

HOUSING AUTHORITY OF THE CITY OF
SALIDA, COLORADO

BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTAL INFORMATION
AND
SUPPLEMENTAL INFORMATION

Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Salida, Colorado

Report on the Basic Financial Statements

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

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Salida, Colorado, 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, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Housing Authority of the City of Salida, Colorado's basic financial statements. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of the Housing Authority of the City of Salida, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Salida, Colorado's 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 City of Salida, Colorado's internal control over financial reporting and compliance.

Niewedde & Wiens, CPAs

York, Nebraska
April 30, 2020

REQUIRED SUPPLEMENTAL INFORMATION –
MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019

This section of the Housing Authority of the City of Salida, Colorado's annual financial report presents our management's analysis of the Authority's financial performance during the fiscal year ended on December 31, 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the basic financial statements as a whole.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Basic Financial Statements. This report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information. The Authority's basic financial statements are presented as fund level financial statements because the Authority only has a single proprietary fund.

Required Basic Financial Statements

Proprietary Fund Financial Statements - The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources and obligations of the Authority creditors. It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information. HUD has established Uniform Financial Reporting Standards that requires the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2019 and is required to be included in the audit reporting package.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$653,371 at the close of the year ended December 31, 2019. This represents an increase of \$30,910, or 5.0% over the prior year. The unrestricted component of net position was \$242,120 as of December 31, 2019 which was an increase of \$41,111 due to net income of \$45,659 when not including depreciation expense. Included in the net income was \$43,599 of capital funds used for operations.

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019

FINANCIAL HIGHLIGHTS AND ANALYSIS (CONT'D)

A portion of the Authority's net position reflects its net investment in capital assets (e.g. land, buildings and equipment less accumulated depreciation). The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

CONDENSED STATEMENTS OF NET POSITION

	FY 2019	FY 2018	Dollar Change	Percent Change
Current and other assets	\$ 270,464	\$ 228,524	\$ 41,940	18.4%
Capital assets	411,251	421,453	(10,202)	-2.4%
Total Assets	<u>681,715</u>	<u>649,977</u>	<u>31,738</u>	4.9%
Current liabilities	28,344	27,516	828	3.0%
Total Liabilities	<u>28,344</u>	<u>27,516</u>	<u>828</u>	3.0%
Net Position				
Net investment in capital assets	411,251	421,453	(10,202)	-2.4%
Unrestricted	242,120	201,008	41,111	20.5%
Total Net Position	<u>\$ 653,371</u>	<u>\$ 622,461</u>	<u>\$ 30,910</u>	5.0%

Current and other assets increased \$41,940. Within this, cash and investments increased \$39,583.

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

As seen in the table on the next page, rental income increased by \$2,346. The number of occupied unit months increased by 2 to 598 out of a possible 600 for the year. The average rental charge increased \$2.95 to \$294.90.

HUD operating grants include operating subsidy and HUD capital fund grants used for noncapital purposes. Operating subsidy increased by \$14,955 to \$90,594. The Authority used \$43,599 of capital funds for noncapital purposes which was an increase of \$33,776 over the prior year.

Operating expenses increased by \$14,920. Within this, administrative expenses increased \$4,927 and maintenance expenses increased \$11,471.

HUD capital contributions were \$52,500 for the year ended December 31, 2019. The Authority is allocated capital grant money each year as determined by HUD and remains relatively consistent from year to year 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.

