

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA

AUDITED FINANCIAL STATEMENTS

Cortez, Colorado

December 31, 2019

Goldie Roberts

Certified Public Accountant

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HOUSING AUTHORITY
OF THE COUNTY OF
MONTEZUMA

Cortez, Colorado
DECEMBER 31, 2019

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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Montezuma
37 North Madison
Cortez, CO 81321-3301

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the County of Montezuma ("the Authority") which comprise the Statement of Net Position as of December 31, 2019, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of the County of Montezuma's 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 an opinion 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 Authority'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 Authority'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 opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the County of Montezuma as of December 31, 2019, and the 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 i through v be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals and Audit Requirements for Federal Awards*, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

In regard to, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents, such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 5, 2020 on my consideration of the Housing Authority of the County of Montezuma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 County of Montezuma's internal control over financial reporting and compliance.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
March 5, 2020

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

Management's Discussion and Analysis
December 31, 2019

Introduction

This Management's Discussion and Analysis (MD&A) of the Housing Authority of the County of Montezuma (Authority) provides an introduction and overview to the financial statements of the Housing Authority of the County of Montezuma for the fiscal year ended December 31, 2019. The Housing Authority of the County of Montezuma presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2019, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Housing Authority of the County of Montezuma. The information contained herein should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority's enterprise fund consists of several programs as follows:

- The Low Rent Program consists of 31 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula.
- The Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Authority to provide capital improvements for the current dwelling structures and assist in their operations.
- The Housing Choice Voucher Program provides rental assistance to aid low income families in affording decent, safe, and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The Authority currently has 262 units available. Funds are provided by HUD to provide rental assistance payments. The authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis.
- The Section 8 New Construction Program is a 28 unit project based apartment complex that HUD has entered into a contract to provide Housing Assistance Payments (HAP) to the program for these specific units. Tenants typically pay rent which is 30% of their adjusted gross income. The remaining portion of the contract rent is provided by HUD in the form of rental assistance.
- The Management Program is a program designed to provide management services to other agency programs that provide housing for low income tenants.
- Blended Component Unit – The Authority has created two non-profit corporations titled Housing Development for Southwest Colorado and Montezuma Housing Investment LLC that are used for the purposes of applying for and administration of miscellaneous grants and Operating Agreements. The Authority and Housing Development for Southwest Colorado are the owners of two 30 unit tax credit projects. The Authority holds mortgages receivable for and is an investor in Sleeping Ute, LLC.

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements as follows:

- The Statement of Net Position
- The Statement of Revenues, Expenses and Changes in Fund Net Position
- The Statement of Cash Flows

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

Management's Discussion and Analysis
December 31, 2019
(Continued)

The **Statement of Net Position** presents information on the assets and liabilities, with the differences between the two being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation 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 Fund Net Position** reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended December 31, 2019, to determine the change in net Position for the fiscal year.

- Total Revenues decreased from \$3,040,498 to \$2,937,383 a decrease of \$103,115.
- Total expenses Increased by \$77,393 from \$2,704,728 to \$2,782,121 for the current year.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the two years ended December 31, 2019 and 2018 are summarized below:

Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the two years ended December 31, 2019 and 2018 are summarized below:

Summary Statement of Net position

Category	FYE 2019	FYE 2018	Change
Current Assets	\$ 2,091,412	\$ 2,149,091	\$ (57,679)
Non Current Assets	1,295,771	1,296,554	(783)
Capital Assets (Net of Depreciation)	<u>4,510,397</u>	<u>4,372,179</u>	<u>138,218</u>
Total Assets	<u>7,897,580</u>	<u>7,817,824</u>	<u>79,756</u>
Current Liabilities	343,968	378,688	(34,720)
Long Term Liabilities	<u>1,097,774</u>	<u>1,138,560</u>	<u>(40,786)</u>
Total Liabilities	<u>1,441,742</u>	<u>1,517,248</u>	<u>(75,506)</u>
Unrestricted	3,128,389	3,154,170	(25,781)
Restricted	0	7,213	(7,213)
Net Investment in Capital Assets	<u>3,327,449</u>	<u>3,139,193</u>	<u>188,256</u>
Total Net Position	<u>\$ 6,455,838</u>	<u>\$ 6,300,576</u>	<u>\$ 155,262</u>

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

Management's Discussion and Analysis

December 31, 2019

(Continued)

Summary Statement of Revenues, Expenses and Changes in Fund Net Position

Category	FYE 2019	FYE 2018	Change \$
Tenant Revenue	\$ 678,112	\$ 652,579	\$ (25,533)
Operating Grants	1,894,494	1,831,283	(63,211)
Capital Grants	44,516	27,585	(16,931)
Interest Income	10,145	6,178	(3,967)
Other Revenue	<u>310,116</u>	<u>522,873</u>	<u>212,757</u>
Total Revenue	<u>2,937,383</u>	<u>3,040,498</u>	<u>103,115</u>
Administration	493,450	458,738	(34,712)
Tenant Services	0	92	92
Utilities	156,885	160,589	3,704
Ordinary Maintenance	321,313	321,209	(104)
Protective Services	15,084	5,795	(9,289)
General Expense	91,727	92,491	764
Housing Assistance Payments	1,338,691	1,304,426	(34,265)
Interest Expense	43,881	52,065	8,184
Depreciation	<u>321,090</u>	<u>309,323</u>	<u>(11,767)</u>
Total Expenses	<u>2,782,121</u>	<u>2,704,728</u>	<u>77,393</u>
Excess of Revenue over Expenses	155,262	335,770	180,508
Net Position, Beginning of Year	<u>6,300,576</u>	<u>5,964,806</u>	<u>335,770</u>
Net Position, End of Year	<u>\$ 6,455,838</u>	<u>\$ 6,300,576</u>	<u>\$ 155,262</u>

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants. The Authority's revenue decreased by \$103,115 during the current fiscal year. Noted changes in the revenue include the decreased interest income earned from the previous year due primarily to the decreased rates of return offered during the current year.

Significant changes noted in specific revenue classifications include:

- The Operating Grants increase is from the HAP subsidy adjustments.
- Other revenue decreased due to reduction in Grant funding
- HAP expenses increased due to funding allocation.
- General Expense increased due to insurance cost increasing

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

Management's Discussion and Analysis
December 31, 2019
(Continued)

Capital Assets

As of December 31, 2019, the Housing Authority of the County of Montezuma's investment in capital assets was \$4,510,397. This investment includes land, building, construction in progress, and equipment.

