-	-	(27,194)
Total Accumulated Depreciation	<u>(681,455)</u>	<u>(19,415)</u>	<u>1,079</u>	<u>(699,791)</u>
Capital Assets, being depreciated, net	<u>90,695</u>	<u>17,312</u>	<u>-</u>	<u>108,007</u>
Capital Assets, Net	<u>\$ 102,195</u>	<u>\$ 17,312</u>	<u>\$ -</u>	<u>\$ 119,507</u>

Note 6: Long-term Debt

A summary of long-term debt activity for the year ended March 31, 2019, is presented below:

	<u>Balance 3/31/18</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 3/31/19</u>	<u>Due Within One Year</u>
Prairie View Apartments Fund					
CHFA Loan	\$ 20,634	\$ -	\$ (1,065)	\$ 19,569	\$ 1,098
HUD Restructuring Loan	432,460	-	(17,465)	414,995	5,088
HUD Restructuring Loan	91,894	-	-	91,894	-
	<u>\$ 544,988</u>	<u>\$ -</u>	<u>\$ (18,530)</u>	<u>\$ 526,458</u>	<u>\$ 6,186</u>

During 2003, the Authority obtained a loan from the Colorado Housing and Finance Authority (CHFA) in the amount of \$33,000. Proceeds of the loan were used to rehabilitate the Prairie View Apartments. Monthly principal and interest payments of \$139 are due on the loan through September 1, 2033. Interest accrues at the rate of 3% per annum.

Hudson Housing Authority
Notes to Financial Statements
March 31, 2019

Note 6: Long-term Debt (Continued)

Following is a summary of the debt service requirements to maturity.

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,098	\$ 572	\$ 1,670
2021	1,128	542	1,670
2022	1,165	505	1,670
2023	1,201	469	1,670
2024	7,387	963	8,350
2025 - 2029	<u>7,590</u>	<u>760</u>	<u>8,350</u>
Total	<u>\$ 19,569</u>	<u>\$ 3,811</u>	<u>\$ 23,380</u>

On August 20, 2003, the Authority entered into two mortgage restructuring loan agreements with the U. S. Department of Housing and Urban Development (HUD) for \$649,763 and \$91,894. The loans accrue interest at 1.5% per annum. Principal and interest payments on the first loan are due annually on July 10 if the property generates surplus cash. All principal and accrued interest on the second loan and any remaining principal and accrued interest on the first loan are due on September 1, 2033.

Note 7: 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. For these risks of loss, the Authority, through the Town of Hudson, participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provisions of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

Hudson Housing Authority
Notes to Financial Statements
March 31, 2019

Note 7: Risk Management (Continued)

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the Authority does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA.

Note 8: Commitments and Contingencies

Claims and Judgements

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. At March 31, 2019, significant amounts of grant expenses have not been audited, but the Authority believes that subsequent audits will not have a material effect on the overall financial position of the Authority.

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. However, management believes the Authority is exempt from the provisions of the Amendment.