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019

FINANCIAL HIGHLIGHTS AND ANALYSIS (CONT'D)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Program revenues				
Rental	\$ 176,347	\$ 174,002	\$ 2,346	1.3%
HUD operating grants	134,193	85,462	48,731	57.0%
Other	11,912	11,040	872	7.9%
General revenues				
Interest	2,508	707	1,801	254.5%
Other	-	873	(873)	-100.0%
Total Revenues	<u>324,960</u>	<u>272,084</u>	<u>52,877</u>	19.4%
Expenses				
Operating, less depreciation	279,311	264,392	14,920	5.6%
Depreciation	67,239	71,237	(3,998)	-5.6%
Total Expenses	<u>346,550</u>	<u>335,629</u>	<u>10,921</u>	3.3%
Excess (Deficiency) Before Contributions and Special Items	(21,590)	(63,545)	41,955	-66.0%
Contributions	52,500	10,177	42,323	415.9%
Special items	-	(9,000)	9,000	-100.0%
Changes in Net Position	<u>30,910</u>	<u>(62,368)</u>	<u>93,278</u>	
Beginning net position	622,461	684,829	(62,368)	
Ending net position	<u>\$ 653,371</u>	<u>\$ 622,461</u>	<u>\$ 30,910</u>	

CAPITAL ASSETS

The Housing Authority of the City of Salida, Colorado's net investment in capital assets as of December 31, 2019 amounts to \$411,251. This investment in capital assets includes land, buildings, improvements, equipment and construction in progress net of accumulated depreciation.

The total decrease in the Authority's net investment in capital assets for the current fiscal year was 2.4% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$57,037. The majority of this was roof replacements.

Depreciation charges for the year totaled \$67,239. Additional information on the Authority's capital assets can be found in Note D of the notes to the basic financial statements of this report.

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2020 budget. The user 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.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Salida, Colorado, PO Box 887, Salida, Colorado 81201.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
STATEMENT OF NET POSITION-PROPRIETARY FUND
December 31, 2019

ASSETS	Public Housing
CURRENT ASSETS:	
Cash and cash equivalents	\$ 59,929.79
Investments	185,423.18
Prepaid expenses	8,800.50
Accrued interest receivable	560.36
<i>Restricted:</i>	
Cash and cash equivalents	15,750.00
TOTAL CURRENT ASSETS	270,463.83
 NONCURRENT ASSETS	
Capital Assets, non-depreciable	22,423.99
Capital Assets, depreciable, net	388,827.01
TOTAL NONCURRENT ASSETS	411,251.00
TOTAL ASSETS	681,714.83
 LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	6,263.24
Accrued wages and benefits payable	6,330.75
Tenant security deposits payable	15,750.00
TOTAL CURRENT LIABILITIES	28,343.99
TOTAL LIABILITIES	28,343.99
 NET POSITION	
Net investment in capital assets	411,251.00
Unrestricted	242,119.84
TOTAL NET POSITION	\$ 653,370.84

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
Year Ended December 31, 2019

		Public Housing
OPERATING REVENUES		
Rental income	\$	176,347.25
Other income		11,911.83
TOTAL OPERATING REVENUES		188,259.08
OPERATING EXPENSES		
Administrative		105,732.49
Tenant services		1,724.77
Utilities		46,245.17
Ordinary maintenance and operations		111,777.49
General expense		13,831.32
Depreciation		67,239.14
TOTAL OPERATING EXPENSES		346,550.38
		OPERATING INCOME (LOSS) (158,291.30)
NONOPERATING REVENUES (EXPENSES)		
HUD operating subsidy		90,594.00
HUD capital grants		43,599.00
Interest income		2,508.11
TOTAL NONOPERATING REVENUES (EXPENSES)		136,701.11
		INCOME (LOSS) BEFORE CONTRIBUTIONS (21,590.19)
CAPITAL CONTRIBUTIONS		
Capital fund grants		52,500.00
INCREASE (DECREASE) IN NET POSITION		30,909.81
NET POSITION:		
Net position, beginning balance		622,461.03
TOTAL NET POSITION - ENDING BALANCE	\$	653,370.84

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended December 31, 2019

	Public Housing
CASH FLOWS FROM OPERATING ACTIVITIES:	
Tenant receipts	\$ 187,749.08
Other receipts	537.00
Tenant security deposits	274.98
Cash payments for goods and services	(139,388.41)
Cash payments to employees for services	(141,193.11)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(92,020.46)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
HUD operating subsidy	90,594.00
Capital funds grant	43,599.00
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	134,193.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases and construction of capital assets	(57,037.48)
Capital funds grant	52,500.00
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(4,537.48)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net (deposits) withdrawals to investments	(1,929.08)
Interest received	1,947.75
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	18.67
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,653.73
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	38,026.06
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 75,679.79