Category	FYE 2019	FYE 2018	Change
Land	\$ 1,085,978	\$ 1,085,978	\$ 0
Buildings	9,083,897	9,012,811	71,086
Equipment	358,189	352,510	5,679
Construction in Progress	<u>913,060</u>	<u>530,518</u>	<u>382,542</u>
Subtotal	11,441,124	10,981,817	459,307
Accumulated Depreciation	<u>(6,930,727)</u>	<u>(6,609,638)</u>	<u>(306,472)</u>
 Total Net Capital Assets	 <u>\$ 4,510,397</u>	 <u>\$ 4,372,179</u>	 <u>\$ 152,835</u>

The major capital expenditures during fiscal year 2019 were:

Security Equipment-upgrade	\$ 5,679
West 5 th Laundry, Windows School house	71,086
School House	<u>382,542</u>
Total	<u>\$ 459,307</u>

Debt Administration

Mortgage payable balance consists of the following:

<u>Prairie Mesa Estates, LLLP</u> Notes payable to Bank of Colorado; with an interest rate of 4%; due in monthly installments of \$2,985, including interest; secured by a deed of trust; scheduled to mature in July 1, 2025.	\$ 494,321
<u>Overlook Village LLLP</u> Notes payable to Bank of Colorado; with an interest rate of 3.600%; due in monthly installments of \$3,516 secured by deed of trust; scheduled to mature in April, 2022	\$ 605,033

Interest expense on the mortgage note payable for the year ended December 31, 2019 was \$46,055. As of December 31, 2019, accrued interest on the mortgage note payable was \$1,754.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

Management's Discussion and Analysis
December 31, 2019
(Continued)

Future payments on the mortgage are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,520	\$ 42,663	\$ 78,183
2021	37,035	42,289	79,324
2022	580,058	27,369	607,427
2023	17,295	19,830	37,125
2024	18,111	19,095	37,206
2025	<u>411,335</u>	<u>235,410</u>	<u>1,640,970</u>
Total	<u>\$ 1,099,354</u>	<u>\$ 386,656</u>	<u>\$ 2,480,235</u>

	<u>12/31/18</u>	<u>Transfer/ Reclass</u>	<u>Forgiven/ Retired</u>	<u>12/31/19</u>
Long Term Debt	<u>\$1,134,423</u>	<u>\$ 0</u>	<u>\$ 35,069</u>	<u>\$1,099,354</u>

The Authority classifies a portion of the employee's leave as long term debt. This is because the Authority does not anticipate paying out the total amount accrued in the upcoming fiscal year. The amount estimated as short term was \$13,699 and long term \$33,940.

Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public housing is adopted on the basis of accounting prescribed by the Housing and Urban Development, which differs in some respects from generally accepted accounting principles. Program budgets for the Section 8 Programs are approved by the U.S. Department of Housing and Urban Development.

For the year ended December 31, 2019, the operating budget was prepared by the Authority and adopted by the Board of Commissioners. The budget was primarily used as a management tool and has no legal stature. The budget was prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Terri Wheeler
Executive Director
Housing Authority of the County of Montezuma
37 North Madison
Cortez, CO 81321

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$	742,677
Restricted cash and cash equivalents		94,166
Accounts receivable, net		439,021
Investments		803,340
Prepaid expenses		0
Inventory		12,208
Total Current Assets		2,091,412

Noncurrent Assets

Investments in partnerships		253
Other assets		1,295,518
Total Noncurrent Assets		1,295,771

Capital Assets

Land and other nondepreciable assets		1,999,038
Depreciable capital assets, net		2,511,359
Total Capital Assets		4,510,397

TOTAL ASSETS

7,897,580

LIABILITIES

Current liabilities

Accounts payable		13,563
Accrued liabilities		198,371
Current portion of long term debt		35,520
Payable from restricted cash and and cash equivalents:		
Tenants security deposits		75,009
Unearned revenue		21,505
Total Current Liabilities		343,968

Noncurrent Liabilities

Other noncurrent liabilities		33,940
Long term debt		1,063,834
Total Noncurrent Liabilities		1,097,774

Total Liabilities

1,441,742

NET POSITION

Investment in capital assets		3,128,389
Restricted		0
Unrestricted		3,327,449
Total Net Position	\$	6,455,838

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

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUES

Rental income	\$	678,112
Other income		310,116
		988,228
TOTAL OPERATING REVENUE		988,228

OPERATING EXPENSES

Administrative		493,450
Tenant services		0
Utilities		156,885
Ordinary maintenance and operation		321,313
Protective Services		15,084
General expense		91,727
Housing assistance payments		1,338,691
Depreciation expense		321,090
		2,738,240
TOTAL OPERATING EXPENSES		2,738,240

OPERATING INCOME (LOSS)		(1,750,012)
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NONOPERATING REVENUES

Federal operating grants		1,894,494
Interest expense		(43,881)
Interest income		10,145
		1,860,758
TOTAL NONOPERATING REVENUES		1,860,758

Net income before capital contributions		110,746
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CAPITAL CONTRIBUTIONS		44,516
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CHANGE IN NET POSITION		155,262
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TOTAL NET POSITION - BEGINNING OF YEAR		6,300,576
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TOTAL NET POSITION - END OF YEAR	\$	6,455,838
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The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 1,006,054
Payments to vendors	(864,876)
Payments to landlords	(1,338,691)
Payments to employees	(386,758)
Net Cash Used by Operating Activities	<u>(1,584,271)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>1,894,494</u>
Net Cash From Noncapital Financing Activities	<u>1,894,494</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on notes	(35,069)
Interest expense	(43,881)
Federal capital grants received	44,516
Acquisition and construction of capital assets	(459,308)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(493,742)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Income from partnership interests	783
Gain or loss on sale of partnership	0
Purchase of investments	(225,579)
Interest income	10,145
Net Cash From Investing Activities	<u>(214,651)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (398,170)

Cash - Beginning of year 1,235,013

Cash - End of year \$ 836,843

Reconciliation of Cash and Cash Equivalents:

Deposits in bank	\$ 742,677
Restricted cash	94,166
Total Cash and Cash Equivalents	\$ <u><u>836,843</u></u>

Continued

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (1,750,012)
Adjustments to reconcile net operating income to net cash Provided by operating activities:	
Depreciation	321,090
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	(116,137)
Prepaid expenses	0
Inventory	1,225
Other assets	0
Increase (Decrease) in:	
Accounts payable	(36,465)
Accrued liabilities	(21,798)
Unearned revenue	17,826
Net Cash Flows Provided (Used) by Operating Activities	\$ <u>(1,584,271)</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - Summary of Significant Accounting Policies and Organization:

The financial statements of the HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Housing Authority of the County of Montezuma is a political subdivision both corporate and politic which was established under the provision of Colorado Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a Low-Income Public Housing program under Annual Contributions Contract DEN-2312 and Section 8 Housing Assistance Payments Program under Annual Contributions Contracts DEN-1034E, and DEN-2312-057. The financial statements also include the Authority owned developments Dolores and Hillside (Section 8 New Construction Projects), the Revolving Fund, and the Development for Housing for Southwest Colorado and Montezuma Housing Investment, LLC, Nonprofit Organizations.

