

**Gunnison Valley Regional Housing Authority**

**Financial Report**

**December 31, 2020**



**Gunnison Valley Regional Housing Authority  
Financial Report  
December 31, 2020**

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# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Gunnison Valley Regional Housing Authority  
Gunnison, Colorado**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gunnison Valley Regional Housing Authority (the "Authority") as of and for the year ended December 31, 2020, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gunnison Valley Regional Housing Authority as of December 31, 2020 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Member: American Institute of Certified Public Accountants*

PAUL J. BACKES, CPA, CGMA  
MICHAEL N. JENKINS, CA, CPA, CGMA  
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800  
ASPEN: (970) 544-3996  
FRISCO: (970) 668-3481

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Gunnison Valley Regional Housing Authority**  
**Gunnison, Colorado**

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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 Management's Discussion and Analysis in Section B 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.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**September 29, 2021**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# **Gunnison Valley Regional Housing Authority Management's Discussion and Analysis December 31, 2020**

As management of the Gunnison Valley Regional Housing Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the Authority's 2020 financial statements.

## **FINANCIAL HIGHLIGHTS**

- The Authority's government-wide assets exceeded its liabilities at December 31, 2020 by \$4,321,307.
- The Authority's net position increased by \$2,079,636 in 2020.

## **OVERVIEW of the FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

**Financial Statements:** The financial statements are designed to provide readers with an overview of the Authority's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet / Statement of Net Position presents information on all the Authority's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance / net position. The Balance Sheet column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities shows how the government's fund balance / net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures, and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The Authority adopts an annual appropriated budget for its only fund; the General Fund. A budgetary comparison statement for the General Fund is presented on page C3 and has been provided to demonstrate compliance with this budget.

The Authority's financial statements can be found on pages C1 through C3 of this report.

**Notes to the Financial Statements:** The notes provide a background of the entity, accounting policies utilized by the Authority, relevant statutory considerations, and additional information that will aid in the reader's understanding of the financial statements. The Notes to the Financial Statements can be found in section D of this report.

## FINANCIAL ANALYSIS of the AUTHORITY

The following table summarizes the Authority's net position at December 31, 2020 and 2019:

	<u>12/31/20</u>	<u>12/31/19</u>
<b>Assets:</b>		
Current assets	\$ 775,331	\$ 541,036
Non-current assets	<u>3,681,757</u>	<u>1,755,919</u>
<b>Total Assets</b>	<u>4,457,088</u>	<u>2,296,955</u>
<b>Liabilities:</b>		
Current liabilities	<u>135,781</u>	<u>55,284</u>
<b>Total Liabilities</b>	<u>135,781</u>	<u>55,284</u>
<b>Net Position:</b>		
Net investment in capital assets	9,327	11,659
Restricted	1,438,868	10,000
Unrestricted	<u>2,873,112</u>	<u>2,220,012</u>
<b>Total Net Position</b>	<u>\$ 4,321,307</u>	<u>\$ 2,241,671</u>

Between December 31, 2019 and 2020, total assets of the Authority increased by \$2,160,133. This change in assets is largely due an increase in notes and loans receivable.

Between December 31, 2019 and 2020, total liabilities of the Authority increased by \$80,497.

The Authority's net position – the extent to which assets exceeded liabilities – was \$4,321,307 at December 31, 2020. \$1,438,868 of the Authority's 2020 year-end net position has been restricted (\$25,000 for the statutorily-required TABOR reserve and \$1,413,868 for the revolving loan portfolio), representing resources that are subject to external restrictions on how they may be used. The unrestricted balance of \$2,873,112 may be used to meet the Authority's ongoing obligations relating to its operations.