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
STATEMENT OF CASH FLOWS-PROPRIETARY FUND (CONT'D)
Year Ended December 31, 2019

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (Loss)	\$ (158,291.30)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	67,239.14
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	30.00
(Increase) decrease in prepaid expenses	(1,826.46)
Increase (decrease) in accounts payable	767.09
Increase (decrease) in trust and deposit liabilities	274.98
Increase (decrease) in accrued wages and benefits payable	(210.91)
Increase (decrease) in unearned revenue	(3.00)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (92,020.46)

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

The basic financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

Financial Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Government Accounting Standards Board Codification. These criteria state that the financial reporting entity consist of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's basic financial statements from being misleading. In such instances, that organization should be included as a component unit. Based on these criteria, there are no additional agencies or entities which should be included in the basic financial statements of the Authority.

Basis of accounting, measurement focus, and financial statement presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred out flows of resources, liabilities, deferred inflows of resources, fund net position, revenues and expenditures or expenses, as appropriate.

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 Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses and Changes in Fund Net Position. For this purpose, the Authority's operating revenues result from providing low-income housing services such as tenant rent and other tenant charges. Operating expenses include the cost attributed to administration, tenant services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The reporting model as defined in Statement No. 34 and modified establishes criteria (percentage of the combined assets and deferred outflows of resources, combined liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major Funds. The Authority only has the Public Housing Program therefore it is the sole major Fund.

Budgetary Process

The Authority establishes a budget for the fiscal year and is adopted by the Board of Commissioners.

Estimates

The preparation of basic 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, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments

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 Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these basic 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 to be "cash equivalents".

The Authority's deposits can only be invested in the following HUD approved investments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of federal government agencies, securities of government-sponsored agencies, demand and savings deposits, money-market deposit accounts, municipal depository fund, super now accounts, certificate of deposit, repurchase agreements, sweep accounts, separate trading of registered interest and principal securities (STRIPS), and mutual funds that consist of securities purchased from the HUD approved list.

Accounts Receivable

All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

Prepaid Items

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

Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. Contributions of assets are recorded at acquisition value when received. The Authority generally capitalized assets with a cost of \$250 or more as purchases and construction outlays occur.

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5-10 years
Equipment	3-10 years

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted components of net position are available, the Authority's policy is to apply restricted first.

Compensated Absences

The Authority's policy does not allow employees to accumulate unused vacation or sick leave.

Grant Revenue

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

Postemployment Benefits Other Than Pensions (OPEB)

OPEB 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 GASB Statement No. 75.

Income Taxes

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

Taxpayer's Bill of Rights

In November, 1992, the voters of the State of Colorado approved an amendment to the State's 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 from the limitations. The Board of Commissioners of the Authority believes it is exempt from the provisions of the TABOR amendment because it is an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenue 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, all basic operational requirements of TABOR.

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019

NOTE B - DEPOSITS AND INVESTMENTS

At December 31, 2019, the reported amount of the Authority's deposits was \$261,002.97 and the bank balance was \$266,279.64. The Authority had cash on hand of \$100 at December 31, 2019.

As required by the Colorado Public Deposit Protection Act (PDPA), any amount in excess of \$250,000 (including accrued interest) shall be collateralized as required by the Public Deposit Protection Acts, article 10.5 of title 11, C.R.S., as amended or article 47 of title 11, C.R.S., as amended. The entire balance was covered FDIC insurance.