Reporting Entity

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the County of Montezuma, a primary government. Although they are legally separate from the Housing Authority of the County of Montezuma, the Housing Development for SW Colorado and Montezuma Housing Investment, LLC are reported as if it were part of the primary government because its sole purpose is to work in conjunction with the Housing Authority to assist with providing housing for low and moderate income individuals. The criteria for inclusion as a component unit include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Accordingly, Overlook Village, Prairie Mesa Estates, School House, the Housing Development for SW Colorado, Sleeping Ute, LLC and Montezuma Housing Investment, LLC, financial information (component units) has been blended with the Housing Authority of the County of Montezuma. There are no other component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

	<u>Housing</u>	<u>Component</u>	
	<u>Authority</u>	<u>Units</u>	<u>Total</u>
<u>Condensed Statement of Net Position</u>			
Current assets	\$ 1,460,759	\$ 630,653	\$ 2,091,412
Capital Assets	963,028	3,547,369	4,510,397
Other Assets	<u>0</u>	<u>1,295,771</u>	<u>1,295,771</u>
Total assets	<u>2,423,787</u>	<u>5,473,793</u>	<u>7,897,580</u>
Current liabilities	(520,172)	864,140	343,968
Non current liabilities	<u>(249,150)</u>	<u>1,346,924</u>	<u>1,097,774</u>
Total liabilities	<u>(769,322)</u>	<u>2,211,064</u>	<u>1,441,742</u>
Net investment in capital assets	963,028	2,165,361	3,128,389
Restricted	0	0	0
Unrestricted	<u>2,230,081</u>	<u>1,097,368</u>	<u>3,327,449</u>
Total Net Position	<u>\$ 3,193,109</u>	<u>\$ 3,262,729</u>	<u>\$ 6,455,838</u>

<u>Condensed Statement of Revenues, Expenses and Changes in Net Position</u>			
Operating revenues	\$ 370,319	\$ 617,909	\$ 988,228
Operating expenses			
Operating expense - other	(2,001,102)	(416,048)	(2,417,150)
Depreciation expense	(82,008)	(239,082)	(321,090)
Nonoperating revenue			
Nonoperating revenue - other	9,457	(43,193)	(33,736)
Federal operating grants	<u>1,784,736</u>	<u>109,758</u>	<u>1,894,494</u>
Net income before capital Contributions	81,402	29,344	110,746
Capital Contributions	<u>44,516</u>	<u>0</u>	<u>44,516</u>
Change in net position	<u>125,918</u>	<u>29,344</u>	<u>155,262</u>
Net Position, beginning of year	<u>3,067,191</u>	<u>3,233,385</u>	<u>6,300,576</u>
Net Position, end of year	<u>\$ 3,193,109</u>	<u>\$ 3,262,729</u>	<u>\$ 6,455,838</u>

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

	Housing Authority	Component Units	Total
<u>Condensed Statement of Cash Flows</u>			
Net Cash Provided (Used) by			
Operating Activities	\$ (2,029,262)	\$ 444,991	\$ (1,584,271)
Net Cash From Noncapital			
Financing Activities	1,784,736	109,758	1,894,494
Net Cash Flows Used by Capital			
and Related Financing Activities	(3,180)	(490,562)	(493,742)
Net Cash From Investing Activities	(253,002)	38,351	(214,651)
Net Increase in Cash and Cash Equivalents	(500,708)	(102,538)	(398,170)
Cash - Beginning of year	1,206,637	28,376	1,235,013
Cash - End of year	\$ 705,929	\$ 130,914	\$ 836,843

The financial statements of the Housing Authority of the County of Montezuma include the following:

At December 31, 2018, the Housing Authority has 351 units in management.

<u>Project</u>	<u>Units</u>
Low Income Public Housing	31
Housing Choice Vouchers	232
Dolores and Hillside (Section 8 New Construction)	28
Overlook Village LLP	30
Prairie Mesa Estates LLP	30
TOTAL	351

Basis of presentation and Accounting: In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Changes in Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting,

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

The Authority has restricted funds totaling \$18,634 that represents excess HAP grant funding provided by the Department of Housing & Urban Development for the sole purpose of providing assistance payments to eligible individuals through the Housing Choice Voucher Program. This amount represents the total amount of excess Authority to retain these funds for future housing assistance payments. The requirements imposed by HUD represent a legally enforceable requirement upon this program.

Accounting Policies - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

Budgets - 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 and approved by HUD. This budget does not represent an appropriated budget that has been signed into law or a nonappropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of checking accounts, saving accounts and money market accounts and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Housing Authority Board takes annual action as required to write off specific uncollectable accounts receivable balances.

Prepaid - Prepays represent payments made to vendors for services that will benefit beyond December 31, 2019.

Inventories - Inventories are valued at cost, which approximates market value, using the first-in/first/out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Interprogram Due From and Due To - During the course of its operations, the Authority has interprogram transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs for which the applicable cash transfer had not been made as of the balance sheet date. Interprogram accounts have been eliminated for financial statement reporting purposes.

Capital Assets - Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$2,500. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Building & Improvements	15-40 years
Furniture, Equipment & Machinery	7 years

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. 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.

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

Restricted Assets - When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are needed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

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.

Income 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.

NOTE B - Deposits, Cash and Cash Equivalents, and Investments:

1. **HUD Deposit Restrictions**

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The institution is allowed 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits.

