

**HOUSING AUTHORITY OF THE
CITY OF JULESBURG, COLORADO**

FINANCIAL STATEMENTS

December 31, 2019

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Julesburg
Julesburg, Colorado

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Julesburg, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Julesburg, 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 3 – 8 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Julesburg, Colorado's basic financial statements. The schedule of operating expenses and the U.S. Department of Housing and Urban Development Supplementary Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating 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 my opinion, the schedule of expenses by program 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.

Steven Plutt, CPA

July 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

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

The following discussion and analysis of the financial statements of the Housing Authority of the City of Julesburg, 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 consisting of 52 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing & 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 decline as grant funding continues to decrease.

- Total Net Position was \$1,060,72 at December 31, 2019, an increase of \$12,341 or 1.18% from the \$1,047,931 reported at December 31, 2018.
- Public Housing Annual Contributions for 2019 were \$117,118 representing an increase in the amount of \$40,859 from fiscal year 2018 funding of \$76,259.
- Capital Grants for 2019 were \$108,481 representing an increase in the amount of \$15,820 from fiscal year 2018 funding of \$92,661.
- Total Cash and Cash Equivalents were \$208,708 in 2019 and \$100,205 at December 31, 2018 a increase of \$108,503.
- Total Capital Assets, Net decreased \$66,134 from \$964,824 in 2018 to \$898,690 at December 31, 2019. This was the result of the addition of Building Improvements of \$32,810, Equipment of \$17,458 and the recording of Depreciation Expense of \$116,402.

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.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

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

The **statement of net position** presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 assets that do 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 equivalent 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.

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 OF THE CITY OF JULESBURG, COLORADO

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

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 \$1,060,272. This amount is broken down to \$898,690 that is invested in capital assets, and \$161,582 that is unrestricted. Capital Assets, Net represent the largest portion of assets at \$898,690. Cash represent the next largest portion of assets at \$208,708. The increase in cash is due to the proceeds from HUD Capital Grants, HUD Operating Grants and an increase in other revenues received in 2019.

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	\$ 228,417	20.3%	\$ 120,721	11.1%
Capital Assets	898,690	79.7%	964,824	88.9%
Total Assets	1,127,107	100.0%	1,085,545	100.0%
LIABILITIES				
Current Liabilities	64,005	5.7%	35,002	3.2%
Noncurrent Liabilities	2,830	0.3%	2,612	0.2%
Total Liabilities	66,835	5.9%	37,614	3.5%
NET POSITION				
Net Investment in Capital Asset	898,690	79.7%	964,824	88.9%
Unrestricted	161,582	14.3%	83,107	7.7%
Total Net Position	\$ 1,060,272	94.1%	\$ 1,047,931	96.5%

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

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

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<u>2019</u>		<u>2018</u>	
OPERATING REVENUE				
Rental	\$ 210,899	45.9%	\$ 187,113	58.8%
Grants	225,599	49.1%	168,920	53.1%
Other	22,525	4.9%	18,785	5.9%
GENERAL REVENUE				
Interest	170	0.0%	128	0.0%
Other	-	0.0%	(56,594)	-17.8%
Total Revenue	<u>459,193</u>	<u>100.0%</u>	<u>318,352</u>	<u>100.0%</u>
EXPENSES				
Operating, less Depreciation	330,450	74.0%	333,874	74.3%
Depreciation	116,402	26.0%	115,688	25.7%
Total Expenses	<u>446,852</u>	<u>100.0%</u>	<u>449,562</u>	<u>100.0%</u>
Change in Net Position	12,341	1.2%	(131,210)	-11.1%
Net Position, Beginning	<u>1,047,931</u>	<u>100.0%</u>	<u>1,179,141</u>	<u>100.0%</u>
Net Position, Ending	<u>\$ 1,060,272</u>	<u>101.2%</u>	<u>\$ 1,047,931</u>	<u>88.9%</u>

As noted in the table above, rental income increased by \$23,786. The number of units leased in Public Housing was 590 monthly units out of an available 620 monthly units an increase 18 monthly units of. The increase was a result of a increase in monthly rental units and minimum rental rates.