NOTE C – PREPAID EXPENSES

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

Prepaid insurance	\$ 3,140.72
Prepaid software contract	5,659.78
	<u>\$ 8,800.50</u>

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019
Non-depreciable assets:				
Land	\$ 22,423.99	\$ -	\$ -	\$ 22,423.99
Construction in progress	-	-	-	-
Total non-depreciable assets	<u>22,423.99</u>	<u>-</u>	<u>-</u>	<u>22,423.99</u>
Depreciable assets				
Buildings	2,717,346.60	54,000.00	-	2,771,346.60
Equipment - Dwelling	46,238.66	999.98	-	47,238.64
Equipment - Administration	87,164.00	2,037.50	(3,582.04)	85,619.46
Total depreciable assets	<u>2,850,749.26</u>	<u>57,037.48</u>	<u>(3,582.04)</u>	<u>2,904,204.70</u>
Total Capital Assets	<u>2,873,173.25</u>	<u>57,037.48</u>	<u>(3,582.04)</u>	<u>2,926,628.69</u>
Accumulated depreciation				
Buildings	2,343,794.78	58,652.08	-	2,402,446.86
Equipment - Dwelling	42,881.68	1,335.85	-	44,217.53
Equipment - Administration	65,044.13	7,251.21	(3,582.04)	68,713.30
Total accumulated depreciation	<u>2,451,720.59</u>	<u>67,239.14</u>	<u>(3,582.04)</u>	<u>2,515,377.69</u>
Depreciable assets, net	<u>399,028.67</u>	<u>(10,201.66)</u>	<u>-</u>	<u>388,827.01</u>
Capital assets, net	<u>\$ 421,452.66</u>	<u>\$ (10,201.66)</u>	<u>\$ -</u>	<u>\$ 411,251.00</u>

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019

NOTE E – RESTRICTED ASSETS

Cash and cash equivalents of \$15,750 at December 31, 2019 is restricted for Tenant Security Deposits in the Public Housing Program.

NOTE F – ACCOUNTS PAYABLE

A summary of accounts payable as presented in the Statement of Net Position at September 30, 2016 is as follows:

Vendors and contractors	\$ <u>6,263.24</u>
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NOTE G – NET POSITION

The fund financial statements utilize a net position presentation. The components of net position are net investment in capital assets and unrestricted.

- **Net Investment in Capital Assets** – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- **Unrestricted** – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE H – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance.

During the year ended December 31, 2019, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

NOTE I – CONTINGENT LIABILITIES

The Authority receives revenues from various federal and state grant programs, which are subject to audit and adjustment by the respective grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, 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.

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2019

NOTE J - RETIREMENT PLAN

The Housing Authority participates in a qualified simplified employee pension plan. The Housing Authority contributes an amount equal to 5.00% of the member's pay for the pay period. The total Housing Authority contribution was \$5,010.46 for the fiscal year ended December 31, 2019 based on wages of \$100,209.20. Total wages for the Authority were \$108,553.89.

NOTE K – SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

SUPPLEMENTAL INFORMATION

Housing Authority of the City of Salida (CO013)
SALIDA, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2019

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$59,930	\$59,930		\$59,930
114 Cash - Tenant Security Deposits	\$15,750	\$15,750		\$15,750
100 Total Cash	\$75,680	\$75,680		\$75,680
129 Accrued Interest Receivable	\$560	\$560		\$560
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$560	\$560		\$560
131 Investments - Unrestricted	\$185,423	\$185,423		\$185,423
142 Prepaid Expenses and Other Assets	\$8,801	\$8,801		\$8,801
150 Total Current Assets	\$270,464	\$270,464		\$270,464
161 Land	\$22,424	\$22,424		\$22,424
162 Buildings	\$2,771,347	\$2,771,347		\$2,771,347
163 Furniture, Equipment & Machinery - Dwellings	\$47,239	\$47,239		\$47,239
164 Furniture, Equipment & Machinery - Administration	\$85,619	\$85,619		\$85,619
166 Accumulated Depreciation	-\$2,515,378	-\$2,515,378		-\$2,515,378
160 Total Capital Assets, Net of Accumulated Depreciation	\$411,251	\$411,251		\$411,251
180 Total Non-Current Assets	\$411,251	\$411,251		\$411,251
290 Total Assets and Deferred Outflow of Resources	\$681,715	\$681,715		\$681,715
312 Accounts Payable <= 90 Days	\$3,153	\$3,153		\$3,153
321 Accrued Wage/Payroll Taxes Payable	\$6,331	\$6,331		\$6,331
341 Tenant Security Deposits	\$15,750	\$15,750		\$15,750
346 Accrued Liabilities - Other	\$3,110	\$3,110		\$3,110
310 Total Current Liabilities	\$28,344	\$28,344		\$28,344
300 Total Liabilities	\$28,344	\$28,344		\$28,344
508.4 Net Investment in Capital Assets	\$411,251	\$411,251		\$411,251
512.4 Unrestricted Net Position	\$242,120	\$242,120		\$242,120
513 Total Equity - Net Assets / Position	\$653,371	\$653,371		\$653,371
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$681,715	\$681,715		\$681,715