## FINANCIAL ANALYSIS of the AUTHORITY (continued)

The following table summarizes the changes in the Authority's net position for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Contributions from local governments	\$ 264,500	\$ 259,500
Other revenues	<u>2,386,221</u>	<u>332,417</u>
<b>Total Revenues</b>	<u>2,650,721</u>	<u>591,917</u>
<b>Expenses:</b>		
Operating expenses	<u>571,085</u>	<u>447,427</u>
<b>Total Expenses</b>	<u>571,085</u>	<u>447,427</u>
<b>Change in Fund Balance</b>	2,079,636	144,490
<b>Net Position - Beginning of Year</b>	<u>2,241,671</u>	<u>2,097,181</u>
<b>Net Position - End of Year</b>	<u>\$ 4,321,307</u>	<u>\$ 2,241,671</u>

During 2020, the Authority was transferred a revolving loan portfolio by the Colorado Division of Housing and valued at \$1,510,320, which was reflected as Contribution revenue in the financial statements. In addition, the Authority received grants totaling \$442,500 during 2020. Finally, the Authority also receives contributions from other government entities within the Authority's service area, as outlined in the Intergovernmental Agreement between the parties and totaling \$264,500 for 2020. Aggregate 2020 revenues increased \$2,058,804 from 2019, primarily due to the aforementioned loan portfolio transfer.

The Authority's total expenses for 2020 were \$123,658 higher than the prior year. Salaries and benefits for the Authority's staff comprise the largest portion of the Authority's expenses.

### BUDGET VARIANCES in the GENERAL FUND

The Authority ended 2020 \$407,610 ahead of expectations, as revenues were \$61,387 higher than budgeted and expenditures were \$89,251 lower than anticipated. The Authority's actual opening fund balance for 2020 was \$256,972 higher than budgeted.

Significant budget variances in the General Fund during 2020 were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Reason</u>
<b>Revenues:</b>				
GV-HEAT grants and administration fees	121,250	80,241	(41,009)	Program implementation delayed
CDBG program income	-	112,968	112,968	New loan program not budgeted
<b>Expenditures:</b>				
GV-HEAT program expense	145,000	104,257	40,743	Program implementation delayed
SFOO Rehabilitation program expenses	30,000	1,898	28,102	Delays in grant award
Donations	-	25,924	(25,924)	Expense not budgeted
Capital outlay	38,865	-	38,865	Capital expenditures deferred

## **NEXT YEAR'S BUDGET**

The Authority's General Fund balance at the end of the 2020 fiscal year was \$647,158. The Authority's 2021 budget anticipates a \$15,479 increase in the General Fund balance.

## **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 the government's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Gunnison Valley Regional Housing Authority  
202 East Georgia Avenue  
Gunnison, Colorado 81230  
Attention: Executive Director

**BASIC FINANCIAL STATEMENTS**



**Gunnison Valley Regional Housing Authority**  
**Government Fund Balance Sheet /**  
**Government-wide Statement of Net Position**  
**December 31, 2020**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets:</b>			
Cash and investments	614,004	-	614,004
Cash and investments - Restricted	123,457	-	123,457
Accounts receivable	37,870	-	37,870
Accrued interest receivable	-	562,546	562,546
Development fee receivable	-	163,190	163,190
Notes receivable	-	2,946,494	2,946,494
Investments	-	200	200
Capital assets, net	-	9,327	9,327
	<b>775,331</b>	<b>3,681,757</b>	<b>4,457,088</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	77,704	-	77,704
Wages and benefits payable	-	7,608	7,608
Due to other governments	13,552	-	13,552
Unearned grant revenue	36,917	-	36,917
	<b>128,173</b>	<b>7,608</b>	<b>135,781</b>
<b>Fund Balance:</b>			
Spendable:			
Restricted	25,000	(25,000)	-
Committed	103,590	(103,590)	-
Unassigned	518,568	(518,568)	-
	<b>647,158</b>	<b>(647,158)</b>	<b>-</b>
<b>Total Fund Balance</b>	<b>647,158</b>	<b>(647,158)</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>775,331</b>		
<b>Net Position:</b>			
Net investment in capital assets		9,327	9,327
Restricted for emergencies		25,000	25,000
Restricted for loan programs		1,413,868	1,413,868
Unrestricted		2,873,112	2,873,112
		<b>4,321,307</b>	<b>4,321,307</b>
<b>Total Net Position</b>		<b>4,321,307</b>	<b>4,321,307</b>