HUD Program contributions consist of Public Housing operating subsidy, capital funds grant used for non-capital purposes and rental assistance. Public Housing operating subsidy revenue increased \$40,859 in 2019 over 2018. Operating subsidy is based on a HUD formula that relies heavily on historic income and utility expenses and is subject to a pro-ration factor based on available funding. Public Housing capital funds grant revenue increased \$15,820 in 2019 over 2018.

Operating expenses decreased by \$2,710 or 0.60%. Within the decrease, administrative expense increased \$3,474 or 4.31%, utilities decreased by \$1,042 or 1.20%, maintenance decreased \$4,393 or 3.31%, insurance increased by \$2,650 or 12.54%, other general expense decreased \$3,890 or 31.49%, depreciation expense increased \$714 or 0.62%.

HUD capital contributions were \$110,895 for the year ended December 31, 2019. The Authority is allocated capital grant money each year as determined by HUD based on the Authority's number of units. The amount presented will vary from year to year depending on the timing of projects as outlined in the HUD approved capital grant budget. Capital grants expended were \$92,661.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

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

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

Capital Assets

During 2019 there was \$50,268 in additions to capital assets. The additions were for deck upgrades, patio walls, refurbishing units, storage cabinets, storage room and a mower. Further information on the Authority's capital assets can be found in Notes 1 and 6 in the notes to financial statements.

CAPITAL ASSETS				
	Balance 12/31/18	Additions	Retirements	Balance 12/31/19
Non-Depreciable Assets				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Depreciable Assets				
Buildings and Improvements	3,040,238	32,810	-	3,073,048
Equipment - Dwellings	31,012	-	-	31,012
Equipment - Administration	75,170	17,458	16,050	76,578
Total Depreciable Assets	3,146,420	50,268	16,050	3,180,638
Total Capital Assets	3,156,420	50,268	16,050	3,190,638
Accumulated Depreciation				
Buildings and Improvements	2,115,753	111,017	-	2,226,770
Equipment - Dwellings	17,171	3,093	-	20,264
Equipment - Administration	58,672	2,292	16,050	44,914
Total Accumulated Depreciation	2,191,596	116,402	16,050	2,291,948
Depreciable Assets Net	954,824	(66,134)	-	888,690
Net Capital Assets	\$ 964,824	\$ (66,134)	\$ -	\$ 898,690

Debt Administration

The Housing Authority has no debt.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

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

Economic Factors and Future Plans for 2019

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2020 budget. In the year to come the Authority plans on continuing to provide an opportunity for a healthy, affordable, decent and safe living environment for the community through its programs. The Public Housing Program will continue with scheduled preventive and regular maintenance to maintain the properties and fund planned rehabilitation projects with Capital funds that will be expended on the dwelling units. Additional repairs will be made from the remaining balance of insurance proceeds. Rental charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on rental income, other income and utility consumption and costs. The amount of funding is also established and approved by HUD. In projecting the amount of rental income, the Authority considered prior year rental income and occupancy rates. The operating expenses are expected to increase by the economy's inflation rate.

In December 2019, a novel strain of coronavirus, COVID-19, was reported in Wuhan, China. In March 2020, the World Health Organization recognized COVID-19 as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity around the world. In response to COVID-19 outbreak, the governments of many countries, states, cities, and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to shelter in place. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily or restricted access to business premises. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited through additional voluntary or mandated closures. The situation surrounding COVID-19 did not directly impact the Authority, since it did not lead to closure of the rental units.