Housing Authority of the City of Salida (CO013)
SALIDA, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2019

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$176,347	\$176,347		\$176,347
70400 Tenant Revenue - Other	\$11,375	\$11,375		\$11,375
70500 Total Tenant Revenue	\$187,722	\$187,722	\$0	\$187,722
70600 HUD PHA Operating Grants	\$134,193	\$134,193		\$134,193
70610 Capital Grants	\$52,500	\$52,500		\$52,500
71100 Investment Income - Unrestricted	\$2,508	\$2,508		\$2,508
71500 Other Revenue	\$537	\$537		\$537
70000 Total Revenue	\$377,460	\$377,460	\$0	\$377,460
91100 Administrative Salaries	\$60,521	\$60,521		\$60,521
91200 Auditing Fees	\$3,000	\$3,000		\$3,000
91400 Advertising and Marketing	\$40	\$40		\$40
91500 Employee Benefit contributions - Administrative	\$17,231	\$17,231		\$17,231
91600 Office Expenses	\$20,681	\$20,681		\$20,681
91800 Travel	\$229	\$229		\$229
91900 Other	\$4,032	\$4,032		\$4,032
91000 Total Operating - Administrative	\$105,734	\$105,734	\$0	\$105,734
92400 Tenant Services - Other	\$1,725	\$1,725		\$1,725
92500 Total Tenant Services	\$1,725	\$1,725	\$0	\$1,725
93100 Water	\$10,370	\$10,370		\$10,370
93200 Electricity	\$8,797	\$8,797		\$8,797
93300 Gas	\$18,531	\$18,531		\$18,531
93800 Other Utilities Expense	\$8,547	\$8,547		\$8,547
93000 Total Utilities	\$46,245	\$46,245	\$0	\$46,245
94100 Ordinary Maintenance and Operations - Labor	\$48,033	\$48,033		\$48,033
94200 Ordinary Maintenance and Operations - Materials and Other	\$16,632	\$16,632		\$16,632
94300 Ordinary Maintenance and Operations Contracts	\$31,914	\$31,914		\$31,914
94500 Employee Benefit Contributions - Ordinary Maintenance	\$15,197	\$15,197		\$15,197
94000 Total Maintenance	\$111,776	\$111,776	\$0	\$111,776
96110 Property Insurance	\$6,892	\$6,892		\$6,892
96120 Liability Insurance	\$2,020	\$2,020		\$2,020
96130 Workmen's Compensation	\$2,608	\$2,608		\$2,608
96140 All Other Insurance	\$311	\$311		\$311
96100 Total insurance Premiums	\$13,831	\$13,831	\$0	\$13,831
96900 Total Operating Expenses	\$279,311	\$279,311	\$0	\$279,311
97000 Excess of Operating Revenue over Operating Expenses	\$98,149	\$98,149	\$0	\$98,149
97400 Depreciation Expense	\$67,239	\$67,239		\$67,239
90000 Total Expenses	\$346,550	\$346,550	\$0	\$346,550
10010 Operating Transfer In	\$43,599	\$43,599	-\$43,599	\$0
10020 Operating transfer Out	-\$43,599	-\$43,599	\$43,599	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$30,910	\$30,910	\$0	\$30,910
11030 Beginning Equity	\$622,461	\$622,461		\$622,461
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	600	600		600
11210 Number of Unit Months Leased	598	598		598
11270 Excess Cash	\$210,044	\$210,044		\$210,044
11620 Building Purchases	\$54,001	\$54,001		\$54,001
11630 Furniture & Equipment - Dwelling Purchases	\$1,000	\$1,000		\$1,000
11640 Furniture & Equipment - Administrative Purchases	\$2,037	\$2,037		\$2,037