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

**Gunnison Valley Regional Housing Authority**  
**Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance /**  
**Government-wide Statement of Activities**  
**For the Year Ended December 31, 2020**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues:</b>			
Contributions from local governments	264,500	-	264,500
Mountain View - Management and other fees	52,780	-	52,780
Anthracite Place - Management and other fees	40,792	-	40,792
Stallion Park - Management and other fees	1,903	-	1,903
Elk Valley - Management and other fees	19,945	-	19,945
Section 8 administration fee	8,035	-	8,035
Other management fees	3,703	-	3,703
GV-HEAT grants and administration fees	80,241	-	80,241
Contributions - Other	3,000	-	3,000
Interest and investment income	1,041	112,277	113,318
Grants	15,000	427,500	442,500
CDBG program income	112,968	(96,452)	16,516
Other revenues	232	-	232
Contribution of loan portfolio	-	1,510,320	1,510,320
Real estate commissions	92,936	-	92,936
<b>Total Revenues</b>	<b>697,076</b>	<b>1,953,645</b>	<b>2,650,721</b>
<b>Expenditures / Expenses:</b>			
Accounting	15,799	-	15,799
Advertising and marketing	3,050	-	3,050
Administrative expense	4,248	-	4,248
Bank fees	100	-	100
Computers	8,487	-	8,487
Contracted services	3,407	-	3,407
Depreciation	-	2,332	2,332
Dues and memberships	2,415	-	2,415
Education and training	3,866	-	3,866
Insurance	7,805	-	7,805
Internet	4,319	-	4,319
Legal services	18,789	-	18,789
Miscellaneous	7,083	-	7,083
Office supplies	3,137	-	3,137
Postage	731	-	731
Rent	10,231	-	10,231
Salaries and benefits	318,431	(3,160)	315,271
Travel	1,616	-	1,616
Website	845	-	845
GV-HEAT program expense	104,257	-	104,257
SFOO Rehabilitation program expenses	1,898	-	1,898
Donations	25,924	-	25,924
Bad debt expense	-	25,475	25,475
<b>Total Expenditures / Expenses</b>	<b>546,438</b>	<b>24,647</b>	<b>571,085</b>
<b>Change in Fund Balance / Net Position</b>	<b>150,638</b>	<b>1,928,998</b>	<b>2,079,636</b>
<b>Fund Balance / Net Position - Beginning of Year</b>	<b>496,520</b>	<b>1,745,151</b>	<b>2,241,671</b>
<b>Fund Balance / Net Position - End of Year</b>	<b>647,158</b>	<b>3,674,149</b>	<b>4,321,307</b>

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

**Gunnison Valley Regional Housing Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2020**  
**(With Comparative Actual Amounts For the Year Ended December 31, 2019)**