2. **Risk Disclosures**

A. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2018, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE B - Deposits, Cash and Cash Equivalents, and Investments: (Continued)

B. **Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

The carrying amounts of the Authority's cash deposits were \$1,235,013 at December 31, 2018. Bank and investment balances before reconciling items were \$1,812,774 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

Deposits consist of the following :

Checking, money market and saving accounts					<u>\$ 836,843</u>
	<u>Fair</u>	<u>Credit</u>	<u>Maturity</u>		
	<u>Value</u>	<u>Rating</u>	<u>Date</u>	<u>Callable</u>	
Edward Jones:	\$ 803,340		N/A	NO	
Total Investments	<u>\$ 803,340</u>				
Total deposits and Investments					<u>\$ 1,640,183</u>

The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits, escrow accounts and prepaid voucher HAP payments.

NOTE C - Accounts Receivable:

Accounts receivable at December 31, 2019, consist of the following:

Tenants - Net of allowance for doubtful account of \$6,602	\$ 6,351
Fraud recovery - net of allowance of \$2,577	2,699
Accounts receivable miscellaneous	41,728
HUD	61,806
Accrued interest	<u>326,437</u>
Total	<u>\$ 439,021</u>

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Continued)

NOTE D - Inventory:

Inventory at December 31, 2019, consists of the following:

Materials and supplies, net allowance of \$1,357	<u>\$ 12,208</u>
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Materials inventories are recorded at cost. The first-in first-out (FIFO) inventory flow assumption is used to determine expenditures. Expenditures are recorded when inventory is consumed.

NOTE E - Component Units, Investment in Partnership and Managed Entity:

Component Unit - Prairie Mesa Estates

The Housing Development for SW Colorado is a partner in a tax credit partnership. The partnership interest of the ownership in a 30 unit development called Prairie Mesa Estates is .005% by the Housing Authority of the County of Montezuma and .995% by the Housing Development for Southwest Colorado. The value of the partnership interest is stated on the equity basis. A copy of the audit report for Prairie Mesa Estates is available for review at the Housing Authority.

Component Unit - Overlook Village

The Housing Development for SW Colorado is a partner in a tax credit partnership. The partnership interest of the ownership in a 30 unit development called Overlook Village is .005% by the Housing Authority of the County of Montezuma and .995% by the Housing Development for Southwest Colorado. The value of the partnership interest is stated on the equity basis. A copy of the audit report for Overlook Village is available for review at the Housing Authority.

Investment in Partnership and Managed Entity - Brubaker, LLC

Brubaker LLC is a Colorado limited liability company (the "Managing Member"), and Cortez Investments LLC, a Colorado limited liability company (the "Investor Member"). The operating agreement is between the Housing Authority of the County of Montezuma and Brubaker LLC. The partnership interest of the ownership in a 48 unit development called Brubaker Place Apartments is .005% by the Housing Authority of the County of Montezuma and .995% by the Housing Development for Southwest Colorado. A copy of the Audit report for Brubaker Place Apartments is available for review at the Housing Authority. The investment in partnership is \$1,036.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE E - Component Units, Investment in Partnership and Managed Entity: (Continued)

Managed Entity - Sleeping Ute Housing, LLC

The partnership has one general partner, Sleeping Ute Housing, LLC, which has a .01% interest, one special limited partner, BCCC, Inc, which has a .00% interest, and one investment limited partner, Boston Capital Corporate Tax Credit Fund XXIV, which has a 99.99% interest. A copy of the audit report for Sleeping Ute Apartments is available for review at the Housing Authority.

A 30-year, 4.79 percent, mortgage restructuring note payable dated February 25, 2004, in the original amount of \$1,005,000 payable to the U.S. Department of Housing and Urban Development has been assigned to the Housing Authority of the County of Montezuma. The mortgage is payable from 75 percent of surplus cash after the payment of the incentive performance fee. The note's maturity date is March 1, 2034. All payments are applied first to interest, and then to principal. The note is nonrecourse and subordinate to the first mortgage note payable referred to in the preceding paragraph. The Project's property and equipment serve as collateral. The amount due as of December 31, 2018 is \$990,910. As of December 31, 2018 a total of \$126,727 of accrued interest due on this this mortgage, of which \$100,133 was current liability at August 22, 2017.

A 30-year, 4.79 percent Contingent Repayment Note Payable dated February 25, 2004, in the original amount of \$304,608 payable to the U.S. Department of Housing and Urban Development has been assigned to the Housing Authority of the County of Montezuma. The mortgage is payable from 75 percent of surplus cash after payment of the incentive performance fee. The note is nonrecourse and subordinate to the first mortgage note payable and the mortgage restructuring note payable, and is due with interest on March 1, 2034. The Project's property and equipment serve as collateral. The amount due as of December 31, 2018 is \$170,608. As of December 31, 2018 a total of \$164,249 of accrued interest is due on this mortgage, all of which is included under Interest on Other Mortgages - Long Term on the December 31, 2018 balance sheet.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE F - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance <u>12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance <u>12/31/19</u>
Capital assets, not being depreciated:					
Land	\$ 1,085,978	\$ 0	\$ 0	\$ 0	\$ 1,085,978
Construction in Progress	<u>530,518</u>	<u>382,542</u>	<u>0</u>	<u>0</u>	<u>913,060</u>
Total Capital Assets, Not being depreciated	<u>1,616,496</u>	<u>382,542</u>	<u>0</u>	<u>0</u>	<u>1,999,038</u>
Capital Assets, being depreciated:					
Buildings & Improvements	9,012,811	71,086	0	0	9,083,897
Furniture, Equipment & Machinery	<u>352,510</u>	<u>5,679</u>	<u>0</u>	<u>0</u>	<u>358,189</u>
Total Capital Assets, being depreciated	<u>9,365,321</u>	<u>76,765</u>	<u>0</u>	<u>0</u>	<u>9,442,086</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(6,282,307)	(305,035)	0	0	(6,587,342)
Furniture, Equipment and Machinery	<u>(327,331)</u>	<u>(16,054)</u>	<u>0</u>	<u>0</u>	<u>(343,385)</u>
Total Accumulated Depreciation:	<u>(6,609,638)</u>	<u>(321,089)</u>	<u>0</u>	<u>0</u>	<u>(6,930,727)</u>
Total Capital Assets, being depreciated, net	<u>2,755,683</u>	<u>(244,324)</u>	<u>0</u>	<u>0</u>	<u>2,511,359</u>
Capital Assets, Net	<u>\$ 4,372,179</u>	<u>\$ 138,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,510,397</u>

Major construction renovation through the Capital Fund Grant Program costs of \$88,265 are yet to be expended under the current programs. HUD has approved funding for the above amount.