Requests for Information

The financial report is designed to provide a general overview of Housing Authority of the City of Julesburg, 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 City of Julesburg
Alice Osborn, Executive Director
520 West 9th
Julesburg, Colorado 80737

BASIC FINANCIAL STATEMENTS

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HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2019

(With Comparative Actual Amounts at December 31, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash	\$ 186,240	\$ 81,494
Accounts Receivable:		
Tenants - Dwelling Rents	2,143	4,432
Allowance for Doubtful Accounts - Dwelling Rents	-	(1,460)
Prepaid Assets	11,802	11,540
Materials Inventory	5,764	6,004
Total Current Assets	205,949	102,010
Noncurrent Assets		
Cash - Restricted	22,468	18,711
Capital Assets Not Being Depreciated	10,000	10,000
Capital Assets, net of Depreciation	888,690	954,824
Total Noncurrent Assets	921,158	983,535
Total Assets	1,127,107	1,085,545
LIABILITIES		
Current Liabilities		
Accounts Payable	18,699	6,274
Accrued Wage and Related Liabilities	9,982	8,211
Accrued Compensated Absences - Current	943	871
Tenant Security Deposits	22,468	18,711
Deferred Revenue	11,913	935
Total Current Liabilities	64,005	35,002
Noncurrent Liabilities		
Compensated Absences Due Beyond One Year	2,830	2,612
Total Liabilities	66,835	37,614
NET POSITION		
Net Investment in Capital Assets	898,690	964,824
Unrestricted Net Position	161,582	83,107
Total Net Position	\$ 1,060,272	\$ 1,047,931

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**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	\$ 210,899	\$ 187,113
Other Tenant Revenue	<u>22,550</u>	<u>18,560</u>
Tenant Revenue	233,449	205,673
HUD Operating Contributions and Grants	117,118	76,259
Other Revenue	<u>(25)</u>	<u>225</u>
Total Revenue	<u>350,542</u>	<u>282,157</u>
OPERATING EXPENSES		
Administrative	84,035	80,561
Tenant Services	125	348
Utilities	85,601	86,643
Maintenance & Operations	128,436	132,829
Insurance Premiums	23,788	21,138
Other General Expense	8,465	12,355
Depreciation Expense	<u>116,402</u>	<u>115,688</u>
Total Operating Expenses	<u>446,852</u>	<u>449,562</u>
OPERATING INCOME (LOSS)	<u>(96,310)</u>	<u>(167,405)</u>
OTHER INCOME		
HUD Capital Grants	108,481	92,661
Investment Income - Unrestricted	170	128
Insurance Proceeds	<u>-</u>	<u>(56,594)</u>
Total Other Income	<u>108,651</u>	<u>36,195</u>
CHANGE IN NET POSITION	12,341	(131,210)
NET POSITION, Beginning	<u>1,047,931</u>	<u>1,179,141</u>
NET POSITION, Ending	<u>\$ 1,060,272</u>	<u>\$ 1,047,931</u>

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

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	\$ 234,278	\$ 204,794
Receipts from HUD	117,118	76,259
Receipts from Others	10,953	369
Tenant Security Deposits	3,757	(2,756)
Payments to Employees	(133,695)	(127,946)
Payments to Suppliers	<u>(182,291)</u>	<u>(112,433)</u>
Net Cash (Used) by Operating Activities	<u>50,120</u>	<u>38,287</u>
Cash Flows from Noncapital Financing Activities		
Other Non-operating Revenues	<u>-</u>	<u>(56,594)</u>
Cash Flows from Capital and Related Financing Activities		
HUD Capital Grants	108,481	92,661
Acquisition of Capital Assets	<u>(50,268)</u>	<u>(104,745)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>58,213</u>	<u>(12,084)</u>
Cash Flows from Investing Activities		
Earnings on Investments	170	128
Net Change in Cash	108,503	(30,263)
CASH, Beginning	<u>100,205</u>	<u>130,468</u>
CASH, Ending	<u>\$ 208,708</u>	<u>\$ 100,205</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating Income (Loss)	\$ (96,310)	\$ (167,405)
Depreciation	116,402	115,688
Changes in operating assets and liabilities:		
Accounts Receivable	829	(879)
Prepaid Expenses	(262)	(1,216)
Materials Inventory	240	-
Due from Other Governments	-	90,154
Accounts Payable	12,425	292
Accrued Salaries and Benefits	1,771	3,931
Accrued Compensated Absences	290	334
Tenant Security Deposits	3,757	(2,756)
Deferred Revenue	<u>10,978</u>	<u>144</u>
Net Cash (Used) by Operating Activities	<u>\$ 50,120</u>	<u>\$ 38,287</u>