	2020		Final Budget Variance: Positive (Negative)	2019
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Contributions from local governments	264,500	264,500	-	259,500
Mountain View - Management and other fees	52,025	52,780	755	50,699
Anthracite Place - Management and other fees	39,970	40,792	822	38,376
Stallion Park - Management and other fees	2,380	1,903	(477)	6,664
Elk Valley - Management and other fees	7,800	19,945	12,145	-
Section 8 administration fee	10,764	8,035	(2,729)	10,479
Other management fees	-	3,703	3,703	1,578
Other fees for services	-	-	-	18,750
GV-HEAT grants and administration fees	121,250	80,241	(41,009)	59,861
Contributions - Other	-	3,000	3,000	10,000
Interest and investment income	1,500	1,041	(459)	1,437
Grants	30,000	15,000	(15,000)	-
CDBG program income	-	112,968	112,968	-
Other revenues	-	232	232	5,216
Real estate commissions	105,500	92,936	(12,564)	26,465
<b>Total Revenues</b>	<b>635,689</b>	<b>697,076</b>	<b>61,387</b>	<b>489,025</b>
<b>Expenditures:</b>				
Accounting	26,500	15,799	10,701	9,865
Advertising and marketing	3,000	3,050	(50)	4,994
Administrative expense	3,000	4,248	(1,248)	2,770
Bank fees	120	100	20	1,649
Computers	1,500	8,487	(6,987)	5,778
Contracted services	6,264	3,407	2,857	3,275
Dues and memberships	3,500	2,415	1,085	3,640
Education and training	6,500	3,866	2,634	6,212
Insurance	5,400	7,805	(2,405)	6,295
Internet	4,550	4,319	231	4,668
Legal services	18,000	18,789	(789)	4,196
Miscellaneous	-	7,083	(7,083)	637
Office supplies	3,800	3,137	663	3,400
Postage	900	731	169	611
Rent	13,590	10,231	3,359	13,505
Salaries and benefits	312,950	318,431	(5,481)	303,044
Travel	11,250	1,616	9,634	6,148
Website	1,000	845	155	845
GV-HEAT program expense	145,000	104,257	40,743	64,479
SFOO Rehabilitation program expenses	30,000	1,898	28,102	-
Donations	-	25,924	(25,924)	-
Debt payments	-	-	-	100,000
Issuance of loan	-	-	-	100,000
Capital outlay	38,865	-	38,865	-
<b>Total Expenditures</b>	<b>635,689</b>	<b>546,438</b>	<b>89,251</b>	<b>646,011</b>
<b>Change in Fund Balance</b>	<b>-</b>	<b>150,638</b>	<b>150,638</b>	<b>(156,986)</b>
<b>Fund Balance - Beginning of Year</b>	<b>239,548</b>	<b>496,520</b>	<b>256,972</b>	<b>653,506</b>
<b>Fund Balance - End of Year</b>	<b>239,548</b>	<b>647,158</b>	<b>407,610</b>	<b>496,520</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**



**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**

**I. Summary of Significant Accounting Policies**

Gunnison Valley Regional Housing Authority (the "Authority") is a multi-jurisdictional housing authority created to effect the planning, financing, acquisition, construction, reconstruction or repair, maintenance, management, and operation of housing projects or programs pursuant to a multi-jurisdictional plan to provide: (a) dwelling accommodations at rental prices or purchase prices within the means of families of low or moderate income; and (b) affordable housing projects or programs for employees of employers located within the jurisdiction of the Authority.

The creation of the Authority was authorized via an Intergovernmental Agreement executed effective July 1, 2012, with operations commencing in 2013. Participating municipalities include Gunnison County, Colorado; the City of Gunnison, Colorado; the Town of Crested Butte, Colorado; and the Town of Mount Crested Butte, Colorado. The agreement is further explained in footnote V.C. to these financial statements.

The Authority is governed by an appointed nine-member Board of Directors (the "Board"): two appointed by the Gunnison County Board of County Commissioners; two appointed by the City Council of the City of Gunnison; two appointed by the Town Council of the Town of Crested Butte; two appointed by the Town Council of the Town of Mount Crested Butte; and an "at-large" member appointed by the Board.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for the establishment of GAAP for governmental entities. The following summary of the more significant accounting policies of the Authority is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government, i.e., the Authority, and (b) organizations for which the Authority is financially accountable. The Authority is considered to be financially accountable for a legally separate organization if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority. Consideration is also given to other organizations that are fiscally dependent, i.e., unable to adopt a budget, levy tax, or issue debt without approval by the Authority. Organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The Authority is the sole member of Anthracite Place (Manager), LLC ("AP(M) LLC"). AP(M) LLC was organized in December 2014 as a Colorado limited liability company to assist and participate in the development of Anthracite Place Apartments, a 30-unit housing development in Crested Butte, Colorado.