Housing Authority of the City of Salida (CO013)
SALIDA, CO

Single Project Revenue and Expense

Submission Type: Audited/Non Single
Audit

Fiscal Year End: 12/31/2019

Project: CO013000001 MT SHAVANO MANOR

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$176,347		\$176,347
70400 Tenant Revenue - Other	\$11,375		\$11,375
70500 Total Tenant Revenue	\$187,722	\$0	\$187,722
70600 HUD PHA Operating Grants	\$90,594	\$43,599	\$134,193
70610 Capital Grants		\$52,500	\$52,500
71100 Investment Income - Unrestricted	\$2,508		\$2,508
71500 Other Revenue	\$537		\$537
70000 Total Revenue	\$281,361	\$96,099	\$377,460
91100 Administrative Salaries	\$60,521		\$60,521
91200 Auditing Fees	\$3,000		\$3,000
91400 Advertising and Marketing	\$40		\$40
91500 Employee Benefit contributions - Administrative	\$17,231		\$17,231
91600 Office Expenses	\$20,681		\$20,681
91800 Travel	\$229		\$229
91900 Other	\$4,032		\$4,032
91000 Total Operating - Administrative	\$105,734	\$0	\$105,734
92400 Tenant Services - Other	\$1,725		\$1,725
92500 Total Tenant Services	\$1,725	\$0	\$1,725
93100 Water	\$10,370		\$10,370
93200 Electricity	\$8,797		\$8,797
93300 Gas	\$18,531		\$18,531
93800 Other Utilities Expense	\$8,547		\$8,547
93000 Total Utilities	\$46,245	\$0	\$46,245
94100 Ordinary Maintenance and Operations - Labor	\$48,033		\$48,033
94200 Ordinary Maintenance and Operations - Materials and Other	\$16,632		\$16,632
94300 Ordinary Maintenance and Operations Contracts	\$31,914		\$31,914
94500 Employee Benefit Contributions - Ordinary Maintenance	\$15,197		\$15,197
94000 Total Maintenance	\$111,776	\$0	\$111,776
96110 Property Insurance	\$8,892		\$8,892
96120 Liability Insurance	\$2,020		\$2,020
96130 Workmen's Compensation	\$2,608		\$2,608
96140 All Other Insurance	\$311		\$311
96100 Total insurance Premiums	\$13,831	\$0	\$13,831
96900 Total Operating Expenses	\$279,311	\$0	\$279,311
97000 Excess of Operating Revenue over Operating Expenses	\$2,050	\$96,099	\$98,149
97400 Depreciation Expense	\$67,239		\$67,239
90000 Total Expenses	\$346,550	\$0	\$346,550
10010 Operating Transfer In	\$43,599		\$43,599
10020 Operating transfer Out		-\$43,599	-\$43,599
10100 Total Other financing Sources (Uses)	\$43,599	-\$43,599	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$21,590	\$52,500	\$30,910
11030 Beginning Equity	\$622,461	\$0	\$622,461
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$52,500	-\$52,500	\$0
11190 Unit Months Available	600		600
11210 Number of Unit Months Leased	598		598
11270 Excess Cash	\$210,044		\$210,044
11620 Building Purchases	\$3,538	\$50,463	\$54,001
11630 Furniture & Equipment - Dwelling Purchases	\$1,000	\$0	\$1,000
11640 Furniture & Equipment - Administrative Purchases	\$0	\$2,037	\$2,037

GOVERNMENT AUDITING STANDARDS SECTION

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

To the Board of Commissioners
Housing Authority of the City of Salida, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Housing Authority of the City of Salida, Colorado, as of and for the year ended December 31, 2019, and the related notes to the basic financial statements, which collectively comprise Housing Authority of the City of Salida, Colorado's basic financial statements, and have issued our report thereon dated April 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Housing Authority of the City of Salida, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Salida, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Salida, Colorado's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 basic 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. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2019-1, 2019-2 and 2019-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Salida, Colorado's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct

and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as Finding 2019-3.