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

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority was created under the laws of the State of Colorado. The purpose of the Authority is to administer the Housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. The Federal Government through the U.S. Department of Housing and Urban Development (HUD) subsidizes these programs. The Department of Housing and Urban Development has direct responsibility for the administering of low-income housing programs. The Housing Authority has entered into an annual contribution contract with the Department of Housing and Urban Development for the funding of these programs through annual contributions and subsidies.

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 following program is administered by the Housing Authority:

Public Housing Program - This program consists of 52 public housing units. Under this program, HUD provides funding through an annual contribution contract. These funds, along with dwelling rental income received from the tenants, are used to maintain the dwelling units. Included within this program are the Capital Fund grants which provide funding for the modernization and improvement of the Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE 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 position. Net position (assets less liabilities) are segregated into net invested in capital assets, 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.

The Housing Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

A Statement of Net Position provides information about the assets, liabilities, and net position of the Authority at the end of the year. Assets and liabilities are classified as current, noncurrent, or other assets. Net position is classified according to availability of assets to satisfy the Authority's obligations. Net invested in capital assets represents that value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Restricted net position represents resources that have been externally restricted for specific purposes. Unrestricted net position, include all other net position, including those that have been designated by management to be used for other than general operating purposes.

A Statement of Revenues, Expenses and Changes in Net Position provide information about the Authority's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions.

Operating revenues and expenses generally result from providing services in connection with providing low income housing. Accordingly, revenue such as dwelling rent, operating grants and subsidies from HUD, and other tenant charges are considered to be operating revenues. Other revenues, such as interest income and capital contributions provided for building improvement projects or equipment purchases, are considered to be nonoperating revenues. Operating expenses include: administrative, maintenance, utilities, tenant services, depreciation on capital assets, and other general expenses.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019**

A Statement of Cash Flow provides information about the Authority's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating activities, non-capital financing, and capital financing or investing.

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 account are proven to be uncollectible. No allowance has been provided 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.

Materials inventory - Inventory balances consist of supplies that are recorded at the lower of cost or market on a first-in first-out basis.

Capital assets - All capital assets with a unit cost greater than \$1,000 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:

	<u>Estimated Useful Lives</u>
Buildings and Improvements	10 – 40 years
Furniture and Fixtures	5 – 7 years
Equipment	3 – 10 years

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

Compensated absences - The Authority's personnel policies permit employees to carryover and receive vacation or sick leave benefits upon request.

Vacation leave for full time permanent employees will be earned and accumulated on a per month basis, based on at least a 24-hour work week. New employees (one year of employment) accrue one week (24hrs) based on at least a 24-hour work week. Year 2 through 9 years employment two weeks (48hrs) based on at least a 24-hour workweek. Ten years or longer of employment- three weeks (72hrs) based on at least a 24-hour work week. Vacation hours earned each year must be taken within the calendar year. Hours not used will be forfeited. Employees who are terminated or resign will be paid for any earned vacation time.

Sick Leave - Full-time employees receive four hours of sick leave per month; any unused portion at year end is treated as accumulated sick leave. Sick leave may accrue up to a maximum of 240 hours. Accumulated sick leave will be paid upon separation after five years at the rate of one day per each four days accumulated. No accumulated sick leave will be paid in cases where employees are discharged.

A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place. This liability has been recorded in the financial statements pursuant to GASB Statement No. 16, "Accounting for Compensated Absences."