The Authority is the sole member of MCGC, LLC. MCGC, LLC was organized in April 2019 as a Colorado limited liability company to assist and participate in the development of GardenWalk, a 36-unit housing development in Gunnison, Colorado.

Separate financial statements are not prepared for AP(M) LLC or MCGC, LLC, as they are reported within the General Fund as blended component units of the Authority. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements**

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental (i.e., normally supported by taxes and intergovernmental revenues) or business-type (i.e., relying to a significant extent on fees and charges for support) activities. Currently, the Authority performs only governmental activities.

In the Governmental Fund Balance Sheet / Government-wide Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts – investment in capital assets, restricted and unrestricted.

The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The Authority reports only one fund – the General Fund - which accounts for all activities of the government. Contributions and other sources of revenue used to finance the fundamental operations of the Authority are included in this fund.

**C. Measurement Focus and Basis of Accounting**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

**1. Long-term Economic Focus and Accrual Basis**

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (i.e., 60 days). Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

**D. Financial Statement Accounts**

**1. Cash and Investments**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty, and investments with original maturities of three months or less.

The Authority follows Colorado state statutes as an investment policy, which permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Treasury obligations (maximum maturity of 60 months)
- Federal instrumentality securities (maximum maturity of 60 months)
- FDIC-insured certificates of deposit (maximum maturity of 18 months)
- Corporate bonds (maximum maturity of 36 months)
- Prime commercial paper (maximum maturity of 9 months)
- Eligible banker's acceptances
- Repurchase agreements
- General Obligations and Revenue Obligations
- Local government investment pools
- Money market mutual funds

**2. Receivables**

Receivables are comprised of amounts due from other governments or entities for management fees, development fees, and loans receivable, together with related interest, and are reported net of an allowance for uncollectible accounts. At December 31, 2020, the Authority recorded an allowance of \$25,475 related to certain loans receivable. The Authority considers all other receivables to be collectible.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**3. Capital Assets**

Capital assets are defined by the Authority as assets with an initial cost of \$500 or more. Purchased assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Buildings and improvements, infrastructure, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<b>Asset</b>	<b>Estimated Useful Life (Years)</b>
Vehicles, furniture and equipment	5 - 7 years
Buildings and improvements	15 - 30 years

**4. Fund Balance**

Governmental accounting standards establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity as to the level of restriction; such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund, and should be the only fund that reports a positive unassigned balance. In all other funds, unassigned fund balance is limited to negative residual fund balance.

The Authority classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or its management designees.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**4. Fund Balance (continued)**

The Authority uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar-for-dollar spending. Additionally, the Authority first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Authority has adopted and committed a minimum fund balance policy in an amount of three months of average operating expenses.

**5. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**II. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

The Authority's financial statements include a reconciliation between governmental funds total fund balance and net position of governmental activities as reported in the government-wide Statement of Net Position. The Authority adds assets including \$163,190 in development fee receivable, \$2,946,494 in long-term notes and loans receivable, \$562,547 in accrued interest on development fee receivable and notes receivable, \$200 for investments, and net capital assets of \$9,327. The Authority adds liabilities of \$7,608 for accrued vacation payable.

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities**

The Authority's financial statements also include a reconciliation between the net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide Statement of Activities. Revenues increased \$112,277 for accrued interest on development fee receivable and long-term notes receivable, \$427,500 for a grant used to fund a long-term note receivable, \$1,510,320 to reflect the contributed loans portfolio, and decreased \$96,452 for principal payments on the loans receivable. Expenditures decreased \$3,160 for changes in accrued vacation payable, increased \$2,332 for depreciation expense, and increased \$25,475 or bad debt expense.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability**

**A. Budgets and Budgetary Accounting**

In the fall of each year, the Board formally adopts a budget with appropriations by fund for the ensuing year pursuant to the State of Colorado's *Local Government Budget Law* statutes. The budget for the governmental fund is adopted on a basis consistent with GAAP.