Housing Authority of the City of Salida, Colorado's Responses to Findings

Housing Authority of the City of Salida, Colorado's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Housing Authority of the City of Salida, Colorado's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Niewedde & Wiens, CPAs

York, Nebraska
April 30, 2020

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2019

**Finding 2019-1: Internal Control Structure
Material Weakness**

Criteria: A properly designed internal control structure relies greatly on a proper segregation of duties between several individuals. In the ideal situation, duties related to initiating, authorizing, recording, processing and reporting financial data would be segregated so that there is a reasonable possibility that a material misstatement of the entity's basis financial statements would be prevented or detected. In addition, the Authority should have effective controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. The application of such principles is necessary to ensure that the entity's basis financial statements and notes to the statements are prepared in accordance with generally accepted accounting principles.

Condition: The Authority consists solely of one administrative employee and as a result does not have personnel to assign responsibilities in such a way that different employees handle different parts of the same transaction. The limited number of employees results in an inadequate overall internal control structure design.

Cause: The Authority has limited staff and does not have the resources to properly segregate duties.

Effect or Potential Effect: The lack of segregation of duties related to the controls over the categories are deficiencies that result in more than a reasonable possibility that a material misstatement of the basis financial statements will not be prevented or detected.

Recommendation: As noted above, the Authority has limited resources and additional controls are not financially feasible through the hiring of additional staff. In addition, the Board of Commissioners is considered a governing Board and the Board performing management or day-to-day activities is not recommended based on our previous experience and is not intended to be a solution to this situation. The Authority is a small entity and the lack of segregation of duties is common among entities with minimal employees and should be recognized as such. However, it is not our intent to establish internal controls as the Authority's Board should make the final determination in the cost versus benefit.

**Finding 2019-2: Ineffective Oversight over Financial Reporting/Application of Generally Accepted Accounting Principles
Material Weakness**

Criteria: The Authority should have effective controls over the monitoring of the period-end financial reporting process and the application of generally accepted accounting principles.

Condition: The Authority is required to report its financial information in accordance with generally accepted accounting principles. We noted the following instances of where those principles were not followed:

- The Authority had capital fund expenditures during the year which included administrative equipment and roofing. The checks for the administrative equipment were initially coded correctly and match the corresponding drawdown of funds in ELOCCS. The costs for the roof exceeded the available funds remaining in the grant and were paid for by nongrant funds. The coding of the roofing cost that exceeded the grant were charged to the grant however and caused the grant to be over budget by \$2,037.50. Instead of adequately researching the over expenditure, the administrative equipment was moved through a journal entry out of grant expenditures which resulted in the accounting for the grant not matching the actual grant activity or the budget.
- The Authority prepaid the support for a housing software for which the support started on September 1, 2019 and amortization of the expense should have started then. However, the amortization did not started until November 1, 2019.

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
December 31, 2019

Finding 2019-2: Ineffective Oversight over Financial Reporting/Application of Generally Accepted Accounting Principles (Cont'd)

- The Authority had a three-year support agreement with its accounting software which was improperly expensed instead of being amortized over the life of the contract.

Cause: The Authority has had numerous accounting related issues over the past several years, many regarding the procedures its fee accountant uses, and has not adequately addressed them so errors of this nature continue to occur. Neither the Executive Director or the fee accountant adequately reviewed the accounting records to determine if errors existed at the fiscal year end.

Effect or Potential Effect: The unadjusted financial statements were misstated as noted above. The accompanying financial statements have been adjusted accordingly.

Recommendation: The Authority should review the reasons why the accounting errors continue to occur each year and review its options for accounting services to ensure the Authority is maintaining accurate accounting records.