Depreciation expense of \$321,090 was incurred during the year.

NOTE G - Accounts Payable:

Accounts payable at December 31, 2019, consist of the following:

Vendors' accounts payable	<u>\$ 13,563</u>
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HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Continued)

NOTE H - Accrued Liabilities:

Accrued liabilities at December 31, 2019, consist of the following:

Accrued wages	\$ 4,623
Payment in lieu of taxes	5,597
Accrued Interest	1,754
Sleeping Ute negative equity	156,421
Accrued compensated absences	12,455
Other current liabilities	<u>17,521</u>
 Total	 <u>\$ 198,371</u>

NOTE I - Unearned Revenue:

Unearned Revenue at December 31, 2019, consist of the following:

Prepaid rent	\$ 3,141
Section 8 administrative fees	18,364
	<u>\$ 21,505</u>

NOTE J - Other Noncurrent Liabilities:

Other noncurrent liabilities at December 31, 2019, consist of the following:

	<u>12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/19</u>	<u>Due within one year</u>	<u>Total due</u>
Accrued compensated absences	\$ 40,007	\$ 0	\$ 6,099	\$ 33,908	\$ 12,455	\$ 46,363

NOTE K - Mortgages Payable:

Combined

Future payments on the mortgage are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,520	\$ 42,663	\$ 78,183
2021	37,035	42,289	79,324
2022	580,058	27,369	607,427
2023	17,295	19,830	37,125
2024	18,111	19,095	37,206
2025	<u>411,335</u>	<u>235,410</u>	<u>1,640,970</u>
 Total	 <u>\$ 1,099,354</u>	 <u>\$ 386,856</u>	 <u>\$ 2,480,235</u>

Overlook Village, LLLP

Notes payable to Bank of Colorado; with interest \$ 605,033
Rate of 3.600% Due in monthly installments of
\$3,516 secured by a deed of Trust; scheduled to
mature in April, 2022

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE K - Mortgages Payable: (Continued)

<u>Prairie Mesa Estates, LLLP</u>	
Notes payable to Bank of Colorado; with interest rate of 4%; due in monthly installments of \$2,985, including interest; secured by a deed of trust; scheduled to mature in July 1, 2025.	<u>494,321</u>
Total	<u>\$1,099,354</u>

	<u>12/31/2018</u>	<u>Reclass/ Additions</u>	<u>Deletions</u>	<u>12/31/2019</u>	<u>Due within one year</u>	<u>Long Term due</u>
Long Term Debt	<u>\$1,134,423</u>	<u>\$ 0</u>	<u>\$ 70,589</u>	<u>\$1,063,834</u>	<u>\$ 35,520</u>	<u>\$1,099,354</u>

NOTE L - Federal Operating Grants:

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Low Rent Public Housing	\$ 95,304
Housing Choice Vouchers	1,473,950
Section 8 New Construction	189,866
Capital Fund Program	<u>25,616</u>
Total	<u>\$ 1,784,736</u>

NOTE M - Federal & State Capital Grants:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended December 31, 2019, were \$44,516. The Authority received a Historic grant for window replacement of \$109,758 during December 31, 2019.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Continued)

NOTE N - Commitments and Contingencies:

Litigation: Calkins Redevelopment, LLC v. The Housing Authority of the County of Montezuma, Colorado
22nd Judicial District Court, Montezuma County, Colorado
Case No. 2019-CV-30021.

The above referenced matter was filed on March 19, 2019. We were retained to defend the case on April 24, 2019.

The case involved a claim for breach of contract and unjust enrichment made by Calkins Redevelopment, LLC against the Company arising out of the Development Agreement with an Effective Date of July 28, 2016. Calkins Redevelopment LLC, pursuant to the terms of the Development Agreement, was to obtain financing, in part, through the use of financing enhancements or credits, for the remodeling and rehabilitation of the Calkins School Building (the "Project"). In addition, Calkins Redevelopment, LLC was to oversee the Project and the construction of forty-nine (49) residential units and an addition of thirty-six (36) newly constructed residential units all in conformance with the Plans and Specifications for the Project.

Management decided after the exchange of information and documents with Calkins Redevelopment, LLC to seek an out-of-court settlement of the case. The Company and Calkins Redevelopment, LLC agreed to mediate the case. The case was mediated with an independent mediator and settled on December 19, 2019.

Examinations: The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were four examination during the year ended December 31, 2018.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Construction Projects: There are certain major construction projects in progress at December 31, 2018. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE O - Risk Management:

The Authority is exposed to various risks of losses 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 coverage for these risks to the extent deemed prudent by Authority management, which includes public officials, tenant discrimination, workman's compensation, flood, property, and auto insurance. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE P - Economic Dependency:

The Authority receives approximately 62% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE Q - Conduit Type Debt:

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority of the County of Montezuma.

HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

NOTE R - Contingencies - Taxpayer's Bill of Rights:

In November, 1992, the voters of the State of Colorado approved an amendment to the states constitution limiting the amount of revenue which may be spent or retained by Colorado governmental entities. The amendment is in effect for most governmental entities for the years beginning after 1992, but exempts "enterprise" funds and activities from the limitations. The Board of Commissioners of the Authority believes it is exempt from the provisions of the Taxpayer's Bill of Rights because it is an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenues from state and local grants) as defined in the constitutional amendment. The board also believes it is not subject to the provisions of TABOR because the governing board is not an elected board, does not have an electoral constituency, and does not have the power to impose taxes which are all the basic operational requirements of TABOR. However, many provisions of the TABOR Amendment are complex and subject to further interpretation and will require judicial interpretation.