The Authority followed this process in preparing, approving, and enacting its budget for fiscal year 2020:

- (1) On or before October 15, 2019, the Authority submitted to the Board a recommended budget that detailed the revenues necessary to meet the Authority's operating requirements.
- (2) After appropriate public notice and a required public hearing, the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year on or before December 15, 2019.
- (3) After adoption of the initial budget resolution, the Authority may make the following changes: (a) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (b) it may approve emergency appropriations; and (c) it may reduce appropriations for which originally estimated revenues are insufficient.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The Authority has reserved \$25,000 of the December 31, 2020 fund balance in the General Fund for this purpose.

The Authority's management believes it is compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

Colorado's Public Deposit Protection Act (the "PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. 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 the aggregate uninsured deposits.

The Federal Deposit Insurance Corporation (the "FDIC") insures the first \$250,000 of the Authority's interest-bearing deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by the PDPA. The Authority's deposits at December 31, 2020 are entirely covered by the FDIC or by the PDPA.

At December 31, 2020, the carrying value of the Authority's deposits was \$737,461 and the bank balance of these accounts was \$741,651. The difference between carrying and bank balances represents items that had not cleared the bank at year-end.

At year-end, the Authority had the following cash and investments, with the following ratings and maturities:

<u>Type</u>	<u>Standard &amp; Poors Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less than One Year</u>	<u>One to Five Years</u>
<i>Deposits:</i>				
Petty cash	Not Rated	\$ 100	\$ 100	\$ -
Checking	Not Rated	342,145	342,145	-
Savings and money market	Not Rated	395,216	395,216	-
<b>Total</b>		<u>\$ 737,461</u>	<u>\$ 737,461</u>	<u>\$ -</u>

The Authority's cash and investments are presented on the Balance Sheet / Statement of Net Position at December 31, 2020 as follows:

Cash and investments	\$ 614,004
Cash and investments - Restricted	<u>123,457</u>
<b>Total</b>	<u>\$ 737,461</u>

**B. Development Fee Receivable**

Effective July 1, 2015, the Authority entered into a Development Agreement with Anthracite Place Apartments, LLC ("APA LLC"), pursuant to which the Authority was to oversee the development of the Anthracite Place Apartments rental housing project (the "APA Project") in Crested Butte, Colorado. The APA Project qualifies for the federal low-income housing project tax credit program. In return for its services, APA LLC is to pay the Authority a development fee totaling \$770,000 as the APA Project is developed and constructed. Through 2020, the Authority has received a total of \$606,810 from the development fee earned upon completion of the Project development in 2016, with the remaining \$163,190 reflected as a receivable at December 31, 2020.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**B. Development Fee Receivable (continued)**

As provided in the Development Agreement, unpaid development fee amounts due to the Authority accrue interest at 9% per annum, and are to be paid from Net Cash Flow of the APA Project. Total accrued interest on the unpaid development fee receivable as of December 31, 2020 was \$58,748.

**C. Long-Term Note Receivable – Anthracite Park Apartments, LLC**

Effective July 15, 2015, the Authority and APA LLC executed a Loan Agreement, pursuant to which the Authority loaned APA LLC the principal amount of \$1,030,600 to fund certain APA Project development costs. The loan, which is secured by a Deed of Trust encumbering the APA Project, is subordinate to a Low Income Housing Land Use Agreement in favor of Colorado Housing and Finance Authority (“CHFA”). Interest accrues on the unpaid principal amount at 8.5% per annum, and the principal balance, together with accrued interest, is payable on or before maturity on July 1, 2047. The loan is payable solely from the APA Project’s Net Cash Flow, as defined. The outstanding principal balance of the loan and accrued interest at December 31, 2020 were \$1,030,600 and \$493,206, respectively.