Net position - Net position represent the difference between assets and liabilities. Net investment in capital assets consist 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. Net assets are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors (such as through debt covenants), grantors or laws or regulations of other governments. Unrestricted Net Position - All other assets net assets that do not meet the definition, of "restricted" or "invested in capital assets, net of related debt".

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 deferred revenue.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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.

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.

Postemployment Benefits Other Than Pensions (OPES) - OPES benefits are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Authority has not incurred, adopted a plan or obligated resources to other postemployment benefits as defined in GASS Statement No. 45.

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 prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

Budget compared to actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board. This budget does not represent an appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board; therefore, budgetary data and presentation is not legally required. Therefore, budgetary information is not presented in the financial statements.

Leasing Activities (as Lessor) - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Incomes associated with these leases are recorded in the financial statements and schedules as "Rental income". Rental income per resident generally remains consistent from year to year, but is affected by general economic conditions which impact personal income, such as local job availability.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 2: CASH AND INVESTMENTS

A summary of the Authority's cash at December 31, 2019 follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured Deposits	\$ 208,904	\$ 208,383
Change Fund Cash	-	100
Petty Cash	-	225
Total Cash	<u>\$ 208,904</u>	<u>\$ 208,708</u>
Unrestricted Cash		\$ 186,240
Restricted - Tenant Deposits		<u>22,468</u>
Total Cash		<u>\$ 208,708</u>

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 \$208,904 were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

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:

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019**

- 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.

NOTE 3: ACCOUNTS RECEIVABLE

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

Tenants	\$ 2,143
Allowance for Doubtful Accounts - Dwelling Rents	<u>-</u>
Total	<u>\$ 2,143</u>

NOTE 4: PREPAID EXPENSES

Prepaid expenses as presented in the Statement of Net Position at December 31, 2019 consisted of prepaid insurance in the amount of \$11,802.

NOTE 5: MATERIALS INVENTORY

A summary of materials inventory as presented in the Statement of Net Position at December 31, 2019 is as follows:

Materials inventory	\$ 5,764
Allowance for obsolete inventory	<u>-</u>
Total	<u>\$ 5,764</u>

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/19</u>
Non-Depreciable Assets				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Depreciable Assets				
Buildings and Improvements	3,040,238	32,810	-	3,073,048
Equipment - Dwellings	31,012	-	-	31,012
Equipment - Administration	75,170	17,458	16,050	76,578
Total Depreciable Assets	<u>3,146,420</u>	<u>50,268</u>	<u>16,050</u>	<u>3,180,638</u>
Total Capital Assets	<u>3,156,420</u>	<u>50,268</u>	<u>16,050</u>	<u>3,190,638</u>
Accumulated Depreciation				
Buildings and Improvements	2,115,753	111,017	-	2,226,770
Equipment - Dwellings	17,171	3,093	-	20,264
Equipment - Administration	58,672	2,292	16,050	44,914
Total Accumulated Depreciation	<u>2,191,596</u>	<u>116,402</u>	<u>16,050</u>	<u>2,291,948</u>
Depreciable Assets Net	<u>954,824</u>	<u>(66,134)</u>	<u>-</u>	<u>888,690</u>
Net Capital Assets	<u>\$ 964,824</u>	<u>\$ (66,134)</u>	<u>\$ -</u>	<u>\$ 898,690</u>

NOTE 7: ACCRUED COMPENSATED ABSENCES

A summary of accrued compensated absences as presented in the Statement of Net Assets as of December 31, 2019 is as follows:

	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/19</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 3,483</u>	<u>\$ 8,211</u>	<u>\$ 7,921</u>	<u>\$ 3,773</u>	<u>\$ 943</u>

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 8: 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 9: 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.

NOTE 10: ECONOMIC DEPENDENCY

The Housing Authority is economically dependent on annual contributions and grants received from HUD. The extent of this funding from HUD depends upon appropriations from the federal level.

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 Operating 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.