NOTE S - Related Party:

The Authority acts as the Management agent for the following entities: Menefee Apartments, and Brubaker Place Apartments. The Authority receives annual asset management fees. The Authority allocates the appropriate expenses to these entities and recovers regular reimbursement for services rendered.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE T - Subsequent Events:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through March 5, 2020 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

COMBINING SCHEDULE OF PROGRAM NET POSITION
DECEMBER 31, 2019

	Annual Contributions Contracts		
	DEN 2312	DEN 2312	DEN 2312
	Low Income Public Housing	Capital Fund Programs	Section 8 New Construction
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 94,556	\$ 0	\$ 214,781
Restricted Cash and cash equivalents	19,029	0	11,517
Accounts receivable, net	14,537	0	1,681
Investments	0	0	203,008
Interprogram due from	0	0	0
Prepaid expenses	0	0	0
Inventory	3,100	0	1,940
Total Current Assets	131,222	0	432,927
<u>Noncurrent Assets</u>			
Investments in Joint Ventures	0	0	0
Other Assets	0	0	0
Total Noncurrent Assets	0	0	0
<u>Capital Assets</u>			
Land and other nondepreciable assets	518,778	0	73,499
Depreciable capital assets, net	195,055	0	136,815
Total Capital Assets	713,833	0	210,314
TOTAL ASSETS	845,055	0	643,241
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	3,902	0	3,282
Accrued liabilities	7,594	0	1,811
Interprogram due to	0	0	0
Current portion of long term debt	0	0	0
Payable from restricted cash and and cash equivalents:			
Tenants security deposits	19,029	0	11,517
Unearned revenue	917	0	512
Total Current liabilities	31,442	0	17,122
<u>Noncurrent Liabilities</u>			
Other noncurrent liabilities	2,892	0	3,091
Long term debt	0	0	0
Total Noncurrent Liabilities	2,892	0	3,091
Total Liabilities	34,334	0	20,213
<u>NET POSITION</u>			
Net investment in capital assets	713,833	0	210,314
Restricted	0	0	0
Unrestricted	96,888	0	412,714
Total Net Position	\$ 810,721	\$ 0	\$ 623,028

<u>DEN 1034</u>		School House				
<u>Housing</u>		Development		Business	Interfund	
<u>Choice</u>	State /	for SW CO		Activities	Elimination	Total
<u>Vouchers</u>	Local	Prarie Mesa	& Overlook			
\$ 186,639	\$ 160,250	\$ 86,451	\$	0	\$ 0	\$ 742,677
19,157	0	44,463		0	0	94,166
50,255	53,253	330,820		0	(11,525)	439,021
0	500,279	100,053		0	0	803,340
0	543,517	61,698		0	(605,215)	0
0	0	0		0	0	0
0	0	7,168		0	0	12,208
<u>256,051</u>	<u>1,257,299</u>	<u>630,653</u>		<u>0</u>	<u>(616,740)</u>	<u>2,091,412</u>
0	0	253		0	0	253
0	282,654	1,295,518		0	(282,654)	1,295,518
<u>0</u>	<u>282,654</u>	<u>1,295,771</u>		<u>0</u>	<u>(282,654)</u>	<u>1,295,771</u>
0	6,415	1,400,346		0	0	1,999,038
4,387	28,079	2,147,023		0	0	2,511,359
<u>4,387</u>	<u>34,494</u>	<u>3,547,369</u>		<u>0</u>	<u>0</u>	<u>4,510,397</u>
<u>260,438</u>	<u>1,574,447</u>	<u>5,473,793</u>		<u>0</u>	<u>(899,394)</u>	<u>7,897,580</u>
647	572	5,160		0	0	13,563
20,468	7,683	172,340		0	(11,525)	198,371
0	0	605,215		0	(605,215)	0
0	0	35,520		0	0	35,520
0	0	44,463		0	0	75,009
18,634	0	1,442		0	0	21,505
<u>39,749</u>	<u>8,255</u>	<u>864,140</u>		<u>0</u>	<u>(616,740)</u>	<u>343,968</u>
11,500	16,021	436		0	0	33,940
0	0	1,346,488		0	(282,654)	1,063,834
<u>11,500</u>	<u>16,021</u>	<u>1,346,924</u>		<u>0</u>	<u>(282,654)</u>	<u>1,097,774</u>
<u>51,249</u>	<u>24,276</u>	<u>2,211,064</u>		<u>0</u>	<u>(899,394)</u>	<u>1,441,742</u>
4,387	34,494	2,165,361		0	0	3,128,389
0	0	0		0	0	0
204,802	1,515,677	1,097,368		0	0	3,327,449
<u>\$ 209,189</u>	<u>\$ 1,550,171</u>	<u>\$ 3,262,729</u>		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,455,838</u>

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

COMBINING SCHEDULE OF REVENUES, EXPENSES AND PROGRAM CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Annual Contributions Contracts		
	DEN 2312	DEN 2312	DEN 2312
	Low Income Public Housing	Capital Fund Programs	Section 8 New Construction
<u>OPERATING REVENUES</u>			
Rental income	\$ 99,694	\$ 0	\$ 94,748
Other income	2,226	0	3,283
TOTAL OPERATING REVENUE	101,920	0	98,031
<u>OPERATING EXPENSES</u>			
Administrative	60,317	0	62,053
Tenant services	0	0	0
Utilities	40,065	0	30,980
Ordinary maintenance and operation	100,793	0	78,005
Protective services	3,247	0	1,526
General expense	23,505	0	20,899
Housing assistance payments	0	0	0
Depreciation expense	35,928	0	40,001
TOTAL OPERATING EXPENSES	263,855	0	233,464
OPERATING INCOME (LOSS)	(161,935)	0	(135,433)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal operating grants	95,304	25,616	189,866
Gain on sale of partnership	0	0	0
Interest expense	0	0	0
Interest income	47	0	3,055
TOTAL NONOPERATING REVENUES	95,351	25,616	192,921
Net income before capital contributions	(66,584)	25,616	57,488
Capital contributions	0	44,516	0
CHANGE IN NET POSITION	(66,584)	70,132	57,488
TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated	807,173	0	565,540
Operating transfers	70,132	(70,132)	0
TOTAL NET POSITION - BEGINNING OF YEAR, as restated	877,305	(70,132)	565,540
TOTAL NET POSITION - END OF YEAR	\$ 810,721	\$ 0	\$ 623,028