**D. Long-Term Notes Receivable – Rural Housing of Gunnison, LP**

Effective September 19, 2019, the Authority and Rural Housing of Gunnison, LP (“RHG LP”) executed a Loan Agreement, pursuant to which the Authority loaned RHG LP the principal amount of \$100,000 to fund the construction and operation of the GardenWalk affordable housing development (the “GW Project”). The loan is secured by second position Deed of Trust on the GW Project, which will become a third position Deed of Trust upon the GW Project’s conversion to permanent financing. The loan is subordinate to a Low Income Housing Land Use Agreement in favor of CHFA. Interest accrues on the unpaid principal amount at 2.21% per annum, and the principal balance, together with accrued interest, is payable on or before maturity on August 31, 2036. The loan is payable solely from the GW Project’s Cash Flow, as defined. The outstanding principal balance of the loan and accrued interest at December 31, 2020 were \$100,000 and \$2,827, respectively.

Effective September 17, 2019, the Authority and RHG LP executed a Loan Agreement, pursuant to which the Authority loaned RHG LP the principal amount of \$450,000 to fund the construction and operation of the GW Project. The loan is secured by third position Deed of Trust, which will become a fourth position Deed of Trust upon the GW Project’s conversion to permanent financing. The loan is subordinate to a Low Income Housing Land Use Agreement in favor of CHFA. Interest accrues on the unpaid principal amount at 2.21% per annum, and the principal balance, together with accrued interest, is payable on or before maturity on August 31, 2049. The loan is payable solely from the GW Project’s Cash Flow, as defined. The loan is also subject to the terms, funding, and conditions of the Authority’s Housing Development Grant (“HDG”) agreement with Colorado Department of Local Affairs / Division of Housing (“CDOH”). During 2020, the Authority received and subsequently loaned to RHG LP \$427,500 of the total HDG funding from CDOH. The remaining \$22,500 will be received from CDOH and advanced to RHG LP upon completion of the GW Project in accordance with the HDG agreement. The outstanding principal balance of the loan and accrued interest at December 31, 2020 were \$427,500 and \$7,765, respectively.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Community Development Block Grant (“CDBG”) Loans Receivable**

Effective February 1, 2020, the Authority entered into an agreement with CDOH, pursuant to which CDOH transferred to the Authority a revolving loan portfolio totaling \$1,510,320 and previously managed by Delta Housing Authority. As of December 31, 2020, the outstanding balance of these loans was \$1,413,868.

**F. Investments**

The Authority accounts for the following investments using the equity method of accounting and is reported as of December 31, 2020, which is the date of the recent financial statements of these entities.

**1. Anthracite Place Apartments, LLC**

AP(M) LLC – of which the Authority is the sole member – is the managing member of APA LLC. Pursuant to APA LLC’s Amended and Restated Operating Agreement, AP(M) LLC is to be allocated 0.01% of all profits, losses, and tax credits realized by APA LLC.

**2. Rural Housing of Gunnison, LP**

MCGC, LLC – of which the Authority is the sole member – is the Class B Special Limited Partner in RHG LP. Pursuant to RHG LP’s Amended and Restated Operating Agreement of Limited Partnership, MCGC, LLC is to be allocated 0.01% of all profits, losses, and tax credits realized by RHG LP.