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HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**SCHEDULE OF OPERATING EXPENSES
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 EXPENSES		
Administrative		
Administrative Salaries	\$ 58,387	\$ 55,712
Auditing Fees	4,000	4,000
Advertising and Marketing	2,196	1,622
Employee Benefit Contributions	6,249	6,106
Office Expenses	5,861	6,286
Legal Expense	-	412
Travel	1,898	1,146
Other	5,444	5,277
Total Administrative	<u>84,035</u>	<u>80,561</u>
Tenant Services		
Tenant Services - Other	<u>125</u>	<u>348</u>
Utilities		
Water	19,303	20,014
Electricity	29,051	27,533
Gas	18,080	20,427
Sewer	19,167	18,669
Total Utilities	<u>85,601</u>	<u>86,643</u>
Maintenance & Operations		
Labor	69,158	67,901
Materials	15,748	18,647
Contracts	38,220	41,398
Maintenance	5,310	4,883
Total Maintenance & Operations	<u>128,436</u>	<u>132,829</u>
Insurance Premiums		
Property Insurance	18,667	17,217
Liability Insurance	2,115	2,030
Workmen's Compensation	2,964	1,873
All Other Insurance	42	18
Total Insurance Premiums	<u>23,788</u>	<u>21,138</u>
Other General Expense		
Compensated Absences	8,211	8,598
Bad debt - Tenant Rents	254	3,757
Total Other General Expenses	<u>8,465</u>	<u>12,355</u>
Total Operating Expenses	<u>330,450</u>	<u>333,874</u>
Non-Operating Expenses		
Depreciation Expense	<u>116,402</u>	<u>115,688</u>
Total Non-Operating Expenses	<u>116,402</u>	<u>115,688</u>
Total Expenses	<u>\$ 446,852</u>	<u>\$ 449,562</u>

See the accompanying Independent Auditors' Report.

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

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

Line Item No.	Description	Total Public		Total
		Housing	Eliminations	
111	Cash - Unrestricted	\$ 186,240	\$ -	\$ 186,240
114	Cash - Tenant Security Deposits	22,468	-	22,468
100	Total Cash	208,708	-	208,708
126	Accounts Receivable - Tenants	2,143	-	2,143
120	Total Receivables, Net of Allowances for Doubtful Accounts	2,143	-	2,143
142	Prepaid Expenses and Other Assets	11,802	-	11,802
143	Inventories	5,764	-	5,764
150	Total Current Assets	228,417	-	228,417
161	Land	10,000	-	10,000
162	Buildings	3,073,048	-	3,073,048
163	Furniture, Equipment & Machinery - Dwellings	31,012	-	31,012
164	Furniture, Equipment & Machinery - Administration	76,578	-	76,578
166	Accumulated Depreciation	(2,291,948)	-	(2,291,948)
160	Total Capital Assets, Net of Accumulated Depreciation	898,690	-	898,690
180	Total Non-Current Assets	898,690	-	898,690
190	Total Assets	\$1,127,107	\$ -	\$1,127,107
312	Accounts Payable <= 90 Days	\$ 18,699	\$ -	18,699
321	Accrued Wage/Payroll Taxes Payable	9,982	-	9,982
322	Accrued Compensated Absences - Current Portion	943	-	943
341	Tenant Security Deposits	22,468	-	22,468
342	Deferred Revenues	11,913	-	11,913
310	Total Current Liabilities	64,005	-	64,005
354	Accrued Compensated Absences - Non Current	2,830	-	2,830
350	Total Non-Current Liabilities	2,830	-	2,830
300	Total Liabilities	66,835	-	66,835
508.1	Invested In Capital Assets, Net of Related Debt	898,690	-	898,690
512.1	Unrestricted Net Assets	161,582	-	161,582
513	Total Equity/Net Assets	1,060,272	-	1,060,272
600	Total Liabilities and Equity/Net Assets	\$1,127,107	\$ -	\$1,127,107

(CONTINUED)