	DEN 1034		Development for SW CO			
	Housing Choice Vouchers	CDBG State / Local	School House Prarie Mesa & Overlook	Business Activities	Elimination	Total
\$	0	\$ 0	\$ 483,670	\$ 0	\$ 0	\$ 678,112
	16,090	174,278	134,239	0	(20,000)	310,116
	<u>16,090</u>	<u>174,278</u>	<u>617,909</u>	<u>0</u>	<u>(20,000)</u>	<u>988,228</u>
	142,644	102,136	146,300	0	(20,000)	493,450
	0	0	0	0	0	0
	0	7,246	78,594	0	0	156,885
	809	3,290	138,416	0	0	321,313
	0	344	9,967	0	0	15,084
	2,032	2,520	42,771	0	0	91,727
	1,338,691	0	0	0	0	1,338,691
	1,321	4,758	239,082	0	0	321,090
	<u>1,485,497</u>	<u>120,294</u>	<u>655,130</u>	<u>0</u>	<u>(20,000)</u>	<u>2,738,240</u>
	<u>(1,469,407)</u>	<u>53,984</u>	<u>(37,221)</u>	<u>0</u>	<u>0</u>	<u>(1,750,012)</u>
	1,473,950	0	109,758	0	0	1,894,494
	0	0	0	0	0	0
	0	0	(43,881)	0	0	(43,881)
	97	6,258	688	0	0	10,145
	<u>1,474,047</u>	<u>6,258</u>	<u>66,565</u>	<u>0</u>	<u>0</u>	<u>1,860,758</u>
	4,640	60,242	29,344	0	0	110,746
	0	0	0	0	0	44,516
	<u>4,640</u>	<u>60,242</u>	<u>29,344</u>	<u>0</u>	<u>0</u>	<u>155,262</u>
	204,549	1,489,929	3,233,385	0	0	6,300,576
	0	0	0	0	0	0
	<u>204,549</u>	<u>1,489,929</u>	<u>3,233,385</u>	<u>0</u>	<u>0</u>	<u>6,300,576</u>
\$	<u>209,189</u>	<u>\$ 1,550,171</u>	<u>\$ 3,262,729</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,455,838</u>

300. Total Liabilities	\$34,334	\$20,213	\$51,249	\$2,211,064	\$24,276	\$2,341,136	-\$869,394	\$1,441,742
400. Deferred Inflow of Resources								
508.4. Net Investment in Capital Assets	\$713,833	\$210,314	\$4,387	\$2,165,361	\$34,494	\$3,128,389		\$3,128,389
511.4. Restricted Net Position								
512.4. Unrestricted Net Position	\$86,888	\$412,714	\$204,802	\$1,097,368	\$1,515,677	\$3,327,449		\$3,327,449
513. Total Equity - Net Assets / Position	\$810,721	\$623,028	\$209,189	\$3,262,729	\$1,550,171	\$6,455,838	\$0	\$6,455,838
600. Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$845,055	\$643,241	\$260,438	\$5,473,793	\$1,574,447	\$8,796,974	-\$869,394	\$7,897,580

Housing Authority of the County of Montezuma (CO079)
Cortez, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14,182 NIC S/R Section 8 Programs	14,871 Housing Choice Vouchers	6,2 Component Unit - Blended	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$96,038	\$89,668	\$0	\$470,560		\$656,266	\$0	\$656,266
70400 Tenant Revenue - Other	\$3,656	\$5,080	\$0	\$13,110		\$21,846	\$0	\$21,846
70500 Total Tenant Revenue	\$99,694	\$94,748	\$0	\$483,670	\$0	\$678,112	\$0	\$678,112
70600 HUD PHA Operating Grants	\$120,920	\$189,866	\$1,473,950			\$1,784,736	\$0	\$1,784,736
70610 Capital Grants	\$44,516	\$0	\$0			\$44,516	\$0	\$44,516
70710 Management Fee						\$0	\$0	\$0
70720 Asset Management Fee						\$0	\$0	\$0
70730 Book Keeping Fee						\$0	\$0	\$0
70740 Front-Line Service Fee						\$0	\$0	\$0
70750 Other Fees						\$0	\$0	\$0
70700 Total Fee Revenue						\$0	\$0	\$0
70800 Other Government Grants	\$0	\$0	\$0	\$109,758		\$109,758	\$0	\$109,758
71100 Investment Income - Unrestricted	\$47	\$3,055	\$97	\$688	\$6,258	\$10,145	\$0	\$10,145
71200 Mortgage Interest Income	\$0	\$0	\$0	\$61,945	\$5,820	\$67,765	\$0	\$67,765
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0	\$0	\$0		\$0	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0	\$0	\$0		\$0	\$0	\$0
71400 Fraud Recovery	\$0	\$0	\$12,096			\$12,096	\$0	\$12,096
71500 Other Revenue	\$2,226	\$3,283	\$3,994	\$72,294	\$168,458	\$250,255	-\$20,000	\$230,255
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0	\$0		\$0	\$0	\$0
72000 Investment Income - Restricted	\$0	\$0	\$0	\$0		\$0	\$0	\$0
70900 Total Revenue	\$267,403	\$290,952	\$1,490,137	\$728,355	\$160,556	\$2,957,383	-\$20,000	\$2,937,383
91100 Administrative Salaries	\$30,388	\$30,424	\$67,392	\$45,697	\$53,103	\$227,004	\$0	\$227,004
91200 Auditing Fees	\$3,458	\$3,458	\$3,458	\$8,865		\$19,239	\$0	\$19,239
91300 Management Fee	\$0	\$0	\$0	\$20,000		\$20,000	-\$20,000	\$0
91310 Book-keeping Fee	\$0	\$0	\$0	\$0		\$0	\$0	\$0
91400 Advertising and Marketing	\$94	\$76	\$0	\$206	\$46	\$422	\$0	\$422
91500 Employee Benefit Contributions - Administrative	\$8,532	\$8,528	\$30,785	\$15,286	\$22,930	\$86,061	\$0	\$86,061
91600 Office Expenses	\$8,109	\$8,482	\$23,747	\$11,219	\$13,287	\$64,844	\$0	\$64,844
91700 Legal Expense	\$0	\$285	\$550	\$6,986		\$7,821	\$0	\$7,821
91800 Travel	\$0	\$0	\$0	\$2,731	\$549	\$3,280	\$0	\$3,280
91810 Allocated Overhead	\$0	\$0	\$0	\$0		\$0	\$0	\$0
91900 Other	\$7,042	\$8,505	\$12,366	\$30,831	\$8,266	\$67,010	\$0	\$67,010