**G. Capital Assets**

At December 31, 2020, the Authority had the following capital assets:

	<b>12/31/19</b>				<b>12/31/20</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>		<b>Balance</b>
<i>Governmental Activities:</i>					
Capital assets being depreciated:					
Vehicles	\$ 16,323	\$ -	\$ -		\$ 16,323
Less accumulated depreciation for:					
Vehicles	(2,332)	(4,664)	-		(6,996)
<b>Governmental Activities</b>					
<b>Capital Assets, net</b>	<b>\$ 13,991</b>	<b>\$ (4,664)</b>	<b>\$ -</b>		<b>\$ 9,327</b>

**H. Related Party Transactions**

Effective July 1, 2015, the Authority executed a Property Management Agreement with APA LLC, pursuant which the Authority is to provide exclusive rental and property management services with respect to the APA Project. In return, the Authority is to receive a management fee equal to 6% of annual APA Project gross revenues plus the amount of overhead and benefits applicable to the Authority’s staff directly involved with the management of the APA Project.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**H. Related Party Transactions (continued)**

For 2020, the Authority received management fees of \$16,996 and administration fees of \$23,796 from APA LLC under the terms of the Property Management Agreement. The Authority has the following amounts due to / from APA LLC at December 31, 2020:

Due from APA LLC	\$	-
Due to APA LLC		(91)
		(91)
<b>Due from (to) APA LLC</b>	<b>\$</b>	<b>(91)</b>
		(91)

**I. Accrued Compensated Absences**

Earned but unused vacation and sick leave benefits are recorded as expenses and liabilities when incurred in the government-wide financial statements. The Authority accrues vacation and sick leave according to its personnel policy. All eligible employees are to be paid for accumulated vacation at the time of separation from the Authority at the average hourly rate received by the employee during the last three years of employment. Sick leave is paid at 33.33% of up to 720 hours for employees with up to 15 years of service, and 50% for up to 720 hours for employees with over 16 years of service. The accumulated balance of the Authority's accrued vacation and sick leave at December 31, 2020 was \$7,608.

**V. Other Information**

**A. Legal Claims**

During the normal course of business, the Authority incurs claims and other assertions against it from various agencies and individuals. Management of the Authority and their legal counsel feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2020.

**B. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; and errors and omissions. The Authority has obtained coverage through commercial insurers for these risks and claims, if any, which are not expected to exceed covered amounts.

**C. Intergovernmental Agreement**

Effective July 10, 2012, Gunnison County, the City of Gunnison, the Town of Crested Butte, and the Town of Mount Crested Butte executed an intergovernmental agreement (the "IGA") to establish the Authority. The IGA is to remain in effect indefinitely but can be terminated by approval of 75% of the Authority's Board. The IGA was amended effective August 15, 2017 to provide a five-year funding plan for the Authority, beginning in 2018.

**Gunnison Valley Regional Housing Authority**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**V. Other Information (continued)**

**C. Intergovernmental Agreement (continued)**

Pursuant to the amendment to the IGA, the organizing parties have agreed to fund the Authority according to the agreement in the following amounts in 2020:

Gunnison County	\$ 93,500
City of Gunnison	58,750
Town of Crested Butte	58,750
Town of Mt. Crested Butte	<u>53,500</u>
<b>Total</b>	<u><u>\$ 264,500</u></u>

**D. Unconditional Guaranty**

The Authority has executed an Unconditional Guaranty in favor of U.S.A. Institutional Tax Credit Fund XCVII L.P. (the "Investor Member") and APA LLC, whereby the Authority guaranties the obligations of AP(M) LLC as Managing Member under APA LLC's Amended and Restated Operating Agreement by ensuring that the collective Net Worth and Liquidity of the Authority ("Guarantor") exceeds and will continue to equal or exceed \$150,000 annually for the remainder for the 15-year Tax Credit Compliance Period for the APA Project. The Authority believes it is in compliance with the terms of the Unconditional Guaranty.

**E. Lease Agreement**

Effective January 2013, the Authority entered into a lease agreement with Gunnison County for use of office space. The original lease term expired in December 2015 but was subsequently extended. Effective March 2018, the Authority and Gunnison County executed a new lease for the office space, with a term running through February 2020, unless otherwise extended or terminated by the parties. The lease calls for the Authority to pay monthly rent of \$850 during the lease term. The Authority expects to extend the lease term.