HOUSING AUTHORITY OF THE CITY OF JULESBURG, COLORADO

**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	\$ 210,899	\$ -	\$ 210,899	\$ -	\$ 210,899
70400	Tenant Revenue - Other	22,550	-	22,550	-	22,550
70500	Total Tenant Revenue	233,449	-	233,449	-	233,449
70600	HUD PHA Operating Grants	117,118	-	117,118	-	117,118
70610	Capital Grants	-	108,481	108,481	-	108,481
71100	Investment Income - Unrestricted	170	-	170	-	170
71500	Other Revenue	(25)	-	(25)	-	(25)
70000	Total Revenue	350,712	108,481	459,193	-	459,193
91100	Administrative Salaries	58,387	-	58,387	-	58,387
91200	Auditing Fees	4,000	-	4,000	-	4,000
91400	Advertising and Marketing	2,196	-	2,196	-	2,196
91500	Employee Benefit contributions - Administrative	6,249	-	6,249	-	6,249
91600	Office Expenses	5,861	-	5,861	-	5,861
91800	Travel	1,898	-	1,898	-	1,898
91900	Other	5,444	-	5,444	-	5,444
91000	Total Operating - Administrative	84,035	-	84,035	-	84,035
92400	Tenant Services - Other	125	-	125	-	125
92500	Total Tenant Services	125	-	125	-	125
93100	Water	19,303	-	19,303	-	19,303
93200	Electricity	29,051	-	29,051	-	29,051
93300	Gas	18,080	-	18,080	-	18,080
93600	Sewer	19,167	-	19,167	-	19,167
93000	Total Utilities	85,601	-	85,601	-	85,601
94100	Ordinary Maintenance and Operations - Labor	69,158	-	69,158	-	69,158
94200	Ordinary Maintenance and Operations - Materials and Other	15,748	-	15,748	-	15,748
94300	Ordinary Maintenance and Operations Contracts	38,220	-	38,220	-	38,220
94500	Employee Benefit Contributions - Ordinary Maintenance	5,310	-	5,310	-	5,310
94000	Total Maintenance	128,436	-	128,436	-	128,436
96110	Property Insurance	18,667	-	18,667	-	18,667
96120	Liability Insurance	2,115	-	2,115	-	2,115
96130	Workmen's Compensation	2,964	-	2,964	-	2,964
96140	All Other Insurance	42	-	42	-	42
96100	Total insurance Premiums	23,788	-	23,788	-	23,788
96210	Compensated Absences	8,211	-	8,211	-	8,211
96400	Bad debt - Tenant Rents	254	-	254	-	254
96000	Total Other General Expenses	8,465	-	8,465	-	8,465
96900	Total Operating Expenses	330,450	-	330,450	-	330,450
97000	Excess of Operating Revenue over Operating Expenses	20,262	108,481	128,743	-	128,743
97400	Depreciation Expense	116,402	-	116,402	-	116,402
90000	Total Expenses	446,852	-	446,852	-	446,852
10010	Operating Transfer In	108,481	-	108,481	(108,481)	-
10020	Operating transfer Out	-	(108,481)	(108,481)	108,481	-
10100	Total Other financing Sources (Uses)	108,481	(108,481)	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	\$ 12,341	\$ -	\$ 12,341	\$ -	\$ 12,341
11030	Beginning Equity	1,047,931	-	1,047,931	-	1,047,931
11190	Unit Months Available	620	-	620	-	620
11210	Number of Unit Months Leased	590	-	590	-	590
11270	Excess Cash	40,353	-	40,353	-	40,353
11620	Building Purchases	32,810	-	32,810	-	32,810
11640	Furniture & Equipment - Administrative Purchases	17,458	-	17,458	-	17,458

See the accompanying Independent Auditors' Report.

**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 City of Julesburg
Julesburg, Colorado

I 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 City of Julesburg, 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 City of Julesburg, Colorado's basic financial statements and have issued my report thereon dated July 31, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Julesburg, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Julesburg, Colorado's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Julesburg, 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 City of Julesburg, Colorado's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

Steven Plutt, CPA

July 31, 2020

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