**Finding 2019-3: Allowable Costs/Cost Principles and Contract Payments
Material Weakness/Noncompliance, Questioned Costs \$2,087.90**

Criteria – The Authority is required to follow OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards contained in 2CFR Chapter I and Chapter II. One of the general criteria contained in §200.403, costs must “be adequately documented”.

Further, the Authority's Annual Contributions Contract (ACC) with HUD states the following:

"In additions to any other applicable conflict of interest requirements, neither the HA nor any of its contractors or their subcontractors may enter into any contract, subcontract, or arrangement in connection with a project under this ACC in which any of the following classes of people has an interest, direct or indirect, during his or her tenure or for one year thereafter:

(ii) Any employee of the HA who formulates policy or who influences decisions with respect to the project(s), or any member of the employee's immediate family, or the employee's partner.

Immediate family means the spouse, mother, father, brother, sister, or child of a covered class member (whether related as a full blood relative, or as a "half" or "step" relative, e.g. a half-brother or stepchild)."

The IRS's Circular E defines who are employees as follows:

Generally, a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed.

IRS's further guidance states:

If you classify an employee as an independent contractor and you have no reasonable basis for doing so, you're liable for employment taxes for that worker.

Condition – During our audit, we noted the Authority had several payments to individuals which were treated as contract labor that based on the individual's relationship with the Authority, should have been treated as employees based on IRS guidelines. Further, we noted twelve payments where the supporting documentation was a memo prepared by the Executive Director of the hours to be paid or there was no support. The memo just listed the total

HOUSING AUTHORITY OF THE CITY OF SALIDA, COLORADO
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
December 31, 2019

Finding 2019-3: Allowable Costs/Cost Principles and Contract Payments (Cont'd)

hours to be paid and not the details of the hours worked. Of those twelve payments, four were to relatives that met the definition of "immediate family" based on ACC are not allowable costs. Of the twelve payments, two were to grandchildren of the Executive Director which are not excluded by the ACC.

Cause – The Authority did not take steps to adequately document transactions to ensure their allowability in accordance with OMB Uniform Guidance. Further, the Authority was not adequately aware of the criteria in the IRS's Circular E to ensure individuals were correctly classified as employees. Finally, the Authority was not aware the of the related party transaction rules within the ACC.

Effect or Potential Effect – Costs of \$2,087.90 were not allowable. Further, the Authority was in noncompliance with the IRS's guidelines regarding treatment of payments to individuals.

Recommendation – We recommend the Authority review the following to ensure costs are allowable in the future and payments to individuals are treated correctly:

- OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards §200.400.
- IRS's Circular E
- The Authority's Annual Contribution Contract



Salida Housing Authority

525 West 16th Street / P.O. Box 887
Salida, Colorado 81201
719-539-6243/Fax 719-539-5317



Contact Name: Billie Jean Valdez
Telephone: (719) 539-6243

Finding: 2019-1:

The Authority is relatively small with limited administrative staff. Further, the Board of Commissioners is a volunteer oversight board and not a managing board and does not have the time or expertise to provide the necessary services to correct the internal control deficiencies noted. The Board has reviewed this issue and determined there are no additional procedures which can reasonably be done to eliminate these deficiencies and accept them.

However, the Board of Commissioners will continue to perform a quarterly audit report, which includes but not limited to the following: Cash receipts; income; expenses; payables; rent ledger and check signing ledger indicating check number, amount and invoices attached.

Finding: 2019-2

The Authority will monitor expenditures thoroughly from the Capital Fund Grant to see there are coded correctly.

The Authority will monitor the expense and support of software start at the time of purchase for the housing software and see that there is no delay in the expense.

The Authority will communicate with the fee accountant in the event of a long term agreement to see that it is properly expensed over the life time of the contract. Will explore accounting resources in the future.

Finding: 2019-3

The Authority will not hire any related parties to the employees of the Authority for employment. The Authority was not aware of the related party transactions rules. All other hires will be hired as a temporarily employee.

The attached memo to the temporarily employee paycheck copies will verify hours and work done and attached to both check copies.