91000	Total Operating - Administrative	\$57,623	\$59,758	\$138,298	\$141,821	\$96,161	\$495,681	-\$20,000	\$475,681
92000	Asset Management Fee	\$0	\$0	\$0			\$0	\$0	\$0
92100	Tenant Services - Salaries	\$0	\$0	\$0			\$0	\$0	\$0
92200	Relocation Costs	\$0	\$0	\$0			\$0	\$0	\$0
92300	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0			\$0	\$0	\$0
92400	Tenant Services - Other	\$0	\$0	\$0			\$0	\$0	\$0
92500	Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100	Water	\$9,268	\$5,326	\$0	\$37,816	\$1,423	\$53,833	\$0	\$53,833
93200	Electricity	\$16,214	\$20,662	\$0	\$8,094	\$2,877	\$47,847	\$0	\$47,847
93300	Gas	\$6,237	\$0	\$0	\$3,518	\$1,120	\$10,875	\$0	\$10,875
93400	Fuel	\$0	\$0	\$0			\$0	\$0	\$0
93500	Labor	\$0	\$0	\$0			\$0	\$0	\$0
93600	Sewer	\$6,346	\$4,992	\$0	\$29,166	\$1,826	\$44,330	\$0	\$44,330
93700	Employee Benefit Contributions - Utilities	\$0	\$0	\$0			\$0	\$0	\$0
93800	Other Utilities Expense	\$0	\$0	\$0			\$0	\$0	\$0
93900	Total Utilities	\$40,065	\$30,990	\$0	\$78,584	\$7,246	\$156,885	\$0	\$156,885
94100	Ordinary Maintenance and Operations - Labor	\$16,942	\$9,749	\$0	\$27,351	\$254	\$54,296	\$0	\$54,296
94200	Ordinary Maintenance and Operations - Materials and Other	\$12,700	\$11,169	\$511	\$14,936	\$711	\$40,027	\$0	\$40,027
94300	Ordinary Maintenance and Operations Contracts	\$65,073	\$54,254	\$288	\$85,730	\$2,238	\$207,593	\$0	\$207,593
94500	Employee Benefit Contributions - Ordinary Maintenance	\$6,078	\$2,833	\$0	\$10,399	\$87	\$19,397	\$0	\$19,397
94000	Total Maintenance	\$100,793	\$78,005	\$809	\$136,416	\$3,290	\$321,313	\$0	\$321,313
95100	Protective Services - Labor	\$0	\$0	\$0			\$0	\$0	\$0
95200	Protective Services - Other Contract Costs	\$0	\$1,151	\$0	\$9,245	\$244	\$10,640	\$0	\$10,640
95300	Protective Services - Other	\$3,247	\$375	\$0	\$722	\$100	\$4,444	\$0	\$4,444
95500	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0			\$0	\$0	\$0
95000	Total Protective Services	\$3,247	\$1,526	\$0	\$9,967	\$344	\$15,084	\$0	\$15,084
96110	Property Insurance	\$16,250	\$17,387	\$0	\$22,463		\$56,100	\$0	\$56,100
96120	Liability Insurance	\$0	\$0	\$0			\$0	\$0	\$0
96130	Workmen's Compensation	\$886	\$986	\$802	\$1,772		\$4,346	\$0	\$4,346
96140	All Other Insurance	\$635	\$606	\$1,151	\$12,065		\$14,458	\$0	\$14,458
96100	Total Insurance Premiums	\$17,772	\$18,879	\$1,953	\$36,300	\$0	\$74,904	\$0	\$74,904
96200	Other General Expenses	\$0	\$0	\$79	\$3,152	\$2,520	\$5,751	\$0	\$5,751
96210	Compensated Absences	\$2,694	\$2,295	\$4,346	\$4,479	\$3,955	\$17,769	\$0	\$17,769
96300	Payments in Lieu of Taxes	\$5,597	\$0	\$0			\$5,597	\$0	\$5,597
96400	Bad debt - Tenant Rents	\$136	\$2,020	\$0	\$3,319		\$5,475	\$0	\$5,475
96500	Bad debt - Mortgages	\$0	\$0	\$0			\$0	\$0	\$0
96600	Bad debt - Other	\$0	\$0	\$0			\$0	\$0	\$0
96800	Severance Expense	\$0	\$0	\$0			\$0	\$0	\$0

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense, housing assistance payments and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue, gains and losses on the disposal of capital assets and interest expense in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

ANNUAL CONTRIBUTION CONTRACT	PROGRAM AND ASSISTANCE TYPE	CFDA NUMBER	AWARD	EXPENDITURES
<u>U. S. DEPARTMENT OF HUD</u>				
DEN-2312	Section 8 New Construction	14.182	\$ 189,866	\$ 189,866
DEN-2312	Low Income Public Housing Operating subsidy	14.850	95,304	95,304
DEN-1034V	Section 8 Housing Choice Cluster Voucher Program	14.871	1,473,950	1,473,950
DEN-2312	Capital Fund Program	14.872	<u>122,816</u>	<u>70,132</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$1,881,936</u>	<u>\$1,829,252</u>
	State Historic Grant	N/A	<u>190,042</u>	<u>109,758</u>
	Total Financial Assistance		<u>\$2,071,978</u>	<u>\$1,939,010</u>

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Housing Authority of the County of Montezuma under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Housing Authority of the County of Montezuma, it is not intended to and does not present the financial position, changes in net position or cash flow of Housing Authority of the County of Montezuma.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note A. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Housing Authority of the County of Montezuma has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

OTHER REPORTS

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

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*

Independent Auditor's Report

Board of Commissioners
Housing Authority of the County of Montezuma
37 North Madison
Cortez, CO 81321-3301

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 County of Montezuma, 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 County of Montezuma's basic financial statements and have issued my report thereon dated March 5, 2020.

Internal Control Over Financial Reporting

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

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
March 5, 2020

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

Report on Compliance For Each Major Federal Program; Report on Internal Control Over
Compliance Required by Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Montezuma
37 North Madison
Cortez, CO 81321-3301

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the County of Montezuma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the County of Montezuma's major federal programs for the year ended December 31, 2019. The Housing Authority of the County of Montezuma's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance with each of the Housing Authority of the County of Montezuma's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the County of Montezuma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Housing Authority of the County of Montezuma's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the County of Montezuma, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Housing Authority of the County of Montezuma is responsible for establishing and maintaining effective internal control over the type of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of the County of Montezuma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the County of Montezuma's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
March 5, 2020

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

DECEMBER 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

~ Material weakness(es) identified?

_____yes X no

~ Significant deficiency(s) identified?

_____yes X none reported

Noncompliance material to financial statements noted?

_____yes X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified?

_____yes X no

~ Significant deficiency(s) identified that are not considered to be material weakness(es)?

_____yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____yes X no

Identification of major federal programs:

CFDA Number

Name of Federal Program

14.871

Housing Voucher Cluster

Section 8 Housing Choice Vouchers

14.182

Section 8 New Construction

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes _____no

HOUSING AUTHORITY OF THE COUNTY OF MONTEZUMA
Cortez, Colorado

DECEMBER 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

PRIOR AUDIT FINDINGS

There were no Prior Year matters reported.

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.